Pension Board

Monday, 13 June 2022 at 10.00 a.m. Committee Room One - Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

Supplemental Agenda

8. REPORTS FOR CONSIDERATION

8 .1 ESG, Voting, Engagement and Stewardship Update (Pages 3 - 44)

8 .2 Draft Pension Fund Triennial Valuation Assumptions (Pages 45 - 98)

8 .3 Tower Hamlets Pension Fund Business Plan 2022/23 to 2024/25 (Pages 99 - 114)

8 .4 Quarterly Update Risk Register and Risk Policy (Pages 115 - 138)

8 .5 Pensions Administration and LGPS Quarterly Update – March 2022 (Pages 139 - 148)

8 .6 Update on pension fund accounts audit (verbal update)

11. EXCLUSION OF PRESS AND PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion: “That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act,1972.”

EXEMPT SECTION (Pink Papers)
The exempt committee papers in the agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please post them to the

Democratic Service Office, 1st Floor, Mulberry Place London E14 2BG or hold onto the papers until such time you can return to the Town Hall and dispose of the papers in the confidential bins.

11 .2 Net Zero Target implications and Decarbonisation Plan (Pages 149 - 182)

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Non-Executive Report of the: **Pensions Committee** Thursday, 27 June 2022	TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources	**Classification:** Unrestricted
ESG, Voting, Engagement and Stewardship Update	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

This report provides the Committee with an overview of the stewardship activity carried out by Tower Hamlets Pension Fund's investment managers and on its behalf by Local Authority Pension Forum (LAPFF) in the quarter ending March 2022.

Recommendations:

The Pensions Committee is recommended to:

1. Note content of this report and appendices.

1. REASONS FOR THE DECISIONS

1.1 The exercise of voting rights and engagement with investee companies are a key path of the Fund's role as a long-term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

2. ALTERNATIVE OPTIONS

2.1 There is no alternative approach. The Fund invests mainly in pooled structures. By nature of these structures, voting is exercised by the investment manager rather than directly by the Fund. The Fund would remain a member of Local Authority Pension Fund Forum (LAPFF) to ensure the Fund's Responsible Investment (RI) approach is exercised via engagement.

3. DETAILS OF THE REPORT

3.1 The move to a pooled structure continues to impact this arrangement as voting rights are exercised at pool or underlying manager level rather than

Fund level. The Fund works with London Collective Investment Vehicle (LCIV) to ensure its views through the exercise of voting rights through the investments it manages on its behalf.

3.2 This report includes two appendices which are set out below to ensure that the Pensions Committee and Pensions Board are aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and engagement activities of Local Authority Pension Fund Forum (LAPFF)

- LAPFF Q4 2021 report (Appendix 1)
- LGIM ESG Impact report (Appendix 2)

LAPFF Engagement Summary

3.3 LAPFF engagement takes place in the form of sending correspondences, issuing alerts, meetings, press releases, attending company, site visitations and community engagement. LAPFF engaged with various companies during the quarter on a range of topics including:

- Social Risk
- Finance and Accounting
- Employment Standards
- Audit Practices
- Governance (General)
- Environmental Risk
- Human Rights
- Climate Change

3.4 Appendix 1 to this report details the Forum's activity during the quarter, Climate Change, Human Rights, Employment Standards, Governance and Audit Practices were some of the main engagement themes during the quarter. The Forum engaged with 50 companies during the quarter while engagement took the form of alerts, correspondences issued and received as well as meetings with Chairpersons, Specialist staffs, Executive directors, CEO's and Non-Executive Directors.

LAPFF Company Engagement

3.5 Although LAPFF is engaged in a range of company engagements reporting is limited to companies which the Fund is invested in via pooled funds.

LAPFF now has a meeting set with **Novartis** for the first week of April to discuss the company's business strategy and business model in a post-pandemic world. This will be the third such meeting with a pharmaceutical company after similar meetings with Roche and AstraZeneca. **Sanofi** has responded with a generic letter about its business model and strategy in the context of Covid, so LAPFF will follow up and request a meeting.

Nes*tlé*

LAPFF attended an investor roundtable with Nestlé this week. The company provided a brief overview of its work and progress across a broad range of ESG topics. Investors asked questions about nutrition, the company's net zero targets, mergers & acquisitions, regenerative agriculture, the company's commitment to the living wage, and a range of other topics. Notable comments included that Nestlé had a poor score on indicator 7 of the CA100+ benchmark last year, relating to the company's climate policy engagement.

Collaborative Engagement

3.6 Starbucks - The collaborative investor letter to Starbucks calling for the company to respect the right for workers to bargain collectively has garnered $3.4 trillion assets under management in support to date. There is now a National Labor Relations Board complaint against Starbucks on this issue.

Socio Economic Diversity Taskforce

3.7 Tower Hamlets Pension Fund Board Member John Gray also LAPFF Vice Chair was appointed to the advisory board of the Socio-Economic Diversity Taskforce last year. The Taskforce has already held a number of roundtables and interviews to try and understand how government, regulators and sector bodies can create incentives for employer action in increasing socio-economic diversity at senior levels in the sector. LAPFF members now have an opportunity to join the dialogue and contribute directly to an industry consultation at a roundtable discussion.

Ukraine

3.8 LAPFF issued a statement on the situation in Ukraine and solidarity with the people of Ukraine. The situation has highlighted a number of issues:

- Humanitarian and human rights
- Governance
- Environmental perspective highlighting the world's reliance on fossil fuels
- Social l

Ukraine engagement cover other engagement activities including collaborative engagements, collaborative investor, and community meetings.

Occupied Palestinian Territories (OPT) Engagement Update

3.9 LAPFF continues engagement with companies appearing on the UN list as having Business in the OPT. The Forum is also reviewing the recent letter from the UN Rapporteur and its applicability to LGPS funds. An update on this work will be published in the next quarter.

LAPFF recently met with Booking Holdings who have recently published their human rights statement. The company's approach to its activities in the OPT and other conflict zones such as Ukraine were discussed. The company realises it has more work to be done on its approach to human rights.

Voting Activities

3.10 Voting takes place during company meetings such as Annual General meeting (AGM), Special General meeting or Extra Ordinary General Meeting. Meetings are initiated by either management or shareholders as the case may be.

3.11 London CIV (BG) Global Alpha Growth Paris Aligned fund– Voting activity and company engagement over the quarter. A total of 28 resolutions across 3 companies was cast. The manager cast 23 votes FOR, 3 votes cast Against, and No votes cast for 2 resolutions.

Updates on previous quarter queries voting data
London CIV was contacted and able to confirm that of the 10 companies, votes were cast in respect of 2 and issues of delays in Ballots coming through due to changes in voting systems may have resulted in missed opportunity to vote for others. LCIV have since responded that the issue was due to a delay in the proxy set up by their custodian Northern Trust which meant ballots were not being routed to ISS the LCIV voting agent until after 16 November 2021. As a result, LCIV did not make recommendations to the manager for these meetings. This has now been set up properly ahead of the voting season.

3.12 LCIV (Ruffer) Absolute Return fund – Votes were cast in 11 companies across 6 countries. The manager cast votes in 181 resolutions, 172 of which all were votes cast FOR while 9 votes were cast Against. Meetings during the quarter were AGM's and written consent. The written consent was with Ruffer Illiquid Multi Strategies Fund 2015 Ltd.

3.13 LCIV (RBC) Sustainable Equity fund – The manager participated in 17 resolutions in 1 company during the quarter. 10 votes cast For, none cast Against and 7 No Votes. Majority of resolutions related to director election. Votes against where in respect of executive compensation, report on pay disparity and corporate governance. The table below shows the details of resolutions cast against.

Company Name	Meeting Type	Meeting Date	Proposal Code Category	Votable Proposa	Proposal Text	Vote Instruct
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Open Meeting	
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Call the Meeting to Order	
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Designate Inspector or Shareholder Representative(s) of Minu	
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Acknowledge Proper Convening of Meeting	
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Prepare and Approve List of Shareholders	
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Receive Financial Statements and Statutory Reports; Receive	
Neste Corp.	Annual	30-Mar-22	Routine/Business	Yes	Accept Financial Statements and Statutory Reports	For
Neste Corp.	Annual	30-Mar-22	Routine/Business	Yes	Approve Allocation of Income and Dividends of EUR 0.82 Per	For
Neste Corp.	Annual	30-Mar-22	Directors Related	Yes	Approve Discharge of Board and President	For
Neste Corp.	Annual	30-Mar-22	Non-Salary Comp.	Yes	Approve Remuneration Report (Advisory Vote)	For
Neste Corp.	Annual	30-Mar-22	Directors Related	Yes	Approve Remuneration of Directors in the Amount of EUR 78,	For
Neste Corp.	Annual	30-Mar-22	Directors Related	Yes	Fix Number of Directors at Nine	For
Neste Corp.	Annual	30-Mar-22	Directors Related	Yes	Reelect Matti Kahkonen (Chair), John Abbott, Nick Elmslie, M	For
Neste Corp.	Annual	30-Mar-22	Routine/Business	Yes	Approve Remuneration of Auditors	For
Neste Corp.	Annual	30-Mar-22	Routine/Business	Yes	Ratify KPMG as Auditors	For
Neste Corp.	Annual	30-Mar-22	Capitalization	Yes	Authorize Share Repurchase Program	For
Neste Corp.	Annual	30-Mar-22	Routine/Business	No	Close Meeting	

3.14 LCIV (BG) Diversified Growth fund – Stewardship voting activities during the quarter involved 16 companies across 7 countries. A total of 133 resolutions were voted on. 115 were voted For and 14 were voted NO votes, 4 votes Against. Meeting types included AGM, Extraordinary GM, Ordinary GM and scheme meetings. Majority of voting involved resolutions.

13 of the NO Votes related to Blackrock Asian High Yield Bond Fund and the same was provided by the manager - due to the practice known as “Blocking” – the rules in some markets which restrict the manager from selling the company’s shares during the period between the votes being cast and the date of the meeting. One NO vote in in respect of BG Worldwide Global Strategic Bond Fund C USD Acc with the reason for NO vote being due to adherence with Baillie Gifford’s Conflict of Interest Policy.

Company Name	Country	Meeting Date	Meeting Type	Proposal Label	Proposal Text	Proposed E	Instruction	Reason for Vote
BG Worldwide Global Strategic Bond Fund C USD Acc	Ireland	25-Feb-22	Extraordinary General Meetin	1	Articles of Association	Management	No Vote	No vote - we did not vote due to adherence with our Conflicts of Interest Policy.
Blackrock Asian High Yield Bond Fund	Luxembourg	18-Feb-22	Annual General Meeting	1	Appoint/Pay Auditors	Management	No Vote	We did not vote due to the practice known as "blocking" - the rules in some markets which restrict us from selling your shares during the period between the votes being cast and the date of the meeting.
	Luxembourg	18-Feb-22	Annual General Meeting	2	Allocation of Income	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	3	Discharge of Board	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	4	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	5	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	6	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	7	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	8	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	9	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	10	Director Related	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	11	Elect Director(s)	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	12	Remuneration - Non-Executive	Management	No Vote	
	Luxembourg	18-Feb-22	Annual General Meeting	13	Appoint/Pay Auditors	Management	No Vote	

3.12 LGIM Low Carbon funds – Stewardship voting activities during the quarter involved 124 companies across 21 countries. A total of 2,036 resolutions were voted on across a combination of annual, extraordinary, ordinary, court, special, and other meetings. Resolutions covered a very wide range of categories including capitalisation, Health and safety, climate change Human rights, reorganisations and mergers, director related, corporate governance and social proposals. The manager cast 378 votes Against the resolution, 1,527 For, Votes allowing only one year for the resolution 1, 25 Withheld

resolutions, Abstain 31 and 74 non-voting items. LGIM ESG Impact report for the quarter is attached as appendix 2 to this report. The manager has been contacted to provide reasons for instances of 74 decision votes.

Voting Alert Variances

3.13 Table below shows voting alert variances during the quarter.

LAPFF Voting Alerts Quarter Ending March 22

Company / Resolutions	LCIV DGF	LCIV Ruffer	LCIV Paris	LCIV RBC	LGIM
Apple INC • Elect Director Andrea Jung **Abstain** • Elect Director Art Levinson **FOR** • Elect Director Monica Lozano **FOR** • Elect Director Ron Sugar **FOR** • Elect Director Sue Wagner **FOR** • Ratify Ernst & Young LLP as Auditors **FOR**	n/a	n/a	n/a	n/a	Against Against For Against For For
RIO TINTO • Annual Report **Oppose** • Renumeration Report Implementation **Oppose** • Renumeration Report **Abstain** • Re-elect Megan Clark AC **Oppose** • Climate Action Plan **Oppose**	n/a	n/a	n/a	n/a	n/a

3.14 During the quarter, the Forum issued 2 voting alerts.

Apple - The voting alert focused on shareholder proposals on human rights. The alert recommended that members vote in favour of improved transparency reporting on the removal of apps following concerns about freedom expression in China, reporting on policies and procedures to protect against forced labour, and undertaking a civil rights audit. The alert also recommended supporting shareholder proposals for clearer reporting on gender and ethnic pay gaps and assessing risks of workplace concealment clauses.

Rio Tinto - The alert recommended that LAPFF members oppose the annual report, the remuneration report implementation, the re-election of Megan Clark, and the company's climate action plan. There was a recommendation to abstain on the remuneration report. The recommendation to oppose the annual report was based on concerns that Rio Tinto had not adequately reported the risk of community relations considerations at its Resolution

Copper joint venture in Arizona, had not adequately set out a just transition strategy, and had not adequately considered whether the company's auditors were taking account of climate risk in appointing the auditors

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equalities implications from this report.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 Risk Management Implications
The rigorous robust management of London Borough of Tower Hamlets Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.

Ensuring good governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 This is a noting report and there are no direct financial implications as a result of the contents of this report.

6.2 The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long-term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

6.3 Poor corporate governance and unsustainable business practices can impact on share prices and increases in the risk that the Fund experience a loss of value in its investments in the future.

7. COMMENTS OF LEGAL SERVICES

7.1 [The Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 Regulation 7 requires Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of:

- The authority's policy on how social, environmental and corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments.
- The authority's policy on the exercise of the rights (including voting rights) attaching to investments.

7.2 This report provides information demonstrating that investment activity is occurring in line with the Investment Strategy

7.3 In addition, Government guidance on the preparation and maintenance of the Investment Strategy Statement states that Administering Authorities should explain their policy on stewardship with reference to the Stewardship Code, the seven principles of which apply on a 'comply or explain' basis.

7.4 When carrying out its functions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
  None

Appendices

- LAPFF Q4 2021 report (Appendix 1)
- LGIM ESG Impact report March 22 (Appendix 2)

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report

- NONE.

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Quarterly Engagement Report

January-March 2022

Ukraine, UK Endorsement Board, Mining & Human Rights, AstraZeneca, Chipotle

Local Authority Pension Fund Forum

LAPFF Statement on Ukraine

LAPFF has expressed its profound sadness and solidarity with the people of Ukraine following the Russian invasion. On top of humanitarian and human rights concerns, the war is raising the prospect that Russia and Russian companies have become virtually uninvestable. LAPFF's approach to responsible investment and environmental, social, and governance (ESG) impacts is being put to the test as never before.

From a governance perspective, it is clear that the Russian government is incapable of ensuring a legal framework that respects the rule of law, destabilising incentives for Russian companies to operate in a certain, sustainable environment. The companies themselves face increasing sanctions, including a ban on the importation of Russian oil into the US. Foreign companies likewise face sanctions on investing in Russia and Belarus and challenges in determining when and how to withdraw from Russia. These challenges seem unlikely to be resolved, even with an end to hostilities.

From an environmental perspective, the invasion of Ukraine has highlighted the problem with the world's reliance on fossil fuels. It is clear that an orderly fair and just transition to renewables, as quickly as possible, is critical not only for environmental, social, and financial reasons, but also for global security.

From a social perspective, as Russia is increasingly shut off from the rest of the world, both through sanctions and through the level of outrage expressed globally at the Russian invasion, it is expected that Russian firms will face increasing difficulties in operating effectively and in securing staff. It is also foreseeable that to the extent foreign companies are able to maintain their operations in Russia, notwithstanding sanctions, these companies will face increased social challenges, including maintaining staff levels and morale. This is apart from the reputational hit to any company associated with Russia due to humanitarian and human rights abuses committed in the course of the war.

Alongside these unsettling developments, the proposed Jenrick Amendment poses an additional risk of uncertainty to LGPS investment opportunities in Russia. The war in Ukraine highlights concerns for responsible investors – and others – that the proposed amendment will create confusion for investors about how to undertake responsible investment in relation to ESG issues. This confusion pertains both to Russia and more broadly.

Other systemic contextual challenges include what we hope is the transition from Covid being pandemic to its being endemic sometime soon and an ever-shortening time frame to mitigate and adapt to the climate catastrophe.

LAPFF has sought to use its financial clout to improve the world for over 30 years now. This work cannot take place in isolation and will not always be successful, but we have learned that persistence, consistency, and determination do lead to positive outcomes.

COMPANY ENGAGEMENTS

UK Endorsement Board (IFRS17)

Objective: The UKEB is the new body to approve international accounting standards (IFRS) for use in the UK, post-Brexit. The prior arrangement under the EU had led to unsatisfactory outcomes, essentially due to Big 4 capture of the endorsement process obfuscating the law. The position regarding UK law should be clearer. The objective therefore is to ensure that the UKEB follows the law (UK law follows the drivers of going concern, in both the numbers and internal control). The international model under the auspices of the Big 4 incorporates defensive assertions that are contrary to UK law.

A problem is the composition of the UKEB, which contains people carried over from the prior FRC Accounting Standards Board's approval of IFRS, including Big 4 defence and lobbying interests. There is no credible asset owner representation. The first standard up for endorsement is IFRS 17 and there are public concerns that the UKEB has pre-decided the outcome and that endorsement processes are a rubber-stamping exercise. The defects in IFRS are well known to LAPFF in the context of banking collapses, the insolvency of Carillion and the incidence of frauds, such as Patisserie Valerie. A recurring theme is dressing up the lack of prudence as a virtue, when the outcomes are numbers more flattering to the wishes of management.

Achieved: Baroness Bowles has tabled over a dozen Parliamentary Questions dealing with the governance of the UKEB, as technical matters. As also covered in the Times, her questions have included extracts from emails a journalist obtained. They stated that the member of the UKEB, a solicitor, had sought to use a barrister with an acknowledged conflict to act "behind the scenes". The LAPFF Chair wrote to the Chief Executive of the Financial Reporting Council which has responsibility for oversight of the UKEB. As a result of that letter a meeting of the LAPFF chair was held with the civil servant responsible for the UKEB and FRC.

In Progress: The discussions with BEIS are likely to continue. The core issue is simple. The accounting and auditing framework is there for shareholder and creditor protection, and auditor liability settles on that basis, but the IFRS model doesn't fit that model. The problem is that the IFRS model lacks the crucial ingredients to determine whether a company is a going concern or not.

Shell

Objective: Further to LAPFF's position on Shell, which is one of scepticism about Shell's climate change plans, the Forum has sought improvement in the plan and its delivery against targets. Shell does not have a 1.5°C plan, which would require both time dependent actions and a carbon budget (the total future emissions over time). Shell instead has vague aspirations of 'net zero' by 2050 which doesn't cover the necessary emissions reductions prior to 2050, and which is: i) dependent on customers, and ii) relies on vague offsets, such as Carbon Capture and Storage (CCS) and trees.

Achieved: A joint meeting with CA100+ members and the CEO of Shell was held in March 2021, which was the first meeting after the decision of the Dutch Court in May 2021 which also concluded that Shell's plans were not adequate. There was no discernable shift in either the strategy or the path to limiting global warming to 1.5°C. But there now appears to be more scepticism in line with the LAPFF position from asset managers and owners that had previously been supportive of the Shell plans in 2021.

In Progress: The war in Ukraine has highlighted that in addition to climate change problems oil and gas also carry problems with the security of supply, the ethics of supply and the volatile price (as opposed to cost) of oil and gas. These matters will be built into future LAPFF engagements. High fossil fuel costs also make already unviable CCS-type projects even less viable.

Total

Objective: LAPFF noted during the quarter that Total decided to divest from Myanmar after a presence in the country of around thirty years. This decision was taken just before the war in Ukraine began, and Total has subsequently been criticised by Greenpeace and Friends of the Earth for its position on Russia. Therefore, LAPFF was interested to understand how Total had taken its decisions in relation to the two challenging situations.

Achieved: Total's representative helpfully set out a detailed account of the company's decision to withdraw from Myanmar and the set of challenges the company faced in relation to Russia and Ukraine. The specific complications related to geopolitics and balancing human rights considerations with legal and financial obligations was very clear. Whatever view one takes on the conduct of companies in this position, they are at the crux of the tensions and decision-making in a practical way that most societal actors are not. This position poses both risks and opportunities for the companies involved, and has significant implications for investors, civil society, and the environment.

COMPANY ENGAGEMENTS

In Progress: It was agreed that LAPFF would engage further on this complicated topic.

BHP

Objective: BHP offered to arrange a meeting for LAPFF with the Renova Foundation to discuss how to progress the remaining houses to be built after the Samarco tailings dam collapse at Mariana, Brazil in 2015. Both BHP and Renova representatives joined the call.

Achieved: LAPFF had been concerned at the lack of progress regarding the housebuilding with only three houses (to a total of 10) being built during 2021. However, by the time the meeting had taken place, 47 houses had been built. LAPFF Chair, Cllr Doug McMurdo, made clear that even this improved progress was inadequate. However, the improvement was welcomed.

In Progress: There continues to be political and operational obstacles to making progress with the housebuilding. For example, obtaining permits for the houses is clearly an issue. Affected communities are also concerned that a programme to provide those still waiting for homes with existing houses rather than having to wait for new ones is a cop out by the companies and Renova. In contrast, the companies and Renova are saying that the community members who have taken up this offer have been pleased to do so. Therefore, all sides have a lot of work to do, and LAPFF will continue to engage the companies, Renova, and the affected communities to have everyone's needs met as soon as possible.

Freeport McMoran

Objective: Having met with a number of other mining companies, and extensively with BHP and Rio Tinto in relation to the Resolution Copper project in Arizona, LAPFF was keen to meet with Freeport McMoran, a mining company headquartered in Arizona. The aim was to better understand Freeport McMoran's approach to engaging with affected communities.

Achieved: As LAPFF had not met with the company before, the meeting was introductory to a large extent. However, LAPFF was pleased that within the first 15 minutes of the conversation, the topic of free, prior and informed consent was raised in the context of how important relationships with Indigenous communities are. Given LAPFF's mining and human rights report and the fact that Freeport has faced recent accusations of problems in community relations at its Emma B operations in New Mexico, it was helpful to hear the company's approach to community engagement. There was also a discussion about corporate governance in light of a number of recent board changes.

In Progress: LAPFF is keen to engage further with Freeport McMoran on its approach to community engagement and to build an engagement relationship similar to those it has established with other major mining companies.

Rio Tinto

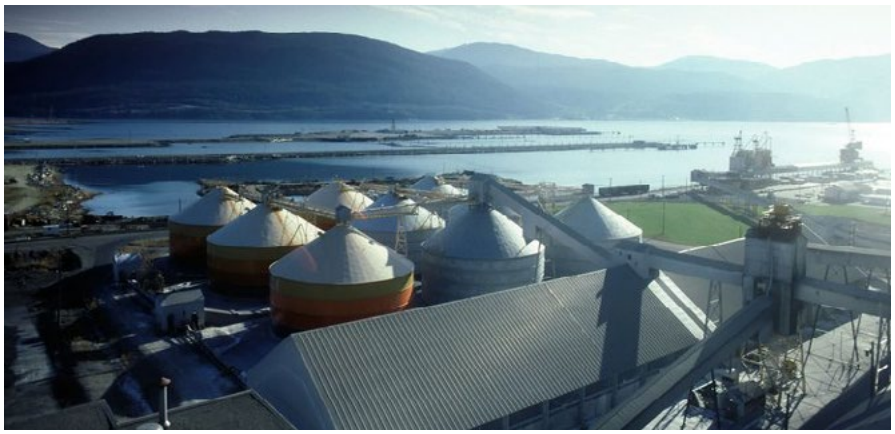
Objective: Rio Tinto reached out to LAPFF to offer a meeting with the company's Chief Financial Officer, Peter Cunningham. LAPFF met with Mr. Cunningham last year when he was still interim CFO and was pleased to re-connect now that he has been permanently in office for nearly a year. LAPFF's aim was to assess the extent to which Rio Tinto is accounting for social and environmental factors in its financial considerations.

Achieved: This meeting came not long after Rio Tinto bravely released publicly an independent investigation into the company's workplace culture. The findings were not flattering. However, it is encouraging to LAPFF that Rio Tinto has started to be more open about its social and environmental shortcomings as it is believed this openness will ultimately build a company that is financially resilient.

Sadly, the conversation turned to whether Rio Tinto has operations in Russia and Belarus as the war in Ukraine had just begun at the time of the meeting. Rio Tinto appears to be fairly resilient on this front, though it was noted that depending on how wide an impact the war ends up having, the company could be impacted indirectly.

LAPFF also heard about Rio Tinto's plans to hold a say on climate vote at the company's AGM, which will be held in person for the first time since the Covid pandemic began. After engaging with other company representatives, investors, and NGO commentators on the plan, LAPFF decided to advise members to oppose it on the basis that an appropriate timeframe for Scope 3 emissions reductions and a just transition were not adequately addressed in the transition plan.

In Progress: LAPFF considers that Rio Tinto has made good progress on practices to address carbon emissions, including engaging with business customers on technologies to decarbonise steel and aluminum production, and on human rights practices, but the company has more work to do in both areas. Furthermore, the company can still do more to link its financial performance to these social and environmental impacts. For example, over the course of the year, Rio Tinto has seen a 69-day strike in Canada, the loss of a mining permit due to community opposition in Serbia, and



Aluminium smelter, Kitimat, British Columbia, Canada

COMPANY ENGAGEMENTS

continued operational delays in both the US and Australia, in part due to difficult community relations in both countries. Additionally, given the extent of Rio Tinto's Scope 3 emissions and the limited timeframe available to take action, LAPFF's view is that an effective energy transition can't take place without an effective fair and just transition. Therefore, it is LAPFF's view that the company still has some work to do to create a culture whereby its staff understands that social and environmental impacts are the basis for financial resilience.

Vale

Objective: Vale invited LAPFF to participate in three investor roundtables regarding the company's progress on social issues. LAPFF's goal was to understand if there has been progress on this front and if so, the extent to which there has been progress. Any progress was deemed very welcome in particular because of the findings of the LAPFF mining and human rights report which flagged a number of concerns for Vale.

Achieved: One of the concerns LAPFF has raised in its mining and human rights report is that Vale (and other companies in the industry) appear to be too focused on human rights processes and not sufficiently focused on human rights outcomes. LAPFF was therefore pleased to note with the investor roundtables that the company reached out to investors beforehand to ask what concerns they would like addressed during the meetings.

That said, some meetings have continued to consist primarily of Vale staff providing slide presentations on their work with little audience interaction or time for questions. These presentations are highly technical and rarely, if ever, mention the needs of, or interaction with, affected communities.

In Progress: There is still concern that although Vale appears to be seeing investor input better than it has before, it is not yet hearing the voices of its affected community members. In LAPFF's view, this gap creates operational, reputational, legal, and financial risks to the company and to shareholders because the company is missing an important source of information. LAPFF will continue to work with both Vale and affected community members on this communication.

Occupied Palestinian Territories (OPT) Engagements

Objective: LAPFF continues to ask a number of companies to undertake human rights impact assessments on their operations in the Occupied Palestinian Territories (OPT).

Achieved: LAPFF met with two companies this quarter: Motorola, alongside representatives for LGPS Central, and Bezeq. Both meetings were somewhat introductory and a starting point to continue dialogue going forward. Bezeq is the first company LAPFF has met on this topic that operates under Israeli state law, and provided an overview of its operations and what areas it operates in. LAPFF also met with the UN Special Rapporteur on Human Rights to discuss a letter that was sent to LGPS Funds, as well as further information on company positions on the list and the process for companies being removed from it.

In Progress: LAPFF will continue to engage with a number of companies it initially engaged with – a large number of whom do not appear to have sufficient human rights due diligence processes in place, or even a human rights policy. The Forum will consider voting recommendations on these, given that the OPT is definitively a conflict zone, and such zones require enhanced human rights due diligence.

Chipotle

Objective: LAPFF has been engaging Chipotle for over two years, the primary objective being to encourage the company to undertake a full value chain water risk assessment as well as the disclosure of quantitative performance metrics and best practices for water management targeted to the areas of water stress. LAPFF argued that without this assessment, Chipotle would not be well placed to identify its total water risk exposure and prepare for water supply uncertainties associated with climate change moving forwards.

Achieved: After a period of heightened engagement with the company, LAPFF member fund Greater Manchester Pension Fund (GMPF) filed a resolution ahead of Chipotle's 2022 AGM. The proposal requested the company undertake an assessment to identify, in light of the growing pressures on water supply quality and quantity posed by climate change, its total water risk exposure, and policies and practices to reduce this risk. Following discussions between LAPFF Executive member John Anzani, a GMPF representative and the company, an agreement was reached that would see the resolution withdrawn from the ballot. The withdrawal was conditional upon formal commitments being made which will see significant improvement to the company's approach to managing water risk throughout its entire value chain. The specific actions being taken by the company will be disclosed to the market upon publication of its sustainability report in April, at which time LAPFF can elaborate more on the specific actions Chipotle is taking in this space. The commitments represent significant progress in the company's sustainability practices, the direct result of LAPFF's active engagement.

In Progress: Part of the agreement with the company included a commitment to continuing engagement through 2022. LAPFF will monitor the company's performance against its commitments on an ongoing basis and meet with the company to discuss progress during the year.

AstraZeneca

Objective: LAPFF Executive member, John Anzani, met with AstraZeneca Chair, Leif Johannson, to discuss the company's experience during the Covid pandemic and what learnings it has taken from this experience. There was also a question about whether AstraZeneca will change its business strategy or business model in light of its learnings.

Achieved: From the outset, Mr. Anzani expressed his thanks to AstraZeneca on behalf of LAPFF for the role the company has played in its vaccine development and rollout. In particular, it was appreciated that AstraZeneca had not sought to profit from its vaccine in the same

COMPANY ENGAGEMENTS

way that Pfizer and Moderna have and sought instead to distribute the medication as widely as possible around the world. There was a discussion around the misunderstanding of the vaccine's risks as presented in the press that arguably compromised an even more effective rollout process.

Again, the developments surrounding the war in Ukraine were discussed, which prompted a discussion about supply chain security. Interestingly, the last time LAPFF met with Mr. Johansson, there was a similar discussion about supply chain security stemming from the impending impact of Brexit. The importance of diversity and inclusion in all aspects of the company's operations was also discussed.

In Progress: AstraZeneca faced significant operational problems as a result of the media reporting around the blood clots said to be associated with the company's Covid vaccine. It is hoped that the company will be able to reflect on this challenge over time to ensure that it can help as many people as possible and push back on any unwarranted reputational concerns in future.

LyondellBasell

Objective: LyondellBasell is a chemicals company listed in the Netherlands. Following a call with company representatives at the end of 2021, as part of engagement with the CA100+ investor collaborative group, a meeting was sought with the chair, Jacques Aigrain, to discuss the company's climate transition plan and further progress to be made on setting targets for Scope 3 carbon emission reductions.

Achieved: At the meeting, Mr Aigrain was probed on the greatest challenges the company faces in moving to net zero. LAPFF asked for more detail around company plans for electrification using renewables and green hydrogen or green methanol technology and what lessons were being taken from other sectors to bring forward their implementation. Mr Aigrain agreed it had to be progressed through partnerships and gave the example of partnering with a utility to eliminate its use of coal in Germany.

In Progress: Subsequent correspondence with the chair set out various areas of investor expectations discussed during the meeting including on decarbonisation pathways, exploring partnerships to further technological advances, further disclosure on climate-related capex, accounting and auditing, and lobbying and policy stances. A further meeting is proposed after the company has issued its sustainability report later in 2022.

ArcelorMittal

Objective: In a meeting at the end of 2021, LAPFF and the other lead CA100+ investors sought publication of a more granular report on lobbying with a trade association overview. Further correspondence in early January promoted engagement with InfluenceMap, whose assessment feeds into the CA100+ benchmarking process.

Achieved: In January 2022, ArcelorMittal issued a new Climate Advocacy Alignment Report. Continued engagement on lobbying disclosure and the shortly to be released new CA100+ benchmark results have helped the company, a year and a half on from their first 'lobbying' report, to update and improve it. In particular there is now disclosure on the action the company will take where misalignment is found between climate policy positions taken by membership associations, and ArcelorMittal's own policy priorities and the Paris agreement. Potential escalation measures include direct communication requesting further alignment with company policy priorities and the Paris agreement, ensuring ArcelorMittal's financial contribution is ringfenced for non-lobbying activities (e.g. towards standard setting only) and ArcelorMittal ceasing membership of the respective association.

In Progress: In January, as part of further collaborative engagement, a letter was sent to Karen Ovelmen, the audit committee chair, commending improvements in ArcelorMittal's accounting disclosure for Paris-aligned accounts, pressing for further relevant disclosure and seeking a meeting. The letter was copied to all audit committee members as well as the lead partner of the audit firm, Deloittes.

