

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.05 A.M. ON MONDAY, 17 JUNE 2019

**ROOM C3, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

John Jones (Chair)	(Independent Chair)
David Stephen Thompson (Vice-Chair)	
Councillor Asma Islam (Member)	Mayoral Advisor for the Community and Voluntary Sector
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Steve Hill (Member)	(Head of Benefits Services, Resources)
Nneka Oroge (Member)	Trade Union Representative
Annette McKenna (Member)	Pensions Board Member representing Admitted Bodies Employers

Michael Ambery Hymans Robertson - Senior Consultant
Kevin Bartle - (Divisional Director of Finance, Procurement and Audit)
Tim Dean - (Senior Pensions Team Leader)
Douglas Green - Hymans Robertson - Fund Actuary
David Knight - (Senior Democratic Services Officer)
Maheen Nusrat - Members Support Officer
Bola Tobun - (Investments and Treasury Manager, Resources)

1. APOLOGIES

No apologies were received

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

No declarations were received.

3. UNRESTRICTED MINUTES

The minutes of the meeting were agreed and approved as a correct record and the Chair be authorised to sign them accordingly.

4. VARY ORDER OF BUSINESS

At the request of the Chair, the Board agreed to vary the order of business taking the presentation from Hymans item 7.1 first. However, to aid clarity, the minutes are presented in the order that the items originally appeared on the agenda.

5. TERMS OF REFERENCE

Noted

6. SUBMISSIONS FROM FUND MEMBERS

The Board agreed that it was important to clarify their role with regards to receiving submissions on non-confidential issues from the Fund Members.

7. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

Nil items

8. REPORTS FOR CONSIDERATION**8.1 Presentation from Hymans - Practical Details of Formal Valuation Process and Explanation of Section 13 GAD measures**

The Board received a presentation from Douglas Green and Anthony Canning Hymans Robertson that provided a picture on the actuarial valuation update, for the next 3 years.

The Board noted:

- The role they had in governance matters;
- The Funding Strategy Statement that is a public document for employers in the fund to look at and is consulted with employers on an annual basis;
- The approach to setting contributions using liabilities versus assets model;
- The valuation assumptions that Hyman's Robertson makes based on financial and demographic assumptions;
- That some of the above-mentioned assumptions are scheme specific versus national assumption;
- The discount rate based on expected returns. A margin assumption of 2.0% pa is set for risk free yields as per the actuary's decision. Any lower risk is less likely to clear the 2% margin;
- The actuarial valuation also looks at Salary growth assumption and advises to adopt an assumption of 4%, 2.5% RPI less 1% thereafter, equivalent to single rate of RPI less 0.8%. If a possible change in government happens, then government needs to put money to increase salaries and Hyman's will change assumptions accordingly;
- The life expectancy in retirement in all of London as per Club Vita database;
- The actuary's decision is to continue using club Vita database;
- That the funding strategy is a balancing act and contributions are set to an appropriate level of risk based on each employer;
- The employer contributions rates are calculated either by traditional method or modern risk based method. It was noted that Hyman's uses 5,000 future economic scenarios and these scenarios provide enough

potential variations and is based on the margin of error. Also Hyman's treats each employer differently and those higher risk employers may require more than 5,000 risk scenarios;

- Long term discount rate is constructed by reference to gilt yields to reflect different economic conditions and the choice of what discount rate to use after careful analysis;
- The 4 factors used for section 13 valuations which are: Compliance, Consistency, Solvency and Long Term cost efficiency.

As a result of discussions on the report the Chair moved and it was **RESOLVED** to receive:

- An update on the investment strategy for the Board at a future meeting; and
- An Administrative Report at the next meeting.

8.2 Review of The Pensions Regulator Code of Practice

This Board received a report that covers the updated Compliance Checklist for the London Borough of Tower Hamlets Pension Fund up to 31st May 2019.

The Boards discussions on this report that maybe summarised as follows:

The Board

- Noted that on 1st April 2015 the Pensions Regulator (TPR) had assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes;
- Was informed that there has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of Local Pension Boards and focus on increased training are just two areas of the greater focus. The Pension's Regulator (TPR) now has greater legal powers of oversight that extend this further and the Code of Practice is a useful means to understand what good practice looks like in respect of pension funds.
- Recognised that a good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although there are clear benefits for many schemes of the greater oversight powers that have been given to TPR, ensuring compliance with these areas and the much greater focus on governance results in additional work for officers and advisers of the Fund.

As a result of discussions on the report the Chair moved and it was **RESOLVED** to note the Code of Compliance Checklist and where required the further work that is currently being undertaken.

8.3 Risk Register, Risk Management & Internal Controls Policy

This report and the appendix set out the Risk Management Policy and an approach to internal controls for the London Borough of Tower Hamlets Pension Fund. It also included the Risk Register of the Pension Fund.

