TOWER HAMLETS

PENSIONS COMMITTEE

Monday, 27 July 2020 at 6.00 p.m.

Online 'Virtual' Meeting - https://towerhamlets.public-i.tv/core/portal/home

This meeting is open to the public to attend.

Members:
Chair: Councillor Kyrsten Perry
Vice Chair**:** Councillor Rachel Blake

Councillor Mohammed Ahbab Hossain, Councillor Eve McQuillan, Councillor Ayas Miah, Councillor Abdal Ullah and Councillor Andrew Wood

Substitutes:
Councillor Faroque Ahmed, Councillor Kevin Brady and Councillor Peter Golds

[The quorum for this body is 3 voting Members].

Contact for further enquiries:
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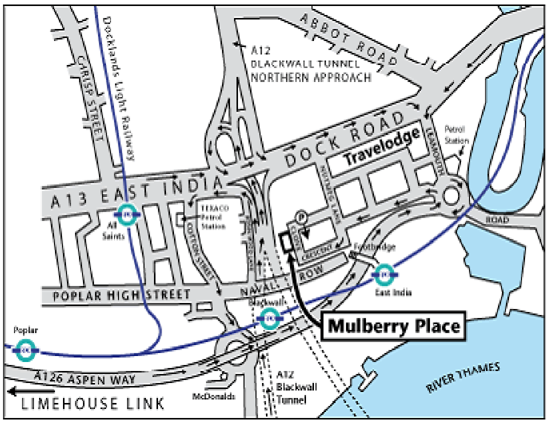

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PAGE NUMBER(S)

APOLOGIES FOR ABSENCE

Members are reminded to consider the categories of interest in the Code of Conduct for Members to determine whether they have an interest in any agenda item and any action they should take. For further details, please see the attached note from the Monitoring Officer.

Members are reminded to declare the nature of the interest and the agenda item it relates to. Please note that ultimately it's the Members' responsibility to declare any interests form and to update their register of interest form as required by the Code.

If in doubt as to the nature of your interest, you are advised to seek advice prior to the meeting by contacting the Monitoring Officer or Democratic Services

To confirm as a correct record the minutes of the meeting of the Committee held on 18 June 2020.

3. PETITIONS

To receive any petitions relating to matters for which the Committee is responsible.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

5. UNRESTRICTED REPORTS FOR CONSIDERATION

To consider the work plan and any other relevant matters.

6. EXCLUSION OF THE 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 hand them to the Committee Officer present.

6 .1	**Equity Protection Strategy**	**To Follow**
6 .2	**Sustainable Equity Review**	**97 - 120**

7. TRAINING EVENTS

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Next Meeting of the Committee:
Date Not Specified at Time Not Specified to be held in the Online 'Virtual' Meeting - https://towerhamlets.public-i.tv/core/portal/home

DECLARATIONS OF INTERESTS AT MEETINGS– NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Code of Conduct for Members at Part C, Section 31 of the Council's Constitution

(i) Disclosable Pecuniary Interests (DPI)

You have a DPI in any item of business on the agenda where it relates to the categories listed in **Appendix A** to this guidance. Please note that a DPI includes: (i) Your own relevant interests; (ii)Those of your spouse or civil partner; (iii) A person with whom the Member is living as husband/wife/civil partners. Other individuals, e.g. Children, siblings and flatmates do not need to be considered. Failure to disclose or register a DPI (within 28 days) is a criminal offence.

Members with a DPI, (unless granted a dispensation) must not seek to improperly influence the decision, must declare the nature of the interest and leave the meeting room (including the public gallery) during the consideration and decision on the item – unless exercising their right to address the Committee.

DPI Dispensations and Sensitive Interests. In certain circumstances, Members may make a request to the Monitoring Officer for a dispensation or for an interest to be treated as sensitive.

(ii) Non - DPI Interests that the Council has decided should be registered – (Non - DPIs)

You will have 'Non DPI Interest' in any item on the agenda, where it relates to (i) the offer of gifts or hospitality, (with an estimated value of at least £25) (ii) Council Appointments or nominations to bodies (iii) Membership of any body exercising a function of a public nature, a charitable purpose or aimed at influencing public opinion.

Members must declare the nature of the interest, but may stay in the meeting room and participate in the consideration of the matter and vote on it **unless:**

- A reasonable person would think that your interest is so significant that it would be likely to impair your judgement of the public interest. **If so, you must withdraw and take no part in the consideration or discussion of the matter.**

(iii) Declarations of Interests not included in the Register of Members' Interest.

Occasions may arise where a matter under consideration would, or would be likely to, **affect the wellbeing of you, your family, or close associate(s) more than it would anyone else living in the local area** but which is not required to be included in the Register of Members' Interests. In such matters, Members must consider the information set out in paragraph (ii) above regarding Non DPI - interests and apply the test, set out in this paragraph.