London, 2021. Rally calling for the end of Uyghur genocide in China

Uyghur Engagements

Objective: The Uyghurs, a Turkic ethnic group native to Xinjiang in China, and other Muslim groups in the region, have reportedly been detained against their will for a number of years. There have been instances of evidence of Uyghurs being used for forced labour in the region, amongst other accusations of human rights violations. A large number of companies have been instigated in having instances of Uyghur forced labour in their supply chains, most notably by the Australian Strategic Policy Institute (ASPI) in February 2020. LAPFF initially reached out to eight companies to discuss supply chain due diligence and to ascertain whether these companies had found instances of Uyghur forced labour in their supply chain.

Achieved: To date, LAPFF has met with two of the eight companies, Dell and Cisco, and has had correspondence on the matter with a further two. Tesco has agreed to a meeting in May 2022, shortly after publishing the annual report and sustainability materials, whilst Microsoft also provided further details. Both Dell and Cisco provided similar responses during the meeting, noting that they had not found any instances of Uyghur forced labour in their due diligence processes. Both companies are members of the Responsible Business Alliance and conduct audits with its assistance. Given the complexity of technological supply chains, it was unclear how far down the audit process went for either company. Both Dell and Cisco appeared to take on board feedback from LAPFF, encouraging for better transparency around reporting, particularly on the topics of modern slavery, grievance mechanisms on whistleblowing, and more examples of precisely what serious findings they find in their audits, and how they remedy this.

COMPANY ENGAGEMENTS

In Progress: LAPFF has joined around 60 investors in a working group, coordinated by the Investor Alliance for Human Rights. This provides the opportunity to collaborate going forward and corroborate notes and engagement strategies with a host of other investors. LAPFF will be seeking meetings with those companies that have yet to respond, alongside Microsoft who provided further detail.

VOTING ALERTS

Apple

LAPFF issued a voting alert at Apple. The voting alert focused on shareholder proposals on human rights. The alert recommended that members vote in favour of improved transparency reporting on the removal of apps following concerns about freedom expression in China, reporting on policies and procedures to protect against forced labour, and undertaking a civil rights audit. The alert also recommended supporting shareholder proposals for clearer reporting on gender and ethnic pay gaps and assessing risks of workplace concealment clauses.

Rio Tinto

As mentioned above, LAPFF issued a voting alert for Rio Tinto. The alert recommended that LAPFF members oppose the annual report, the remuneration report implementation, the re-election of Megan Clark, and the company's climate action plan. There was a recommendation to abstain on the remuneration report. The recommendation to oppose the annual report was based on concerns that Rio Tinto had not adequately reported the risk of community relations considerations at its Resolution Copper joint venture in Arizona, had not adequately set out a just transition strategy, and had not adequately considered whether the company's auditors were taking account of climate risk in appointing the auditors.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE INVESTOR MEETINGS

Say on Climate

Over the quarter, more responses have been received in response to joint correspondence with TCI and Sarasin late last year to FTSE companies. This asked companies to provide shareholders with the opportunity to support disclosure of greenhouse gas emissions and reduction plans by putting an appropriate resolution on their 2022 AGM agenda. Recent responses that show progress on addressing emission reductions have included Halma and GlaxoSmithkline, but most positive was the response from the London Stock Exchange chair, who has put a resolution on the company's 2022 AGM ballot.

Asia Collaborative Engagement Platform for Energy Transition

LAPFF continues to meet with other investors in progressing collaborative engagement on climate and energy transition with banks and power generation companies in Asia, organised and informed by Asia Research and Engagement (ARE). Assessments have been undertaken on decarbonisation policies and practices of 26 power companies in the region and shared with the companies. LAPFF has provided commentary on ARE's review of 32 banks in the region which will be issued as a publicly available report at the end of March.

Institutional Investor Group on Climate Change (IIGCC)

Participation in this weekly investor round-up provides updates on potential 2022 Say on Climate/transition plan resolutions to European companies. These plans are mapped against the Climate Action (CA100+) benchmarks, providing a measure of progress in the energy transition. There is also a focus on company lobbying, accounting, and auditor votes. Investors can 'flag' voting intentions at these companies, as well as any of the global companies covered by CA100+.

Investor Alliance on Human Rights (IAHR)

LAPFF joined the IAHR this quarter to connect to investors globally who are engaging with companies on human rights issues. IAHR has working groups on Uyghur labour in Xinjiang, Myanmar, and the technology sector. LAPFF will participate in all of these groups. The IAHR is also a way for LAPFF to roll out its new human rights strategy, which covers these areas and stresses the need for collaborative engagement.

SHARE

Another organisation that has been working on a range of human rights issues is SHARE, an investor organisation in Canada focusing on environmental, social, and governance issues. LAPFF spoke with SHARE's human rights coordinator about collaborating on engagements, where possible. There appears to be significant overlap in engagements with SHARE also working on Uyghur forced labour, a fair and just transition, and tailings dams, among other issues.

PRI

LAPFF met with PRI this quarter to discuss the PRI's nascent engagement on human rights. As the initiative is not yet officially underway, it is not clear what role LAPFF will play. However, LAPFF will continue to liaise with PRI and others in the group to ensure that the respective work is complementary as both organisations increase their work in this area.

UNI Global

LAPFF met with UNI Global to discuss the global union's new initiative on social protection. There is now a binding document on social protection concluded in the wake of the Rana Plaza factory collapse and the subsequent Bangladesh Accord on fire safety. UNI Global is seeking to engage investors on social protection on the back of this new global agreement.

COLLABORATIVE INVESTOR INITIATIVES

US Securities and Exchange Commission (SEC) on climate disclosure

LAPFF joined other investors in writing to the SEC referencing its upcoming Climate Disclosure Rulemaking. Co-ordinated by the US 'As You Sow' organisation, correspondence underscored the importance of requiring verified Scope 1 through 3 value chain carbon emissions-reporting with an emphasis on Scope 3 verified reporting.

COLLABORATIVE ENGAGEMENTS

Letter to French auditors on climate risk

LAPFF supported a collaborative letter to French auditors EY, PwC, KPMG and Deloitte, asking about disclosure on material climate-related risks. It raised the concern that if material climate risks are not properly examined, there may be questions over the reliability if auditor's opinions that these accounts meet the true and fair view standard as required under European Company Law.

Amazon and Starbucks Freedom of Association Letters

After signing onto an initial collaborative letter to Amazon seeking improved practices on freedom of association and collective bargaining at the company's facility in Bessemer, Alabama, LAPFF signed a follow up letter on this topic. LAPFF signed a similar letter this quarter to Starbucks after reports of anti-union conduct by the company.

Kellogg

LAPFF, alongside Mercy Investment Services and PIMCO, joined a collaborative effort under the Access to Nutrition Index (ATNI) in engaging with Kellogg on a number of issues related to nutrition. Representatives from the company were probed on the company's approach to addressing malnutrition, how it defines what is considered a healthy product and whether it intends to use a more globally recognised system, what reformulation strategies it has, how it intends to market healthy products through existing channels that it already has such as the use of value stores and whether there would be any targets around this. The Forum is looking to follow up with continued dialogue in Q2 on a number of issues not discussed in the meeting.

Sainsbury and Share Action

During the pandemic, supermarket employees have been amongst a number of key workers on the frontline, providing an essential service in serving the nation. LAPFF joined ShareAction and the Good Work investor coalition in engaging with Sainsbury around the paying of a living wage. Before the meeting had taken place, Sainsbury announced its new pay deal in January. However, the resolution being put forward by ShareAction is seeking support by the company to accredit as a Living Wage employer in the next few years. Sainsbury's pay rise in January was a welcome step but left some gaps that the engagement seeks to address, such as discrepancies between inner and outer London living wage rates and no commitment relating to any of its third-party staff. LAPFF raised questions of Union negotiation, as the company consults with Union, and Argos has a collective bargaining agreement with Unite. The wider workforce does not have such an agreement, whereas a number of the company's peers do.

Care sector – UNI Global Union

LAPFF continued its involvement in the UNI Global Union collaborative initiative on employment standards and care quality at nursing homes. The investor expectations statement now includes support from over 100 institutions with combined assets of over $3.3 trillion. Engagement with REITs within the care sector is commencing, with LAPFF the lead investor at Welltower and a supporting investor at others.

Slamon fish farm aquaculture

FAIRR Initiative

After becoming a signatory to the FAIRR initiative in December 2021, an investor network focusing on ESG risks in the global food sector, LAPFF signed onto collaborative engagements. One looks at sustainable aquaculture, asking salmon companies to develop and disclose strategies for diversifying feed ingredients towards lower impact and more sustainable alternatives, and to implement better climate risk management. The other looks at working conditions in global meat supply chains. It seeks to address a number of human rights capital risks in the animal farming industry.
Collaborative Community Meetings

Brazilian Communities & British Consul in Brazil

Prior to the pandemic, LAPFF promised to visit the communities affected by the tailings dam collapses in Mariana and Brumadinho, Brazil. LAPFF intends to keep its promise to visit these communities and, in preparation, held a discussion with the British Consulate in Belo Horizonte, Brazil, to discuss timings and information necessary to proceed with the trip.

LAPFF EVENTS

SAY ON CLIMATE
MAKE YOUR CLIMATE ACTION PLANS COUNT

Say on Climate Event

LAPFF, together with Sarasin & Partners and TCI Fund Management wrote to FTSE All Share companies in 2021, urging them to submit a Climate Transition Action Plan to each AGM for shareholder approval. Having received a significant response to this, it was decided to hold an event at which companies, investors and other interested parties could discuss how best to formulate and disclose such plans and put them to shareholders for review. In February, a range of speakers in the investor, corporate, regulatory and advisory space gathered to discuss what are likely soon to be mandatory disclosures, with lively debate ensuing.

APPG

The LAPFF-supported All-Party Parliamentary Group on Local Authority Pension Funds held a meeting in March. The meeting followed on from the launch of the APPG's report on responsible investment for a just transition, with presentations from Dr Alan Whitehead MP, Shadow Minister for Climate Change and Net Zero, and Matt Toombs, Director of Campaigns and Engagement, Cop26 Unit, Cabinet Office. Tessa Younger, Head of Engagement at PIRC, also provided an overview of the Say on Climate initiative and LAPFF's involvement with it.

Communities affected by Rio Tinto Operations

LAPFF Chair, Cllr Doug McMurdo, hosted a webinar with community members affected by Rio Tinto operations in Australia, Mongolia, and Papua New

COLLABORATIVE ENGAGEMENTS

Guinea. While there are still many areas that need progress, which Rio Tinto itself admits through its brave and helpful workplace culture report, there are also points of improvement. In general, it was felt that the culture at the executive level of the company has improved; it is hoped this improved culture will extend throughout the entire organisation. It was also noted that Rio Tinto has agreed to an independent assessment of its role at its legacy Panguna mine in Papua New Guinea. However, progress appears patchy globally with accounts from Mongolia – and through separate contact with LAPFF, Arizona - less positive.

CONSULTATIONS

UN OHCHR Accountability and Remedy Project Consultation

One area of interest as LAPFF increases its work on human rights is the growing number of legislative initiatives on human rights and environmental due diligence (mHREDD) emerging at both the domestic and international levels. To this end, LAPFF joined a consultation held by the United Nations Office for the High Commissioner of Human Rights to discuss trends in mHREDD globally. Sessions included an overview of mHREDD initiatives, the role of courts, the role of administrative bodies, and the link between mHREDD and grievance mechanisms. This discussion is particularly relevant for LAPFF as the UK deliberates on its own mHREDD legislation. LAPFF also attended a UN Global Compact webinar on mHREDD that stressed the need to overcome the siloed approach to environmental and social issues in approaches to legislating for due diligence. This observation fits well with LAPFF's approach to engaging on a fair and just transition to a zero carbon economy.

MEDIA COVERAGE

DAM COLLAPSE

UK local govt pension scheme "dismayed" at lack of action over Brazil dam collapses
https://www.mining.com/web/uk-local-govt-pension-scheme-dismayed-at-lack-of-action-over-brazil-dam-collapses/
The ESG Interview: Learn from the Past, Look to the Future
The ESG Interview: Learn from the Past, Look to the Future - ESG Investor

UK ENDORSEMENT BOARD

Standards board 'looks like a cabal'
https://www.thetimes.co.uk/article/standards-board-looks-like-a-cabal-hks5ch38b

ISRAEL PALESTINE

LGPS seeks UN clarity on investment comments
https://www.pensions-expert.com/DB-Derisking/LGPS-seeks-UN-clarity-on-Israel-investment-comments

UKRAINE

Lessons from Ukraine: are defence exclusions 'responsible'?
https://www.room151.co.uk/blogs/lessons-from-ukraine-are-defence-exclusions-responsible/

CHAIR'S QUOTE

"I had hoped, with the promising trajectory of the Omicron variant, that 2022 would be a year of more positive developments. However, we now find ourselves with the prospect of another world war and less certain than ever about how to act on ESG issues as investors due to recent government initiatives in the UK. In this context, LAPFF's work takes on even greater significance as investors must step up to respect human rights, the environment, and good governance where governments and other actors fail to do so."

Local Authority Pension Fund Forum

COMPANY PROGRESS REPORT

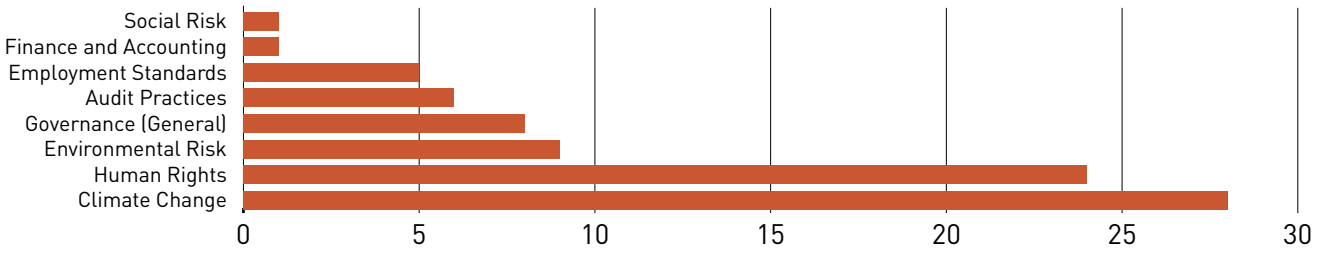
50 Companies engaged over the quarter

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

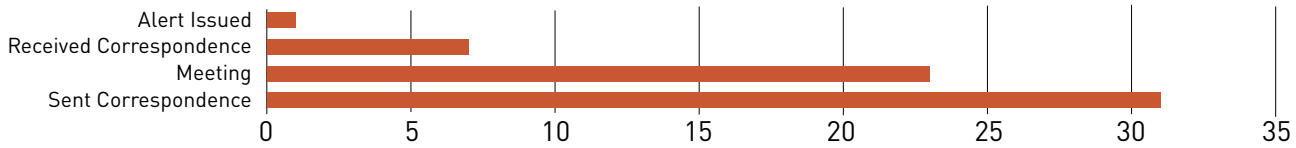
Company/Index	Activity	Topic	Outcome
AIR LIQUIDE SA	Sent Correspondence	Climate Change	Change in Process
ALSTOM SA	Meeting	Human Rights	Dialogue
AMAZON.COM INC.	Sent Correspondence	Employment Standards	Dialogue
ANGLO AMERICAN PLC	Sent Correspondence	Climate Change	Change in Process
APPLE INC	Alert Issued	Human Rights	Dialogue
ARCELORMITTAL SA	Received Correspondence	Climate Change	Substantial Improvement
ASTRAZENECA PLC	Meeting	Governance (General)	Dialogue
BEZEQ THE ISRAELI TELECOMMUNICATION CORP LTD	Meeting	Human Rights	Dialogue
BHP GROUP LIMITED (AUS)	Meeting	Human Rights	No Improvement
BP PLC	Meeting	Climate Change	Change in Process
BRF - BRASIL FOODS SA	Sent Correspondence	Human Rights	Awaiting Response
CHEVRON CORPORATION	Sent Correspondence	Human Rights	Awaiting Response
CISCO SYSTEMS INC.	Meeting	Human Rights	Dialogue
CK HUTCHISON HOLDINGS LTD	Meeting	Environmental Risk	Awaiting Response
CRANSWICK PLC	Sent Correspondence	Human Rights	Awaiting Response
CRH PLC	Received Correspondence	Climate Change	Change in Process
DBS BANK LTD	AGM	Climate Change	Small Improvement
DBS GROUP HOLDINGS LTD	AGM	Climate Change	Substantial Improvement
DELL TECHNOLOGIES	Meeting	Audit Practices	Dialogue
FREEPORT-MCMORAN INC.	Meeting	Governance (General)	Change in Process
GLAXOSMITHKLINE PLC	Received Correspondence	Climate Change	Moderate Improvement
HALMA PLC	Meeting	Finance and Accounting	Small Improvement
HALMA PLC	Received Correspondence	Climate Change	Moderate Improvement
INTERCONTINENTAL HOTELS GROUP PLC	Received Correspondence	Climate Change	Moderate Improvement
KELLOGG COMPANY	Meeting	Social Risk	Small Improvement
LEROY SEAFOOD GROUP ASA	Sent Correspondence	Environmental Risk	Awaiting Response
LONDON STOCK EXCHANGE GROUP PLC	Received Correspondence	Climate Change	Substantial Improvement
LYONDELLBASELL INDUSTRIES N.V.	Meeting	Climate Change	Change in Process
MARFRIG GLOBAL FOODS S.A	Sent Correspondence	Human Rights	Awaiting Response
META PLATFORMS INC	Sent Correspondence	Human Rights	Awaiting Response
MOTOROLA SOLUTIONS INC.	Meeting	Human Rights	Dialogue
MOWI ASA	Sent Correspondence	Environmental Risk	Awaiting Response
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXTERA ENERGY INC	Sent Correspondence	Climate Change	Moderate Improvement
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
RENAULT SA	Sent Correspondence	Climate Change	Small Improvement
RIO TINTO PLC	Meeting	Climate Change	Moderate Improvement
SAINSBURY (J) PLC	Meeting	Employment Standards	Moderate Improvement
SALMAR ASA	Sent Correspondence	Environmental Risk	Awaiting Response
SANDERSON FARMS INC	Sent Correspondence	Human Rights	Awaiting Response
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SYNTHOMER PLC	Meeting	Human Rights	Small Improvement
TESCO PLC	Received Correspondence	Human Rights	Dialogue
THYSSENKRUPP AG	Meeting	Climate Change	Change in Process
TOTALENERGIES SE	Meeting	Human Rights	Dialogue
TYSON FOODS INC	Sent Correspondence	Human Rights	Awaiting Response
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Governance (General)	Dialogue
WELLTOWER INC	Sent Correspondence	Employment Standards	Awaiting Response
WH GROUP LTD	Sent Correspondence	Human Rights	Awaiting Response

ENGAGEMENT DATA

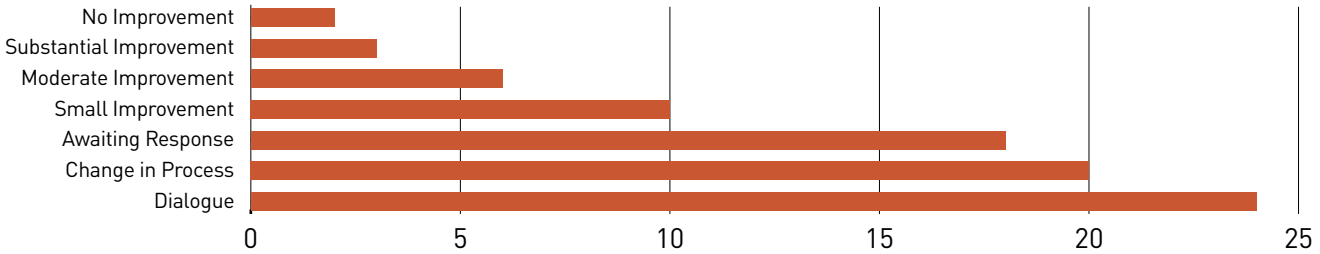
ENGAGEMENT TOPICS



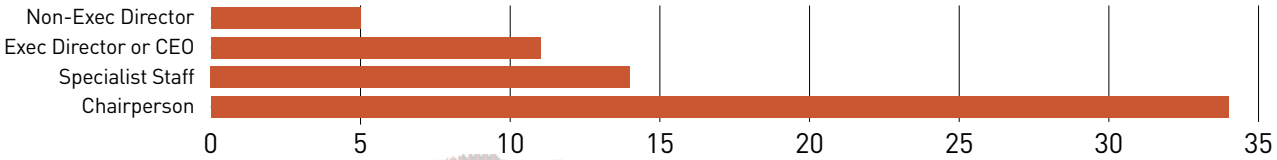
ACTIVITY



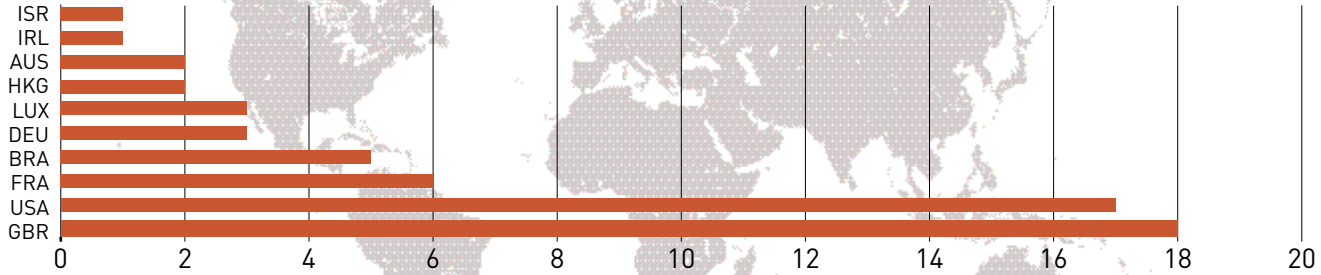
MEETING ENGAGEMENT OUTCOMES



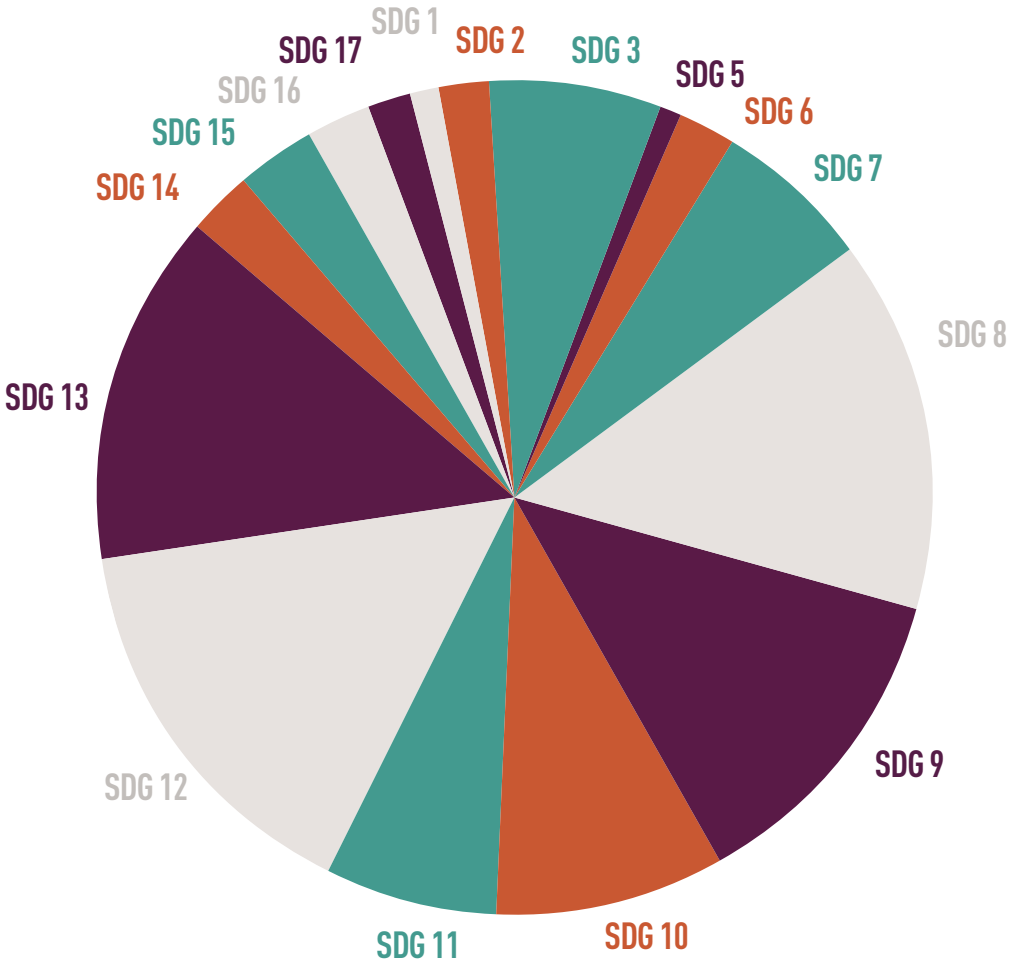
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	3
SDG 2: Zero Hunger	5
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	0
SDG 5: Gender Equality	2
SDG 6: Clean Water and Sanitation	5
SDG 7: Affordable and Clean Energy	15
SDG 8: Decent Work and Economic Growth	35
SDG 9: Industry, Innovation, and Infrastructure	30
SDG 10: Reduced Inequalities	21
SDG 11: Sustainable Cities and Communities	16
SDG12: Responsible Production and Consumption	37
SDG 13: Climate Action	33
SDG 14: Life Below Water	6
SDG 15: Life on Land	7
SDG 16: Peace, Justice, and Strong Institutions	6
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	4

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Bromley Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands ITA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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Q1 2022

ESG Impact Report

Global engagement that aims to deliver positive change

LGIM

Foreword

Russia's invasion of Ukraine during the first quarter of 2022 has shocked the world. Our thoughts are with the Ukrainian people and all those affected by the conflict.

From an investment stewardship perspective, we are engaging with the companies impacted – as we would in the event of any situation that has a material impact, whether manmade or natural. We are discussing a broad range of issues which include, for example, the treatment of employees, management of supply chains and adherence to sanctions and due diligence. Regarding voting, we will continue to operate in line with global sanctions, and will be looking to work with regulators globally to understand their longer-term approach to the exercise of voting rights at affected companies.

This is a sensitive and complicated topic; the asset management industry needs to strike an appropriate balance for our investors and for the countries and companies in which we invest. We have been working hard to ensure we're engaging with all of our stakeholders in many different ways, and keeping our clients informed through our blogs, webinars and podcasts.

We believe stewardship encompasses all aspects of E, S and G and that none of these areas is static. Our focus five years ago was very different to where it is today. And this evolution will continue. As we move forward, through our research and our dialogue with companies, peers and policymakers, we aim to help LGIM achieve its purpose of creating a better future through responsible investing.

Kurt Morriesen
Head of Investment Stewardship

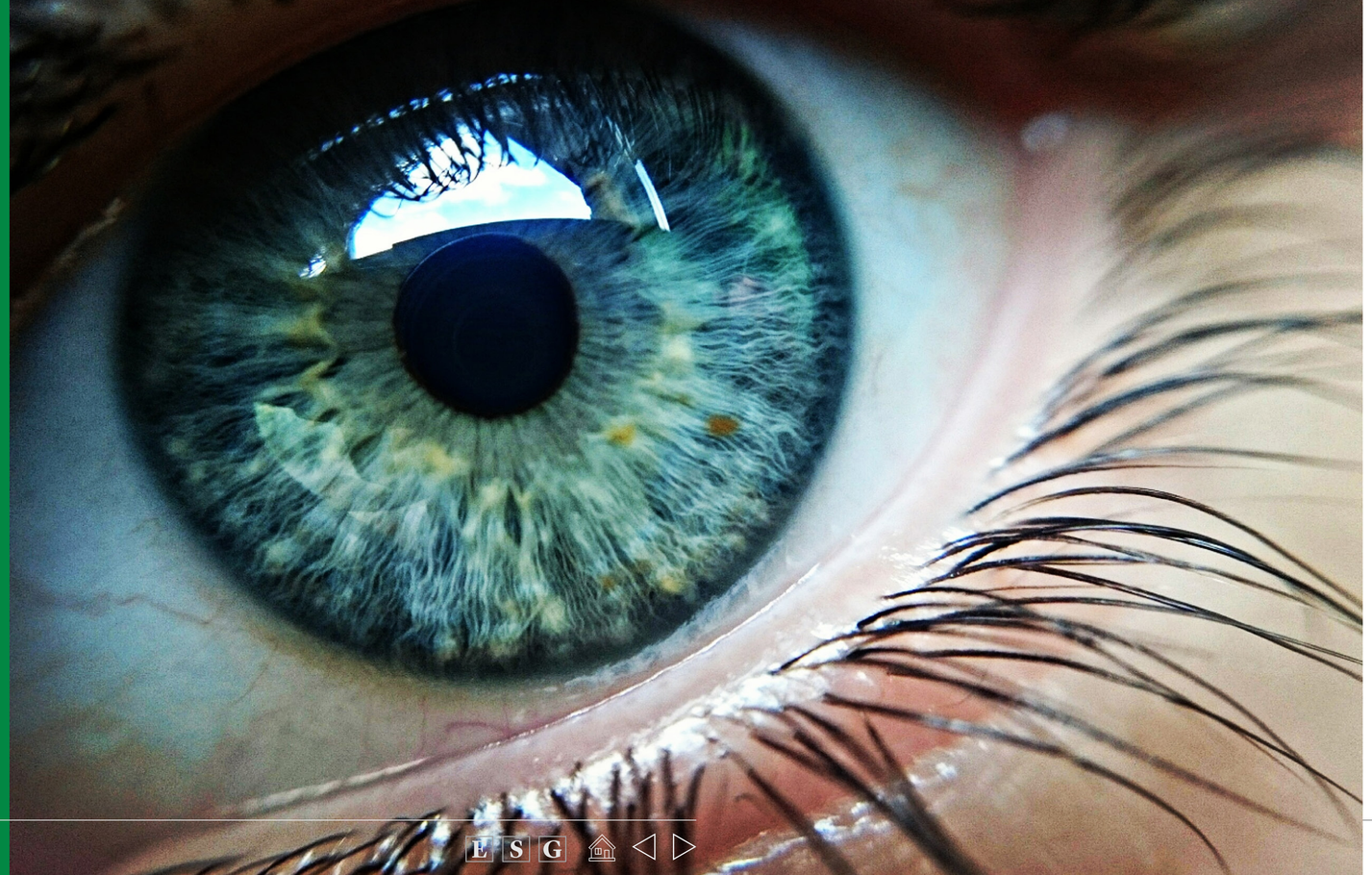
Our mission

We aim to use our influence to ensure:

1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.



Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.

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Action and impact

In preparation for the 2022 proxy voting season, which will gather pace in the second quarter, we have been focusing on areas where we are raising our expectations of companies and strengthening our voting policies. We would also draw readers' attention to the shareholder resolutions noted in the "Governance" section of this edition, and to emphasise their importance as a tactical strategy for escalating engagement with companies.

Environmental | Social | Governance

ESG: Environment

Say on Climate: our expectations of companies' climate transition plans

In 2022, we are setting out our criteria for supporting management-proposed climate transition plans. We want to encourage companies to put forward credible and ambitious plans, and to avoid submitting half-baked proposals to a vote.

Climate change is one of the defining issues of our time, and we believe it is a financially material risk for companies, and that it is unrestrained by sector or geographical borders. Having strengthened our Climate Impact Pledge to expand its reach to around 1,000 companies and to raise our expectations of what we believe companies should be aiming for, last year we publicly called on companies to propose a 'Say on Climate' vote. We voted against several high-profile proposals in the 2021 AGM season where we believed that the plans proposed were not sufficiently robust or credibly aligned with net zero. This year, we have reinforced and clarified what we expect from companies.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Q1 2022 | ESG impact report

Climate transition plans 2022: our expectations

Communicating our expectations to companies and explaining how we will apply our voting policy are crucial to both the effectiveness and credibility of our stewardship engagement. We aim to be as clear as possible, and we expect all climate transition plans to include the following:

- A public commitment to net zero by 2050;
- Disclosure of short-term (up to 2025), medium-term (2026-2035) and long-term (2036-2050) targets covering scope 1 and 2 emissions and material scope 3 emissions;
- Disclosure of current scope 1, 2 and material scope 3 emissions;
- Credible targets that are aligned to a 1.5°C trajectory. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.

Raising the bar

From 2023, we will increase the pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote by filing shareholder resolutions. This action is likely to be in conjunction with Climate Action 100+, an investor-led initiative that aims to ensure the world's largest corporate greenhouse-gas emitters take necessary action on climate change.

Turning up the heat: adapting to a warmer world

Many of our readers will have seen the recently released IPCC (Intergovernmental Panel on Climate Change) report, Climate Change 2022: Impacts, Adaptation and Vulnerability, which we have summarised on our blog. In addition to taking action to reduce greenhouse gas emissions, we believe that both action and investment are required to adapt to a warmer world: from everyday living to buildings, infrastructure and energy, current financial flows remain insufficient to overcome the scale of global adjustment required to mitigate these risks.

As stewards of our clients' assets, we have long asked investee companies to assess not only transition risks, but also how they and their supply chains stand to be affected by the physical impacts from climate change. Through our Climate Impact Pledge, we hold companies to account on both disclosure and action, while analysing climate risks in our own portfolios; our Destination@Risk toolkit allows us to quantify the impacts of chronic physical risk from changes in labour productivity on our asset valuations. By acting on these risks, we believe investors can help encourage the climate resilience of portfolio companies, as well as channelling investment towards adaptation solutions.