Accordingly, the Board reviewed; noted asked a number of questions about the Risk Management Policy and the points raised may be summarised as follows:

The Committee:

- Noted the Risk Policy set out in an appendix 1 to this report detailed the risk management strategy of the Pension Fund. It also covered the approach to risk management and the procedures that are adopted in respect of risk management;
- Was informed that the Policy outlined the aims and objectives for the management of risk. It also recognised that risks cannot be entirely removed from the management of the Pension Fund because of the very nature of the Fund itself and the environment in which it operates. The risk management process involved the identification of risk, analysing risks, controlling risks, where appropriate, and the monitoring of risk on an ongoing basis;
- Noted that it is important to ensure the identification, analysis and economic control of opportunities and risks that challenge the assets, reputation or objectives of the Fund. Therefore, effective risk management enables the Committee to manage strategic decisions to safeguard the wellbeing of all stakeholders in the Pension Fund and increase the likelihood of achieving the Fund's objectives;
- Was advised that whilst there is no formal policy or documented procedure for the checks that are carried out, there is confidence in the accuracy and completeness of the vast majority of the required data;
- Was advised that the increased focus on governance within public sector pension schemes is putting pressure on how to deliver improved structured performance measurement and reporting. Whilst schemes find themselves operating in an ever more complex regulatory environment, and all at a time of consolidation and cost reduction;
- Noted that there is to be an independent evaluation of the data by Aquila Heywood's that would enable LBTH to make more informed decisions and provide a basis for the establishment of a formal policy on data evaluation.

As a result of discussions on the report and appendices the Chair moved and it was **RESOLVED** to note and recommend to the Pensions Committee for approval, the:

- Risk Register; and
- Risk Management Policy and the key internal controls.

9. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE 7TH MARCH, 2019

The Board received and noted the minutes of the last pensions Board held on 7th March, 2019. The Boards noted that the Committee had agreed to review the performance of both Goldman's and Insight before making any final decisions.

10. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Bola Tobun (Investment & Treasury Manager) summarised the reports that would go to the Committee. The discussions on the agenda maybe summarised as follows:

The Board noted that:

- The Friends of the Earth had asked to address the Committee regarding the importance of the Councils Pension Funds. They wished to ensure the LBTH revised Investment Strategy will protect the Council from the financial risk of climate change through those remaining investments that it has in fossil fuel companies. The Board indicated that it would wish to receive an update on the investment strategy and the exposure on equities on this in the near future;
- The LGPS and pension fund investment has now become increasingly complex and higher profile. The stability of membership and an understanding of the technical issues have become even more important to the effective management of the LGPS in Tower Hamlets. With this in mind the Board placed on record its view that all new Councillors on the Pensions Committee should take advantage of the training and development opportunities that are available, and that the case should be made for continuing membership on the Committee; and
- The Local Government Pension Scheme (LGPS) is required under legislation to automatically re-enrol all staff eligible to join the scheme every three years. This exercise has just been completed here in the June payroll and was last carried out in May 2016. The idea is for staff to see the deductions and understand the benefits of being part of a company pension scheme. Staff can opt-out of the scheme and a refund will be processed for them in the next payroll run. The deadline for receipt of the opt-out form to ensure reimbursement in the July payroll is Monday 15 July 2019. The Board would like to receive regular updates on the Local Government Pensions Scheme;
- The Committee will receive an update on general developments in Local Government Pensions Scheme arena and also the Scheme Advisory Board's key projects relating to the governance and administration of the Local Government Pension Scheme; specifically national initiatives that deal with inconsistencies across the Scheme for academies, the risks associated with Third-Tier employers and the conflicting interests at local authority employers who undertake the administering authority function.

11. VERBAL UPDATE ON TRAINING AND EVENTS:

The Board noted that:

- The training events currently on offer is primarily looking at investments such as bonds, fixed deposits and equities, and not the analysis of statistics and their use to calculate insurance risks and premiums;
- John Gray; Nneka Oroge and Annette McKenna are to attend the Chartered Institute of Public Finance and Accountancy (CIPFA) Conference; and
- Annette McKenna will be attending the Local Government Association (LGA) Training.

12. ANY OTHER BUSINESS

The Board placed on record its thanks and appreciation to Bola Tobun the Councils Investment & Treasury Manager who was leaving Tower Hamlets to take up a new appointment with Enfield Council. However, the Board also noted that Miriam Adams would be taking over the management of Pensions administration and Investments.

13. DATES OF FUTURE MEETINGS

The Board received and noted the following dates for the remaining Board meetings of the 2019/20 Municipal Year.

- September, 19th 2019;
- November, 25th 2019; and
- March, 16th 2020.

14. EXCLUSION OF THE PRESS AND PUBLIC

As the agenda circulated contained no exempt/confidential business and there was therefore no requirement to exclude the press and public to allow for its consideration.

15. RESTRICTED MINUTES OF THE PENSIONS BOARD

Nil items

16. RESTRICTED MINUTES OF THE PENSIONS COMMITTEE

Nil items

17. ANY OTHER EXEMPT/CONFIDENTIAL BUSINESS THAT THE CHAIR CONSIDERS URGENT

Nil items

**The meeting ended at 11.50 a.m.
Chair, John Jones Pension Board**