Guidance on Predetermination and Bias

Member's attention is drawn to the guidance on predetermination and bias, particularly the need to consider the merits of the case with an open mind, as set out in the Planning and Licensing Codes of Conduct, (Part C, Section 34 and 35 of the Constitution). For further advice on the possibility of bias or predetermination, you are advised to seek advice prior to the meeting.

Section 106 of the Local Government Finance Act, 1992 - Declarations which restrict Members in Council Tax arrears, for at least a two months from voting

In such circumstances the member may not vote on any reports and motions with respect to the matter.

Further Advice contact: Asmat Hussain, Corporate Director, Governance and Monitoring Officer, Tel: 0207 364 4800.

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to the Member's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.00 P.M. ON THURSDAY, 18 JUNE 2020

ONLINE 'VIRTUAL' MEETING - HTTPS://TOWERHAMLETS.PUBLIC-I.TV/CORE/PORTAL/HOME

Members Present:

Councillor Kyrsten Perry (Chair)
Councillor Rachel Blake (Vice-Chair)
Councillor Mohammed Ahbab Hossain
Councillor Eve McQuillan
Councillor Abdal Ullah
Councillor Andrew Wood

Union and Admitted Bodies, Non-Voting Members Present:

Kehinde Akintunde	GMB Union Representative
John Jones	Chair, Pensions Board
Colin Robertson	Independent Advisor
Steve Turner	Mercers
Sam Yeandle	Mercers

Apologies:

Councillor Ayas Miah

Others Present:

Barry Dodds	– Actuary
Jonathan Gooding	– Deloitte
David McConnell	– Deloitte
James Ross	– Deloitte

Officers Present:

Kevin Bartle	– Interim Divisional Director of Finance, Procurement and Audit
Neville Murton	– (Corporate Director, Resources)
Ngozi Adedeji	– (Team Leader Housing Services, Governance)
Miriam Adams	– Interim Pensions and Investment Manager
Farhana Zia	– Senior Committee Officer

1. DECLARATIONS OF INTEREST

There were no declarations of pecuniary interests made by members at the meeting.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the meeting held on the **28th November 2019 and 18th February 2020** were **AGREED** subject to the following amendments;

<u>Minutes of 28th November 2019</u>

Mr Colin Robertson, Independent Adviser to the Pensions Committee requested several changes be made to the minutes of the 28th November 2019.

In relation to **item 5.3 "Report on Fund Liquidity"** the amendments related to the body of the text, to say the following:

5.3 Report on Fund Liquidity

The Committee received the report of Miriam Adams (Interim Pension and Investment Manager) on Fund Liquidity.
The Committee were in agreement to sell part of the Baillie Gifford equity holding in order to reduce the exposure to the level of the strategic benchmark and so reduce the fund's risk profile. The Committee instructed finance officers to contact the London CIV on their behalf to initiate the process.
While this would produce cash in the short term, how cash could be produced on an ongoing basis was also discussed. There was a suggestion that the fund could benefit in the medium / long term if the fund's investment managers paid out the dividends / income from the portfolios they managed rather than retaining the dividends / income in the portfolios. It was agreed that in the first instance it would be best to take income from the CQS MAC and Schroders property portfolios. Officers were asked to contact the LCIV to find out if there was an option to do this.
The Committee agreed that the cash flow appendix on page 97 of the pack was useful and requested the document be presented to the Committee on an annual basis including figures on income received.

ACTIONS:

1. Senior officers to contact the London CIV to sell Baillie Gifford.
2. Senior officers to contact the London CIV to find out if the CQS fund could pay out dividends.
3. Officers to add Pension Fund Cash Flow Forecast to the committee forward plan to be reviewed on an annual basis.

RESOLVED:

1. To note the estimated cash flow deficit of £13m from operational activities (Appendix A).
2. Approve the recall of £2m dividend and rental from Schroders into the LBTH Pension Fund bank account to help meet the cost of in-year liabilities.
3. To approve the sale of Ballie Gifford equity investments amounting to £11m.

In relation to **item 5.5 "The investment Consultancy and Fiduciary Management Market Investigation Order 2019**", Mr Robertson proposed the third point under the actions the Committee resolved should read:

The Committee **RESOLVED:**

3. Note the legal requirement for trustees of occupational pension **schemes** (including the LGPS) to set objectives comes into effect from 10 December 2019

And lastly, Mr Robertson proposed the minute relating to **item 7.1 "Investment and Fund Managers Performance Review for Quarter End September 2019"**, the body of the text be amended, to say the following:

7.1 Investment and Fund Managers Performance Review for Quarter End September 2019

The Committee noted the report of Neville Murton (interim corporate director of resources) and Miriam Adams (Interim Pensions Manager), on the Investment and Fund Managers Performance Review for Quarter Ending September 2019.