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Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation.

Brazil: protecting the Amazon

The destructive impact of deforestation has become increasingly prominent over recent years – tragic forest fires, particularly on the East Coast of the US and in Australia have focused attention on the devastating environmental impacts of the loss of forests.

When it comes to commodity-driven deforestation, we know this must end if we are to tackle the dual threat of climate change and biodiversity loss. Companies are increasingly being challenged and held to account for their own policies and programmes to tackle deforestation in direct operations and supply chains, and through financing and investment.

But deforestation is not just a company issue: national policymakers have a significant role to play through the development and enforcement of appropriate regulation. As part of our ongoing work as a member of the Investors Policy Dialogue on Deforestation, we recently joined a meeting with the Brazilian Environment Ministry where we received an update on current and upcoming projects and plans to tackle deforestation in Brazil. We were encouraged to hear of the launch of a special environmental task force, 'Guardians of the Biome', with 10 physical bases within the Amazon basin, where 1,200 agents and officials will work in partnership with the state government.[1] Targeting illegal logging and other types of environmental crime linked to deforestation, this taskforce will be coordinated by the Ministries of Environment, Justice and Public Security. In addition to the current satellite images that are being used to monitor suppression of vegetation and deforestation, the ministry will be launching a monitoring system and will work on developing deforestation datasets.

1. Environment will launch new edition of the Guardians of the Biome program - ISTOÉ DINHEIRO - Pledge Times _Ethnic diversity on boards: results and reflections on our campaign so far (lgimblog.com) All data in this section as at 17 March 2022.

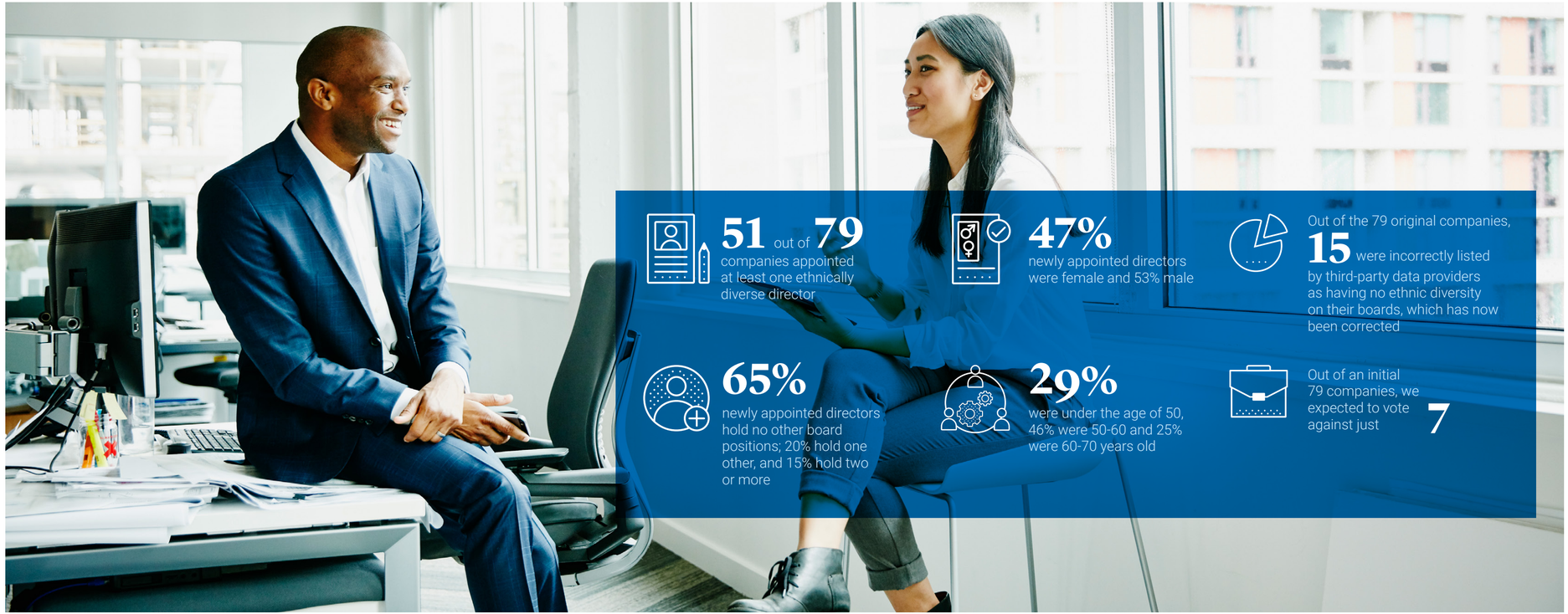
Environmental | **Social** | Governance

ESG: Social

Ethnic diversity: welcome onboard!

Ahead of the 2022 proxy voting season, we reassessed the data from our ethnic diversity campaign, which we began in August 2020.[2] Our campaign was targeted specifically at FTSE 100 and S&P 500 companies with no ethnic diversity on their boards and our aim was to encourage them to appoint at least one ethnically diverse director by the end of 2021. In writing to these individual companies to express our views, we explained that from 2022, we will be voting against the chair of the nomination committee of those US companies, or the chair of the board of those UK companies, which fall short of our expectations on ethnic diversity. Having identified 79 companies initially, what follows is more detail on the improvements we've seen.

2. Ethnic diversity on boards: results and reflections on our campaign so far (lgimblog.com) All data in this section as at 17 March 2022.



We believe that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk. The improvement in diversity at these 51 companies is of course not the sole result of our campaign – market influence and collaboration are vital cogs in the machinery of driving change. The Nasdaq board diversity rule, which received approval in August 2021, and Institutional Shareholder Services' (ISS's) update of its proxy voting policy to include a position on board diversity, are both significant steps which not only demonstrate how important the issue of ethnic diversity is becoming, but also demonstrate a clear market shift. As part of our collaborative stance, we have shared our ethnic diversity policy not only with our campaign focus companies but also with peers, clients and broader diversity coalitions such as the 30% Club, which has also recently updated its own policies to include ethnic diversity.

This campaign also reminded us of the importance of data, both in terms of accuracy, and in terms of really understanding what we are being shown. We were meticulous in confirming the accuracy of data with companies – ethnic diversity data can be both sensitive and elusive. Nevertheless, the data we obtained from ISS was for the most part reliable; instances where it was found to be inaccurate were often down to the methodology of data collection, and the location and type of company disclosure. We are acutely aware of the key role of transparency and disclosure when it comes to stewardship and will be closely observing how data quality from our third-party sources evolves and improves.

In addition to implementing our ethnic diversity voting policy, we will continue to expand our focus to include more companies and more countries; our first campaign was the tip of the ethnic diversity iceberg and, as with gender diversity, we would expect many more engagements and deeper discussions to emerge over time.

We believe that improving diversity in all its forms is financially material; we believe more diverse organisations make better strategic decisions, show superior growth and innovation, and exhibit lower risk.

Keidanren: speaking at the Japan Business Federation

At LGIM, our goal is to create a better future through responsible investing, and we take our responsibility as asset owners very seriously.

We were delighted that our CEO Michelle Scrimgeour was invited to give the keynote speech for Keidanren, the Japan Business Federation, at their High-Level Symposium in January 2022. Keidanren has a membership of over 1,400 representative companies in Japan, 109 nationwide industrial associations, and regional economic organisations for the 47 prefectures. As a 'comprehensive economic organisation', its aims are to contribute to the sustainable development of the Japanese economy and improvement in the quality of life for Japanese society.[3]

Michelle's speech on *How financial institutions can contribute to realise a sustainable society through innovation* explained our vision of inclusive capitalism and how our integrated stewardship and investment activities are designed to aim for a better society. She also referenced the teaching of *sampō yoshi*, first used by the Omi merchants of the Edo period,[4] who believed that business should benefit society as well as the buyer and seller in any transaction. To be invited to speak at Keidanren's symposium was a privilege, and to be able to share LGIM's views with some of the CEOs of leading companies in Japan was a great recognition of how far we have come, and provided encouragement regarding the resonance of our stewardship aims and activities in Japan. Michelle was joined by Nigel Wilson, CEO of L&G, and the video of the speech can be viewed on our Japan website.

3. Figures and summary of the Keidanren's aims sourced from Keidanren's website on 07 April 2022
4. 1603-1867, a period which also saw the creations of some of the best-known works of Japanese art, including Hokusai's The Great Wave.

Thematic update: AMR by the GRAM!

Antimicrobial resistance (AMR) is one of our global engagement themes: The World Health Organisation (WHO) describes AMR as one of the top 10 global public health threats facing humanity today, and as a global investor across multiple asset classes, LGIM is exposed via multiple sectors from healthcare and pharmaceuticals, to travel and leisure.

As part of our ongoing research and engagement in this field, we joined the official launch of the findings of the Global Research on Antimicrobial Resistance Findings group ('GRAM'), (Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis) which was published in The Lancet medical journal in January 2022. Collaborations with experts are a crucial part of our engagement activities: they help us build knowledge and a network of supporters, and they help us to have more in-depth and detailed conversations with companies and policymakers to identify potential areas of risk, and to formulate solutions.

AMR will continue to be an area of focus for us throughout 2022 and beyond. Like all of our global engagement themes, it is very much a long-term issue but as has become so clear with topics such as climate change, taking early action on long-term problems is vital for creating a sustainable future.

Significant vote

ISIN	US0378331005
ISIN	US0378331005
Company name	Apple Inc*
Market Cap	$2.845 trillion, as at 06.04.2022. Source: Reuters
Sector	Information technology (MSCI sector)
Issue identified	Human rights and freedom of association are coming under increased scrutiny in the US, and we are increasing our engagement in this field.
Summary of the resolution	This was a shareholder resolution for a Civil Rights Audit Report.
How LGIM voted	We voted FOR the resolution (i.e., against management)
Rationale for the vote decision	A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.LGIM engaged with the company prior to the annual meeting and communicated our policies and how we were likely to vote.
Outcome	53.55% of the votes were in favour of the resolution. Apple shareholders have generally sided with management in recent past. The reversal of that trend for such a proposal indicates a shift in preferences amongst shareholders and highlights the potential impact such resolutions can have in the future. We will continue to engage with Apple* on this topic to track what changes are made in response to this resolution and the effects of such changes.
Why is this vote 'significant'?	This was a high-profile vote which has a degree of controversy such that there is high client and/or public scrutiny.

*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Amazon*: human rights and freedom of association

Over the last year, we have engaged with Amazon* five times, independently and collaboratively, to discuss the company's approach to, and policies on, human rights. The shareholder resolution that LGIM supported at the company's AGM in 2021 asked for a civil rights, equity, diversity and inclusion audit report, and gained 45% support from shareholders. Ahead of another AGM season, where we expect to see a number of shareholder proposals on Amazon's ballot relating to social issues, we engaged with the company to make some specific requests and to understand its latest progress on some key social topics.

Human rights

LGIM
Following the shareholder resolution in 2021, we asked how the company plans to improve its disclosure and transparency on civil rights, equity, diversity and inclusion.

Amazon
Amazon explained that its recently published Human Rights Impact Assessment (HRIA) fulfils this demand, which sets out the 'salient human rights risks' they have identified.

LGIM
We questioned whether there would be reporting against these identified risks.

Amazon
Amazon explained it has recently published its first report on its Commitment to Safety, Health, and Well-Being, and is currently working on reporting on the areas of Right to Privacy and Product Safety and Security. In mid-March 2022, the company published its human rights commitment, policy and practice, including freedom of association and collective bargaining. However, it was unclear whether there will be further reporting on its other findings or indeed the process undertaken and frequency of the assessment.

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Freedom of association

One of the risks identified by the company in its HRIA is Freedom of Association. Last year, we reported that Amazon* had been accused of interfering with efforts by its workers to unionise.[5] This activity has since been investigated and, following a decision by the US National Labor Relations Board Region (NLRB) that declared Amazon's* conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards, it was deemed that a new election should be conducted on 4 February 2022 and concluded at the end of March 2022.[6]

LGIM
Notwithstanding the result of this election, we requested, in a second collaborative letter we signed in January 2022, that the company:

- Immediately adopt a global policy of neutrality;
- Should a majority of the voting employees vote for the union in Bessemer, commit to negotiate with the union in good faith; and
- Initiate dialogue with the relevant trade unions at a national and global level on how Amazon can implement its labour rights commitments.

Amazon
However, the company argued that it currently adheres to all ILO standards on freedom of association and pointed us to the disclosure referenced above.

Gender/racial pay gap

LGIM
A report for additional information on the company's gender/racial pay gap was also requested at the 2021 AGM; we supported this, and it gained 35% support from shareholders. We asked the company about its intentions to provide this information, given the significant level of support from shareholders.

Amazon
However, the company does not believe this information provides anything that is not already provided in its workforce data breakdown and therefore has no plans to disclose this information.

LGIM
We pressed for such reporting, explaining that it is an effective way for investors to assess how a company is thinking about how to attract, retain, engage and advance more women and minorities up through the talent pipeline.

We will be engaging with the company ahead of its AGM in May 2022 on all of these issues and more, asking for improvements in practices and disclosure.

5. ESG impact report Q1 2021 (lgim.com)
6. NLRB calls new election at Amazon warehouse - The Washington Post

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Environmental | Social | Governance

ESG: Governance

Ahead of the proxy voting season in Q2 2022, we have decided to focus on shareholder resolutions in this section of the report. Shareholder resolutions are part of our engagement strategy and as we prepare for this year's set of AGMs, we provide more detail and some recent case studies to shine a light on this area of engagement.

Why might we consider filing a shareholder resolution?

Our engagement process with companies is structured: we have a number of different 'levers' we can pull to escalate an issue – depending on the company and depending on the topic, we will use a different selection. Filing such a resolution puts pressure on a company and encourages them to discuss and resolve issues with us, and to propose and take actions, in order to avoid the topics raised being included on their AGM agenda and potentially being put to a shareholder vote.

We are approached on a regular basis by shareholder organisations about filing shareholder resolutions on a range of topics – we consider each of these requests on an individual basis, comparing the resolution demands against our own views and policies, and considering the alignment with our global themes and engagement programmes. As a consequence, we do not agree to co-file every resolution that comes our way, but where we have filed or collaborated on select proposals, we have found that they have been an effective means of escalation. This engagement demonstrates the value of working individually with companies and identifying when escalation will help achieve a result.

In the following section, we provide a set of recent examples to illustrate why we may or may not file or co-file a shareholder resolution, how it can help to escalate our engagement.

Sainsbury's*: co-filing a shareholder resolution

LGIM, together with ShareAction, other asset owners and asset managers, has co-filed a shareholder resolution calling on Sainsbury's to become a living-wage accredited employer by its AGM in 2023. With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK.[7] Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.

LGIM decided to co-file this resolution because of Sainsbury's decision to split its London employees into 'inner' and 'outer' London, with those in 'outer' London paid less than the real living wage of £11.05 per hour ('outer' London employees were offered £10.50 per hour). Although the hourly rate differential appears small, when multiplied by the total hours worked, this would make a material impact on affected employees' ability to meet the demands of the cost-of-living crisis as inflation costs soar and the economy struggles to recover from the effects of the COVID-19 pandemic.

We are delighted to see that on 8 April, Sainsbury's announced that it would increase the wages of their 'outer' London employees to match their 'inner' London employees. Income inequality is one of our key global themes, and we will continue to engage on this topic with companies in the years ahead.

7. About us – Sainsbury's (sainsburys.co.uk)
8. Sainsbury's lifts pay after shareholder pressure - BBC News

*Case study shown for illustrative purposes only. Reference to a particular security is on a historical basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Moderna*: using a shareholder resolution to escalate our engagement

In our Q4 2021 Impact Report, we summarised our ongoing engagement with Moderna, under the broader theme of fair access to COVID-19 medicines. This quarter, we are pleased to provide a further chapter to this engagement story!

The story so far: a brief recap

Fair access to COVID-19 medicines and vaccinations was a focus for us during the pandemic: in 2020, together with AXA Investment Management and the Access to Medicine Foundation, we wrote an open letter to global pharmaceutical companies, asking them to undertake practical steps to accelerate research and development efforts and overcome potential barriers to rapid and widespread access to COVID-19 medicines and vaccines. These included sharing intellectual capital; working with governments across all levels of income, not just higher-income countries; and sharing manufacturing capacity. We also wrote individually to some of the largest pharmaceutical companies in the world to express our views.

Together with the Interfaith Center on Corporate Responsibility (ICCR), we worked on and led the filing of a shareholder resolution requesting that Moderna disclose how its receipt of government financial support for development and manufacture of COVID-19 vaccines is being considered when making decisions that affect access to such products, such as pricing.

What happened next?

Following our subsequent discussions and communications with the company, the management of Moderna agreed to meet many of our demands for greater transparency by publishing a report containing the information we had requested, prior to its forthcoming AGM. As a result, having worked with Moderna to improve their public disclosures, we were able to withdraw the shareholder proposal.

Fair access to COVID-19 medicines and vaccinations was a focus for us during the pandemic.

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Unilever*: deciding not to co-file a shareholder resolution

Nutrition is a key focus area within our overall health theme: it affects many market sectors in which our clients are invested, from the food industry to pharmaceuticals and healthcare. We are members of the Access to Nutrition Initiative (ATNI) which, via its Global Index, assesses how the world's food and beverages manufacturers contribute to address malnutrition in all its forms. The Index ranks these companies with regards to governance and management; the production and distribution of healthy, affordable, accessible products; and how they influence consumer choices and behaviour.

We are also members of the ShareAction Healthy Markets Initiative, which is specifically focussed on improving children's health by improving access to healthy, affordable food.

Unilever is a well-known consumer brand and market-leader across a variety of food products, operating in many countries around the world. Under ATNI's latest Global Index, Unilever's score had fallen. We co-signed a letter with other initiative members to Unilever, highlighting the areas which have been indicated for improvement, which included:

- products: the amount of revenue generated from "healthy" products and beverages, and questions over the discrepancy of this figure versus the percentage of products that Unilever states meets the highest global nutrition standards
- targets for affordability of healthy products
- applying "responsible marketing" to children under the age of 18 (not just under 12)
- transparency regarding targets to increase the volume of sales of healthy products

In December 2021, ShareAction filed a shareholder proposal at Unilever asking first, that the company disclosure of the proportion of food and drink sales from healthier products be aligned with existing government-endorsed nutrient profiling models, and second, that the company set a strategy and targets in order to significantly increase this proportion in the longer term.

We decided against co-filing on this shareholder resolution. While agreeing with the overall purpose and aims of the resolution, we were not in complete alignment with some of the more granular details of the resolution. We met with the company several times during and after the filing of the resolution to understand its position, and to support the dialogue between ShareAction and the investor coalition filing the resolution. We were pleased with the outcome of these dialogues, which led to the withdrawal of the resolution in March 2022. We look forward to working with ShareAction, the investor coalition and Unilever on the company's commitments.

We will continue to engage and closely monitor the improvements being made here, as this is an area that affects the food and beverages sectors as a whole, that indirectly affects many different market sectors in which our clients are invested, and which is vital for long-term sustainability.

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Public policy update

As a significant long-term global investor, including in sovereign debt, LGIM has a responsibility to ensure that markets operate efficiently, to protect the integrity of the market, foster sustainable and resilient economic growth, and protect the value of our clients' assets.

In this regard, LGIM engages at a macro level with policymakers and regulators across the world. LGIM focuses this policy dialogue on sustainability issues that it identifies as systemic risks, and the development of a robust international system of sustainable finance regulation. Opposite, we highlight a few examples a few examples over the past quarter.

LGIM engages at a macro level with policymakers and the regulators across world.

United Kingdom

LGIM continues to engage with stakeholders and the UK government on the development of sustainable finance regulation. Specific examples include, the development of the Sustainable Disclosure Requirements regime (announced by the Chancellor of the Exchequer last year), the UK Green Taxonomy, and the next steps for Green Finance Strategy.

LGIM is very supportive of the government's progress to date; however, we are keen to see harmonisation with other markets, namely the European Union. LGIM is also supportive of appropriate sequencing of regulation across the investment chain, particularly that the foundations for a transparent system – i.e., corporate disclosures – are both robust and first in the queue. We expect significantly more focus on UK Sustainable Finance regulation over the coming months.

LGIM has also engaged with: i) the government on strengthening support for energy efficiency measures in homes; ii) the Department for Environment, Food, & Rural Affairs (DEFRA) consultation on implementation of due diligence provisions in the Environment Act to help tackle illegal deforestation in UK supply chains; and iii) stakeholders on strengthening policy on 'social' issues.

European Union

At the end of last year, LGIM and key stakeholders such as FAIRR, highlighted that the proposals for the agricultural sector in the EU Taxonomy presented a serious risk for the transition to net zero and biodiversity loss. During this quarter LGIM met with an MEP to reiterate our concerns, however, this remains an issue to follow closely.

LGIM also strongly supports the recent release of the extended taxonomy report by the Platform on Sustainable Finance. The report proposes the introduction of an 'amber', or transition, category, thereby providing investors with clear definitions as to what is truly, green, or what is still transitioning.

Japan

Following last year's COP26, LGIM has recently supported a letter (coordinated by the Investor Agenda) to the Prime Minister requesting that Japanese government strengthen its Nationally Determined Contribution (NDC) through setting out an actionable roadmap to phase out coal and expand investment clean energy technology.

United States

The United States continues to accelerate its focus on strengthening the regulatory environment to support ESG investing, encourage climate-related disclosures and, following the signing of the Global Methane Pledge at COP26, reduce methane emissions across the US. In this regard, LGIM and LGIMA engaged with the Environmental Protection Agency (EPA) on controlling air pollution from the Oil and Natural Gas Industry. We highlighted four recommendations to the EPA: i) encouraging monitoring smaller wells below three tons per year, ii) strengthen rules to address routine flaring, iii) encourage use of zero-emitting pneumatic controllers, and iv) encouraging adoption of a reporting framework from which investors can utilise the data.

LGIM and LGIMA also engaged with the Securities Exchange Commission on the proposed rule on Pay Versus Performance. The rule would amend executive compensation disclosure to compensation actually paid by a registrant related to the financial performance of that company. We were encouraged to see the proposals, and in our feedback, we outlined four recommendations of how the rule could be strengthened. These were especially focused on payments i) being fair, balanced, and understandable, ii) promoting long-term decision making, iii) being accompanied by a full explanation, and iv) being in equity while employed and thereafter.

International

At an international level, LGIM has supported the Business Call and Business Statement that advocated for member states to establish a legally binding United Nations (UN) Treaty on Plastic Pollution at the UN Environment Assembly in late February. LGIM is pleased to see member support for the resolution that would create a robust treaty covering the 'full lifecycle' of plastic production, from production to disposal. LGIM will continue to engage with negotiations over the coming months.

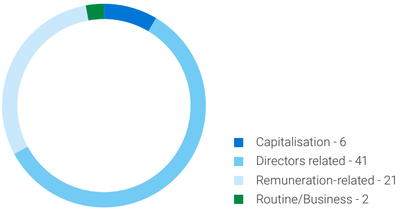
In light of Russia's invasion of Ukraine, LGIM and FAIRR have worked together to highlight the significant vulnerabilities in our interconnected food system. In our recent blog, we are encouraging policymakers to reform agricultural programmes in a way that both delivers on climate change whilst delivering long-term food security. We are reiterating the importance of an often overlooked sector, and that agricultural policy is key to enabling a 'Just Transition' to net zero, minimising nature loss, and building a more robust, resilient and stable global food system.

Regional updates

UK - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	53	0	0
Capitalisation	276	6	0
Directors related	450	41	0
Remuneration related	90	21	0
Reorganisation and Mergers	23	0	0
Routine/Business	330	2	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1222	70	0
Total resolutions	1292		
No. AGMs	75		
No. EGMs	32		
No. of companies voted	102		
No. of companies where voted against management /abstained at least one resolution	34		
% no. of companies where at least one vote against management (includes abstentions)	33%		

Votes against management



Number of companies voted for/against management

No. of companies where we supported management
No. of companies where we voted against management

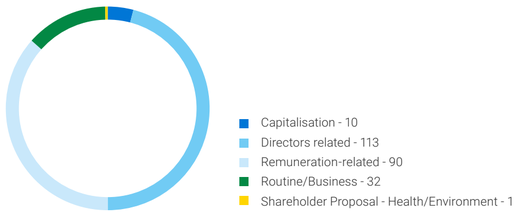
LGIM voted against at least one resolution at 33% of UK companies over the quarter.

Source for all data: LGIM as at 31 March 2022. The votes on this page and in the pages that follow represent voting instructions for our main FTSE pooled index funds.

Europe - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	0	0
Capitalisation	111	10	0
Directors related	481	113	30
Remuneration related	53	90	0
Reorganisation and Mergers	7	0	0
Routine/Business	413	32	4
Shareholder Proposal - Compensation	2	0	0
Shareholder Proposal - Corporate Governance	1	0	0
Shareholder Proposal - Directors Related	4	0	2
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	1	0
Shareholder Proposal - Other/Miscellaneous	2	0	0
Shareholder Proposal - Routine/Business	21	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1096	246	36
Total resolutions	1378		
No. AGMs	69		
No. EGMs	4		
No. of companies voted	73		
No. of companies where voted against management /abstained at least one resolution	68		
% no. of companies where at least one vote against management (includes abstentions)	93%		

Votes against management



Number of companies voted for/against management

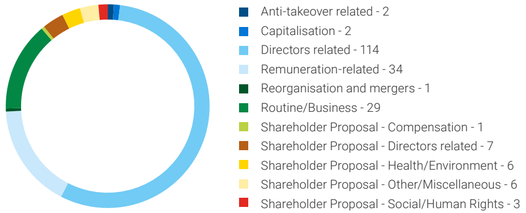
No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 93% of European companies over the quarter.

North America - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	1	2	0
Capitalisation	13	2	0
Directors related	292	114	0
Remuneration related	16	34	0
Reorganisation and Mergers	1	1	0
Routine/Business	33	29	0
Shareholder Proposal - Compensation	1	1	0
Shareholder Proposal - Corporate Governance	4	0	0
Shareholder Proposal - Directors Related	2	7	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	6	0
Shareholder Proposal - Other/Miscellaneous	2	6	0
Shareholder Proposal - Routine/Business	2	0	0
Shareholder Proposal - Social/Human Rights	0	3	0
Shareholder Proposal - Social	0	0	0
Total	367	205	0
Total resolutions	572		
No. AGMs	43		
No. EGMs	2		
No. of companies voted	45		
No. of companies where voted against management /abstained at least one resolution	44		
% no. of companies where at least one vote against management (includes abstentions)	98%		

Votes against management



Number of companies voted for/against management

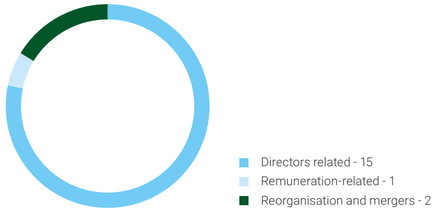
No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 98% of North American companies over the quarter.

Japan - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	0	0	0
Directors related	581	72	0
Remuneration related	44	5	0
Reorganisation and Mergers	60	15	0
Routine/Business	48	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	1	0	1
Shareholder Proposal - Directors Related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	734	92	1
Total resolutions	827		
No. AGMs	67		
No. EGMs	6		
No. of companies voted	73		
No. of companies where voted against management /abstained at least one resolution	54		
% no. of companies where at least one vote against management (includes abstentions)	74%		

Votes against management



Number of companies voted for/against management

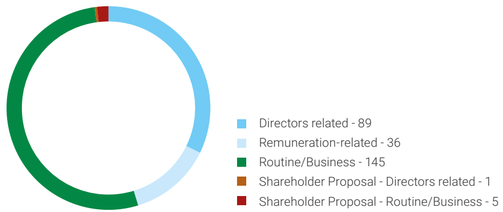
No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 74% of Japanese companies over the quarter.

Asia Pacific - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	8	0	0
Directors related	406	89	0
Remuneration related	150	36	0
Reorganisation and Mergers	23	0	0
Routine/Business	249	145	1
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Directors Related	7	1	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	4	5	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	847	276	1
Total resolutions	1124		
No. AGMs	147		
No. EGMs	19		
No. of companies voted	157		
No. of companies where voted against management /abstained at least one resolution	138		
% no. of companies where at least one vote against management (includes abstentions)	88%		

Votes against management



Number of companies voted for/against management

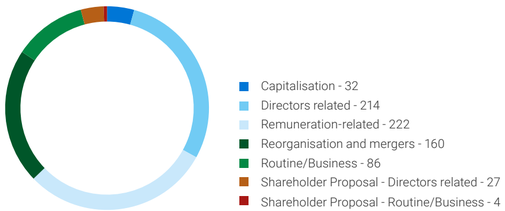
No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 88% of Asia Pacific companies over the quarter.

Emerging markets - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions
Anti-takeover related	0	0	0
Capitalisation	497	32	0
Directors related	741	214	178
Remuneration related	70	222	0
Reorganisation and Mergers	397	160	0
Routine/Business	639	86	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	4	0	0
Shareholder Proposal - Directors Related	144	27	11
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	11	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2503	745	189
Total resolutions	3437		
No. AGMs	106		
No. EGMs	346		
No. of companies voted	421		
No. of companies where voted against management /abstained at least one resolution	208		
% no. of companies where at least one vote against management (includes abstentions)	49%		

Votes against management



Number of companies voted for/against management

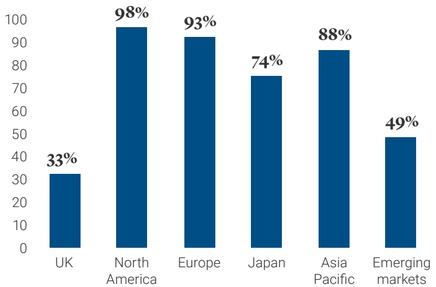
No. of companies where we supported management
No. of companies where we voted against management

LGIM voted against at least one resolution at 49% of emerging market companies over the quarter.

Global - Q1 2022 voting summary

Proposal category	Total for	Total against	Total abstentions	Total
Anti-takeover related	55	2	0	57
Capitalisation	905	50	0	955
Directors related	2951	643	208	3802
Remuneration related	423	408	0	831
Reorganisation and Mergers	511	176	0	687
Routine/Business	1712	294	5	2011
Shareholder Proposal - Compensation	3	1	0	4
Shareholder Proposal - Corporate Governance	10	0	1	11
Shareholder Proposal - Directors Related	157	35	13	205
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	0	7	0	7
Shareholder Proposal - Other/Miscellaneous	4	6	0	10
Shareholder Proposal - Routine/Business	38	9	0	47
Shareholder Proposal - Social/Human Rights	0	3	0	3
Shareholder Proposal - Social	0	0	0	0
Total	6769	1634	227	8630
Total resolutions				8630
No. AGMs				507
No. EGMs				409
No. of companies voted				871
No. of companies where voted against management /abstained at least one resolution				546
% no. of companies where at least one vote against management (includes abstentions)				63%

% of companies with at least one vote against (includes abstentions)



Number of companies voted for/against management

- No. of companies where we supported management
- No. of companies where we voted against management

Global engagement summary

In Q1 2022, the Investment Stewardship team held

158 engagements **with** **126** companies

(vs. 273 engagements with 233 companies last quarter)

Breaking down the engagement numbers - Q1 2022

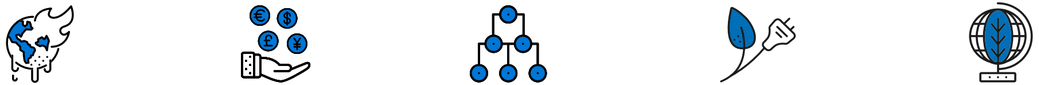
Breakdown of engagement by themes

Engagement type

103
Company meetings

55
Emails / letters

Top five engagement topics*



49
Climate change

42
Remuneration

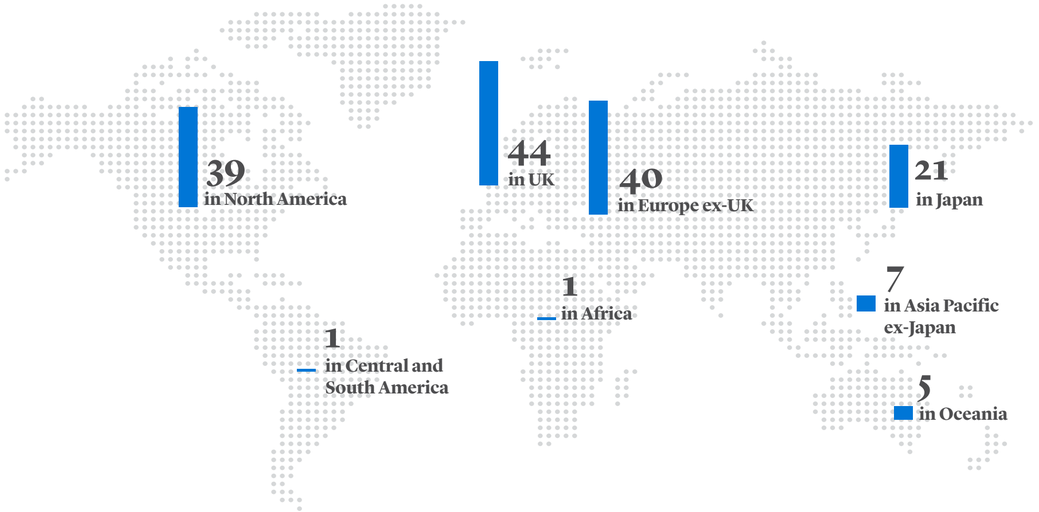
31
Board composition

20
Energy

17
Climate impact pledge

*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



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Non-Executive Report of the: **Pensions Committee** Monday, 27 June 2022	TOWER HAMLETS
Report of: Corporate Director, Resources	**Classification:** Open (Unrestricted)
Draft Pension Fund Triennial Valuation Assumptions	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards)

Executive Summary

This report and appendix provide the Committee with a summary of recommended valuation assumptions and valuation process progress to date. The London Borough of Tower Hamlets Pension Fund in accordance with the Local Government Pension Scheme (LGPS) regulations undergoes a full actuarial valuation once every three years, the results of which are used to determine contribution rates for each employer within the Fund for the following three years which includes the Council.