The Independent Advisor highlighted key points from his quarterly commentary. These included:

- Equity markets have gone up by 23% (S&P 500) and 27% (NASDAQ) in 2019 so equity markets are vulnerable against a background with plenty of scope for bad news. The problem is that it can be argued that other asset classes notably bond markets appear even less attractive.
- The fund's equity weighting should be no greater than the strategic equity benchmark. Funds with a cash plus return target such as diversified growth funds can provide a suitable home until other asset classes become more attractive.
- Infrastructure was recommended as an asset class to invest in without delay.
- The Baillie Gifford equity fund had performed poorly this quarter, underperforming its benchmark by 1.5% over the last year, and had continued to underperform. This could be

attributed to Ballie Gifford's philosophy for managing the fund which focuses on longer term themes such as disruptive technology which results in holding growth stocks as opposed to value stocks. The manager cannot be expected to suddenly change their investment style so it could be a case of waiting out the period of underperformance in the belief that longer term returns would be good, as they have been in the past.

- It should be noted that the London CIV do not offer a 'value' fund and that the LCIV Sustainable Equity Fund has some similarities with the Ballie Gifford equity fund.
- Resourcing at the London CIV appeared to be in crisis and it was facing difficulties retaining or attracting suitable staff. The chief investment officer had resigned within weeks of joining the CIV and one of two senior manager researchers was due to depart at the end of 2019. There were also concerns about the quality of monitoring reports which showed a limited ability to look beyond what they are being told by managers.

The Committee expressed concern at the report that the London CIV was experiencing a resources crisis. The independent advisor advised against new ventures with the CIV until the resourcing issues had been resolved.

The Chair reported that previously the CIV advised that they had a limited demand for and supply of green investment funds but if there was demand they would be able to start research in the area. Since then she had met with Councillor Mark Engleby at Lewisham Council and they had formed a group of councils that would be interested in a green fund. Councillors in the group had received verbal confirmation from CIV officers that they were willing to look into starting a green option. However, given the independent advisors report, the Chair said there appeared to be a mixed signal on the London CIV's capability to manage.

It was advised that it would be best to formally contact the CIV with regards to starting a green fund and await a response. The Chair and Senior Officers to draft a letter to the CIV with regard to an update on a green fund.

ACTION:

1. The for Chair and Senior Officers to write to the Chair of the CIV informing them a group of councils are interested in a green fund and a request for options to be presented in the new year.

The Committee **RESOLVED** to**:**

1. Note the content of the report.
2. Note the Independent Advisor's quarterly commentary report.
3. Note the PIRC reports
4. Note the detailed fund performance by Mercer

<u>Minutes of 18th February 2020</u>

Attendance
That it should be noted **Ms Kehinde Akintunde,** GMB Union Representative, was in attendance, at the meeting of the 18th February 2020.

Pension Board update
Mr John Jones, Chair of the Pensions Board asked the minute for the 18th February 2020 be amended to reflect that the Pension Board had raised concerns regarding the pension administration of the Pension Fund over several years, prior to the matter being referred to the Pensions regulator. The Chair, Councillor Perry acknowledged this to be the case and said several conversations had taken place between herself and Mr Jones on the matter.

2.1 Equity Protection Strategy
Discussion took place as to whether a decision was made regarding the Equity Protection Strategy and what had been agreed in respect to letting this run off and expire. Mr Kevin Bartle, Interim Division Director for Finance, Procurement and Audit said there was on item was on the agenda where this would be discussed further.

The Chair, Councillor Perry asked that it be **NOTED** that she telephoned all committee members, after the meeting of the 18th February whereby it was unanimously **AGREED** that the first stage of the strategy would be let to run and expire.

The Pensions Committee **RESOLVED to AGREE** to the above amendments to the minutes of the 28th November 2019 and the 18th February 2020.

3. PETITIONS

No Petitions relating to the matters for which the Committee is responsible had been received by Officers.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

Mr John Jones, Chair of the Pensions Board presented his report stating the Pensions Board had met on the 16th March, just before the pandemic lockdown and were gravely concerned regarding the current position in relation to the Pensions Fund. Mr Jones said there was considerable frustration amongst Board members about the lack of progress made in resourcing the team and said the Board had signalled this several times over the last year and half.

Mr Jones said he was pleased to hear a remedial action plan was being discussed at the meeting and hoped this would help improve the situation. Mr

Jones reported the Board had also heard from the Chief Internal Auditor about the scope of the internal audit to be undertaken, which he saw has a positive step.

The Chair, Councillor Kyrsten Perry, on behalf of herself and the Committee thanked Mr Jones for his report, and said the issues raised had been highlighted by Mr Jones several times. She said it was fair to say that the work undertaken by the Interim members of staff, both Mr Kevin Bartle and Ms Miriam Adams showed the enormity of the task ahead.

There were no questions for Mr Jones, from Committee Members.

The Committee **RESOLVED** to **NOTE** the update from the Pensions Board.

5. REPORTS FOR CONSIDERATION

5.1 2019/20 Pension Fund Audit Plan

Ms Miriam Adams, Interim Pensions and Investments Manager introduced the report and stated the report detailed the external auditors Deloitte's, audit plan for the auditing of the Pension Fund for 2019/20.

Mr Johnathan Gooding, a partner from Deloitte was joined by his colleagues Mr David McConnell and Mr James Ross, who were overseeing the audit plans for 2018/19 and 2019/20 respectively. Mr Gooding explained both audit plans were running concurrently due to the delay experienced in producing the financial accounts for 2018/19.

Mr Gooding explained the audit plan took into consideration the materiality and significant risk to the auditing of the Pension fund and the impact COVID-19 would have on the audit. Mr Gooding said operational difficulties had been overcome by remote working practices but accounting implications, such as the ability to value assets were an issue.

Mr James Ross, then addressed the Committee and said the materiality had been calculated at 1% of the net assets. Mr Ross said the materiality was subject to review once the draft financial reports were available with a complete net asset figure. Hence the plan was subject to change. Mr Ross continued stating the management override of control is a significant risk and is a presumed risk which must be considered in all audit plans. Mr Ross said the details of how the audit plan would mitigate against this were set out on page 11 (page 17 of the supplement agenda) of the report. Mr Ross said Covid-19 had already had an impact on the investment portfolio of the Pension Fund due to the volatility in the market. In particular, the pandemic had made the valuation of property investing more challenging.

Mr Ross referred Members to the draft timetable on page 6 of the report and said this was reliant on information provided by Officers in the Council. Mr Kevin Bartle, Interim Divisional Director for Finance, Procurement and Audit added every effort would be made to meet the target set however the team was facing pressures, notwithstanding the pandemic, which a later report to the committee would be examining in relation to the Pension Administration and remediation plan.

In response to questions from Members the following was noted:

- In response to if a systems audit be undertaken given the issues experienced in relation to the administration of the Pensions Fund, Mr Bartle said there were no plans to do so, but this could be added to the internal audit, the Council's Audit team would be undertaking imminently.

- Mr Gooding clarified the external audit plan would be focussing on the financial statement of accounts, in relation to the pension fund and would not be commenting on the wider issues identified by the Pensions Board. He said under the Value for money conclusion, weakness identified in process could be highlighted there.

- Mr Bartle gave further reassurances the issues highlighted by the Pensions Board would be addressed by the Internal Audit that had been commissioned.

The Pension Committee **AGREED** to
NOTE the Audit planning report from Deloitte that related to the Tower Hamlets Pensions Accounts as set out in appendix A.

5.2 Triennial Valuation

Mr Barry Dodds, from Hymans Robertson presented the Triennial Valuation report. He said the valuation report had been discussed at previous meetings of the Committee. He explained a valuation process is gone through every three years, to establish the appropriate contributions rates for all the employers within the Fund. The main employer in the Fund is the Council who holds the majority of the liability and assets for the fund, but increasingly there are new employers such as contractors and academies who also need to make contributions. Mr Dodds said the valuation is to check the overall health of the fund i.e. the solvency levels of the fund. Mr Dodds said that at previous meetings the assumptions used and how these relate to the funding strategy statement had been discussed, and as such this valuation report was a report to note, in that the regulations required submission of the valuation to occur by the end of March 2020.

Mr Dodds went through the report explaining how the valuation report had been derived at and referred members to various pages within the report. In particular, the graph at page 41 and table on page 42 of the agenda. He said the graph showed the differing funding levels that one would have, based on different assumption levels. Mr Dodds referred Members to pages 54 and 55 which gave a breakdown of each employers' contribution and said that prior to the report being finalised, the impact of COVID-19 was also taken into consideration. Mr Dodds said it was decided that because the employers involved were long-term employers, a knee-jerk reaction wasn't required in terms of contribution rates and therefore further changes to the valuation report were not made, other than to say COVID-19 had been considered. He referred members to page 56, point 6 of the report.