The valuation is an assessment of the assets and liabilities of the pension fund which then determines the funding level.

Recommendations:

The Pensions Committee recommended to:

1. Consider and approve the triennial valuation assumptions recommended by the scheme actuary Hymans Robertson.

1. REASONS FOR THE DECISIONS

1.1 The Council as administering authority of the Fund is required by law to undertake an actuarial valuation of the Fund's assets and liabilities. The Pensions Committee under delegated authority should agree the underlying assumptions of the valuation with the actuary.

1.2 The understanding of the Pension Fund in terms of its investments, the Fund's liabilities both short and long term and the profile of its members between actuarial valuations determines the financial status of the pension fund, its funding level and the contributions that employers need to make into the Fund for the following three years (from 1 April 2023 to 31 March

2026 at which point rates will be reassessed at the 2025 valuation).

1.3 The level of funding for the Pension Fund and the requirement to fund employee pension benefits, both past and current can directly impact on the level of resources available for other Council services. The valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation and any significant variations to those assumptions could impact upon Fund's financial position.

2. ALTERNATIVE OPTIONS

2.1 There are no alternatives because the requirements to carry out the triennial revaluation are prescribed in regulations.

3. DETAILS OF THE REPORT

3.1 The LGPS Regulations require administering authorities to complete an actuarial valuation of their Pension Fund on a three yearly cycle.

3.2 This report and appendix summarise the valuation assumptions which have been recommended by the scheme actuary, Hymans Robertson. It is good governance to review all actuarial assumptions as part of each triennial valuation to ensure they all reflect current expectations of the future.

3.3 Members will recall that a report was submitted to the Committee on 23rd September 2021, setting the timetable for the Pension Fund's valuation based on the membership at 31 March 2022.

3.4 Actuarial valuation aim is to set a suitable level of employer contributions to ensure that the Fund achieves its long-term solvency objective. The valuation also provides a much more comprehensive review of the funding level, which includes a review of the full range of assumptions looking forward (this report). The key output of the valuation is the schedule of employer contributions for the next 3 financial years.

3.5 To determine the required level of future employer contributions two main projections:

- Benefit projection: projects the benefits that will be paid to scheme members in each future year (taking into account benefits accrued up to the valuation date and those that will continue to be accrued after the valuation date).
- Asset projection: this projects the amount of the Fund's assets in each future year, taking into account future employer and employee contributions, future benefit payments (from the benefit projection) and the investment returns that will be earned on the assets.

3.6 The contribution rates are then set such that, at the end of an agreed period (the funding rime horizon), there are enough assets (from the asset projection) to meet the future benefit payments (from the benefit projections) in a sufficiently high number of possible future economic outcomes. This is the funding objective. The actuary uses an economic scenario generator to simulate a number of outcomes (5,000).

3.7 What Assumptions are needed

To carry out the valuation assumptions need to be made about the magnitude and timing of both the future benefits that will be paid out of the Fund and the future investment returns generated by the Fund's assets. The assumptions fall into two broad categories – financial assumptions and demographic assumptions. The table below sets out the valuation assumptions and why.

Assumption	Description	Required for
Financial assumptions		
Future investment return	Projected annual returns and volatility on asset classes invested by the Fund e.g. UK equities, property etc.	**Asset projection** – to project employers' asset shares to the end of the funding time horizon
Discount rate	Annual rate of future investment return that will be earned on the Fund's assets after the end of the funding time horizon	**Funding objective** – to place a present value at the end of the funding time horizon of the future benefit payments
CPI inflation (benefit increases / CARE revaluation)	Future Consumer Price Index inflation	**Benefit projection** – to determine the size of future benefit payments (LGPS benefits are index-linked to CPI inflation)
Salary increases	Future inflationary salary awards	**Benefit projection** – to determine the size of future benefit payments (the pre-2014 final salary benefits are linked to salary) **Asset projections** – to determine future payroll values (and hence contribution income)
Demographic assumptions		
Baseline longevity	How long we expect members to live based on current observed death rates	**Benefit projection** – to determine how long each member's benefits are paid for
Future improvements in longevity	How death rates are expected to change in the future (historically life expectancy has improved over time)	**Benefit projection** – to determine how long each member's benefits are paid for
Other demographic events	Events such as retirement age, rate of ill health retirement, level of commutation and 50:50 take up	**Benefit projection** – to determine the size and timing of future benefit payments

3.8 The table below compared 2019 valuation financial assumptions against recommended assumptions for 2022.

Financial Assumption	**2019 Assumption**	**Proposed for 2022**	**Reason for change**
Future Investment return	Based on Hymans ESS model. CPI inflation 2.2% Global equity returns 5.8% Index-linked gilt returns 0.3% Corporate bond returns 1.9%	As per 2019 but updated to latest market calibration CPI inflation 2.7% Global equity returns 6.3% Index-linked gilt returns 0.1% Corporate bond returns 2.1%	Projections allow for different levels of inflation and returns across all asset classes.
Discount Rate	2.0% p.a. above the risk-free rate	Increase discount rate assumption to 2.2% p.a. above risk-free rate 65% prudence level	Increasing assumed discount rate by 0.2% p.a. will reduce

			assets the Fund is aiming to hold, by around 4-6%
Pension Benefit Increases	Based on CPI projections from Hymans ESS model	No change in approach but use latest market calibration	Increase in assumed future inflation will increase inflation linked liabilities
Salary Increases	CPI plus 0.2% pa, plus a promotional salary scale	No change from 2019 long term valuation assumption of CPI (plus a promotional salary scale)	Less significant than in previous years

3.9 The table below compared 2019 valuation demographic assumptions against recommended assumptions for 2022.

Demographic Assumptions	**2019 Assumption**	**Proposed for 2022**	**Reason for change**
Baseline Longevity	Based on Club Vita analysis and tailored to fit each individual member of the Fund	Based on Club Vita but adjusted to avoid being skewed by covid. Captures the unique mix of people in the scheme	Small change in base table to reflect up-to-date experience
Future Improvements in Longevity	CMI 2018 model Smoothing applied to recent experience Long-term rate of improvement = 1.25%	CMI 2021 model No weight placed on 2020 data	Latest version of CMI model used
Withdrawals (excluding ill health)	Based on analysis of experience at a national level, Hymans have increased their national assumption on the likelihood of withdrawals at each age. Hymans's recommendation is to scale the default assumption by 150% for full time males, 160% for full time females, 140% for part time-time males and 110% for part-time females.		
50:50 option	Fund assumption was 0.5% of members	Keep assumption unchanged at 0.5% of members	Take up in fund date was 0.9%. However, it is not clear how take up will change in the future
Cash commutation	50% pre-2008 75% post-2008	Based on the Fund's own experience, Hymans propose to update this assumption to 60% of maximum tax-	

		free cash	
Ill health early retirements	No change from the 2019 valuation assumption. Although fund specific shows a slightly higher rate of ill-health retirements than expected. As there are only a small number of data points, Hymans do not believe there is evidence to adjust the assumption.		
Promotional salary scale	Hymans's analysis of the Fund's membership do not suggest any change is required to the default salary scale used in the 2019 valuation. Recommendation is to continue to use LGPS wide analysis, adjusted for local experience where appropriate.		
Death in service	Incidence of death in service is very low and less than expected at 2019. Although there has been an increase in the period from 2019 to 2022, Hymans believe this is temporary.		
Retirement age	Assumed members retired in the years up their state pension age, with a chance of retiring at each age from age 55 based on historical data	The assumption will reflect the earliest age at which a member can retire with their benefit unreduced. Hymans estimate this change to reduce liabilities by around 1%.	It is expected that by 2022, many of the members with complex retirement ages will have retired and therefore the assumptions can be simplified.
Proportion leaving a dependant	Based on Club Vita analysis of our Fund		

3.10 Demographic assumptions impact the timing of payments, and financial assumptions impact the amount of payments. The value placed on the liabilities is sensitive to these assumptions, so the choice of assumptions has to be reasoned and robust. While any assumption about the future is subjective by nature.

3.11 Other factors like climate change, McCloud, cost sharing mechanism, guarantee minimum pension equalisation and revaluation as well as legal factors are considered.

3.12 Officers have received proposals from the Fund Actuary, Hymans Robertson, setting out recommended approach and assumptions chosen. Full details are set in the actuary's report enclosed here as appendix A giving further information on these assumptions.

3.13 Financial assumptions – Hymans use a "risk-based" approach to calculate the benefit and asset projections and setting the underlying financial assumptions. The assumptions in each scenario vary by year so they are not "flat".

Summary of Recommended Assumptions

Assumption	Recommended approach	Comments
Future investment return assumption	Based on Hymans Robertson ESS model updated to latest market calibration	Asset class return expectations are generally slightly better than in 2019.
Discount rate	Can be increased from 2.0% to 2.2% above the risk-free rate at the same level of prudence	No significant change in environment to suggest an increase or decrease in prudence levels Would reduce contributions by 1% to 1.5% of pay. However in 20 years time the Fund would be aiming to hold around 4-6% less assets (all other things being equal).
CPI inflation (benefit increases / CARE revaluation)	Based on Hymans Robertson ESS model	Inflation expectations are slightly higher (c.0.2-0.3% p.a.) than 2019 due to current economic outlook.
Salary increases	CPI inflation (was 0.2% above CPI at 2019)	2022 proposed assumption in line with 2019 long-term salary increase expectations. However, at 2019, allowance was made for short-term expected pay restraint. Given recent increases in National Living Wage and reduced impact on pension liabilities from short-term pay expectations, recommend that no allowance is made for any short-term pay restraint.
Baseline longevity	Based on Club Vita analysis updated to reflect non-Covid related experience	Longevity assumptions are tailored to the Fund's experience and membership.
Future improvements in longevity	Updated to CMI 2021 model with no weight on 2020/21 data with long term improvement of 1.5%	Latest version of CMI model is best practice but avoid projections being affected by short-term Covid-19 experience.
Demographic assumptions (excluding longevity)	Adopt Hymans proposed demographic assumptions	All demographic assumptions have been reviewed against LGPS wide experience with some adjustment to reflect Fund's own experience.

3.14 Investment return and discount rate assumptions – the actuary recommends an increase of discount rate assumption from 1019 values of 2.0% to 2.2% p.a. above risk-free rate.
Benefit projections were assumed to be in line with CPI projections from the Hymans ESS model.
Salary increases – no allowance was made for short-term restraint with no change from 2019 long-term assumption of CPI (plus a promotional salary scale).

3.15 In 2019, the funding level was reported using an assumed investment return assumption of 4.0% which had an associated prudence level of 70%. In this valuation a prudence level of 65% for the assumed investment return has been used and assumed pension increases in line with the Hymans median projected CPI inflation of 2.7% p.a. over the next 20 years.

In terms of longevity assumptions (life expectancy), the actuary has used their Club Vita mortality tables which has been adjusted for covid19.
Next Steps

3.11 The subsequent key steps in the valuation process are summarised below:

- Assumption advice (this report)
- Employer risk management
- Data submission
- Funding Strategy Statement review (September Committee)
- Whole fund results (September Committee)
- Employer results (December Committee
- Employer discussions (December Committee)

- Valuation sign off (March Committee)

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equality impact.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

5.2 The valuation outcome is sensitive to both the actuarial and financial assumptions made within the valuation and any significant variations to those assumptions could impact upon Fund's financial position. Therefore, a prudent approach is crucial in minimising the key risks involved in managing the Pension Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 The comments of the Corporate Director of Resources have been incorporated as required, throughout this report.

7. COMMENTS OF LEGAL SERVICES

7.1 The Local Government Pension Scheme Regulations 2013, Regulation 62, requires an Administering Authority to obtain an actuarial valuation of its fund at 31 March 2016, and as at 31st March every third year thereafter. The documents obtained by the administering authority must include a report by an actuary in respect of the valuation, and a rates and adjustment certificate provided by the actuary. The report must contain a statement of the demographic assumptions used in producing the valuation, and how these assumptions relate to events which have actually occurred in relation to the scheme membership. These documents must be received before the first anniversary of the valuation date.

7.2 Regulation 66 also requires the Administering Authority to supply copies of any valuation report, rates and contributions certificates to the Secretary of

State, employing authorities participating in the Fund and any other bodies liable to make payments to it.

Linked Reports, Appendices and Background Documents

Linked Report

- 2022 Triennial Valuation Plan (September 2021)

Appendices

- Draft Fund Triennial Valuation Assumptions by Hymans Robertson

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report
- State NONE if none.

Officer contact details for documents:
Miriam Adams Interim Head of Pensions & Treasury Ext 4248
Email: miriam.adams@towerhamlets.gov.uk

HYMANS ROBERTSON

London Borough of Tower Hamlets Pension Fund

Actuarial valuation at 31 March 2022

Advice on assumptions

Barry Dodds FFA Douglas Green FFA

19 May 2022

For and on behalf of Hymans Robertson LLP

Use the menu bar above to navigate to each section.

Contents

In this report:

A glossary of technical terms used in this report can be found in Appendix 6

Summary of recommendations

Assumption	Recommended approach	Comments
Future investment return assumption	Based on Hymans Robertson ESS model updated to latest market calibration	**Asset class return expectations are generally slightly better than in 2019.**
Discount rate	Can be increased from 2.0% to 2.2% above the risk-free rate at the same level of prudence	**No significant change in environment to suggest an increase or decrease in prudence levels Would reduce contributions by 1% to 1.5% of pay. However in 20 years time the Fund would be aiming to hold around 4-6% less assets (all other things being equal).**
CPI inflation (benefit increases / CARE revaluation)	Based on Hymans Robertson ESS model	**Inflation expectations are slightly higher (c.0.2-0.3% p.a.) than 2019 due to current economic outlook.**
Salary increases	CPI inflation (was 0.2% above CPI at 2019)	**2022 proposed assumption in line with 2019 long-term salary increase expectations. However, at 2019, allowance was made for short-term expected pay restraint. Given recent increases in National Living Wage and reduced impact on pension liabilities from short-term pay expectations, recommend that no allowance is made for any short-term pay restraint.**
Baseline longevity	Based on Club Vita analysis updated to reflect non-Covid related experience	**Longevity assumptions are tailored to the Fund's experience and membership.**
Future improvements in longevity	Updated to CMI 2021 model with no weight on 2020/21 data with long term improvement of 1.5%	**Latest version of CMI model is best practice but avoid projections being affected by short-term Covid-19 experience.**
Demographic assumptions (excluding longevity)	Adopt Hymans proposed demographic assumptions	**All demographic assumptions have been reviewed against LGPS wide experience with some adjustment to reflect Fund's own experience.**

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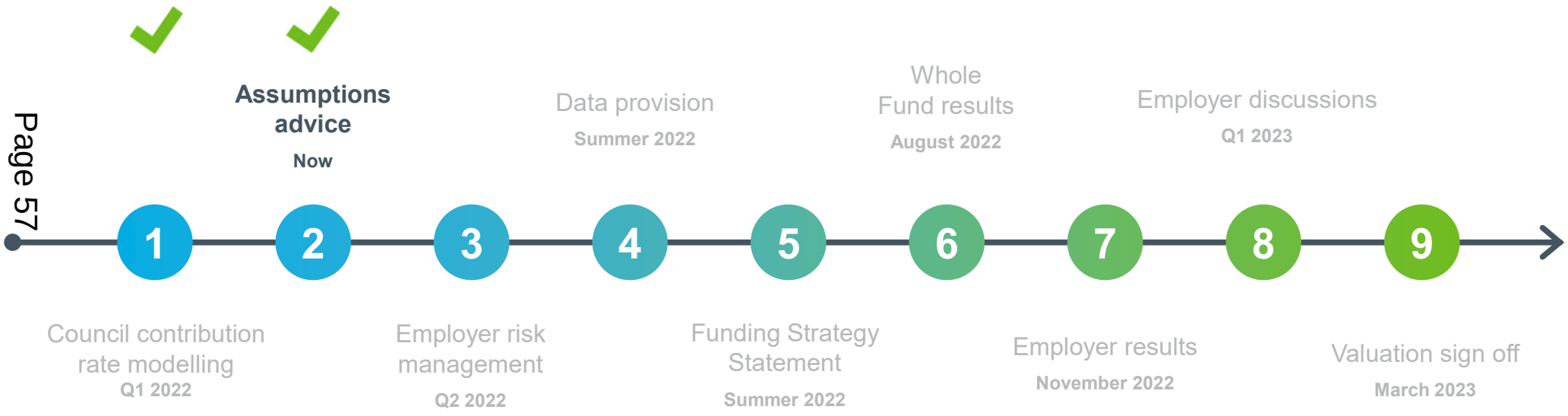
The valuation process

The valuation process



Assumptions advice

It's now time to set assumptions for the 2022 formal valuation, after taking advice from us as your Fund Actuary.

As part of this process you need to make four main decisions:

1. Agree the prudence level in the assumptions
2. Confirm approach and choice of financial assumptions (salary and pension increases)
3. Agree the life expectancy assumption, including how much weight is placed on recent years affected by COVID-19
4. Agree all other demographic assumptions

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Why and how we set assumptions

Assumptions matter – projecting future benefit payments and assets

To determine the level of employer contributions we carry out two projections.

The **benefit projection** estimates the future payments that will be made to members, allowing for future pension increases, death and other events.

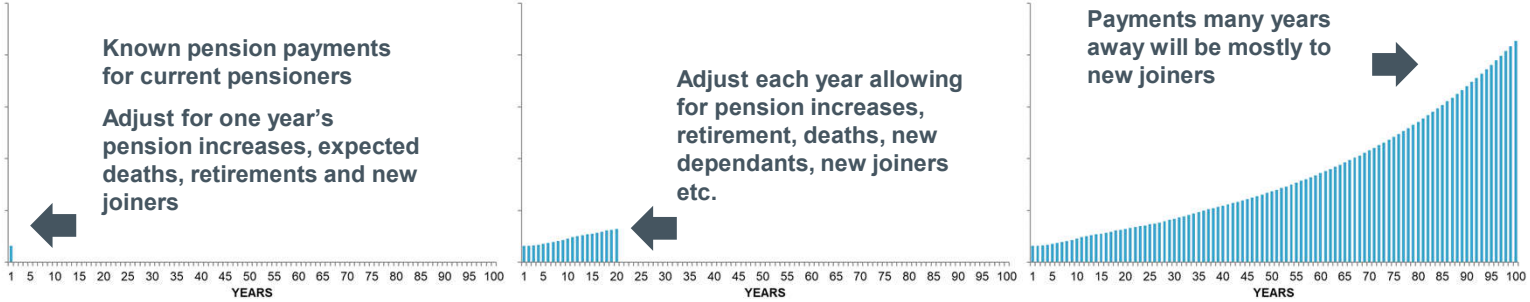
The **asset projection** takes into account future investment returns, contributions and benefits paid to members.

The contribution rates are set so at the funding time horizon, there are enough assets to meet future benefit payments in a sufficiently high number of future economic scenarios – the funding objective.

Because we can't see into the future, the projections mean working with uncertainty and require assumptions.

We review assumptions regularly to make sure they're relevant to the financial, demographic and regulatory environment.

Illustration: how we project benefit payments



Two types of assumptions:

1. **Financial** assumptions (like inflation) affect the amount of payments and asset values.

2. **Demographic** assumptions (like how long members live) affect the timing of payments.

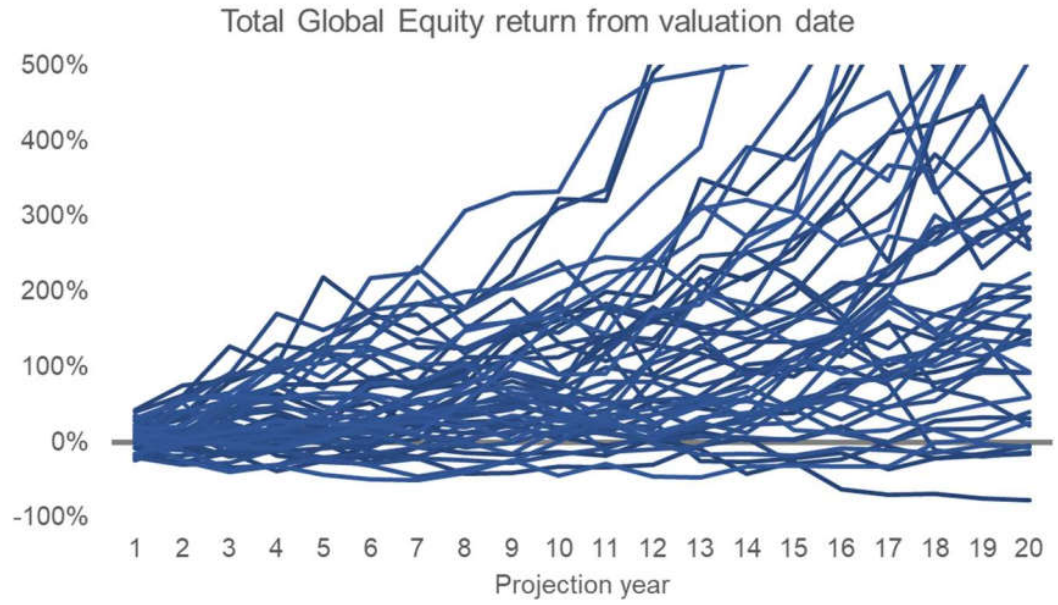
Assumptions and our valuation approach

We use a "risk-based" approach to calculating the benefit and asset projections.

Under this approach, we use an economic scenario generator (Hymans Robertson's proprietary generator is called the Economic Scenario Service – ESS) to produce 5,000 different simulations of future economic conditions and associated assumptions.

The assumptions in each scenario vary by year i.e. they are not 'flat', so they are a better representation of reality than a single, linear assumption.

The chart shows a sample of the 5,000 simulations for future cumulative total returns on global equities over the next 20 years.



This approach allows the generation of a distribution of future benefit and asset projections so all stakeholders in the Fund can better understand risk.

What assumptions are needed

Assumption	Description	Required for
Financial assumptions		
Future investment return	Projected annual returns and volatility on asset classes invested by the Fund e.g. UK equities, property etc.	**Asset projection** – to project employers' asset shares to the end of the funding time horizon
Discount rate	Annual rate of future investment return that will be earned on the Fund's assets after the end of the funding time horizon	**Funding objective** – to place a present value at the end of the funding time horizon of the future benefit payments
CPI inflation (benefit increases / CARE revaluation)	Future Consumer Price Index inflation	**Benefit projection** – to determine the size of future benefit payments (LGPS benefits are index-linked to CPI inflation)
Salary increases	Future inflationary salary awards	**Benefit projection** – to determine the size of future benefit payments (the pre-2014 final salary benefits are linked to salary) **Asset projections** – to determine future payroll values (and hence contribution income)
Demographic assumptions		
Baseline longevity	How long we expect members to live based on current observed death rates	**Benefit projection** – to determine how long each member's benefits are paid for
Future improvements in longevity	How death rates are expected to change in the future (historically life expectancy has improved over time)	**Benefit projection** – to determine how long each member's benefits are paid for
Other demographic events	Events such as retirement age, rate of ill health retirement, level of commutation and 50:50 take up	**Benefit projection** – to determine the size and timing of future benefit payments

How we review and set assumptions

Our approach

1. **Look at the assumptions from the last valuation**
2. **Review evidence and consider the landscape:**
   - Changes in financial/economic conditions
   - Regulation and guidance
   - Population and general pension scheme statistics
   - Fund specific data and experience, especially members' demographic characteristics
   - Future trends
   - Assessment of employers' financial strength
   - Investment strategy
   - Fund views – and employer views in some cases (e.g. salary increases)
3. **Propose, discuss and agree changes to set new assumptions**

Acknowledging uncertainty

There is no certainty about how the future may evolve and it is important to acknowledge this uncertainty during the valuation. Understanding the impact of the future deviating from the assumptions on funding levels and contribution rates is an important aspect of how the Fund manages risk.

Ways of understanding the impact:

- **Stress testing –** measures immediate changes in assumptions by testing alternatives at valuation date. We will stress test the longevity assumptions as part of the valuation.
- **Risk-based modelling –** risk-based approach involves projecting a wide range of possible future outcomes. There is no single figure for an assumption – instead, we work with a future range. We use a "risk-based" approach to calculate the benefit and asset projections and set the underlying financial assumptions.
- **Scenario projection –** considers future projections across different scenarios, bringing together relevant factors for a better understanding of overall impact. We will use different climate change scenarios at the valuation to help you understand this risk.

Most assumptions are a best estimate, set objectively without margins for adverse experience.
A prudent discount rate assumption meets the requirement (from LGPS guidance) for a 'prudent' valuation.

Other factors affecting assumptions at the 2022 valuation

Climate change

Climate change will affect many aspects of the Fund's assets and liabilities, for example the return on its assets, the inflation used to revalue benefits and the longevity of its members. The uncertainty around future climate pathways and their impact means that it is impossible to factor climate change considerations meaningfully into every assumption described in this paper.

We will however consider climate change scenarios when setting the long-term longevity improvements assumption, and the Fund will consider climate risk in its funding strategy by testing the resilience of the strategy in three climate scenarios.

Possible benefit changes

McCloud

Benefits accrued by certain members between 2014 and 2022 may be increased in future following the outcome of the McCloud case, which ruled that transitional protections introduced in 2014 to older members were discriminatory. We will make an allowance for the cost of these potential improvements in the 2022 valuation, based on the assumptions agreed here (in particular the salary increase and withdrawal assumptions). The impact is expected to be minimal for the majority of employers.

Cost sharing mechanism

Benefits could also change as a result of the 2016 and 2020 "cost cap" valuations, neither of whose outcome has been completely confirmed. If new assumptions are necessary to value any potential changes we will agree these separately.

Guaranteed Minimum Pension equalisation and revaluation

As per our approach for the 2019 valuation, we will assume that the Fund will fund all increases on GMP for members with a State Pension retirement date after 5 April 2016.

Other legal cases

Benefits could change as a result of other legal challenges (e.g. the "Goodwin" case affecting partner pensions), but at present we do not believe any additional assumptions are needed to value these.

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Financial assumptions

Financial assumptions

Approach to setting **financial** assumptions

1. Hymans' proprietary economic model, the Economic Scenario Service (ESS), is used to generate 5,000 different simulations of the future
2. ESS generates a range of future benefit and asset projections so stakeholders can better understand risk (hence "risk-based" approach)
3. Projections allow for different levels of inflation and returns across all asset classes
4. No single assumption for future investment returns or inflation

Comparison with 2019

Here are how some of the main ESS assumptions have changed since 2019. Full details are in Appendix 1

Assumption	31 March 2019	31 March 2022
CPI inflation	2.2%	2.7%
Global equity returns	5.8%	6.3%
Index-linked gilt returns	0.3%	0.1%
Corporate bond returns	1.9%	2.1%

Figures are median annualised values over years 0-20. ILGs and Corporate Bonds are medium duration, the latter is A rated.

The outlook for inflation is worse compared to 2019, but the returns on many asset classes are slightly better compared to 2019.

Key decision

A discount rate is needed to place a prudent value on the benefit payments due after the funding time horizon. This value determines each employer's funding objective. The level of prudence is a key funding decision.

The discount rate is set relative to risk-free rates so that it varies according to the economic conditions in each of the 5,000 projections.

Investment return and discount rate assumptions

2019 approach

- **Investment return assumptions:** Risk-based approach to generate future investment returns, based on Fund's investment strategy.
- **Discount rate assumption:** Assumed future investment returns are generated for each asset class from the ESS and combined into an overall portfolio return.
- At 2019, the discount rate was set at 2.0% p.a. above the risk-free rate.

Considerations

Maintaining the same discount rate assumption

- The prudence level is the likelihood of the Fund's investment strategy achieving the desired excess return over years 20-40.
- At 2019, there was a 65% prudence level associated with a discount rate based on the risk free rate plus 2.0% p.a..
- As at 31 March 2022, the same discount rate assumption is now associated with an increased prudence level of 68%.
- As the prudence level has increased it would be acceptable to maintain this discount rate.

Maintaining the same prudence level

- To maintain the same level of prudence, we have tested the level of return above gilts that has a 65% prudence level.
- The resulting discount rate would be 2.2% above the risk-free rate.
- It would therefore also be acceptable to increase the discount rate assumption to this level.

The investment strategy used in our analysis is set out in Appendix 2

RECOMMENDATION:

Continue to use the ESS to generate future investment returns.

Increase discount rate assumption to 2.2% p.a. above risk-free rate.

IMPACTS:

The money you are aiming to hold to meet benefit payments and the target for investment return.

SIGNIFICANCE:

Increasing assumed discount rate by 0.2% p.a. will reduce assets the Fund is aiming to hold, by around 4-6%.

Benefit revaluation and pension increases

2019 approach	Benefit projections were assumed to be in line with CPI projections from the ESS model.
What's changed since the previous valuation?	Increased inflation expectations, perhaps due to government actions during Covid-19 pandemic and/or Brexit-related supply pressures.
Proposed approach for the 2022 valuation	No change in approach, but use updated ESS calibration reflecting current market outlook in the short-medium term.

RECOMMENDATION:

CPI inflation will be derived from the updated calibration of the ESS model.

IMPACTS:

The increase applied to benefits each year.

SIGNIFICANCE:

Increase in assumed future inflation will increase inflation linked liabilities.

Salary increases

2019 assumption	CPI + 0.2% pa, plus a promotional salary scale. We will only consider the inflationary element here.
2019 approach	At the 2019 valuation, the assumption for 'inflationary' increases was based on an underlying assumption of short-term pay restraint (4.0% p.a. pay growth in 2019/20 and 2.5% in years 2020/21 and 2021/22) followed by long-term increases in line with CPI inflation. After allowing for the expected run-off of the Fund's final salary (pre-2014) linked benefits, this gave an assumption of CPI + 0.2%.
Things to consider	**Run off of final salary liabilities:** it is expected that this will be more gradual than at previous valuations and therefore the impact of any short-term pay restraint is negated. **McCloud remedy:** many members' benefits earned between 2014 and 2022 will retain a link to final salary, further negating the impact of any short-term pay restraint. **Impact of Covid-19 on budgets:** the impact of the pandemic on public and private sector finances may mean lower future salary increases. **National living wage increases:** recent years have seen an above inflation rise in the National Living Wage (NLW) and an increasing number of employers adopting this as their minimum wage. Although the NLW is aimed at the lowest paid, these recent increases will put pressure on salary rates across the whole workforce as employers may feel the need to keep the increments between staff consistent to adequately reward those with more responsibility or experience.

RECOMMENDATION:

No allowance made for short-term restraint with no change from 2019 long-term assumption of CPI (plus a promotional salary scale)

IMPACTS:

The benefits paid to members with service earned prior to 31 March 2014.

Payroll projections used for contribution modelling.

The estimated cost of the McCloud remedy.

SIGNIFICANCE:

Less significant than in previous valuations.

Reporting the funding level

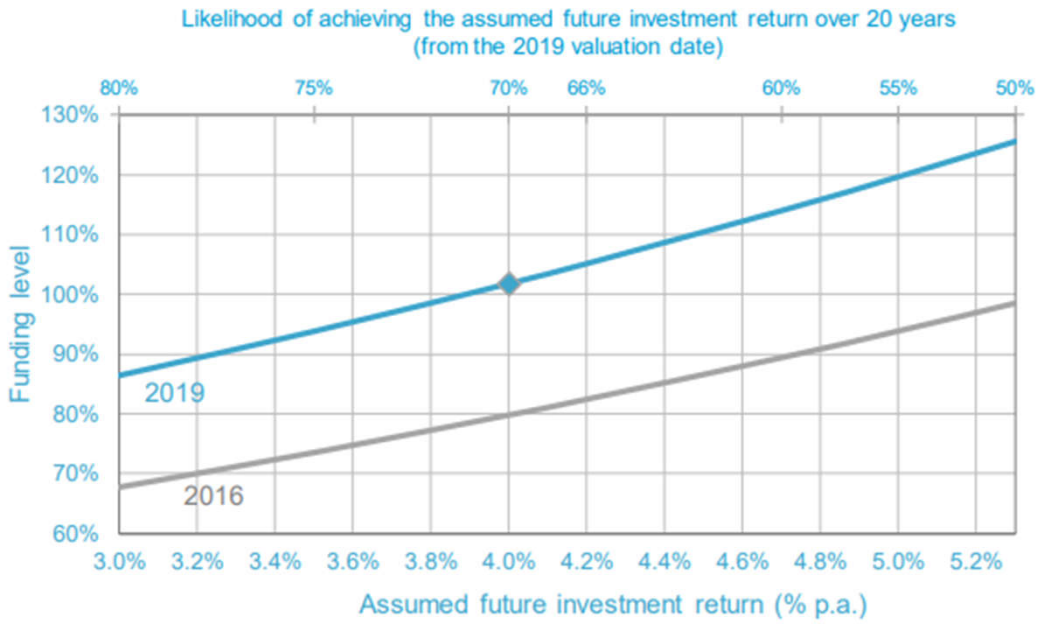
As well as setting contributions, a key output of the valuation is a measurement of past service liabilities at the valuation date itself to determine the funding level.