Mr Dodds also referred to the Funding Strategy Statement that was attached to the supplement agenda. He said the Funding Strategy Statement set out how each employer would be treated during the membership of the fund. He said the McCloud judgement, which dealt with age discrimination would lead to retrospective changes being made to the LGPS scheme. Mr Dodds referred Members to the table on page 34 of the supplement agenda which showed the 'likelihood of achieving the target' and said in view of the judgement a buffer had been created to deal with any adjustments that would need to be made.

In response to questions from Members the following was noted:

- Councillor Wood said it was fantastic that £339M had been achieved in investment returns and wondered if this was due to decisions made by the Committee and Board or the rising markets. He asked Hymans if they had achieved this success with other clients and funds it administered? Mr Dodds responded stating that Hymans managed about 6-7 LGPS schemes and each had seen a 20-30% jump in investment returns. He said the Council's LGPS had achieved 35%, so it was quite an achievement.

The Committee **RESOLVED** to:

1. Note the whole Fund and individual employer valuation results as set out in Appendix 1;
2. Note the final Funding Strategy Statement as set out in Appendix 2; and
3. Note and adopt the actuarial valuation report and results which were signed by the actuary on 31st March 2020.

5.3 Proposed Changes to Retail Price Index

Mr Kevin Bartle, Interim Divisional Director for Finance, Procurement and Audit advised the Committee, that when this report was put forward in March 2020, the view of the independent and professional advisors, was that it would be a good to start to make changes to the RPI however circumstances have changed and therefore it is requested this report is withdrawn from the meeting.

Members of the Committee were asked if they were happy to withdraw the report and move onto the next item on the agenda. Councillor Ullah asked the Chair if the reasons for the withdrawal had been discussed with her, to which she responded they had been. As such, the Committee Members unanimously decided to move on to the next item.

The Committee **RESOLVED** to:

AGEEE to the withdrawal of the report.

EXCLUSION OF PRESS AND PUBLIC

The Chair **Moved** and it was:

RESOLVED:

That in accordance with 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 contained information defined as exempt or confidential in Part 1 of Schedule 12A to the Local Government, Act 1972.

The remaining items on the agenda, items 5.4 to 5.7 were discussed in private session. It was noted the following attendees left the virtual meeting at this point: Mr Jonathan Gooding, Mr David McConnell, Mr James Ross and Mr Barry Dodds.

5.4 Performance Review and Portfolio Updates

The minutes for this item are restricted.

5.5 Divestment Strategy Implementation Considerations & Sustainable Equities Investment Options

The minutes for this item are restricted.

5.6 LCIV Update and Appointment of Shareholder Representative

The minutes for this item are restricted.

5.7 Administration Remediation Plan

The minutes for this item are restricted.

6. TRAINING EVENTS

Members of the Committee stated that due to the current circumstances with the pandemic, they had not attended any training course however had taken part in a Webinar.

The Chair asked members to contact Ms Adams, if they had any specific training need in relation to the work of the Pensions Committee.

7. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

No other urgent business was discussed.

The meeting ended at 9.10 p.m.

Chair, Councillor Kyrsten Perry
Pensions Committee

Non-Executive Report of the: **Pensions Committee** 27 July 2020	TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Unrestricted
Knowledge Assessment Results and Training Plan for Pensions Committee and Pension Board Members	

Originating Officer(s)	Miriam Adams, Interim Pensions & Investment Manager
Wards affected	All wards

Summary

This report sets out the result of the National Knowledge Assessment conducted by Hymans Robertson LLP. The findings of the report will assist the Fund in quantitative knowledge level of members of the Board and Committee and aid in the development of targeted and tailored training plans for members of the Pension Board and Committee. This report was presented at the 21 July Pensions Board meeting.

The assessment covered the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice 14.

Recommendations:

The Committee is asked to consider this report and to:

a) Note the assessment report (Appendix 1);

b) Note the results including the overall ranking of the Board and Pensions Committee against other participating LGPS funds;

c) Note the suggested training plan picking out the key areas for development based on participant assessment results and the training requests; and

d) Agree the suggested training plan.

1. REASONS FOR THE DECISIONS

1.1 Governance is defined as the action, manner or system of governing. Good governance is vital and is promoted in the context of a pension scheme/fund by having Members and Observers on the decision-making body who have the ability, knowledge and confidence to challenge and to make effective and rational decisions. The assessment and proposed training plan provide added support to Members of the Board and Committee with the objective of improving knowledge and skills in the relevant areas of the activity of both Committees.

2. ALTERNATIVE OPTIONS

2.1 The Committee can choose to continue with the CIPFA Knowledge and Skills Framework and TPR training tools, however this assessment and suggested targeted training are meant to complement existing resources.

3. DETAILS OF REPORT

3.1 In recent years there has been a marked increase in the scrutiny of public service pension schemes including the LGPS. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14.

Additionally, the Ministry of Housing, Communities and Local Government (MHCLG) and the Scheme Advisory Board (SAB) have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance or public sector funds can evidence that they have the knowledge, skills and commitment to carry out their role effectively.

3.2 The introduction of Markets in Financial Instruments Directive II (MIFID II) in January 2018 REQUIRED Committee members to evidence their knowledge in order to be treated as professional investors. Also, in 2019 the SAB began the review of governance arrangements for LGPS funds. This project termed 'Good Governance' addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required by Board members should also be required of Committee members. These recent events reaffirm that LGPS funds should evidence training provided and current knowledge and understanding levels retained within the Committee and Board.

3.3 In keeping with the theme of increased external scrutiny and the need for evidence, it is important not only that the Committee and Board can demonstrate the steps taken to facilitate their knowledge. This report serves as part of the training evidence for both groups.

3.4 All Members of the Board and Committee including subs Members were invited to complete an online knowledge assessment. 2 respondents from the Pensions Committee and 5 from the Board participated. Each respondent was given 47 questions ion the 8 areas below;

- Committee role and pensions legislation
- Pensions governance

- Pensions administration
- Pensions accounting and audit standards
- Procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standard and practices

Overall Results

3.5 the Tower Hamlets Fund ranked 6th out of 18 Funds. The Board average score was 68.51% while the Committee average score was 59.57%. The Committee performed better in investment performance and financial matters. Both the Board and Committee demonstrated a good spread of knowledge.

Benchmarking

3.6 As this assessment was conducted at national level across several LGPS funds, the results of both the Committee and Board combined was compared against other LGPS funds. Overall the results were positive

Group Needs and Training

3.7 It is likely that most aspects of training will be delivered on a group basis, either at Committee and Board or through separate events to which all members will have the opportunity to attend. For this type of training, the training programme and assessment of needs will be based on a consideration of; new developments and legislation, topical/live issues, as well as member feedback and specific requests for training.

3.8 Group training will be delivered through a variety of mediums including:

- provided directly at Pensions Committee and Board through reports and presentations.
- specific training sessions/conferences/seminars/visits, provided by e.g. Council officers, investment managers, investment advisors, national bodies such as Chartered Institute of Public Finance and Accountancy (CIPFA), National Association of Pensions Funds Ltd (NAPF), The Pensions Regulator (TPR), etc.
- provision of and reading of relevant material e.g. research, briefing papers, website content, industry magazines, etc.

Individual Needs and Training

3.9 To further support the identification of training needs and recognising some individuals may have specific requirements.

Next Steps

3.10 Based on the results it is suggested that there should be consideration to the following:

i) Setting up of structured training plan for the next 18 months covering the main areas covered in the report.

ii) Agree that a plan for the delivery of training over a 6-month period while lock down restrictions might continue should be the initial step.

Suggested Training Programme 2020/21

3.11 The suggested training programme following the assessment and training request is below:

Date	Event and Core Knowledge & Skills Areas Covered	Potential Attendees
Sep – Dec 20	• The impact of COVID-19 on the Fund • Pensions administration	All
Jan – Mar 21	• Pensions Governance • ESG	All
Apr – Jun 21	• Pension governance and good governance • Investment performance & risk management • Actuarial methods	All
July – Sept 21	• Procurement • Relationship management	All
Oct – Dec 21	• Valuation training – purpose, roles, outcomes	

3.12 The training programme can be revised going forward based on member feedback and any additional training requirements emerging from discussion of this report will be added.

3.13 An updated training programme for 2020/21 will be brought back to a future Committee meeting.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 This report details the pension fund commitment to training and training plan for 2020/21 and 202/21. There are no specific financial implications arising from this report and any costs associated with delivering training to the Board members and officers will be met by the pension fund.

5. LEGAL COMMENTS

5.1 Whilst there are no immediate legal consequences arising from this report it is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for corporate priorities.

6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

7.1 This report helps in addressing the required knowledge and skills needed for Members to understand the duties and responsibilities of a trustee and how best to fulfil these effectively, efficiently and in accordance with regulatory requirements.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 Any form of decision-making process inevitably involves a degree of risk.