To report a funding level, we need to use a single value for each assumption (compared to the risk-based approach used for contribution rate setting).

To ensure consistency between the reported funding level and employer contribution rates, we still use the ESS to derive the assumptions used to report the funding level. These assumptions are summary statistics of the 5,000 individual simulations used to project forward assets and benefit payments when setting contributions.

At the 2019 valuation, we showed how the funding level at the valuation date varied with the choice of future investment return and the likelihood of the Fund's assets yielding at least a given investment return (based on the ESS simulations).

This was all detailed in this chart. A similar chart will be shown in your 2022 valuation preliminary results report.



Assumptions for reporting the funding level

2019 approach	Funding level was reported using an assumed investment return assumption of 4.0%, which had an associated prudence level of 70%. Pension increases were based on market-implied RPI inflation minus 1% p.a..
Proposed approach for the 2022 valuation	In general the approach is the same as already discussed, except that instead of 5,000 projections we choose a single value from those projections as follows: **Assumed investment return** Use the same prudence level as used for the discount rate, i.e. 65% or 68% as appropriate. This gives an assumed investment return of 4.6% or 4.2% respectively. **Pension increases** Use the median projected CPI inflation from the ESS over the next 20 years (equivalent to 2.7% p.a. as at 31 March 2022). This is a change from 2019 due to gilt market supply/demand distortion which affects market-implied inflation metrics. **Salary increases** Assume salary increases equivalent to the median projected CPI as mentioned above.

RECOMMENDATION:

Use prudence level of 65% for the assumed investment return, and assume pension increases in line with the median projected CPI inflation from the ESS.

IMPACTS:

Reported funding level.
Does not affect contributions.

SIGNIFICANCE:

For reporting and tracking the funding level only.

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Longevity assumptions

Breaking it down

Your **longevity** assumptions

How long you expect to pay a pension to each member and their dependants.

=

Baseline

- A snapshot of how long people currently live
- Measured **objectively** based on recent mortality data
- Use Club Vita analytics for a **tailored best estimate** based on members' characteristics
- Reflects that people with certain characteristics tend to live longer (women, non-ill-health retirees, higher affluence, non-manual workers)

+

Future improvements

- How life expectancy increases over time
- Shorter-term expectations reflecting recent trends
- Longer-term expectations reflecting historical trends **plus** evidence that improvements may be higher or lower than historical trend
- **Subjective** – wide range of possible outcomes

Evidence based baseline + informed future judgement.

Baseline

2019 approach	Club Vita tables tailored to fit each individual member of the Fund.
What's changed since the previous valuation?	Current assumptions capture the unique mix of people in your scheme using experience across the Club Vita database of similar individuals to identify a baseline longevity assumption for each member. But new evidence on longevity emerges yearly. Since your last valuation more data has been gathered and VitaCurves have been updated.
Proposed approach for the 2022 valuation	Adopt the latest member-specific Club Vita base tables – a consistent approach that captures a more up-to-date experience. We will make an appropriate adjustment to recent data to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021
Other comments…	The Covid-19 pandemic has unfortunately resulted in increased morbidity and death since 2020. It is likely that we will see higher than expected death experience since the 2019 valuation. This will result in a decrease in liabilities as the Fund will be paying out less pension than expected. However, our initial estimates for a typical LGPS fund suggest that the reduction in liabilities due to the higher number of deaths will only be a decrease of 0.1-0.2%.

RECOMMENDATION:

Latest member-specific Club Vita mortality base tables, adjusted to avoid being skewed by Covid-19.

IMPACTS:

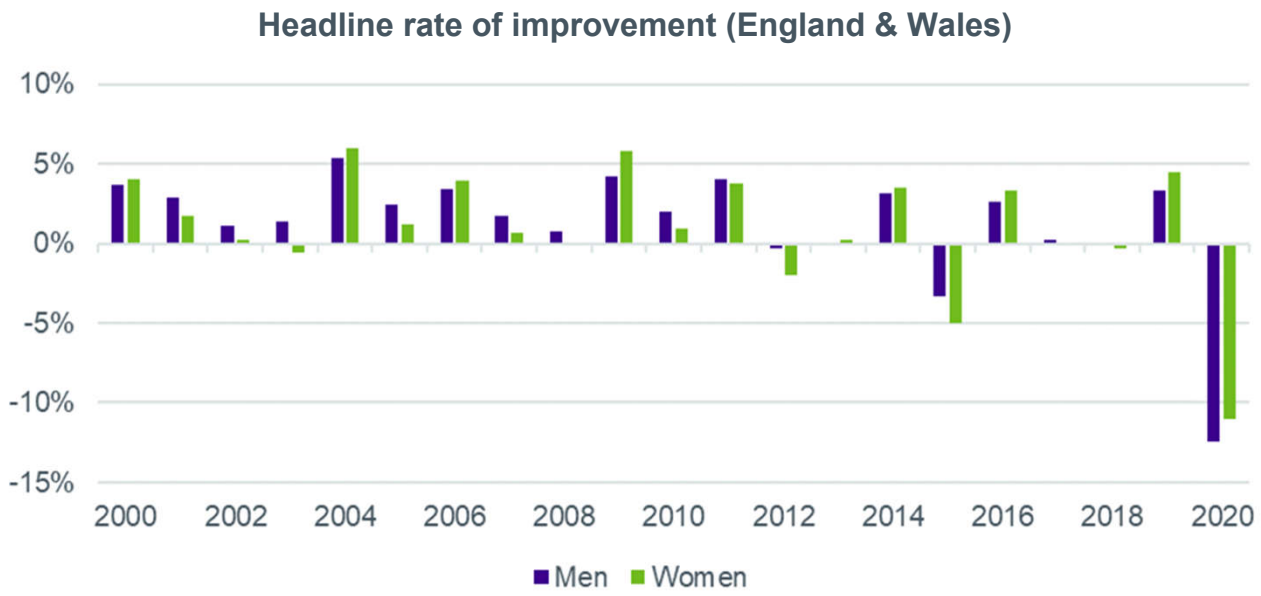
How long you expect to pay a pension to each member and their dependants.

SIGNIFICANCE:

Small change in base table to reflect up-to-date experience.

Future improvements - recent experience snapshot

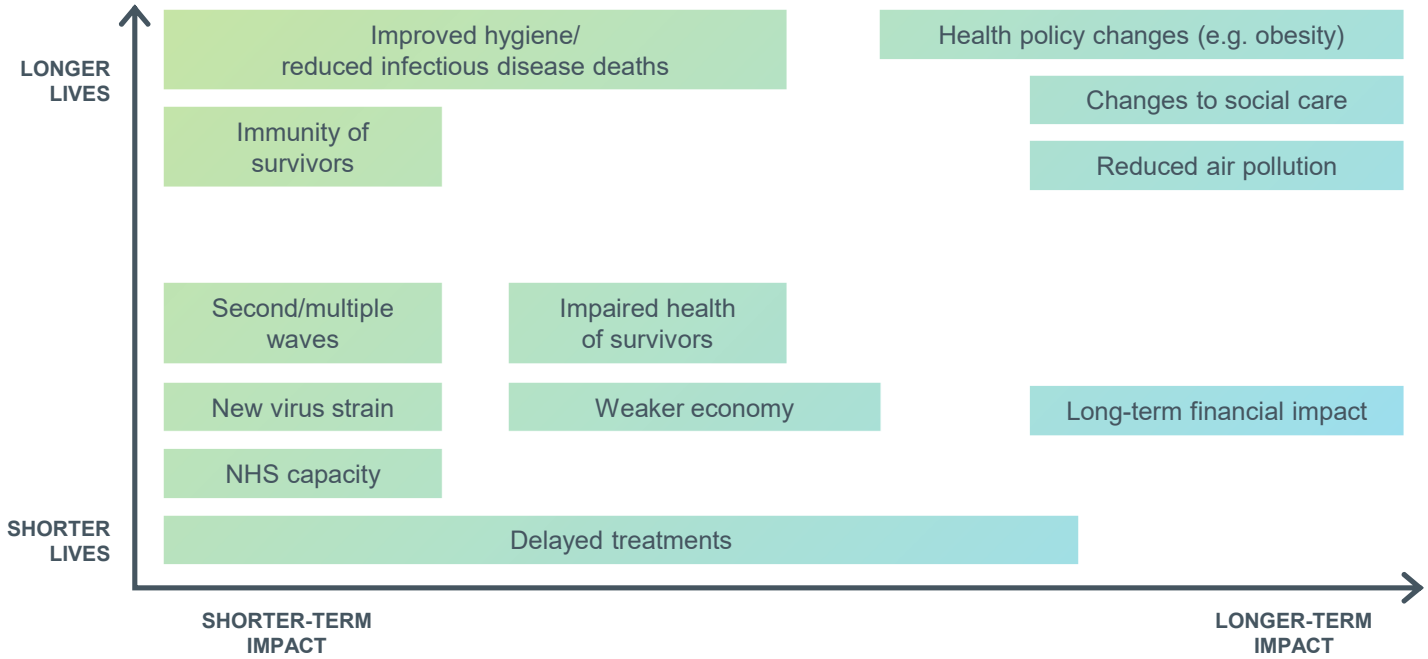
- Lower improvements in longevity at population over recent years, however more affluent pensioners have not seen the same level of slowdown. Adopting starting rates based on population-level data risks understating current rates of improvement for your members.
- COVID-19 meant 2020 death rates were significantly higher at population level than previous years.
- The immediate impact from actual experience over the period to a Fund's valuation date will be accounted for in the valuation data. However, for most schemes this impact is relatively low.
- There is uncertainty over how the Covid-19 pandemic will impact the course of future longevity improvements in the medium to longer term.
- This uncertainty means schemes should be wary of weakening mortality assumptions materially from those adopted previously.



Source: Annual improvement in standardised mortality rate, based on data from ONS for England & Wales, as published by the CMI alongside CMI_2020

Future improvements - future COVID-19 impact

- No consensus on the pandemic's impact on mortality for pension schemes.
- CMI model now allows 2020 and 2021 data to be treated differently (or ignored), reflecting that it is an exceptional period not necessarily indicative of a future mortality rate trend.
- Most funds unlikely to make an explicit allowance at this time



Too early to judge future impact – points to no explicit allowance.

Future improvements

2019 approach	The starting point is the Actuarial Profession's CMI model, which is updated annually with the latest observed mortality data. At the 2019 valuation we used CMI_2018 with default smoothing parameters, an initial addition of 0.25% for females/0.5% for males and long-term rate of improvement of 1.25% pa.
Proposed approach for the 2022 valuation	Use the latest available CMI model (CMI_2021) with the parameters adjusted as follows: **Weight placed on 2020 and 2021 experience (W parameters)** Given that both 2020 and 2021 have been significantly affected by the Covid-19 pandemic, **we would recommend that no weight is placed on data from these years**. This will avoid overstating the impact of the pandemic on long-term rates of improvements, as we have little evidence of the long-term effects at this stage. **Adjustment to observed data to reflect scheme membership (A parameter)** The A parameter allows users to adjust the starting point for the projections in the model to reflect the difference between the population-wide data used in the model and the Fund's own membership. Based on analysis carried out by Club Vita, we recommend using an A parameter of 0.25%. **Long-term improvement rate (LTR parameter)** Club Vita analysis suggests a reasonable long-term trend of 1.5% annual improvements in longevity. The strength of this recommendation has increased since the previous valuation and the arguments to keep it at 1.25% (e.g. the LGPS mechanisms which supposedly mitigate longevity risk like the Cost Cap) have weakened, so we now recommend using 1.5%.

Further information about the future improvement assumption is set out in Appendix 3

RECOMMENDATION:

Latest available CMI model with an A parameter of 0.25%, long-term rate of improvement of 1.5% pa and no weight given to 2020 data.

IMPACTS:

How long you expect to pay a pension to each of member and their dependants.

SIGNIFICANCE:

Increase liabilities by 1-2% vs 2019 assumption.

Other demographic assumptions

Other demographic assumptions

Withdrawals (excluding ill-health)	Based on our LGPS experience analysis for the period 2016-2019, we have increased the likelihood of withdrawals at each age. Following the Fund specific analysis, our recommendation is to scale the default assumption by 150% for full-time males, 160% for full-time females, 140% for part-time males and 110% for part-time females. Please see Appendix 4 for detailed results of the fund-specific demographic experience analysis.
Ill-health early retirements	Our LGPS-level analysis shows the incidence of ill-health retirements is slightly lower than expected at 2019. We propose leaving the assumption unchanged due to the potential increase in ill-health retirements as a result of Covid-19. Fund specific analysis shows a slightly higher rate of ill-health retirements than expected. However, as there are only a small number of data points, we do not believe there is credible evidence to adjust the assumption.
Promotional salary scale	Our analysis at LGPS-level does not suggest that any change is required to the default salary scale used at the 2019 valuation. Analysis of the Fund's own results do not suggest any reason to alter the standard assumption.
Death in service	The incidence of death in service is very low. Our LGPS-level analysis shows that the incidence of death in service is less than expected at 2019. Whilst there may have been an increase in the period from 2019 to 2022, we believe that will be temporary. Therefore, we have reduced the expected rate of death in service by 20% (compared to 2019). Similarly, Fund specific analysis does not suggest any reason to alter the standard assumption.

RECOMMENDATION:

Adopt proposed demographic assumptions based on LGPS wide analysis, adjusted for local experience where appropriate.

IMPACTS:

Timing and magnitude of future cashflows.

SIGNIFICANCE:

Minor impact on liabilities.

Other demographic assumptions

50:50 take up option	At 2019, the Fund's assumption was 0.5% of members would elect to take up the 50:50 option. Take up in the Fund's 2019 data was 0.9%. It is not clear how the take-up of this option will change in the future. Therefore, our recommendation would be to keep this assumption unchanged at 0.5%.
Retirement age	Due to benefit changes in the LGPS, there are a complex set of rules determining the age a member can retire with unreduced benefits. These rules differ by member and the period in which the benefit was earned. However, by 2022, many of the members with complex retirement ages will have retired and therefore the assumptions can be simplified. At 2019 we assumed members retired in the years up to their state pension age, with a chance of retiring at each age from age 55 based on historical data. For 2022, the assumption will reflect the earliest age at which a member can retire with their benefits unreduced. We estimate the impact of this change to reduce liabilities by around 1%.
Cash commutation	At 2019, the Fund assumed that the rate at which members exchanged their pension for tax-free cash at retirement was 50% of HMRC limits for service to 1 April 2008 and 75% thereafter. Based on the Fund's own experience, we propose to update this assumption to 60% of HMRC limits for all tranches of benefit.

RECOMMENDATION:

Adopt proposed demographic assumptions based on LGPS wide analysis and Fund's own experience.

IMPACTS:

Timing and magnitude of future cashflows.

SIGNIFICANCE:

Minor impact on liabilities.

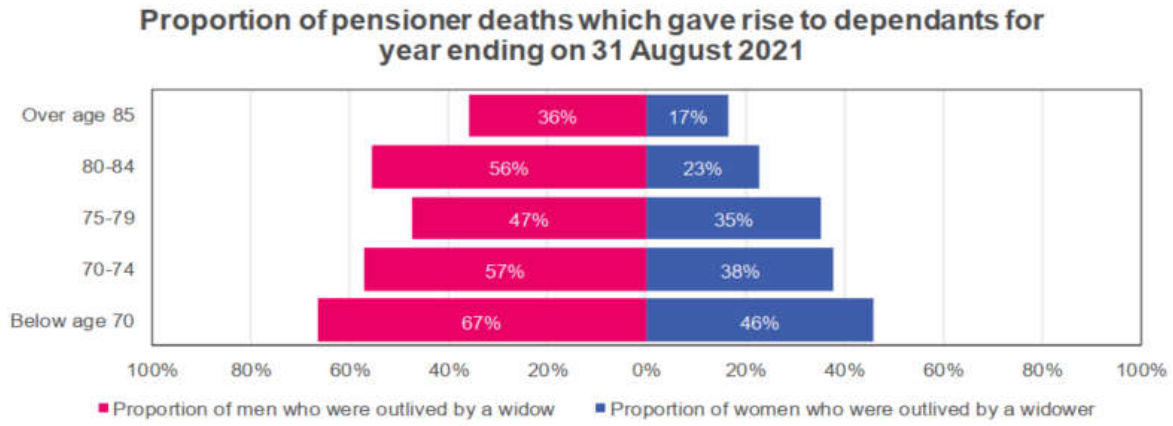
Other demographic assumptions

Proportion leaving a dependant

This is monitored by Club Vita as part of helping the Fund to manage their longevity risk.

The chart below shows the percentage of members in a sample Fund who are outlived by a partner eligible for an LGPS dependant pension.

For 2022 we will use the latest available Club Vita analysis to set an assumption appropriate to your Fund.



RECOMMENDATION:

Adopt proposed demographic assumptions based on Club Vita analysis

IMPACTS:

Timing and magnitude of future cashflows.

SIGNIFICANCE:

Minor impact on liabilities.

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Decisions and next steps

Decisions for today

1. Agree the prudence level in the assumptions
2. Confirm approach and choice of financial assumptions (salary and pension increases)
3. Agree the life expectancy assumption, including how much weight is placed on recent years affected by COVID-19
4. Agree all other demographic assumptions

The valuation process

1. Council contribution rate modelling — Q1 2022 ✓
2. **Assumptions advice** — **Now** ✓
3. Employer risk management — Q2 2022
4. Data provision — Summer 2022
5. Funding Strategy Statement — Summer 2022
6. Whole Fund results — August 2022
7. Employer results — November 2022
8. Employer discussions — Q1 2023
9. Valuation sign off — March 2023

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Appendices

APPENDIX 1

Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation).

In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc.

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration at 31 March 2022.

		Annualised total returns								
		Index Linked Gilts (long)	UK Equity	Private Equity	Property	Listed Infrastructure Equity	Diversified Growth Fund (low equity beta)	All World ex UK Equity in GBP Unhedged	Multi Asset Credit (sub inv grade)	Inflation (CPI)
10 years	16th %'ile	-3.1%	-0.4%	-1.2%	-0.6%	-1.1%	1.4%	-0.4%	1.7%	1.6%
	50th %'ile	-0.7%	5.7%	9.4%	4.4%	4.9%	3.2%	5.8%	3.5%	3.3%
	84th %'ile	2.0%	11.6%	20.1%	9.5%	10.9%	5.1%	11.9%	5.2%	4.9%
20 years	16th %'ile	-2.6%	1.7%	2.4%	1.4%	1.2%	2.1%	1.8%	2.8%	1.2%
	50th %'ile	-0.9%	6.2%	10.0%	5.0%	5.6%	3.8%	6.3%	4.4%	2.7%
	84th %'ile	0.8%	10.6%	17.6%	8.9%	10.1%	5.7%	11.1%	6.0%	4.3%
40 years	16th %'ile	-1.1%	3.2%	4.7%	2.6%	2.6%	2.5%	3.4%	3.6%	0.9%
	50th %'ile	0.3%	6.7%	10.3%	5.5%	6.1%	4.4%	6.8%	5.3%	2.2%
	84th %'ile	1.9%	10.2%	16.1%	8.8%	9.8%	6.5%	10.4%	7.1%	3.7%
	Volatility (Disp) (1 yr)	9%	18%	30%	15%	18%	5%	18%	6%	3%

APPENDIX 2

The Fund's asset allocation

The table sets out the long-term strategic asset allocation we have used for the analysis of the future expected investment returns for the Fund and the subsequent discount rate recommendations.

This asset allocation is as provided by the Fund's investment advisors (Mercer).

Asset class	Allocation
Overseas equities	47.5%
UK equities	2.5%
Infrastructure equities	3.0%
Private equity	3.0%
Property	12.0%
Diversified Growth Fund	20.0%
Multi Asset Credit	6.0%
Long Index Linked Gilts	6.0%
Total	100.0%

APPENDIX 3

Additional detail on longevity assumptions

Longevity improvements – initial addition (A parameter)

The CMI model is based on England & Wales population mortality data. Evidence suggests that most members of an occupational pension scheme (e.g. the LGPS) have experienced higher improvements in life expectancy than the general population in recent years. The A parameter allows users to adjust the starting point for the projections in the model to reflect this differing experience.

To help set this parameter, Club Vita have undertaken some analysis to calculate mortality improvement rates split by socio-economic group. The results are shown in the table along with the England & Wales rates within the core CMI_2021 model.

This analysis is consistent with similar analysis performed by the CMI, which found higher longevity improvements in less deprived population groups (IMD deciles 8-10). These results are also shown in the table for comparison.

	Annualised mortality improvement (2013 – 2018)	
	Men	Women
England & Wales (core CMI)	0.9%	0.6%
Club Vita 'Comfortable'	+0.3% vs. E&W	+0.5% vs. E&W
Club Vita 'Making-Do'	+0.5% vs. E&W	+0.5% vs. E&W
Club Vita 'Hard-Pressed'	-0.2% vs. E&W	+0.7% vs. E&W
CMI analysis IMD deciles 8-10 (more affluent)	+0.1% vs E&W	+0.4% vs E&W

Both analyses show that in recent years, more affluent individuals have enjoyed higher than average improvements in life expectancy. It is these individuals that also tend to dominate the liabilities of the Fund.

The majority most LGPS liabilities relate to those members in the making-do and hard-pressed groups, corresponding roughly to IMD deciles 8-10. Based on the figures above, we recommend using the A parameter to adjust the starting point in the CMI model by 0.25%.

APPENDIX 3

Additional detail on longevity assumptions

Longevity improvements – long-term rate (LTR)

Life expectancy has improved consistently since at least the turn of the 20th century thanks to many factors such as better public health, improved medical treatments, better diet and lower rates of smoking.

We need to consider how (or if) the improvements we have seen in recent years will continue into the long-term. As a starting point, the recent trend (which is arguably the most informative for us) suggests a long-term rate of between 1.25% and 1.5% p.a..

The table on the right summarises possible future drivers of change in the long-term rate of improvement compared to this level.

Slide 22 also included factors specific to Covid-19, and Club Vita have also considered Covid-19 and Climate Change in detail.

Higher future improvements	Lower future improvements
Stronger government intervention – e.g. to reduce alcohol or red meat consumption	Less scope for future 'gentrification' – i.e. the change in affluence levels of pensioners can't keep increasing at the rate it has done
Medical innovation – as we have seen with the development of new Covid-19 vaccines. Could also include "super drugs" that tackle multiple diseases at once	Smoking – the benefit from widespread quitting has already happened and can't happen again
Anti-ageing treatments and regenerative medicine – could become a reality	Obesity – rates may increase leading to poorer health in retirement
Climate change – could lead in the UK at least to milder climates and fewer cold-weather deaths	Super-bugs – antibiotic-resistant diseases could make routine medical procedures and treatments untenable
	Climate change – could lead to resource scarcity, higher food prices, less availability of fresh food, etc

APPENDIX 4

Demographic assumptions analysis

The following slides summarise the results of your Fund's demographic experience over the period 2016-2019, which we have used as the basis for adjusting our default LGPS-wide assumptions to your own Fund's profile.

The default assumptions are based on analysis of a combined dataset of all our E&W LGPS clients (around half of all funds). This gives us sufficient data to set robust assumptions even for rare events like ill-health retirements. Where there is sufficient data to justify it, we have proposed adjusting the default assumption to better reflect your Fund's membership profile.

The following assumptions are covered in this section:

- Withdrawal from active service
- Death in service
- Promotional salary scale
- Ill-health retirements

Key to charts

The charts on the following slides use the following colour scheme:

- The black line shows actual experience seen in your Fund
- The blue line shows the expected occurrences based on our LGPS-wide default assumption
- (Where applicable) The pink line shows the adjusted assumption which we recommend for your Fund

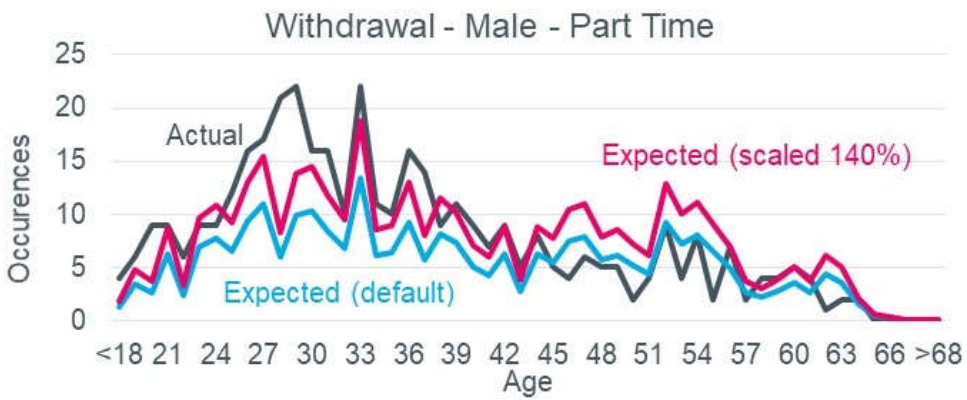
Withdrawal from active service

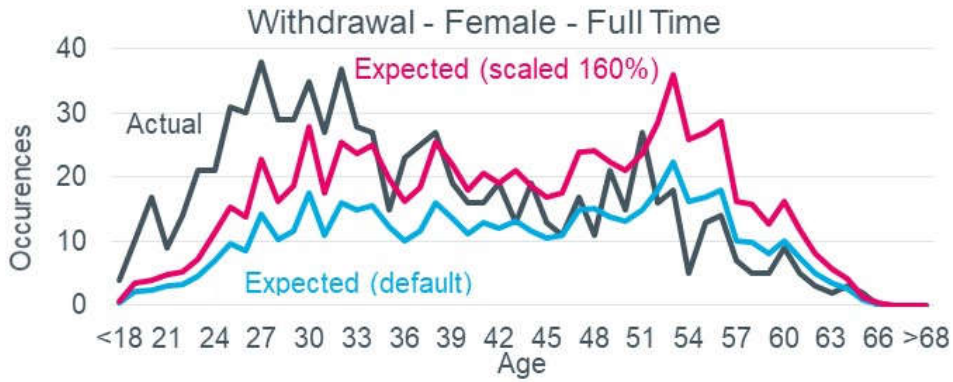
The following slide shows how withdrawal experience in your Fund (black line) compares with our default LGPS-wide assumption (blue line), alongside the scaled assumption we propose to use for the 2022 valuation (pink line).

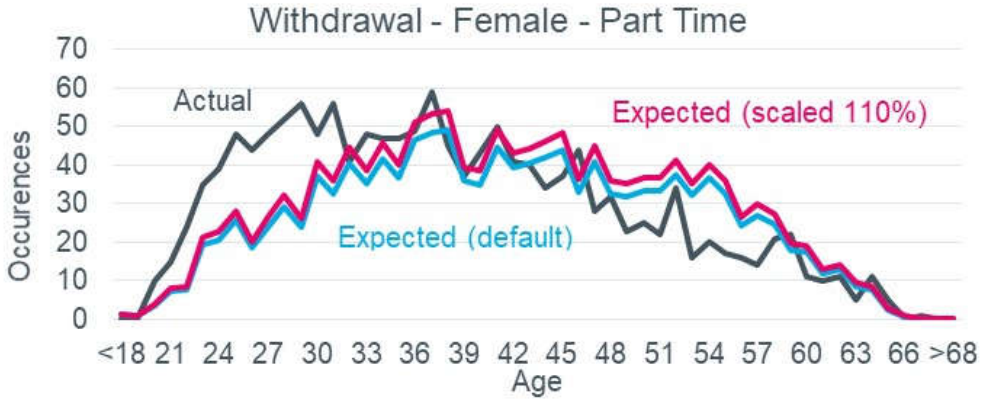
The analysis shows that in general the pattern of withdrawals by age does fit the default assumption, but that overall withdrawal rates were higher in your Fund compared to the LGPS average. The default assumption has therefore been scaled to better fit your Fund's own experience to get the recommended assumption for your Fund.

APPENDIX 4

Demographic assumptions analysis - withdrawal

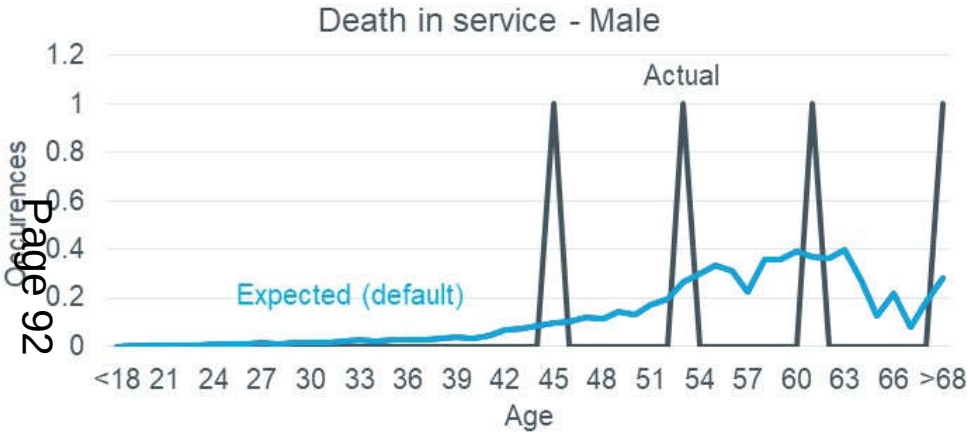


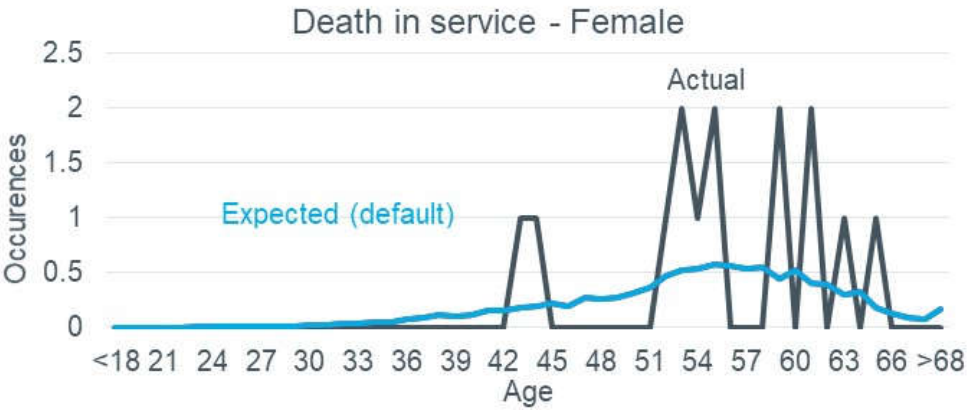




APPENDIX 4

Demographic assumptions analysis – death in service



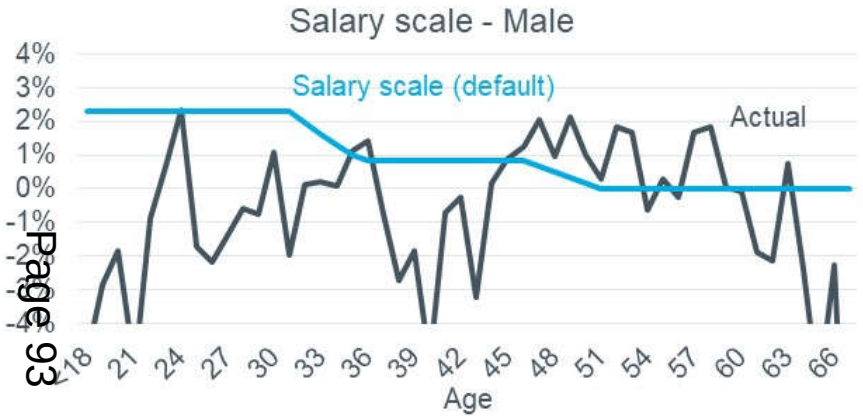


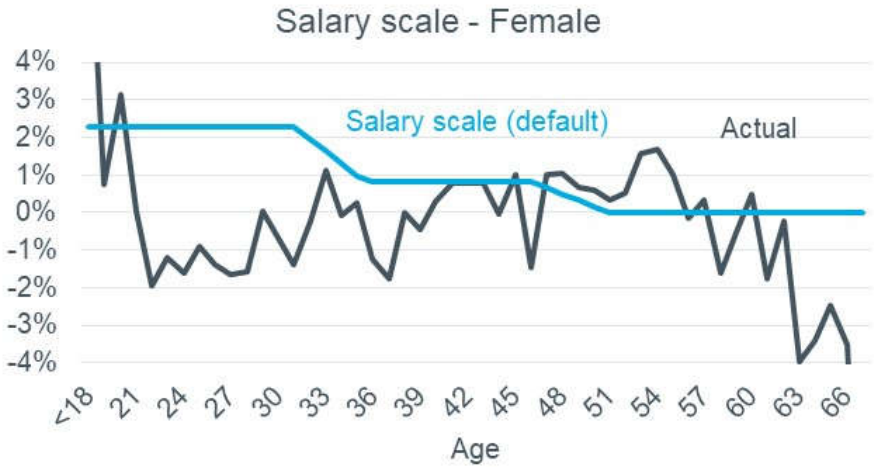
There were very few deaths in service in the period in question which means it is not possible to make a credible adjustment to the default assumption.

We therefore recommend using our default LGPS-wide assumption for the 2022 valuation.