9.2 Effective training and development will help Members to gain sufficient knowledge and skills necessary to make appropriate decisions in minimising risk associated with their roles and responsibilities.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

Appendix 1 – Hymans Robertson National Knowledge Assessment Report

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

None

Officer contact details for documents:

N/A

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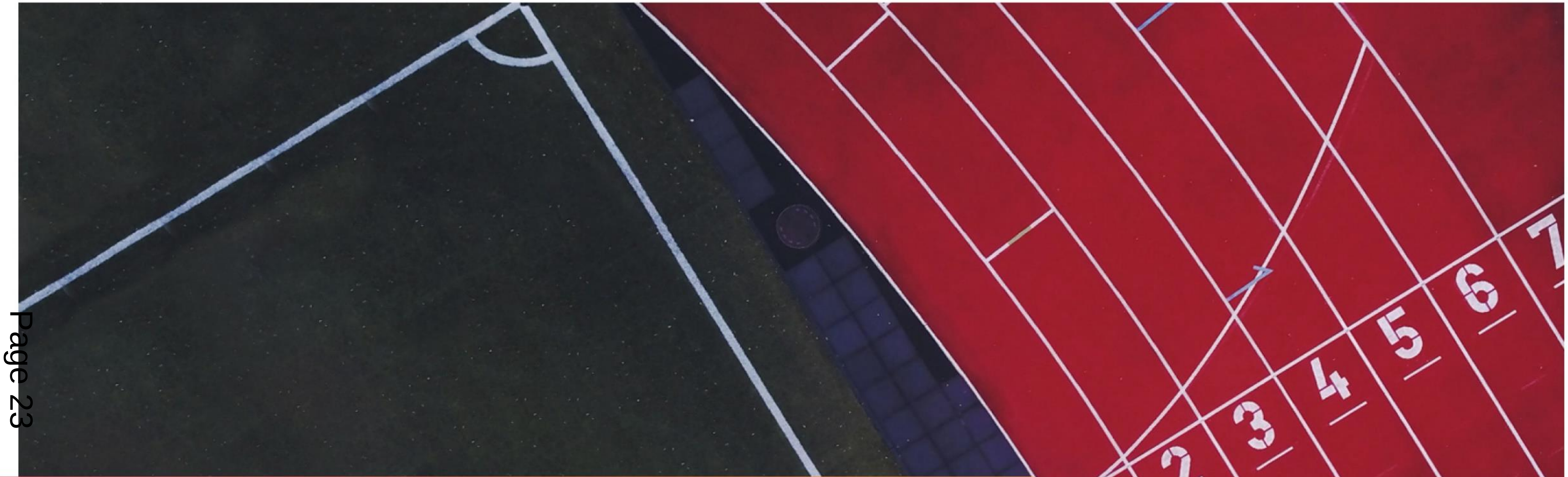
LGPS

National Knowledge Assessment

HYMANS ROBERTSON



London Borough of Tower Hamlets Pension Fund

June 2020

National Knowledge Assessment

Overview

Following the success of the 2018 LGPS National Confidence Assessment, Hymans Robertson continued the journey to understand and develop knowledge levels in the LGPS with the 2020 LGPS National Knowledge Assessment (NKA). The NKA's key goal is to provide LGPS funds with an insight into the pensions specific knowledge and understanding of the people who hold decision making and oversight responsibility within their organisations.

18 LGPS funds and over 200 members have participated in this first ever National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members. The findings from this assessment will provide LGPS Funds with a quantitative report of the current knowledge levels of the individuals responsible for running their fund, aiding the development of more appropriately targeted and tailored training plans for both groups. This report is also a key document in evidencing your fund's commitment to training.

Background

The London Borough of Tower Hamlets Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment. This report provides the participants' results broken down into 8 key areas. The online assessment opened in mid-March and closed at the end of May, and there were weekly progress updates provided to the Fund confirming participation levels. Each participant received their individual results report following completion of the assessment.

Challenging test

This was a challenging multiple-choice assessment of participants knowledge and understanding of relevant subject areas. There was no expectation that participants would score 100% on each subject area tested. Rather the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice 14.

Why does this matter?

In recent years there has been a marked increase in the scrutiny of public service pension schemes, including the 100 regional funds that make up the LGPS across the UK. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14[1]. Additionally, the Ministry of Housing, Communities and Local Government ("MHCLG") in England & Wales and Scottish Ministers in Scotland, and their respective Scheme Advisory Boards have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance of public sector funds can evidence they have the knowledge, skills and commitment to carry out their role effectively.

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme, and to exercise their roles effectively must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.

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[1] Governance and administration of public service pension schemes – issued April 2015

Recent events

The introduction of Markets In Financial Instruments Directive II (MIFID II) in January 2018 required Committee members to evidence their knowledge in order to be treated as professional investors. Also, in late 2019 the Scheme Advisory Board for England and Wales began a review of governance arrangements for LGPS funds. This project – termed ‘Good Governance’ – addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required of Board members should also be required of Committee members. These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

We would encourage the use of these results to better understand the areas where Committee and Board members feel comfortably informed, but crucially where further training may be of benefit.

In keeping with the theme of increased external scrutiny, it is important not only that the Committee and Board have confidence in their roles, but also that the Fund can demonstrate the steps taken to facilitate this. We would suggest you keep a record of the process used to assist the Committee and Board with training and development. This report should form part of the overall training records for both groups.