APPENDIX 4

Demographic assumptions analysis – salary scale





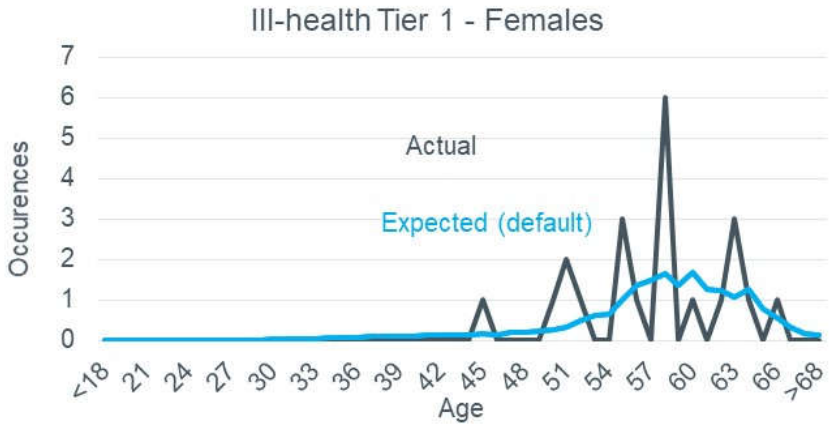
Separating out promotional and inflationary salary awards is very difficult, particularly when breaking it down by age and sex. For our analysis we haven't stripped out any inflationary increases over the period 2016-2019 and have shown increases versus our promotional pay scale (which is the same for men and women).

Apart from at lower ages where there are only a handful of members and the analysis is unreliable, the general pattern of promotional increases does approximately fit our default assumption (higher increases at younger ages). The fit is clearer for women than men.

Based on the analysis, we do not believe there is sufficient evidence to justify a departure from our default assumption.

APPENDIX 4

Demographic assumptions analysis – ill-health retirements



There were very few Tier 1 Ill-health retirements in the period in question which means it is not possible to make a credible adjustment to the default assumption.

There were even fewer Tier 2 cases (6 in total) so the analysis has not been shown.

Without sufficient evidence to justify a change we recommend using our default assumption for the 2022 valuation for both T1 and T2 ill-health retirements.

APPENDIX 5

Reliances and limitations

This paper is addressed to London Borough of Tower Hamlets as Administering Authority to the London Borough of Tower Hamlets Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of discussing the assumptions for the 2022 formal valuation and setting out our recommendations. It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The results of the Fund specific demographic assumptions analysis are wholly dependent on the valuation data provided to us for the 2019 valuation and the assumptions that we use in our calculations.

The assumptions in this document are for the Fund's ongoing employers. Different assumptions may be used for some employers (e.g. more prudent assumed investment return or more prudent longevity improvements assumptions) in particular circumstances. If required, these will be discussed and agreed as part of the 2022 valuation process and will be set out in the Funding Strategy Statement.

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:
TAS100; and
TAS300.

APPENDIX 6

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts who Hymans Robertson partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. E.g. retirement age, promotional salary scales etc. Demographic assumptions typically determine the timing of benefit payments.
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns. At the valuation the discount rate is used to calculate the value of remaining benefit payments at the end of a given time horizon (e.g. 20 years). It is expressed as a prudent margin above the risk-free rate.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns, interest rates etc

APPENDIX 6

Glossary

Term	Explanation
Inflation	The term for that prices in general tend to increase over time. It can be measured in different ways, with different measures using a different "basket" of goods and using different mathematical formulae.
Liability/ies	An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members connected to that employer. The benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a Prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a given discount rate assumption will be achieved in practice, based on the ESS model. The higher the Prudence Level, the more prudent the discount rate is.
RPI inflation	The annual rate of change of the Retail Prices Index. RPI is no longer linked to any LGPS benefits. It still has many legacy uses, notably to determine the payments to holders of index-linked government bonds.
Time horizon (or Horizon)	The period over which we require each employer in the Fund to reach full funding. The Time Horizon is typically long (up to 20 years) for employers who we expect to be in the Fund for the long-term (e.g. local authorities and academy schools) and shorter for employers who are expected to leave (e.g. contractors or employers who don't admit new staff to the LGPS).
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

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Non-Executive Report of the: **Pensions Committee** Thursday, 27 June 2022	TOWER HAMLETS
Report of: Corporate Director, Resources	**Classification:** Open (Unrestricted)
Tower Hamlets Pension Fund Business Plan 2022/23 to 2024/25	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

The Business Plan provides the operational framework for the Pension Fund Committee to agree and deliver its strategic objectives for investment, funding governance, administration and delivery.

Recommendations:

The Pensions Committee is recommended to:

1. Note the report and approve the Tower Hamlets Pension Fund Business Plan 2022/23 to 2024/25 attached at Appendix 1

1. REASONS FOR THE DECISIONS

1.1 It is best practice for local authority pension funds to operate a formal documented Business Plan for their operations. This report sets out a recommended Business plan for 2022/23 to 2024/25.

2. ALTERNATIVE OPTIONS

2.1 The development and implementation of a business plan should ensure that a structured approach is in place for the monitoring and management of the Pension Fund. This should in turn ensure that the Council meets its statutory obligations as administering authority to the Fund. The production of a business plan is currently a recommendation of LGPS Good Governance III project. Both the Committee and Board have each maintained a work plan.

3. DETAILS OF THE REPORT

3.1 This paper brings the Tower Hamlets Pension Fund Business Plan covering the financial years 2022/23 to 2024/25 to the Committee for approval. The Business Plan is attached at Appendix A and the areas covers are set out below.

3.2 The Fund's business plan objectives cover the following areas:

- Investment
- Funding
- Governance
- Administration and Communication

3.3 The forecast budget for 2022/23 details the Fund's expenses by administration, oversight and governance, and investment management.

3.4 Governance and oversight expenses are expected to increase slightly due to use of Hymans Robertson for reviews and projects.

3.5 Investment management costs are expected to increase further in 2022/23 and beyond. This is due to an increase in asset market values, transition of investments to more complex asset classes increased like Renewable Energy which attract higher management fee.

Next Steps

3.6 The following next steps are planned:

- Commencement of the year's work in line with the draft business plan
- Officers will revise the Business Plan on accordance with any suitable recommendations arising from the governance review and bring to Committee for approval
- Progress monitoring will take place and, if necessary, matters will be discussed at future Committee meetings.

4. EQUALITIES IMPLICATIONS

4.1 The creation of a business plan will not require an equality analysis, as the initiative is not a major policy or function being created or changed.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,

- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

5.2 A risk related issue is the possibility of not achieving part or all of the business plan. Officers are very aware of the need to monitor performance against business plan objectives annually.
The adoption of a business plan alongside the work plan will minimise risks relating to management of the Fund and should assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Tower Hamlets Pension Fund.

Environmental (including air quality)

5.3 The Fund has a climate risk policy designed to minimise the fund's contribution towards climate change and minimise the fund's exposure to risk driven by climate change.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 The Business Plan focusses on the key activities that will provide the Pension Fund Committee and officers with a useful framework to monitor the progress of the Fund in meeting its strategic objectives.

7. COMMENTS OF LEGAL SERVICES

7.1 There are no legal implications or legislative requirements associated with this report.

Linked Reports, Appendices and Background Documents

Linked Report
- NONE.

Appendices
- 2022/23 TO 2024/25 Business Plan (Appendix 1).

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.
- NONE

Officer contact details for documents:
Miriam Adams, Interim Head of Pensions & Treasury, ext 4248
Email: miriam.adams@towerhamlets.gov.uk

TOWER HAMLETS PENSION FUND BUSINESS PLAN 2022/23 TO 2024/25

INTRODUCTION

Tower Hamlets Council is the Administering Authority of the Tower Hamlets Pension Scheme (PLGPS).

Management of the Pension Fund is delegated to the Pensions Committee acting in the role of 'trustees' of the Pension Fund. The day to day running of the Fund has been delegated to the Corporate Director of Resources (S151 Officer). The Corporate Director Resources is the LGPS Senior Officer.

The Pensions Team has responsibility for all aspects of the Fund including governance, investments, accounting and administration. The Head of Pensions & Treasury has day to day responsibilities for all pensions activities.

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming 3 years, its core work and how the objectives will be achieved.

A report of the management of key risks is also included as part of the Business Plan. The Pensions Board on behalf of the Committee reviews the detailed Risk Register on a quarterly basis.

About Tower Hamlets Pension Fund ("the Fund")

Fund Membership		**Funding/Employers**
Actives	7,358	102% funded 2019 triennial valuation
Pensioners	6,924	48 employers of which 34 have active members
Deferreds	8,259	
Frozen & Undecided	2,162	
	24,703	
Investments		**Governance**
£2.021bn investments 31/3/2022		Tower Hamlets Pension Committee
London CIV Pool member		Tower Hamlets Pension Board

Objectives

The Funds fundamental objectives are:

- That pension benefits are paid to members accurately and on time.
- That the funds are available to pay benefits when they fall due.

To do this we will:

- Ensure the governance arrangements of the Pension Fund allow officers, employers, Pension Fund Committee and Pension Board members to discharge their responsibilities efficiently and effectively.

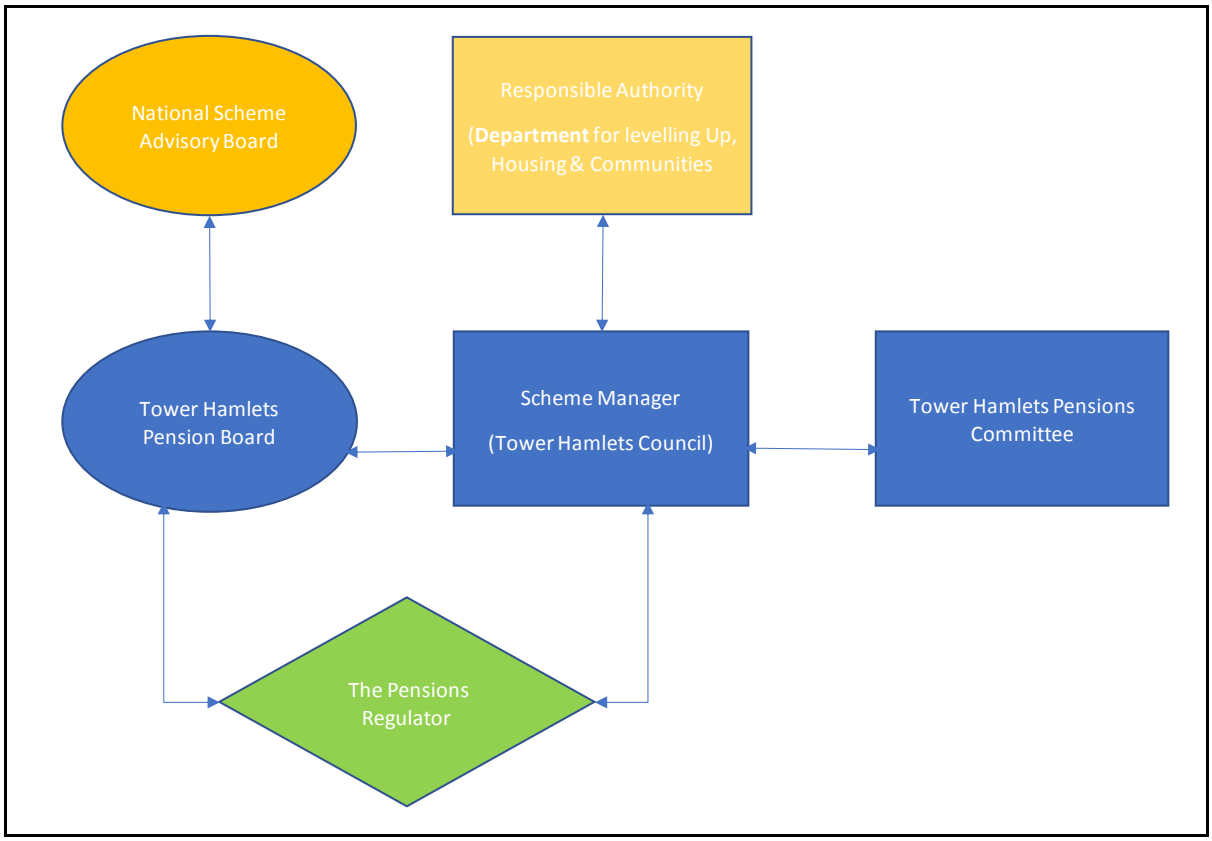
- Deliver high-quality benefit administration service, working effectively with scheme employers and maintain a constant focus on data quality and service to scheme members.
- Ensure the financial stability of the Fund through effective forecasting of long-term liabilities, collection of appropriate contributions and generation of an appropriate risk adjusted return of the fund's investments.

The Fund's priorities for the three years 2022/23 to 2024/25 are linked to the five key areas of business: Investments, Funding, Governance, Administration and Communications:

- Investments: to maximise returns from investment within reasonable risk parameters including Net zero targets and responsible investing.
- Funding: Given the preference to keep employer contribution rates reasonably stable where appropriate.
- Governance: To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise.
- Administration and Communications: to deliver effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due, and payments are made to the right people at the right time and to provide clear, appropriate and timely communication and support to stakeholders.

Governance Arrangements

The Public Service Pensions Act 2013 updated the national and local governance framework for all public sector pension schemes, including the LGPS. The interaction of the various bodies is shown below:



Responsible Authority

For the LGPS, this is the Department for Levelling Up, Housing & Communities (DLUHC); its primary roles being:

- The LGPS Scheme 'sponsor'
- Ensuring affordability of the LGPS for members and employing authority
- Developing policy for the operation of the LGPS to reflect government policy and LGPS specific experience.
- Commissioning and updating legislation and actuarial advice.

National Scheme Advisory Board

The Local Government Pension Scheme Advisory Board (SAB);

- Advises on policy, best practice, and governance issues
- Reporting responsibility
- Single source of information for LGPS stakeholders on general and specific health of the LGPS; and
- Liaison role with the Pensions Regulator

The Pensions Regulator

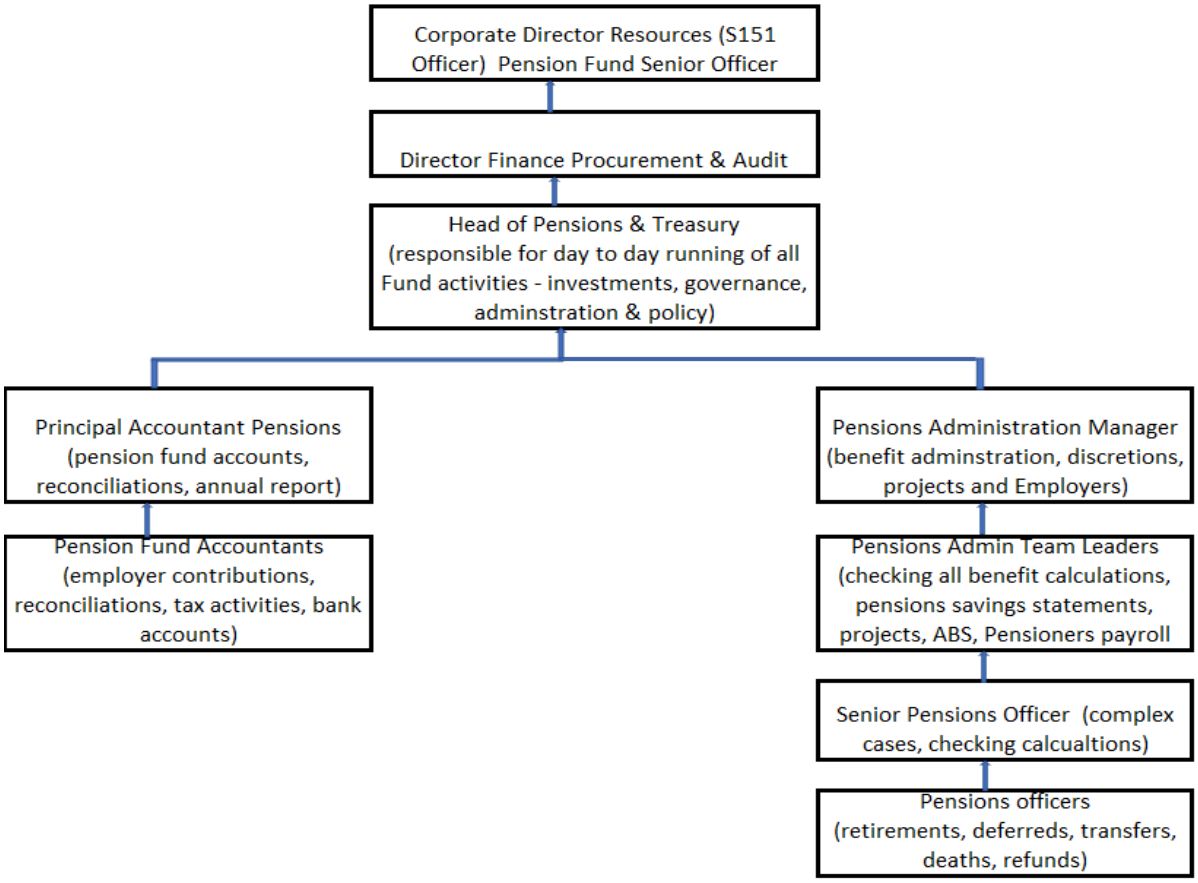
The statutory objectives of the Pensions Regulator are:

- Protect member benefits (although accept that in the LGPS these are effectively guaranteed); and
- Promote and improve understanding of good administration.

Each administering authority is responsible for the financial and administrative functions of their Fund. For the Tower Hamlets Fund, this function is delegated to the Tower Hamlets Pensions Committee.

Resources and Budget

The Pensions & Treasury team is responsible for day-to-day activities of the Fund – investment management, administration of benefits, cash flows, fund accounts, annual reports, IAS19/FRS102 for employers, administration of members benefits, HMRC returns, member and employer communication and governance. The team is headed by the Head of Pensions & Treasury.



The Fund also accesses other services within the Council, such as the expertise of the Council's Legal Services who provide advice, in addition to external providers such as independent investment adviser, the actuary, the investment consultant, the London CIV, external investment managers and other specialist external advisers as required.

The estimated costs of operating the Tower Hamlets Pension Fund for 2022/23 and 2023/24 are shown below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- Administration Costs include the costs of dealing with Fund members and employees in relation to current and future benefits.
- Investment Management Expenses include the cost of Fund Managers, London CIV and the Fund's Custodians

- Oversight and Governance Costs include the costs of the Fund's actuary, special projects and support provided by the Fund's actuary's consultancy team, external auditors, external legal advice, actuarial costs incurred by individual employers within the Fund, Staffing and pensions admin software provide costs, scheme pay costs on behalf scheme members, accommodation costs associated with running the Fund. Costs associated with Fund governance and governance costs at London CIV.

  The table below shows current year and future estimates of running the Fund.

	2020/21 £'000	**2021/22** £'000	**2022/23** £'000
Administration Costs	**1,465**	**1,748**	**1,850**
Charge from Administering Authority:	1,052	1,064	1,100
	175	177	200
Other (Software, benefits consulting, interest)	238	507	550
Investment Management Expenses	**10,751**	**12,241**	**15,141**
Management Fees - Direct	1,082	606	1,006
Management Fees - Indirect	7,110	9,476	11,476
Transaction costs - Indirect	2,494	2,087	2,587
Custody - Direct	65	72	72
Oversight and Governance Costs	**596**	**467**	**596**
Actuarial costs	191	116	191
LCIV Governance Costs	110	110	110
Other Costs	295	241	295
	12,812	**14,456**	**17,587**

  Investment management fees expenses include transition costs incurred when changing investments and primate market fees for Renewable Energy fund.

Key Tasks 2022/23 to 2024/25

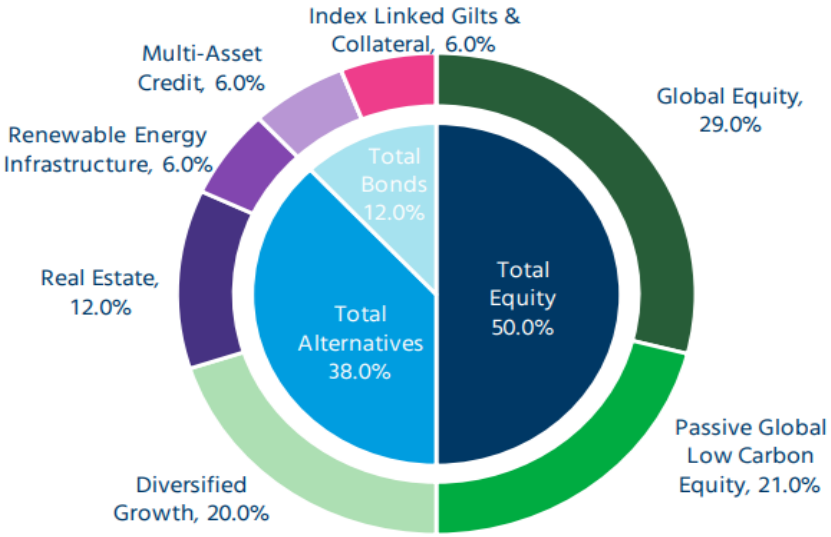
The plan below highlights the key tasks of the Pension Scheme, linked to the objectives of the Fund.

Investment

Objectives

- To have a clearly articulated strategy for achieving the return required to meet pension payments.
- To have a strategic asset allocation that delivers long-term investment returns, while taking the appropriate level of risk required
- To have sufficient liquid resources available to meet the Fund's ongoing obligations.
- To ensure material ESG factors are fundamental to all investment decisions.
- To appoint managers and advisors to deliver the investment strategy and monitor their effectiveness

Strategic Asset Allocation on 31 March 2022



Action	Description	22/23	23/24	24/25
Policies and Publications				
1	Investment Strategy Statement review including Responsible Investment (RI) Policy	-	Triennial	-
2	Reporting on RI	Annual	Annual	Annual
3	Taskforce for Climate Related Disclosures (TCFD) annual report	Annual	Annual	Annual
4	Investment Managers Engagement Strategy	Ongoing	Ongoing	Ongoing
Reviews				
5	Investment strategy and asset allocation review	Biannual	Biannual	Biannual
6	London CIV review	Annual	Annual	Annual
7	Asset class focus – LCIV Residential Property	Explore	-	-
8	Individual Manager review	Quarterly	Quarterly	Quarterly
9	Asset /Liability Study (Total Fund Assessment)	-	-	Triennial
10	Carbon footprint measurement and Climate Change Policy Objectives and Metrics	Annual	Annual	Annual
11	Review Equity Protection Strategy	As required	-	-
12	Review Investment consultant and independent advice	-	Review	-
13	Review Competitions Market Authority (CMA) investment consultant strategic objectives	Annual	Annual	Annual
14	Establish base-line pension fund budget	Annual	Annual	Annual

15	Monitor pension fund SAB Cost Transparency	On going		
16	Produce Annual Statement of Accounts and achieve an unqualified audit	Annual	Annual	Annual
17	Produce Pension Fund Annual Report	Annual	Annual	Annual
18	Monitor Net zero pathway	On going	Ongoing	Ongoing
19	Report on Cost Effective Measurements (CEM) investment benchmarking	Annual	Annual	Annual
20	Stewardship Code reporting	-	Annual	Annual
21	Voting Policies	-	Explore/Develop	Implement
22	LCIV engagement review	-	Annual	Annual
23	Review management for gilts	As required	-	-
24	Asset class focus - passive equity portfolio	As required	As required	As required
25	Asset class focus – private markets	As required	As required	As required

Funding

Objective(s)

- To ensure the long -term solvency of the Fund, using a prudent long-term view.
- To ensure that employer contribution rates are affordable and stable.
- To reflect the different characteristics of scheme employers in determining contribution rates.
- Ensure consistency between the investment strategy and funding strategy
- Maintain liquidity in order to ensure benefits can be met as and when they fall due over the lifetime of the Fund
- To ensure administration costs attributable to scheme employers are charged proportionately to how they are accrued.
- To take reasonable measures to reduce the risk to all employers of any employer defaulting on its pension obligations.

Action	**Description**	**22/23**	**23/24**	**24/25**
1	Provide employers with IAS19/FRS102 funding statements when requested	Triennial	As required	As required
2	Monitor monthly and reconcile contributions schedule for all scheme employers	Monthly	Monthly	Monthly
3	Reconciliations – benefits, fund manager/custodian	Quarterly	Quarterly	Quarterly
4	Review cash flow	Ongoing	Ongoing	Ongoing
5	Review ill health policies for employers and administering authority	As required	As required	As required
6	Plan for 2022 triennial valuation	Triennial	-	-
7	Actuarial Valuation - valuation assumptions	Triennial	Implement	-
8	Longevity Analysis of Fund	Triennial	-	-

9	Employer Risk Exercise	Triennial	Ongoing	Ongoing
10	Present triennial valuation pre-results	December 2022	-	-
11	Present triennial valuation final results	Triennial	-	-
12	Funding Strategy Statement (including Flexibilities Policies)	Triennial	As required	As required
13	Review of discretions	As required	As required	As required
14	Interim Funding review	-	Annual	Annual

Governance

Objective(s)

- To deliver all LGPS administering authority functions to a high level of quality while recognising the need to deliver value for money.
- To ensure that policies support the strategic aims and objectives of the Fund.
- To ensure the effectiveness of the Pension Fund Committee, Local Pension Board and officers to which delegated function has been passed, including areas such as decision-making processes, knowledge and competencies
- To ensure that decision making authority and areas of responsibility are clearly defined and reflected in the Council's Scheme of delegation, terms of reference and procedures.
- To recognise that communication is a two-way process and to communicate in a straightforward, effective and friendly way with all our stakeholders. We will listen and take on board all feedback.
- To ensure the Pension Fund Committee and officers procure professional advice and appropriate information and interpret, scrutinise and challenge that advice in their supervision and monitoring of the Scheme in all areas
- To enable the management of risks and internal controls to underpin the activities of the Fund.
- Ensure compliance with the LGPS regulations, other relevant legislation and the, The Pensions Regulator's requirements and acknowledged best practice.
- To periodically seek external assurance as to the effectiveness of the governance framework. To report on this effectiveness.
- To act with integrity and transparency in a way that upholds public confidence in the management of Fund

Action	**Description**	**22/23**	**23/24**	**24/25**
Policies and Publications				
1	Business Plan & Budget review	Annual	Annual	Annual
2	Risk Management Strategy	-	Review	-
3	Administration Strategy	-	Review	-
4	Governance Policy and Compliance Statement	Annual	Annual	Annual
5	Policy for the Recording and Reporting Breaches of the law	-	Review	-
6	Terms of Reference for PC and PB	-	Review	-
7	Conflict of Interest Policy	-	Review	-
8	Members' knowledge and understanding – Knowledge and Skills Strategy	Review	Review	Review
9	Business Continuity Policy	Review	-	-

10	Agree annual plan for Committee, local Board members and officer training	Annual	Annual	Annual
Reviews				
11	Ongoing assessment of Fund risks and review of Risk Register. Reported to every Committee meeting, via the Local Pension Board report	Ongoing	Ongoing	Ongoing
12	Review Pension Fund Committee and Local Pension Board member training requirements and implement training plan as appropriate	Ongoing	Ongoing	Ongoing
13	Ensure that meeting papers are issued at least seven days prior to every Pensions Committee and Board meeting	Ongoing	Ongoing	Ongoing
14	Review compliance with the Pension Regulator's Codes of Conduct.	When available	-	-
15	Respond to all government consultations and report to the Pension Fund Committee as necessary	Ongoing	Ongoing	Ongoing
16	Statement of Accounts including compliance with CIPFA requirements	Annual	Annual	Annual
17	Ensure London CIV Shareholder Resolution are completed and signed by the Pension Fund Committee Chair	Ongoing	Ongoing	Ongoing
17	Complete annual return to the Pensions Regulator	Annual	Annual	Annual
19	Update on cyber security risk	Implement	-	Review
20	Update on GDPR and privacy policy	Review	Implement	Review
21	PC and PB work plan	Ongoing	Ongoing	Ongoing
22	Give due consideration to recommendations made to the Pension Fund Committee from the Local Pension Board and respond to the Local Pension Board within a reasonable period of time	Ongoing	Ongoing	Ongoing

Administration and Communications

Objective(s)

- To ensure the correct benefits are paid to, and the correct income collected from, the correct people at the right time.
- To set out the administration standards expected of the Fund and scheme employers and the methods by which performance will be monitored and reported. To support employers in achieving those standards.
- To promote good working relationships and maximise efficiency between the SPF and scheme employers
- To ensure scheme employers are aware of and understand their roles and responsibilities under the LGPS regulations.
- To ensure that the Fund maintains accurate pension records and that all data is stored, handled, reviewed and disposed of securely and in accordance with its legal obligations.

- To ensure that the administration costs attributable to scheme employers are charged proportionately to how they are accrued.
- To ensure that Scheme members, employers and others who have dealings with the Fund receive a strong customer focused service.
- To ensure members are communicated effectively so that they understand and appreciate the value of their benefits.

Action	Area of Activity	22/23	23/24	24/25
Policies and Publications				
1	Administration Strategy	-	Review	-
2	Data Retention Policy	Explore	Develop	Implement
3	Communication Policy	-	Review	-
Review				
4	Conduct monthly team meeting	Monthly		
5	Produce administration performance monitoring reports on a quarterly basis, after scrutiny from the Local Pension Board	Quarterly	Quarterly	Quarterly
6	AVC review	Review	Implement	-
7	Member Self Service take up review	Review	Review	-
8	Service Delivery Survey • Draft survey created • Issue to random selection of members • Consider survey results • Present survey results • Ensure appropriate action is taken	-	Implement	Report
9	Review Internal Dispute Resolution Process (IDRP) Reporting	Review	-	Review
10	Review Communications strategy and Communication Plan	Review	-	Review
11	Production of Pay Slip and P60 to pensioner Members	Annual	Annual	Annual
12	Timely production of benefit statements. Active, deferred members by 31 Aug annual Councillors 31 Aug annual	Annual	Annual	Annual
13	Timely production of Annual Allowance pensions saving statements	Annual	Annual	Annual
14	Timely submission of HMRC returns	Ongoing	Ongoing	Ongoing
15	Timely submission of government returns – ONS, SF3	Ongoing	Ongoing	Ongoing
16	Prepare for annual employer forum	Dates tbc	Dates tbc	Dates tbc
17	Plan and implementation of McCloud	Expected	Ongoing	Ongoing
18	Plan for GMP Equalisation changes	Ongoing	Ongoing	Ongoing
19	Data improvement plan - Annual review of data	Ongoing	Ongoing	Ongoing
20	Pension Fund Annual General Meeting	tba	tba	tba
21	Pensions Dashboard	Review	Implement	Ongoing

Training

Training offered/delivered to our Committee and Board Members to enabling robust decision making. The Fund subscribes to Hymans Robertson training academy. Each member has log in details and quarterly reports is presented to Committee and Board.

Training	2022/23	2023/24	2024/25
Formal Induction/Refresher training to ensure the PC can carry out its role as decision maker	30 May 22	As required	As required
Actuarial Assumptions – Pensions Board	13 June	-	As required
Climate Change – Pensions Board	13 June	As required	As required
Actuarial Assumptions – Pensions Committee	27 June	-	As required
Formal Induction/Refresher training to ensure the PB can carry out its role	12 Sept 22	As required	As required
Hymans online training portal	Ongoing	As required	As required
Adhoc training – various topics	As required	As required	As required
LGPS Governance Conference	Annual	Annual	Annual
Funding Strategy Statement training	Triennial	-	-
Investment Strategy Statement training	-	Triennial	-
Actuarial valuation training	Triennial	-	As required
Bitesize training by asset class	As required	As required	As required
Responsible Investment training	Ongoing	Ongoing	Ongoing

Key Policy Documents

For further information on the Tower Hamlets Pension Fund, please visit our website

www.towerhamletspensionfund.org

Further Information

If you require further information about anything in or related to this Business Plan, please contact:

Miriam Adams, Head of Pensions & Treasury

Email: pensions@towerhamlets.gov.uk

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Non-Executive Report of the: **Pensions Committee** Thursday, 27 June 2022	TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director Resources	**Classification:** Open (Unrestricted)
Risk Management Policy and Quarterly Review of Risk Register	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards)

Executive Summary

This report updates the Board and Committee on changes to the Fund's Risk Register and Risk Management Policy. Risk Management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the London Borough of Tower Hamlets Pension Fund ("the Fund"). A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

Recommendations:

The Committee is recommended to:

1. Note and comment on the detailed Risk Register (Appendix 1)

1. REASONS FOR THE DECISIONS

1.1 The terms of reference of the Pensions Committee sets out its responsibilities with regard to risk management, namely:

- *To review the risks inherent in the management of the Pension Fund.*

1.2 The Board is established by Public Sector Pensions Act 2013 and the first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme.

1.3 The consideration of the risks associated with administering the Pension Fund properly fall within the terms of reference of the Committee. Setting out of a policy recognises the importance that is placed in this area in accordance with the CIPFA guidance and recognise the increased role of the Pensions Regulator following the Public Service pensions Act 2013.

1.4 The risk register is presented in Appendix 1 for the Board to review and assist to demonstrate compliance with both regulations and guidance provided by CIPFA and TPR.

1.5 Not all risks can be eliminated, however with proper management and monitoring the impact to the Fund will be minimised. An example of this is economic downturn which the Fund has mitigated to an extent by having Equity protection in place to cover some of its equity investments from severe falls in the market.

2. ALTERNATIVE OPTIONS

2.1 Not reviewing the Risk Register for the Pension Fund potentially exposes the Fund and Council to action by the Pensions Regulator.

3. DETAILS OF THE REPORT

3.1 The Pensions Regulator's Code of Practice recommends that a Pension Fund has a Risk Management Policy in place and that this is reviewed periodically. The risk management policy covers key areas such as:

- The Fund's attitudes to, and appetite for risk
- Aims
- Risk measurement and management; and
- Responsibility

The Committee approved the updated Risk Management Policy for Tower Hamlets Pension Fund in March 2022.

3.2 The Pensions Board undertakes quarterly detailed review of the identified risks and the process for maintaining the Risk Register and report back to the Pensions Committee on any areas of concern. The Pensions Committee carries out an annual review of the high level and emerging risks identified from the Fund's Risk Register. The Risk Register brings together all the Fund's risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding, Administration and Investment.

3.3 The position regarding the roll out of iconnect to employers remains unchanged from last quarter. Admin and Governance risk AG3 reported status remains.
This risk will remain red until the above have been resolved.

3.4 Risk G4 – Appropriate objectives are not agreed or monitored – internal factors. This risk has been moved from amber to green due to the newly prepared Fund Business Plan alongside the existing work plans. Producing a Business Plan is a requirement of the Scheme Advisory Board Good Governance III guidance. This will also improve monitoring of objectives and policies.

3.5 Risk G7 – Legal requirements and/or guidance are not complied with, leading to financial loss and / or reputational damage – internal factors. This risk has been moved from amber to green with the Business Plan now in place. The commissioned Aon governance review is also expected in September 2022.

Linked Risks

3.6 Risks AG2, AG3, AG4, AG10 and AG11 are expected to improve and see significant shift to green or amber respectively once the data issues and iconnect upload in respect of Council, Mulberry Academy and THH, East End Homes is resolved. The pensions team can review data provided rather than extract data as is currently the case.

Updates

3.7 Risks FI12 – Climate Change impact. The Pensions Committee approved a net zero pathway in March 2022. Although it is impossible to completely mitigate climate change impact, these updates will help towards reducing the Fund exposure to climate change impact.
Risk AG12 – Scam detection and Prevention – non club transfers letters have been updated to include scam awareness in line with TPR, FCA and other bodies.

3.8 Risk G9 - Failure to secure and manage personal data in line with GDPR requirements. Data Protection replaced with GDPR. Risk updated in line with administration strategy requirements, privacy policy and LGA templates to be shared with scheme employers and put up on scheme website.

Risks to be closely monitored during the next few months

3.9 Risk FI 4 - Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions. With inflation on the rise and expected to continue to rise, this risk will be watched closely with the help of expert advice from Mercer consultant and the Fund Independent Adviser.

3.10 Table below shows risk totals.

Totals						
Governance		**Funding & Investment Risks (includes accounting and audit)**			**Administration & Communication Risks**	
Red	0	Red	Red	0	Red	4
Amber	5	Amber	Amber	7	Amber	5
Green	5	Green	Green	5	Green	5

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equalities implication arising from this report.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
(a) in accordance with the scheme rules
(b) in accordance with the requirements of the law

The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no direct financial implications arising as a result of this report, other than that by regularly reviewing the Risk Register, the Fund is trying to minimise the chance of financial and reputational loss occurring.

6.2 There are clearly some risks which would be difficult to transfer or manage, such as the impact that increased longevity will have on the liabilities of the Pension Fund, but the understanding of such risks could well impact on the other aspects of the decision-making process to lower risks elsewhere.

7. COMMENTS OF LEGAL SERVICES

7.1 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed: -
(a) in accordance with the scheme rules
(b) in accordance with the requirements of the law

7.2 The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Risk Policy (Appendix 1)
- Risk Register (Appendix 2)

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report
- State NONE if none.

Officer contact details for documents:
Miriam Adams, Interim Head of Pensions and Treasury Ext 4248
Email: miriam.adams@towerhamlets.gov.uk

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RISK POLICY

Introduction

This is the Risk Policy of the Tower Hamlets Pension Fund, which is managed and administered by London Borough of Tower Hamlets. The Policy details the risk management strategy for the Tower Hamlets Pension Fund, including

- the risk philosophy for the management of the Fund, and attitudes to, and appetite for risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the risk management process.

London Borough of Tower Hamlets ("we") recognise that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, we can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

We adopt best practice risk management, which will support a structured and focused approach to managing risks, ensuring risk management is an integral part in the governance of the Tower Hamlets Pension Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Policy applies to all members of the Pensions Committee and the Pensions Board, including scheme member and employer representatives. It also applies to the Head of Pensions & Treasury and managers in the Pensions and Treasury Team who have responsibility for pension matters, the Corporate Director Resources (S151 Officer) and Director of Finance, Procurement & Audit (Deputy S151 Officer) (from here on in collectively referred to as the senior officers of the Fund).

Junior managers and all officers involved in the daily management of the Pension Fund are also integral to managing risk for the Tower Hamlets Pension Fund and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Pensions & Treasury his/her team.

Advisers to the Tower Hamlets Pension Fund are also expected to be aware of this Policy, and assist senior officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

We recognise the significance of our role as Administering Authority to the Tower Hamlets Pension Fund on behalf of its stakeholders which include:

- around 22,400 current and former members of the Fund, and their dependants;
- around 45 employers; and

- the local taxpayers.

Our Fund's Mission Statement is:

- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
- We will work effectively with partners, being solution focused with a can-do approach.

One of our key governance objectives is to understand and monitor risk. In doing so, we will aim to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Tower Hamlets Pension Fund we will aim to comply with:

- the CIPFA Managing Risk publication
- Scheme Advisory Board Good Governance Working Group recommendations
- the managing risk elements in the CIPFA Investment Pooling Governance Principles guidance and
- the managing risk elements of the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes.

Our Philosophy about Risk Management

We recognise that it is not possible or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of our risk management strategy for the Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund’s objectives in the light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, we will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable us to anticipate and respond positively to change;

- minimise loss and damage to the Tower Hamlets Pension Fund and London Borough of Tower Hamlets Council as the Administering Authority, and to other stakeholders who are dependent on the benefits and services provided;
- make sure that when we embark upon new areas of activity (new investment strategies, joint-working, framework agreements etc), the risks they present are fully understood and considered in making decisions.

We also recognise that risk management is not an end in itself; nor will it remove risk from the Fund or us as the Administering Authority. However, it is a sound management technique that is an essential part of how we manage the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and the Pensions Regulator Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities

CIPFA has published guidance on investment pooling and the number of different risks this introduces for LGPS administering authorities. It also highlights how investment pooling potentially changes the magnitude of existing risks and how administering authorities might respond to them through appropriate internal controls.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.

> *"**249B Requirement for internal controls: public service pension schemes***
> *(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*
> *(a) in accordance with the scheme rules, and*
> *(b) in accordance with the requirements of the law.*
> *(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*

(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourage scheme managers to employ a risk based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls require scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The Pension Board reviews the risk register quarterly and Policy while the Risk Policy is reviewed annually. The risk assessment should begin by:

- setting the objectives of the scheme;
- determining the various functions and activities carried out in the running of the scheme; and
- identifying the main risks associated with those objectives, functions and activities.

Schemes should then consider the likelihood of risks arising and the effect if they do arise as well as what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them

The code states risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that scheme should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the Tower Hamlets Pension Fund

We adopt the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to Tower Hamlets Pension Fund, and this Risk Policy highlights how we will strive to achieve those principles through use of risk management processes incorporating regular monitoring and reporting.

Responsibility

As the Administering Authority for the Tower Hamlets Pension Fund, we must be satisfied that risks are appropriately managed. For this purpose, the Head of Pensions & Treasury is the designated individual for ensuring the process outlined below is carried out subject to the oversight of the Pensions Committee.

However, it is the responsibility of everyone covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The Tower Hamlets Pension Fund Risk Management Process

Our risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.

Risk identification and Likelihood and Impact Explanations

Our risk identification process is based on how the Tower Hamlets Council evaluation system incorporated in its Risk Management Strategy - proactive and reactive one, looking forward i.e. horizon scanning for potential risks and looking back, by learning lessons from reviewing how existing controls have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises;
- performance measurement against agreed objectives;
- monitoring against the Fund's work and business plan;
- change in legislation;
- LGPS Scheme Advisory Board Guidance and good practice;
- findings of internal and external audit and other adviser reports;
- feedback from the Pensions Board, employers and other stakeholders;
- informal meetings of senior officers or other staff involved in the management of the Pension Fund; and

- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

Climate Change Risk

The Pension Fund's Climate Change Policy can found in the Investment Strategy Statement (ISS). The Risk Register also include Climate Change related risks.

Risk analysis

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood will be multiplied by the score for impact to determine the current risk rating.

Impact (consequences)						
	Insignificant	Low	Low	Low	Low	Low
	Minor	Medium	Medium	Low	Low	Low
	Moderate	High	Medium	Medium	Low	Low
	Major	High	High	Medium	Medium	Low
	Catastrophic	High	High	High	Medium	Low
		Almost certain > 80%	**Likely 51% - 80%**	**Possible 21% - 50%**	**Unlikely 6% - 20%**	**Rare < 6%**
		Likelihood (probability) of risk happening				

Tower Hamlets Council's interpretation of risk exposure

Level of risk	Level of concern	Action required
High	Very concerned	Action is required immediately
Medium	Concerned	Action is required within three months
Green	Content	The Council is willing to accept this level of risk

When considering the risk rating, we will have regard to the existing controls in place and these will be summarised on the risk register.

Risk control

The risk register will also show what we consider to be the target risk score for each of the risks shown. This will help us determine whether any further action is required to control the risk which in turn may reduce the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can proceed, it may require Pensions Committee approval where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary we will update the Fund's work and business plan in relation to any agreed action as a result of an identified risk.

Risk monitoring

Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Pensions Committee. In monitoring risk management activity, we will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision- making process in relation to that risk
- there are any lessons to learn for the future assessment and management of risks.

London Borough of Tower Hamlets Risk Appetite Chart

Risk Appetite chart	FINANCE / COMMERCIAL	COMPLIANCE	SAFETY	SERVICE DELIVERY	REPUTATION
AVERSE (safe / v low level exposure / very low reward / no empowerment beyond senior staff)	Minor loss < £1000 (In pursuit of progressive, dynamic and effective services, most areas could tolerate this loss)	Trivial, v short term single non-compliance. In pursuit of an overall objective, this could usually be tolerated.	Insignificant Injury (no intervention) – CYPS maintain this approach.	Negligible impact, unnoticed by stakeholders – clearly this is accepted.	Insignificant damage (eg – vague online negativity) - can be tolerated.
CAUTIOUS (guarded, low reward, empowerment just to Senior / middle managers.)	Small loss £1000 - £10,000 (eg – services like Treasury, Revenues & Benefits / Cashiers will not tolerate such losses so very little appetite here in this respect. But accepted in other areas)	Small, single, short-term non-compliance. (eg Elections Services cannot afford non-compliances so have very cautious approach). Other services could be more flexible	Minor Injury (Local intervention)Adult Social Care would need to be cautious	Small impact inconvenience (usually acceptable – if managed properly – in a project.)	Minor / v short term damage (Negative coverage from local media) – tolerable if backing a justified position.
MODERATE (balanced approach / medium reward / empowerment to frontline managers.)	Moderate loss £10,000 - £100,000 (Depending on a service, this could be countenanced in the context of a high level complex project, pensions strategy.)	Sustained single or a few short term non compliances. (this could be tolerated in pursuit of the greater good – eg printing free paper / allowing flexibility within housing / events etc)	Moderate Injury (professional intervention) – this falls outside tolerance / appetite.	Medium level impact &inconvenience (Sometimes acceptable – if managed properly – in a project / programme)	Moderate or short to medium term damage – (damaging coverage London-wide) – if the Council are clear in a position, it is right to defend.
OPEN (creative, higher exposure & empowerment to wide selection of staff)	Significant loss £100,000 - £1,000,000 (The delivery of the overall capital programme / investment strategy permits appetite for this possibility – albeit with many layered controls and mitigations)	Multiple sustained non – compliances. This would not be an expected approach and would be very difficult to ever justify.	Major Injury (hospital stay) – a risk like this could not be pursued.	Significant impact / serious inconvenience – could only be accepted in exceptional circumstances.	Major / medium term damage (negative national exposure). Unlikely to be tolerable – unless exceptional circumstances.

HUNGRY (pioneering / substantial risk exposure & reward / empowerment to all with few controls)	Substantial loss - >£1,000,000. This is not an amount the Council would be comfortable in actively allowing in pursuit of objectives.	Multiple, long-term, significant non compliances. (This hungry appetite in compliance is just not conceivable in Local Government.)	Fatal injury – this will obviously be out of the tolerance of our organisation.	Substantial / complete service failure. Not tolerable.	Substantial or sustained damage. (International coverage). Not within appetite.

Criteria for assessing current and future risk exposure

Symbol	Description
☺	The current impact and likelihood of the risk are equal to, or less than, the target impact and likelihood.
😐	The current impact and likelihood of the risk are individually no more than 2 classifications higher than the target, and the combined difference is no more than 3 classifications higher than the target.
☹	The current impact and likelihood of the risk are individually more than 2 classifications higher than the target, and/or the combined difference is more than 3 classifications higher than the target.

Reporting

Progress in managing risks will be monitored and recorded on the risk register and key information will be provided on a quarterly basis to the Tower Hamlets Pensions Committee and the Pensions Board as part of the regular update reports on governance, investments and funding, and administration and communications. This reporting information will include:

- a summary of the Fund's key risks;
- a summary of any new risks or risks that have changed;
- a summary of risks that have been removed since the previous report; and
- a summary of any changes to the previously agreed actions.

Monitoring of this Policy

In order to identify whether we are meeting the objectives of this policy the Fund will commission periodic Independent Governance review as recommended by the Scheme Advisory Board working group to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pensions Committee members, , will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pensions Committee and/or Pensions Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately

Costs

All costs relating to the operation and implementation of this Risk Policy are met directly by the Tower Hamlets Pension Fund.

Approval, Review and Consultation

This Risk Policy was 25 November 2021 Pensions Committee meeting for approval. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:

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RISK REGISTER MARCH 2022 UPDATE

Governance

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
G1	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change, national reorganisation, cybercrime and asset pooling	Moderate	Unlikely		1 - Continued discussions at PC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to PC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Officers on London CIV Working Group 6 - Ongoing monitoring of cybercrime risk by Officers and PC 7.) Close working relationship between officers, investment consultant, scheme actuary and independent investment adviser. 8.) Officers keep abreast with regulatory changes and immediate reporting to Pensions Board 9.) Update business continuity plans regularly	Moderate	Unlikely		Prepare Fund Business Plan in addiiton to current Board and Committee work plan.	on going standard monitoring	This risk is now green due to the following reasons: 1.) There are no outstanding investment request with LCIV. 2.) Officers work closely with scheme actuary 3.) Officers provide update on new legislative changes to Board and Committee quarterly 4.) Officers keep abreast with LGA communications to ensure new changes are picked up 5.) Officers work closely with Heywoods to assess impact on new changes. 6.) Cyber crime risk is now a stand alone risk in line with prioritisation by TPR and SAB
G3	Services are not being delivered to meet legal and policy objectives	Impact of sickness, resignation, retirement, unable to recruit to posts that become vacant as a result. Local authority paygrades may be a barrier to recruiting highly skilled staff. Failure to review existing contracts leads to poor value, sub-optimal providers.	Moderate	Possible		1 - Business plan includes workforce matters 2 - Ensure quarterly update reports are roburst and include all matters of administration 3.) - Consider additional resources, such as outsourcing or use of external consultants as required 5 - Staff reviews implemented and vacant positions recruited to 6 - All procurement carried out in line with the Council's procurement rules and guidance 7 - Contracts reviewed annually (including market testing where applicable) to ensure Fund receives good value 8 - Pension Fund contracts should be agreed and managed by staff with pension fund experience and LGPS Framework used where available 9- National LGPS Framework first consideration for pension contracts as applicable. 10- Ensure employers provide correct employee payroll data	Minor	Unlikely		1 -Keep up to date with legislative changes via LGA, HMRC, Actuarial , investment manager, investment adviser newsletters, guidance and bulettins '2.) Continue training of new and newly promoted staff (MA) 3.) Annual appraisals and target setting for all staff.	On going monitoring	This risk has been upgraded from red to amber. The Corporate Director Resources agreed that the contract is returned to the management of the Head of Pensions & Treasury. 2.) Monthly client meetings now take place between Heywoods and Pensions Team to ensure services issues are resolved 3.) Recruitment of permanent staff is progressing 4.) Staff attend LGA organised training. This is not restricted to senior staff. Attendance is tailored to officers areas of work. 5.) As and when required, in house training is delivered during team meetings, regulatory changes are discussed during monthly team meetins and fund actuary is engaged to provide additional training as required. For example Annual Allowance.
G4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	Moderate	Possible		1- Range of policies in place and all reviewed regularly (work in progress) 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored 6 - PC has approved a mission statement which summarises the overarching objectives of the Fund	Insignificant	Rare		1- Ensure objectives agreed for each policy (MA) 2- Ensure all policies are finalised, approved and regularly reviewed (MA) 3 - Resolution on pensions admin contract (MA) 4.) Procure governance review every 4/5 years 5.) Fund compliance against TPR Code of Practice to be undertaken every 3 years or when Code is updated 6.) Review remidiation plan every 2/3 years to ensure continous improvement program	on going standard monitoring	All key policies now in place (administrative strategy, breaches policy, IDRP, Investment Strategy Statement, Communications Policy. 3 year rolling Buisness Plan prepared for Board and Committee approval June 2022. Plan will incorporate all key priorities of the Fund.
G5	Inappropriate or no decisions are made	Governance (particularly at PC) is poor including due to: - turnover of PC members - lack of knowledge and appropriate skills at PC - failure to take appropriate advice - poor engagement /preparation / commitment - poor oversight / lack of officer skills & knowledge - PC members have undisclosed Conflicts of Interest - PC decision making process is too rigid	Minor	Unlikely		1 - Renewed Officer focus on decision-making / governance including considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Training Policy, Plan and monitoring in place for PC and PB members. Training needs analysis undertaken annually 4 - Range of professional advisors covering Fund responsibilities guiding the PC, PB and officers in their responsibilities 5 - Induction training in place for new PC members covering CIPFA Knowledge and Skills requirements and TPR toolkit 6 - Training / improvement plans in place for all officers as part of the Council's performance appraisal programme 7 - Declaration of conflict of interest is standing item on agenda. PC members required to complete annual declaration of interest 8 - Process exists to allow urgent decisions outside of PC meetings 9. - PC flexible to arranging of additional training in relation to key matters 10. PC and PB signed up to the Hymans online knowledge portal.	Minor	Unlikely		1 - Revise and update Conflicts of Interest Policy (MA) '2 - Monitor Board and Pensions Committee participation in Hymans online training. 3. Update PC and PB training plan with regulatory changes from CIPFA, TPR or SAB as and when. 4. Arrange additional training as required (scheme actuary, investment adviser, investment managers or officer) 5.) Monitor use of Hymans online knowledge portal	on going standard monitoring	1.) Declaration of interest now standing meeting agenda item - completed. 2.) 'Hymans bitesize online training for PC and PB- commence September 2021 3.) Fund Investment adviser and fund actuary provide additonal training as required. 4.) Fund managers provide additional training as required

G6	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately monitored (recognising that many risks can be identified but not managed to any degree of certainty)	Major	Unlikely		1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to PC meeting 3 - Attendance at regional / national forums to keep abreast of current issues and their potential impact on the Fund. 4 - Fundamental review of risk register quarterly and annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Moderate	Rare		1 - Revise / update Risk Policy (MA) 2 - Revise / update Risk Register (MA) 3 - Ensure Annual Reviews of Risk Register / TPR Compliance (MA) 4 - Revise / update Breaches procedure (MA)	On going monitoring		1.) Breaches Policy Review completed 2.) Risk register review on going 3.) TPR Code of Compliance review March 2022 4.) Internal audit review 2020/21 completed March 21
G7	Legal requirements and/or guidance are not complied with, leading to financial loss and / or reputational damage - internal factors	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches), or there is a lack of access to appropriate legislation / guidance.	Major	Unlikely		1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliant areas 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures to ensure compliance 7 - Strategies and policies include statements or measures around legal requirements/guidance 8 - Wide range of expert advisers in place 9 - Officers maintain knowledge of legal framework for routine decisions. Council's legal team is involved in reviewing PC papers and other legal documents. 10 - Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training. 11 - Collaborative working with other Funds to assess requirement and impact of new legislation.	Moderate	Rare		1 - Ensure Annual Reviews of Risk Register / TPR Compliance (MA) 2 - Revise / update Breaches procedure (MA) 3.) Provide Board and Committee with regular update of regulatory changes as well as LGPS changes.	Jun-22		1.) Revised training plan for Board and Committee March 22 2.) TPR Code Compliance review September 22 commenced by Aon. 3.) Business prepared and approved by Board and Committee June 2022.
G8	Material misstatement of accounts and potentially a qualified audit opinion	Poor internal monitoring and reconciliation process leads to incorrect financing / assets recorded in the Statement of Accounts	Catastrophic	Unlikely		1 - Qualified Accountant produces accounts using most recent SORP, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications. Attendance at Pensions Officers Group Meetings 2 - Draft Statement of Accounts and working papers reviewed by the Head of Pensions & Treasury and the Chief Accountant. 3 - Reconciliation undertaken between the book cost and market values to the custodians book of records received quarterly. Further reconciliation undertaken between the custodian and investment managers' records. 4 - A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained. Full reconciliation and interim accounts are prepared on a quarterly basis. 5 - All reconciliaitons are independently reviewed and signed off by a second officer. 6 - All adjustments (including unrealised profits) posted into the general ledger so that accounts can be reported created directly from AGRESSO.	Moderate	Rare		1) - Consider controls and whether further actions are required (MA) 2.) Head of Pensions & Treasury reviews all reconciliations (transfer in, transfer out, refunds, benefit paid, lump sum, death benefits and pensions paid)	On going monitoring		Council audit on going. This risk will be reviewed once 2018/19, 2019/20 and 2020 accounts audit have been completed
G9	Pensions administration contract agreed and managed by non pensions and non finance staff	Several key risks on data. Services paid for which the Fund had not implemented. Lack of Pensions regulatory and legislative knowledge of staff agreeing contract	Moderate	Rare		1.) Raise concerns with appropriate LBTH IT staff and resolve	Moderate	Rare		Contract management reassigned by S151 Officer to pensions currently for the duration of the Interim Head of Pensions & Treasury stay with LBTH. Negotiate possibility of moving courrent contract to LGPS Framework terms and conditions Interim Head of Pensions & Treasury meets on a monthly basis with Heywood Client relationship manager to discuss ongoing projects, outstanding tasks, altair system, new developments in the company and LGPS as a whole.	On going standard monitoring		Management of pensions adminstration software contract now assigned to Head of Pensions and Treasury who will liase with IT and information governance teams as and when IT expertise is required. Pensions team officers now attend Heywoods CLASS group meetings for LGPS schemes to keep abreast with developments. Client meetings takes place each month between provider and Head of Pensions and Treasury. Pension officers to ensure that software contract procurement due in 2024 will be procured via National LGPS Framework
G10	Failure to comply with TPR Cyber requirements for Pension Schemes	Confidential and personal member information is put at risk. Potential breach Of the Data Protection Act 2018. A breach of Corporate IT systems may lead to a failure of the pensions administration system and / or a breach of Data Protection regulations	Moderate	Possible		Council's policies on cyber protection and data protection apply to the Fund. Membership database is locally hosted and subject to the Council's wider cyber security protections including off side back ups. Computers are password protected, Access to sensitive data pool is limited to restricted number of staff, All staff complete corporate mandatory training on data protection and cyber crime. Sharing of password is prohibited. Pension staff are prohibited from amending their own records. System reports are set up to exclude the record of the member of staff running the report. Only one senior members of the team can overide	Moderate	Possible		Assess Fund against Draft TPR Code of Practice. Risk cannot be completely eliminated . 2.) Complete LGPS Cyber Score card 3.) Provide cyber risk assessment to Board every 2 years	Sep-22		Comments on cyber score card received from Heywoods, Hymans Robertson. Hymans to assist with Cyber risk review and engagement with LBTH IT.

G11	Failure to secure and manage personal data in line with GDPR requirements	Cyber attacks may lead to loss or compromise of data. Leading to Audit critism, legal challenge, reputational risks and financial penalties	Moderate	Possible		1.) Annual Information governance for staff 2.) Policies and procedures in place and reviwed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) 3.) Secure physical storage measures 4.) Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc. 5.) Use of actuary's portal to send data for calculations 6.) Actuary implement range of protection against cyber crime	Moderate	Possible		1.) On going monitoring. Ensure completion of cyber score card by LBTH IT officers. 2.) Arrange for Local Pensions Board to receive assurance presentation by Divisional Director IT at its November 2021 meeting. 3.) LGA suggested GDPR policies issued to employers	Dec-22		Scheme version of LGA GDPR policies and templates submitted to Committee for approval and issues to employers in March 2022

Funding & Investment Risks (includes accounting and audit)

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame		Comments and update December 2021
FI 1	Investment and/or funding objectives and/or strategies are inappropriate, inconsistent or otherwise no longer fit for purpose such that asset values fall/liabilities rise and funding levels fall and/or employer costs rise unexpectedly	Investment and funding strategies are considered in isolation or without proper advice or without considering legislative changes such as LGPS regulations (e.g. asset pooling), external factors (e.g. McCloud) and other funding and investment related requirements	Catastrophic	Unlikely		1 - ISS / FSS are set in line with legislation /guidance, approved by PC, reviewed regularly and contain links to each other 2 - Close liaison between the Fund's actuary and strategic investment adviser 3 - Fund commissions stochastic modelling from the actuary to test the likelihood of success of achieving required returns 4 - The Fund uses Strategic Investment consultant, but has also engaged an independent adviser to challenge/confirm investment/investment strategy decisions 5 - The Investment Consultant / Independent Adviser along with officers have regular meetings to review the investment strategy and present options to the Committee for approval. 6 - The Fund subscribes to a number of organisations that assist officers to keep abreast of development / changes to the LGPS which may affect funding	Minor	Unlikely		1 - Ensure strategies reviewed in response to external changes (MA) 2 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Jun-23		The Pensions Committee is currently undertaking a full investment strategy review
FI 2	Employer contributions are insufficient and/or inappropriate relative to the employer's risk profile, potentially leading to other employers having to meet their liabilities	- Funding and/or investment strategy doesn't take into account changes to employer risk characteristics or the strength of employers' covenant. - Employer contributions not in line with Rates and Adjustments Certificate from actuarial valuation - Fund fails to recover other Employer income adding to the deficit.	Major	Unlikely		1 - Ensuring appropriately prudent assumptions on ongoing basis 2 - Employer covenant analyses undertaken by the actuary, along with employer profiling to help understand employer specifics. This is carried out on admission and periodically and the actuary uses this information when contribution rates are being set triennially. 3 - Employer monitoring database developed / updated quarterly to capture key metrics that drive an employer's liabilities. 4 - Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the FSS is fit for purpose. 5 - Employer contribution payment is monitored against expected payment quarterly and late payers reported to PC. 6 - All employer expenditure incurred by the fund is recharged to the relevant employer via itemised invoices. All income recoverable is itemised in the custodian reports. 7 - Recovery / timing of invoices is regularly monitored. 8 - Actuarial / Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.	Moderate	Unlikely		1 - Ensure employer covenant monitoring remains fit for purpose (MA) 2 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-23		This risk will be evaluated upon completion fo the 2022 triennial valuation
FI 3	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	Major	Possible		1 - Use of a diversified portfolio (regularly monitored) 2 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the PC 3 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 4 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of Investment opportunities available 5 - Consideration / understanding of potential Brexit implications 6 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions.	Moderate	Unlikely		1 - Consider whether any actions set out in this point are not currently done, and consider implementing (MA)	Ongoing		This risk cannot be completely eliminated however by diversify and monitoring the Pensions Committee reduces the risk of occurrence

FI 4	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates. Legislative changes such as LIBOR transition could impact investment returns.	Moderate	Possible		1 - Use of a diversified portfolio which is regularly monitored. 2 - Monthly monitoring of funding and hedge ratio position versus targets. 3 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the PC. 4 - Consideration / understanding of potential Brexit implications. 5. Monitoring of Fund investments affected by LIBOR transition and bench mark changes required by investment managers from LIBOR to SONIA. 5. Fund Actuary consulted when making strategic investment changes involving asset allocations	Moderate	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2. Pensions Committee receives quarterly funding update from scheme actuary 3. Independent Adviser provides updates on inflation 4.) Pensions Committee reviewing various inflation inked asset classes.	On going monitoring next review March 23		LIBOR transition now well underway. A number of managers have changed benchmarks.
FI 5	Investment Strategy fails to deliver appropriate returns	Long-term Investment Strategy issues caused by: - Responsible Investment (including Climate Change) is not properly considered - Actual asset allocations move away from strategic benchmark - Relevant information relating to investments is not communicated to the PC - The risks associated with the Fund's assets are not fully understood resulting in taking either too much or too little risk	Catastrophic	Unlikely		1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has Strategic RI Priorities 3. London CIV has RI policy in place 4. Asset Allocations formally reviewed as part of quarterly report to PC and necessary action taken to correct inbalance 5 - PC receives formal quarterly reports on both the overall performance of the Fund and individual investment managers 6 - Full Investment Strategy review undertaken by Investment Consultant after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives 7- PC sign up to TCFD 8 - PC set net zero carbon targets	Catastrophic	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2- Pensions Committee is currently working on adopting TCFD accrediitaiton and reporting	On going monitoring. Risk cannot be completely eliminated		1.) London CIV RI Policy completed May 21 2.) Draft Tower Hamlets Pension Fund RI Policy June 21 3.) TCFD accreditation March 22 4.) Net zero target set by Pensions Committee November 2020 5.) Full Investment Strategy Review March 22
FI 6	The Asset Pool fails to meet the Fund's needs	Issues with the London CIV including: - The investment strategy adopted by London CIV through fund manager appointments - Asset pooling restricts Fund's ability to fully implement a desired mandate - Investment consultant notes that LCIV does not possess required inhouse skill to manage new asset classes like Renewable Infrastructure fund coinvestments	Major	Unlikely		1 - The Fund is a founding member of London CIV and is an active participant at all levels (Executive and Officer) of London CIV. 2 - Specifically, the Fund has representation at the Investment Advisory Committee and Officer's business meetings where strategies and fund manager appointments that align with the Fund's investment strategy are promoted. 3 - The London CIV will have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class. However, because the CIV has to reach consensus among its 32 members, there is a risk that the full complement of mandates in the Fund may not be replicated by London CIV. 4- The London CIV is planning to appoint investment managers to all asset classes that the Fund is currently invested in. 5 - Fund will be able to retain mandates not currently appointed to by the London CIV and may invest in other pools if they have a desired mandate 6 - Fund to continue close monitoring of Renewable Energy Fund and pressue the LCIV to take advice before coinvestmet are made.	Moderate	Unlikely		1 - Keep abreast of asset pooling developments generally and London CIV issues specifically, and ensure the Fund is well placed to act accordingly (MA) 2 - Pensions Committee to write to LCIV raising any concerns and continue close monitoring	on going monitoring		1.) Procurement of Renewable Energy fund completed - March 21. 2.) There are currently no outstanding investments requiring procurement.
FI 7	Value of liabilities/contributions change due to demographics being out of line with assumptions	Employer related assumptions (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	Moderate	Unlikely		1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases. 5 - Employer monitoring project commissioned with Hymans to review employers close to cessation.	Moderate	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-23		The Fund subscribes to Hymans Club Vitae for demograhic monitoring
FI 8	Insufficient cash to pay benefits as they fall due, resulting in disinvestment at depressed asset prices	Increases in benefit outflow, including new retirements, or inadequate monitoring, or reductions in contributions not anticipated/expected and/or investment income is less than expected	Minor	Rare		1 - Annual cashflow monitoring undertaken and utilised to inform Investment Strategy to ensure that Fund is always able to meet liabilities as they fall due 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Employer contribution payments monitored on a monthly basis; including a full reconciliation between expected and actual 4 - Late payers are identified and reported to the PC as part of quarterly pensions administration report. 5 - Holding sufficient liquid assets as part of agreed cashflow management policy 6 - Monitor cashflow requirements 7 - Treasury management policy is documented	Minor	Rare		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2 - £20m cash requested from Schroders equity protection proceeds to meet cahflow gap for 2021/22 and 22/23	on going mointring. Next review 2023 June		Pensions Committee agreed £20m cash to cover operational cash short falls in 2021 and 2022

FI 9	Loss of employer income and/or other employers become liable for their deficits	Employer ceasing to exist or otherwise exiting (e.g. when contract ends) with insufficient funding (bond or guarantee).	Moderate	Unlikely		1 - Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund. 2 - Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. 3 - Fund Actuary is notified of the need to calculate a cessation valuation 3 months before an employer is due to leave the Fund. 4 - Admission agreements policy requires a guarantee or bond. 5 - Fund Actuary undertakes periodic review of employer profiles which are factored into employer contribution rates.	Minor	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-23		
FI 10	COVID-19 Pandemic	The Council is the main employer in the Fund. There are a number of small employers mainly from outsourcing of school catering and cleaning over the years. Employers unable to pay employer contributions. Ceding employers unable to support outsourced operations. Investment environment changes redically, and Fund is slow to respond, leading to lower solvency	Moderate	Possible		1.) Draft contribution deferral policy submitted to Committee for consideration in July 2020 2.) Convenant reviews and review of high risk employers in the fund. 3.) Active investment monitoring, possible implementaion of Equity Protection by Pensions Committee. 4.) FSS updated and Debt Referral policy and updated exist polcies now in place.	Moderate	Possible		update draft contribution deferral policy once SAB update is issued. Continous monitoring (MA)	on going monitoring		
FI 11	McCloud Judgement	Implementation of the proposed remedy following new pension legislation and scheme specific regulations for tje removal of age discrimination from the LGPS due to the McCloud judgement. Pension Fund officers unable to adequately comply with legislatiive and regulatory amendments arising from the proposed McCloud remedy due to employers inability to provide historic data required. There is a key risk that employers will not respond when contacted or employers will not have the required information due to GDPR rules which require finance data to be destroyed after 6 years or some employers may have changed payroll provider. DLUHC has confirmed the proposed remedy and th intention to introducelegislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014.	Moderate	Possible		1.) Adjustments were made to the 2019 valuation to account for any possible McCloud impact 2.) Quarterly update to Pensions Committee and Pensions Board 3.) Officers to commence with McCloud project implementation 4.) On 4 February 2021 HM Treasury published its response to the consultation and sets out its preferred remedy choice. DLUCHC have produced a document that gives general details as to how the remedy proposal would work for the LGPS. Further legislative changes are required before the reemdy can be implemented, however due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented 5.) Employers have been notified of need to keep historic data 6.) Pensions Funds will need to understand what the impact of the remedy means, develop processes and calculations to apply the regulations or the amended schemes.	Moderate	Possible		1 - Continous monitoring in intervaluation updates (MA) 2 - Set up McCloud project set up and updates reported to Pensions Board and Committee quarterly 3 - communications with scheme members and employers.commenced 4.) Possible inability to extract historic payroll data for affected scheme members remains a problem. Offiers are working with LBTH payroll and other employers. 5.) Employer change of payroll provider and failure of employer to keep historic data 6.) Engage Heywood to undertake initial collection and bulk upload of scheme member data required from scheme employers. 7.) Officers should keep up to date of all relevant correspondence issued by DLUHC, LGA & HMRC and keep upt to date with buletting and guidance from the Home Office as well as regularly attend webinars, forums and seminars.	Apr-23		McCloud implementation service procured from Heywood. Officers will work along side Heywood to implement remedy. Communication issued to employers in August 21 informing them of need to keep historic data of employees. Heywood commenced contacting employers onbehalf of the Fund to collect historic missing data. Data will be one of the main agenda items during the employers forum
F12	Climate Change Impact	Climate Change has the potential to materially impact financial returns	Moderate	Possible		Annual monitoring of Fund carbon footprint by Pensions Committee. Pensions Committee sign up to net zero carbon by 2040, Changes to investment strategy to reduce climate change risk	Minor	Unlikely		increased monitoring of climate change risk, increased manager monitoring of climate change risk, Pensions Committee prepared TCFD report and Pensions Committee considering Decarbonisation target analysis as well as Net Zero strategy.	on going monitoring		

Administration & Communication Risks

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame		Comments and update December 2021
AG 1	Unable to meet legal and performance expectations due to external factors	Big changes in employer or scheme member numbers or unexpected work increases (e.g. regulation changes such as increase in transfers out due to new pension freedoms)	Major	Possible		1 - Ongoing reporting to management/PC/PB to quickly identify issues (For example on transfers - Monitor numbers and values of transfers out being processed and report regularly) 2 - External consultants available to assist if required 3 - Recruitment to new posts	Minor	Unlikely		1 - Ongoing consideration of resource levels post recruitment of new posts (MA) 2 - Ongoing consideration of likely national changes and impact on resource (MA)	On going		This risk remains a possibility due to regulatory changes however officer will mitigate by procuring external consultancy expertise. Autoenrolment and subsequent opt out of hundreds of council employees has impacted the team's ability to process routine tasks while focusing on opt out form processing.

AG 2	Unable to meet legal and performance expectations (including inaccuracies and delays in benefit calculations) leading to potential member complaints and poor data security	Staff are poorly trained and/or we can't recruit/retain sufficient quality of staff, and/or appropriate succession planning is not in place	Major	Likely		1 - Training Policy, Plan and monitoring in place 2 - External consultants available to assist if required 3 - Data protection training, policies and processes in place 4 - Business plan includes workforce matters 5 - Review of admininstration team structure 6 - Quarterly update reports consider resourcing matters 7 - Staff reviews implemented and most vacant positions now recruited to 8 - Ongoing training within the team	Minor	Unlikely		1 - Recruit to any vacant roles (MA) 2 - Ongoing consideration of succession planning (MA) 3 - Continue training of new and newly promoted staff (MA) 4. Complete team restructuring (MA)	Mar-23		On going work with LBTH payroll team to resolve historic employee data inaccuracies.
AG 3	Unable to meet legal and performance expectations (including inaccuracies and delays and potential legal breaches) due to lack of or poor quality data from the council and other employers.	Employers: -don't understand or meet their responsibilities -don't allocate sufficient resources to pension matters - don't engage with the Administering Authority - the council is the main employer in the scheme and accounts for over 85% of income to the pension fund. Payroll reports and data information received from the council do not agree to amounts paid to the scheme. The following employers are yet to upload data on iconnect themselves or via their payroll provider - Tower Hamlets Council, Tower Hamlets Homes, East End Housing, Mulberry Academy and Central Foundation	Major	Likely		1 - Administration strategy updated and consulted upon 2 - Communications Strategy (to be reviewed) sets out how Fund will engage with all Stakeholders 3 - Ensure information communicated to Employers is clear, concise and relevant 4 - Where available use standard templates/information from the LGPS employers association 5 - Provide training to employers that is specific to their roles and responsibilities in the LGPS 6 - Employer access to the i-Connect portal (roll-out in progress), and forms available on website 7 - Employers can access specialist support from Fund Officers 8 - Engage with relevant council team on employee data quality	Minor	Unlikely		1 - Continue to work with identified employer to ensure issues are resolved (MA) 2 - Revise / update Admin / Comms Strategies (MA) 3 - Identify other employer data issues and engage with employers on these (MA) 4. Put in place Pension Fund website 5. Update Board on progress with LBTH payroll	Jun-23		Data remains an issue with council
AG4	High administration costs and/or errors (including rectification costs and IDRP costs or fraud) and reputational damage if Ombudsman rules against the Fund	Systems or are not kept up to date or not utilised appropriately, or complaints are not dealt with appropriately or other processes inefficient	Major	Possible		1- Business plan has number of forthcoming improvements (I-connect/MSS etc) 2 - Use of Altair which is a nationally recognised software with plentiful guidance / support 3 - Ongoing training on how to use systems within the Administration team 4- Fund has (PC approved) Internal Dispute Resolution Policy (IDRP) 5 - Robust checks / adherence with best practice including undertaking regular reconciliation of payments	Minor	Unlikely		1 - Ongoing roll out of iConnect and MSS (MA) 2 - Assessment of Team skills / capabilities once restructure is complete (MA)	Sep-23		
AG 5	Scheme members do not understand or appreciate their benefits and cannot make informed decisions	Newsletters and letters are inaccurate, poorly drafted, overly complicated, irrelevant, too technical or insufficient in some other manner	Moderate	Unlikely		1 - Communications Strategy reviewed and updated 2 - Members provided with explanatory notes and guidance and given access to further pension support 3 - Website provides information on the Scheme and on Members' benefits 4 - Member self service to be launched in 2020	Insignificant	Unlikely		1 - Implementation of member self service to progress to deferred members (MA) 2 - Ensure all communication and literature is up to date / relevant (MA) 3 - Revise / update Admin / Comms Strategies every 3 years or as required (MA) 4 - Consider annual communications survey (MA)	on going monitoring		Communication with scheme members continue to improve. Employers forum is scheduled annually, Members who require pensions savings statement receive statements annually, Memberself service roll out. Fund website now up and running by 31 October 2021. Scope to include pensioner members on MSS explored with sotwre provider.
AG 6	Service provision is interrupted or incorrect benefits paid and/or records are lost, including data breaches	System failure or unavailability, including as a result of cybercrime or fraud / misappropriation by officers	Major	Rare		1 - Disaster recovery plan in place and allows the pension administration system to be run from an alternative site 2 - Altair administration system is subject to daily software backups and off-site duplication of records 3 - Pensioner payroll system is subject to daily software backups and off-site duplication of records 4 - Robust checks / adherence with best practice including undertaking regular reconciliation of payments 5 - Internal Audit plan includes dedicated hours for review of internal controls in relation to the management and accounting of the Pension Fund. The plan is designed on a risk basis, so that areas of high risk will be subject to more frequent internal audits 6 - Recommendations from internal audits of processes and controls are implemented in a timely manner	Moderate	Rare		1 - Ongoing checks relating to suitability of disaster recovery plan (MA) 2 - Review of cybercrime risk controls (MA) 3. continous monitoring of business continuity plans for pensions	Mar-23		Cyber risk introduced. Fund provided with details of Heywood's own disaster recovery, Plans in progress to secure access to pension admin records should council's network be temporarily down
AG 7	COVID-19 affecting the day to day functions of the Pensions Administration services including customer telephony service, payment of pensions, retirements, death benefits, transfers and refunds. 2	Disruption in work patterns of the team affected by covid-19 pandemic. Reote working presenting data protection risks.	Minor	Unlikely		TREAT 1) The Pensions Administration team have shifted to working from home. 2) The administrators have prioritised death benefits, retirements including ill health and refunds. If there is any spare capacity the administrators will prioritise transfers and divorce cases. 3) Revision of processes to enable electronic signatures and configure the telephone helpdesk system to work from home. 4) Sending additional and follow up letters to overseas pensioners. **5)** All members of the Pensions & Investments teams have phones diverted to mobiles to maintain required level of custormer contact. This includes main team member which was also diverted to mobile.	Minor	Unlikely		1. Implement council procedures for staff home working (MA) 2.) Implement Pensions Regulator directive on covid-19 (MA) 3.) Undertake LGPS AON Cyber crime assessmebt review and implement recommendations	on going monitoring		

AG 8	Guaranteed Minimum Pension (GMP) reconciliation. In accurate record keeping	From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS. GMP's no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund. High Court ruling determination that UK defined pension schemes must compensate members for differences attributable to GMP. Impact of the potential adjustments to be made to members' pensions as a result of the GMP reconciliation exercise.	Major	Likely		1.) Establish internal controls 2.) resolve contract with ITM. 3.) Identify terms of LBTH IT procurement of GMP reconciliation in Aquila Heywood contract 3.) Possible impact on pensions team resources	Minor	Unlikely		1 - Data analysis carried out and action taken to reconcile and adjust paid pension paid to retired members. 2. to review GMP amounts allocated to active and deferred members 3. Internal Audit	Ongoing review in March 2022 once impant of final legislation is know		
AG 9	Impact of covid-19 on scheme employers	Employer affected by covid-19 could go into adinstration or encounter short to medium term cash flow issues. The council is the main employer in the scheme.	Moderate	Unlikely		1 - Develop Policy to address eventualities 2 - Monitor employer contributions 3 - Review admission agreements and employer convenants	Insignificant	Unlikely		1 - Continous monitoring of employer contributions (MA) 2 - Liaise with employers experiencing difficulty paying contributions (MA)	on going monitoring		
AG 10	Failure to provide an Annual Benefit Statement to 100% of active members due to incorrect data provided by employers in the scheme	Historic issues around data provision by council and other employers in the scheme remain. Where scheme employers are unable to provide correct and timely data on their employees this hasa direct impact on the Fund's ability to provide correct Annual Benefit Statements to all its scheme members especially active members. Incorrect salary data means pension estimates are also incorrect when provided to members.	Major	Likely		1.) Establish data portal for employers to upload data 2.) Enforce data submission by employers 3.) Review and identify data errors within days of employer upload 4.) Contact employers immediately to rectify data errors on portal 5.) Provide training to employers on how to use data portal and recognising data errors 6.) Reconcile monthly contributions paid by employers against data uploaded to portal and contact employers within reasonable time frame 7.) Ensure employers provide end of year payroll reports.	Minor	Unlikely		1 - Take steps to address issues with employers directly 2. Escalate to senior officers for each employer. 3. Report to internal audit and Pensions Regulator as last resort. All employers apart from LBTH council, East End Homes, Tower Hamlets Homes, Mulberry Academy, ITRES and Cayley. 4.) Reconciliations of payroll spreadsheet compared with payroll data extraction report shows employees with differences in employer and employee contributions. Continue to liaise with LBTH payroll to resolve.	Oct-23		Review date extended to March 2023 pending council resolution of employee payroll data in accuracies and upload of employee payroll data to pensions portal
AG 11	Data Quality Issues	The Fund produced a remediation plan which is expected to put in place improvements for pension fund administration and governance over a 2 to 3 year period. Data quality is a key issue and it is necessary to nip in the bud from the onset which is at the point when the initial data is received from the employer.	Major	Likely		1.) Liaise with pensions admin software provider to produce annual data reviews. 2.) Set initial targets which are acheivable then raise with time. 3.) Upload member data to actuary data portal to identify errors annally	Minor	Unlikely		1 - Take steps to address issues with employers directly 2. Escalate to senior officers for each employer. 3. Report to internal audit and Pensions Regulator as last resort 4. Liaise with actuary and action data quality report recommendations issued during triennial valuations	Dec-22		
AG 12	Scam detection and Prevention	There is a risk that a Scheme Member could be the victim of fraud. This could be caused by the Scheme Member being exploited into transferring their pension from the LGPS to a bogus or unsuitable pension scheme. This could result in the Scheme Member losing their pension or being at financial loss. This could also result in the Regulator finding against the Fund and requiring it to make good the losses experienced by the Scheme Member.	Major	Possible		The Fund complies with the Code of Good Practice and the Pensions Regulator's guidance and check list. Pension officer notify team leaders and managers if transfer is to a scheme which is perceived as a "scam". Scheme members are required to sign against the TPR check list to ensure they are aware and have taken adequate financial advice. Companies House, HMRC and FCA register is checked to ensure legitimacy.	Minor	Unlikely		Electronic news letters to scheme members via MSS to continue to make members aware of pension scam awareness and cyber security risks	On going monitoring		
AG 13	McCloud	Inability of scheme employers to provide required data	Major	Possible		Perfrom data review exercise in bulk and individually to identify scheme members who may qualify and / or identify missing data	Moderate	Possible		1.) Software provider currently developing calculations and recalculations of deferred benefits and those already in receipt of pension to identify incorrect values and any over/underpayments. 2.) The ABS will need to be amended following implementation of the amended remedy regulations as it is anticipated McCloud data will be included for each scheme member. 3.) ABS contain a statement on McCloud provided by the LGA. 4.) Changes by software provider should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.	Sep-22		

AG 14	Financial Irregularity	There is a risk of unintentional overpayments. Failure to address financial irregularity may result in a financial loss to the Fund and scheme employers, as well as reputational damage to the Council	Moderate	Possible		Unintentional overpayments – The NFI activity may identify overpayments where no fraudulent activity has arisen, but a benefactor has unintentionally benefited from the Fund, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instances, officers act compassionately whilst still protecting the assets of the Fund.	Minor	Unlikely		Reconciliation of scheme data (pensioners and deferred members) against NFI is procured half yearly.	Sep-22		Note: cases do not necessarily constitute a fraud, but do represent areas where there is a discrepancy between the Fund's information and data from the government agencies. Half yearly comparison eliminates risks of over payment. NFI data matching costs is met by the Fund.

Totals					
Governance		**Funding & Investment Risks (includes accounting and audit)**		**Administration & Communication Risks**	
Red	0	**Red**	**0**	**Red**	**4**
Amber	5	**Amber**	**7**	**Amber**	**5**
Green	5	**Green**	**5**	**Green**	**5**

Non-Executive Report of the: **Pensions Committee** Thursday, 27 June 2022	TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director, Resources	**Classification:** unrestricted
Pensions Administration and LGPS Quarterly Update – March 2022	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards)

Executive Summary

To provide Members with information relating to the administration and performance of the Fund over the last quarter as well as update on key LGPS issues and initiatives which impact the Fund.

Recommendations:

The Pensions Committee is recommended to:

1. Note and comment on the contents of this report and appendix

1. REASONS FOR THE DECISIONS

1.1 This Committee need to receive this report on a regular basis to discharge its duty.

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options to this report.

3. DETAILS OF THE REPORT

ADMINISTRATION UPDATE

Scheme Membership at 31 March 2022.

3.1 A core part of running the pension fund is the maintenance of scheme membership records that enable scheme benefits to be calculated in addition to dealing with new members joining and members leaving the scheme. This activity is carried out in house. The team also deals with employer related issues, including new employers and cessation. Task outstanding reported last quarter slightly moved since reported due to reopening of a few frozen and pensioner cases since quarter end report.

Membership Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,358	8,259	128	6,924	2,034
% of Membership	29.79%	33.43%	0.52%	28.03%	8.23%
Change from last quarter	53	127	(193)	17	183

Membership Category	At 31/12/22	+/- Change (%)	31/03/22
Active	7,315	0.58%	7,358
Deferred	8,132	1.54%	8,259
Undecided	321	-150.78%	128
Pensioner (incl spouse & dependant members)	6,907	0.25%	6,924
Frozen	1,851	9.30%	2,034
Total	**24,526**		**24,703**

3.2 The table below shows tasks completed and outstanding on 31 March 2022.

Task type	Tasks Outstanding 31/12/21	New Tasks	Tasks Closed	Tasks Outstanding 31/03/22
Transfer in quotes	15	30	34	11
Transfer Out quotes	29	54	67	16
Employee estimates	21	80	89	12
Retirement quotes	30	168	179	19
Preserved benefits	21	98	108	11
Opt out	33	184	189	28
Refund Calculations	12	122	122	12
Refund Payments	10	45	48	7
Death in payment or in service	29	108	116	21
Actual Transfers In	11	31	36	6
Actual Transfers Out	10	39	41	8
Others	16	341	324	33
Starters	42	373	415	0
Leavers	32	124	140	16
Total Tasks	**311**	**1797**	**1908**	**200**

3.3 The above tables exclude most tasks received via the pension team inbox. Most queries are currently actioned immediately without logging them to avoid further delay to existing backlog. Some queries like refunds, opt outs, death

notifications, leavers, retirement quotes are logged as tasks and allocated to members of the team to action.

3.4 The setting up of workflows for tasks was included in the Pensions Administration remediation plan presented to Committee in June 2020. Since then, the team has engaged with Aquila Heywood, the pensions administration software provider to set up workflows for majority of tasks thereby enabling staff to follow the same processes, minimising errors and monitor performance.

3.5 The use of workflow system now enables the team to benchmark its tasks against CIPFA suggested KPI's. The table below shows performance of completed cases for newly set up workflows on 31 March 2022.

The Head of Pensions and Treasury meets with officers within the team weekly or fortnightly to review their tasks lists. This is expected to be passed on to the Pensions Admin Manager and Team Leaders.

3.6 Additional workflows in progress are:

- Optout
- Transfer in actual
- Transfer out actual
- Bank account change
- Bacs return
- AVC
- APC
- Over payment of pension

3.7 The table below shows performance against CIPFA suggested timelines. Some tasks such as transfers in and out as well as processing of deaths and retirements require initial responses from 3rd parties, other pension funds, lawyers or scheme members which sometimes take time. However, this quarter has been impacted by a combination of annual leave and the move of staffing resourcing to help with council employee manual data correction in time for the triennial valuation. The June quarters performance will also be impacted.

Description	Altair Workflow Ref	CIPFA Target (Days)	Oct	Nov	Dec
			% Within Target	% Within Target	% Within Target
Retirements					
Voluntary	AHEARLYA	15	60.00	60.00	66.67
Redundancy	AHREDUNA	15	60.00	50.00	66.67
Medical	AHIHRETA	15	100.00	100.00	100.00
Late	AHLATERA	15	80.00	50.00	50.00
Flexible	AHFLEXRA	15	-	-	-
Deferred into Payment	AHDBPAYA	15	55.00	50.00	68.42
Transfers					

Transfer In - Quotes	AHTVIQ	10	25.00	40.00	57.14
Transfer Out - Quotes	AHTVOQ	10	33.33	66.67	38.89
Transfer In - Actual	IFAIN03 & TVIN03	0	workflow to be developed		
Transfer Out - Actual	IFAOUT02 & TVOUT02	0	workflow to be developed		
Refunds					
Refund Calculations	AHRFNDF	10	35.71	75.00	74.51
Refund Payments	AHRFNDA	10	63.64	66.67	80.00
Estimates					
Voluntary	AHBENEST & AHEARLYQ	15	59.26	81.26	81.40
Redundancy	AHREDUNQ	15	80.00	0.00	80.00
Medical	AHIHRETQ	15	50.00	100.00	100.00
Late	AHLATERQ	15	100.00	0.00	100.00
Flexible	AHFLEXRQ	15	66.67	42.86	25.00
Deferred into Payment	AHDBPAYQ	15	56.00	95.12	72.22
Deferred					
Deferred Calculations	AHDEFLV	30	100.00	93.33	79.49
Opt Out					
Opt Out	OPTOUT	2	workflow to be developed		
New Starters					
New Starters	AHNEWST	40	98.39	100.00	100.00
Nominations					
Nomination Changes	AHNOMIN	10	75.00	85.71	87.50
Address					
Address Changes	AHADDRES	15	95.45	100.00	97.22
Bank Account					
Bank Account Change	BANK-01	0	workflow to be developed		
General Enquiry					
General Enquiry	AHMEMBER	10	80.00	75.00	81.02
Deaths					
Death Cases - General	AHDEATH	15	40.74	56.41	85.11
Monthly Average			**64.28**	**63.21**	**71.72**

Pension Tax Update 2021/22

3.8 Although inflation is close to double digits, the September 2020 CPI measure of inflation of 0.5% remains the inflation figure applied when calculating members pension input amounts for 2021/22.
Therefore, scheme member who has had a promotion or significant pay rise above 0.5% from April 2021, especially for those with significant years' service before 2014 is now more than likely than ever to breach or get close to the £40,000 standard Annual Allowance.
The Fund is not authorised to provide any financial advice to our members.

EMPLOYER UPDATES

3.9 Employers with active members on 31 March 2022.

Administering Authority	**Scheduled Bodies**
London Borough of Tower Hamlets	Attwood Academy (Ian Mikardo School)
Admitted Bodies	Canary Wharf College
Compass Contract Services Limited	City Gateway
East End Homes	East London Arts & Music
Gateway Housing Association (formerly Bethnal Green and Victoria Park Housing Association)	London Enterprise Academy
Greenwich Leisure Limited	Letta Trust (Stebon and Bygrove Schools)
One Housing Group (formerly Island Homes)	Mulberry Academy
Tower Hamlets Community Housing Limited	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
Vibrance (formerly Redbridge Community Housing Limited)	Sir William Burrough
Wettons Cleaning Limited	St. Pauls Way Community School
Mediquip	Tower Hamlets Homes Limited
Atlantic Cleaning Services	Wapping High School
Purgo Supplies Services Ltd	Boleyn Mult-Academy Trust
Juniper Ventures Ltd	
Olive Dining	
Age UK East London	

3.10 Officers continue to liaise with employers on quality of data received. The Pensions Admin Team continues to extract data from council resource link system pending when the payroll team takes on this responsibility. Data extracted still remain incomplete and inaccurate in some instances.

The focus remains to get the Council, Mulberry Academy Trust, Tower Hamlets Homes, East End Homes, Cayley School and Bowden House School and their payroll provider uploading of monthly employee payroll data to the i-Connect pensions portal.

Admission of New Employers

3.11 No new employer admissions during the quarter.

LGPS SCHEME and LEGISLATIVE UPDATES

LGPS recruitment and retention survey

3.12 The LGA emailed LGPS pension managers on 12 April 2022 inviting them to

complete the recruitment and retention survey. The recruitment and retention difficulties experienced by LGPS funds in England and Wales was acknowledged. The aim of the survey was to understand the extent the extent of the issue. This includes understanding how salary levels and homeworking contracts are contributing. It is expected that the information collected will give a national picture, helping administer authorities with workforce planning.

3.13 Below are the employee contribution bands which will be effective from 1 April 2022. These are calculated by increasing the 2021/22 employee contribution bands by the September 2021 CPI figures of 3.1 per cent and then rounding the result to the nearest £100.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £15,000	5.50%	2.75%
2	£15,001 to £23,600	5.80%	2.90%
3	£23,601 to £38,300	6.50%	3.25%
4	£38,301 to £48,500	6.80%	3.40%
5	£48,501 to £67,900	8.50%	4.25%
6	£67,901 to £96,200	9.90%	4.95%
7	£96,201 to £113,400	10.50%	5.25%
8	£113,401 to £170,100	11.40%	5.70%
9	£170,101 or more	12.50%	6.25%

2022 Valuation

3.14 Work is underway to manually clean data required for a few employers who have been unable to resolve on going data issues. es On 20 January 2022, the Government made a written statement on
Indexation and revaluation in public service pension schemes and published the 2022 pensions increase (PI) multiplier tables. The statement confirms that public service pensions will increase on 11 April 2022 by 3.1 per cent, except for pensions that have been in payment for less than a year, which will receive a pro-rata increase. The statement also confirms that active LGPS CARE accounts will increase on 1 April 2022 by 3.1 per cent. The Government expects to make the annual revaluation orders in March 2022.

McCloud

3.15 On 10 March 2022, the Public Sector Pensions and Judicial Offices Bill received

Assent. The next stage in the process will therefore be for Regulations for each of the Public Sector Schemes to be released together with a consultation on draft guidance to assist Funds in implementing the remedy. Both are expected prior to parliamentary recess in the summer
Employers have been contacted in respect of data collection.

Member Self Service (MSS) Roll Out

3.16 The role out of Member Self Service (MSS), the pensions portal to enable scheme members access pension records, update home address, nominations and telephone numbers continue.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no direct financial implications arising from the contents of this report.

7. COMMENTS OF LEGAL SERVICES

7.1 The Pensions Committee is required to consider pension matters and ensure that the Council meets it statutory duties in respect of the Fund. It is appropriate having regard to these matters for the Committee to receive information from the Pensions Administration team about the performance of the administration functions of the pension fund and updates on the LGPS generally.

7.2 When carrying out its functions as the administering authority of its pension fund, the Council must have due regard to the need to eliminate unlawful

conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- NONE

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report

https://ri.lgpsboard.org/items

Officer contact details for documents:
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Appendix 1

Monthly Data Submission on 31 March 2022

(Employer data submission is not a guarantee that correct data was submitted)

Employer Name	Employer Code	Employer Type	Payroll Provider	Data Submitted to
Age UK	00045	Admitted Body	In House	31/03/2022
Atlantic Cleaning Services	00037	Admitted Body	In House	31/03/2022
Compass Contract	00027	Admitted Body	In House	31/03/2022
Gateway (Bethnal Green & Vic)	00010	Admitted Body	In House	31/03/2022
Greenwich Leisure Limited	00007	Admitted Body	In House	31/03/2022
Juniper Catering St Saviours	00040	Admitted Body	In House	30/04/2022
Juniper Cleaning St Saviours	00041	Admitted Body	In House	30/04/2022
Medequip	00035	Admitted Body	In House	31/03/2022
Olive Dining	00043	Admitted Body	In House	31/03/2022
One Housing (Toynbee Island)	00011	Admitted Body	In House	31/03/2022
Purgo Supply Cyril Jackson	00039	Admitted Body	In House	25/03/2022
Purgo Supply St Paul's	00042	Admitted Body	In House	26/03/2022
REDBRIDGE CHL (Vibrance)	00004	Admitted Body	In House	31/03/2022
THCH (Closed Scheme)	00003	Admitted Body	In House	31/03/2022
THCH (Open Scheme)	00008	Admitted Body	In House	31/03/2022
Taylor Shaw - Catering	00036	Admitted Body	In House	31/03/2022
Taylor Shaw - Stepney Green	00048	Admitted Body		onboarding process on going
Wettons Cleaning Services Ltd	00034	Admitted Body	In House	31/03/2022
Bishop Challinor Catholic Federation o	00131	Scheduled Body	SGW Payroll	31/03/2022
Canary Wharf College	00021	Scheduled Body	In House	31/03/2022
City Gateway	00025	Scheduled Body	EPM	31/03/2022
Clara Grant - Boelyn Trust	00046	Scheduled Body	Access Group	31/03/2022
Cyril Jackson Academy	00044	Scheduled Body	Midland HR	31/03/2022
East London Arts & Music	00030	Scheduled Body	Day One Trust	31/03/2022
Ian Mikardo Academy	00029	Scheduled Body	EPM	31/03/2022
LETTA Trust	00028	Scheduled Body	Access Group	31/03/2022
London Enterprise Academy	00023	Scheduled Body	Strictly Education	31/03/2022
Olga Primary School	00128	Scheduled Body	In House	31/03/2022
Paradigm Trust	00033	Scheduled Body	Neo People	31/03/2022
Sir William Burrough Academy	00018	Scheduled Body	Data Plan	31/03/2022
Stepney Green -Mulberry Trust	00047	Scheduled Body	EPM	31/03/2022
St Pauls Way Trust Academy	00019	Scheduled Body	Midland HR	31/03/2022
Wapping High School	00024	Scheduled Body	In House	31/03/2022
Bowden House	00129	Council Pool	In House	30/04/2022
Cayley Primary School	00130	Council Pool	Strictly Education	31/03/2022
TH EPM MPP	00001	Council Pool	EPM	31/03/2022
Tower Hamlets LBC	00001	Council Pool	LBTH Payroll	31/03/2022
ltres (Fortnightly Payroll)	00001	Council Pool	LBTH Payroll	13/03/2022
Central Foundation	00001	Council Pool	LBTH Payroll	31/03/2022
East End Homes	00006	Admitted Body	LBTH Payroll	31/03/2022
Mulberry Academy	00026	Scheduled Body	LBTH Payroll	31/03/2022
Tower Hamlets Homes	00013	Scheduled Body	LBTH Payroll	31/03/2022

Appendix 2

Performance Stats detail – March 22

		Jan-22				Feb-22				Mar-22			
Retirements	**Altair Workflow**	**Cases at Start**	**New Cases**	**Cases Processed**	**Cases Outstanding**	**Cases at Start**	**New Cases**	**Cases Processed**	**Cases Outstanding**	**Cases at Start**	**New Cases**	**Cases Processed**	**Cases Outstand**
Voluntary	AHEARLYA	3	8	6	5	5	7	5	7	7	7	9	5
Redundancy	AHREDUNA	4	4	5	3	3	3	2	4	4	4	6	2
Medical	AHIHRETA	0	2	2	0	0	1	1	0	0	1	1	0
Late	AHLATERA	4	4	5	3	3	1	2	2	2	5	4	3
Flexible	AHFLEXRA	0	0	0	0	0	0	0	0	0	0	0	0
Deferred into Payment	AHDBPAYA	15	18	21	12	12	10	10	12	12	24	19	17
		26	**36**	**39**	**23**	**23**	**22**	**20**	**25**	**25**	**41**	**39**	**27**
Transfers													
Transfer In - Quotes	AHTVIQ	7	6	8	5	5	5	5	5	5	10	7	8
Transfer Out - Quotes	AHTVOQ	24	18	27	15	15	22	15	22	22	9	20	11
Transfer In - Actual	IFAIN03 & TVIN03	11	8	12	7	7	16	14	9	9	7	10	6
Transfer Out - Actual	IFAOUT02 & TVOUT02	10	2	5	7	7	17	6	18	18	12	22	8
		52	**34**	**52**	**34**	**34**	**60**	**40**	**54**	**54**	**38**	**59**	**33**
Refunds													
Refund Calculations	AHRFNDF	11	31	30	12	12	44	39	17	17	48	53	12
Refund Payments	AHRFNDA	10	11	11	10	10	12	13	9	9	22	24	7
		21	**42**	**41**	**22**	**22**	**56**	**52**	**26**	**26**	**70**	**77**	**19**
Estimates													
Voluntary	AHBENEST & AHEARLYQ	21	24	27	18	18	24	16	26	26	32	46	12
Redundancy	AHREDUNQ	2	5	5	2	2	2	2	2	2	5	5	2
Medical	AHIHRETQ	1	1	2	0	0	2	1	1	1	1	2	0
Late	AHLATERQ	1	2	2	1	1	0	1	0	0	7	6	1
Flexible	AHFLEXRQ	2	11	3	10	10	0	7	3	3	1	4	0
Deferred into Payment	AHDBPAYQ	12	58	25	47	47	14	42	19	19	52	53	16
		39	**101**	**64**	**78**	**78**	**42**	**69**	**51**	**51**	**98**	**116**	**31**
Deferred													
Deferred Calculations	AHDEFLV	21	56	51	26	26	21	16	31	31	21	41	11
Opt Out													
Opt Out	OPTOUT	33	51	62	22	22	64	57	29	29	69	70	28
New Starters													
New Starters	AHNEWST	42	91	132	1	1	174	163	12	12	108	120	0
Nominations													
Nomination Changes	AHNOMIN	4	8	10	2	2	15	8	9	9	26	29	6
Address													
Address Changes	AHADDRES	1	21	22	0	0	21	16	5	5	36	36	5
Bank Account													
Bank Accoun Change	BANK-01	0	0	0	0	0	4	3	1	1	2	3	0
General Enquiry													
General Enquiry	AHMEMBER	11	35	31	15	15	43	29	29	29	130	137	22
Deaths													
Death Cases - General	AHDEATH	29	30	28	31	31	38	41	28	28	40	47	21

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