Approach

The members of the Tower Hamlets Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 2 respondents from the Committee and there were 5 respondents from the Board. Each respondent was given the same set of 47 questions on the 8 areas below:

1	Committee Role and Pensions Legislation	5	Procurement and Relationship Management
2	Pensions Governance	6	Investment Performance and Risk Management
3	Pensions Administration	7	Financial Markets and Product Knowledge
4	Pensions Accounting and Audit Standards	8	Actuarial Methods, Standards and Practices

Under each subject heading, there were at least 5 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

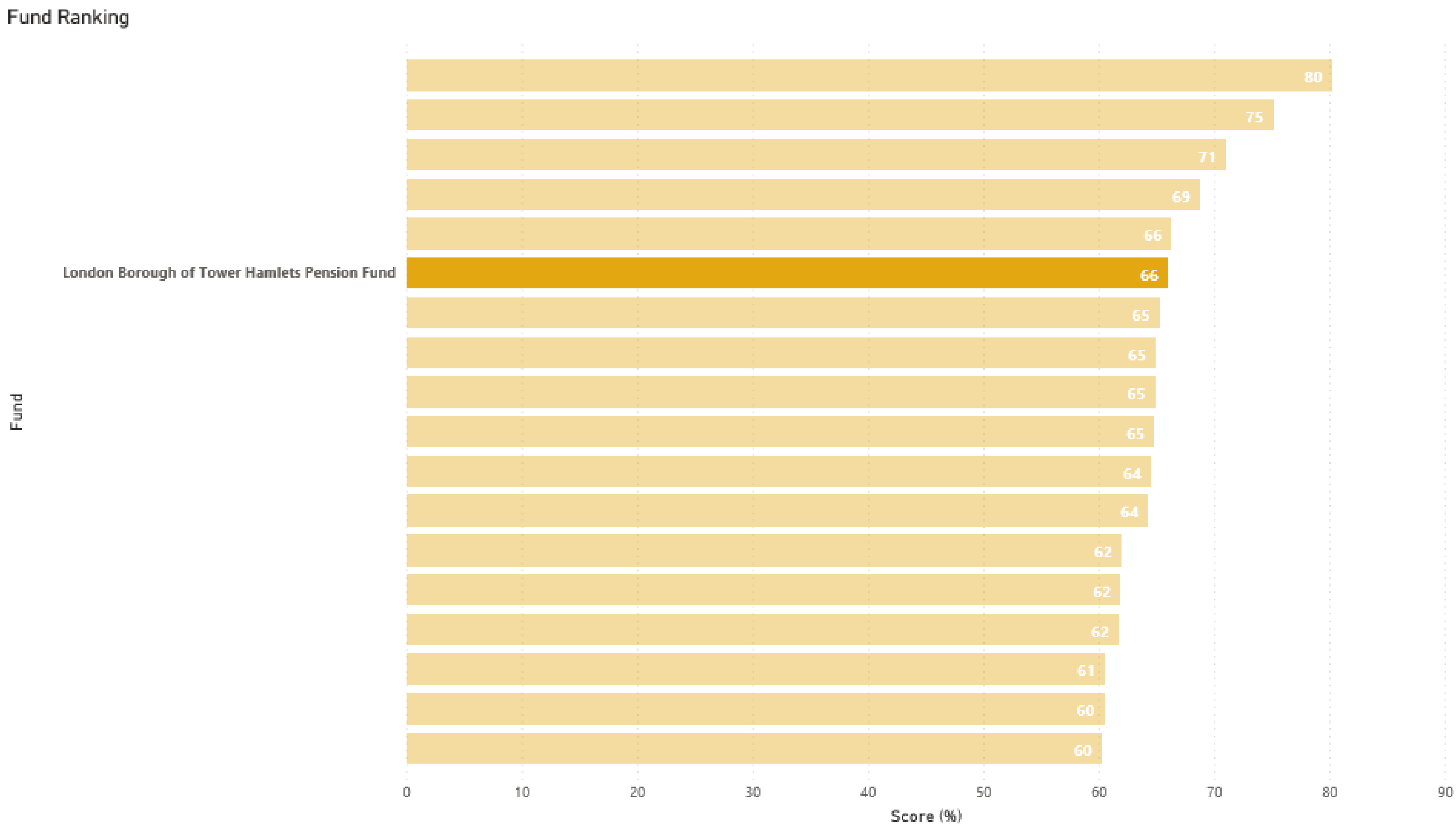
The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund's overall ranking against other participating LGPS funds
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Each average score benchmarked for both groups against the other NKA participant funds' Committee and Board for each of the 8 subject areas
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds

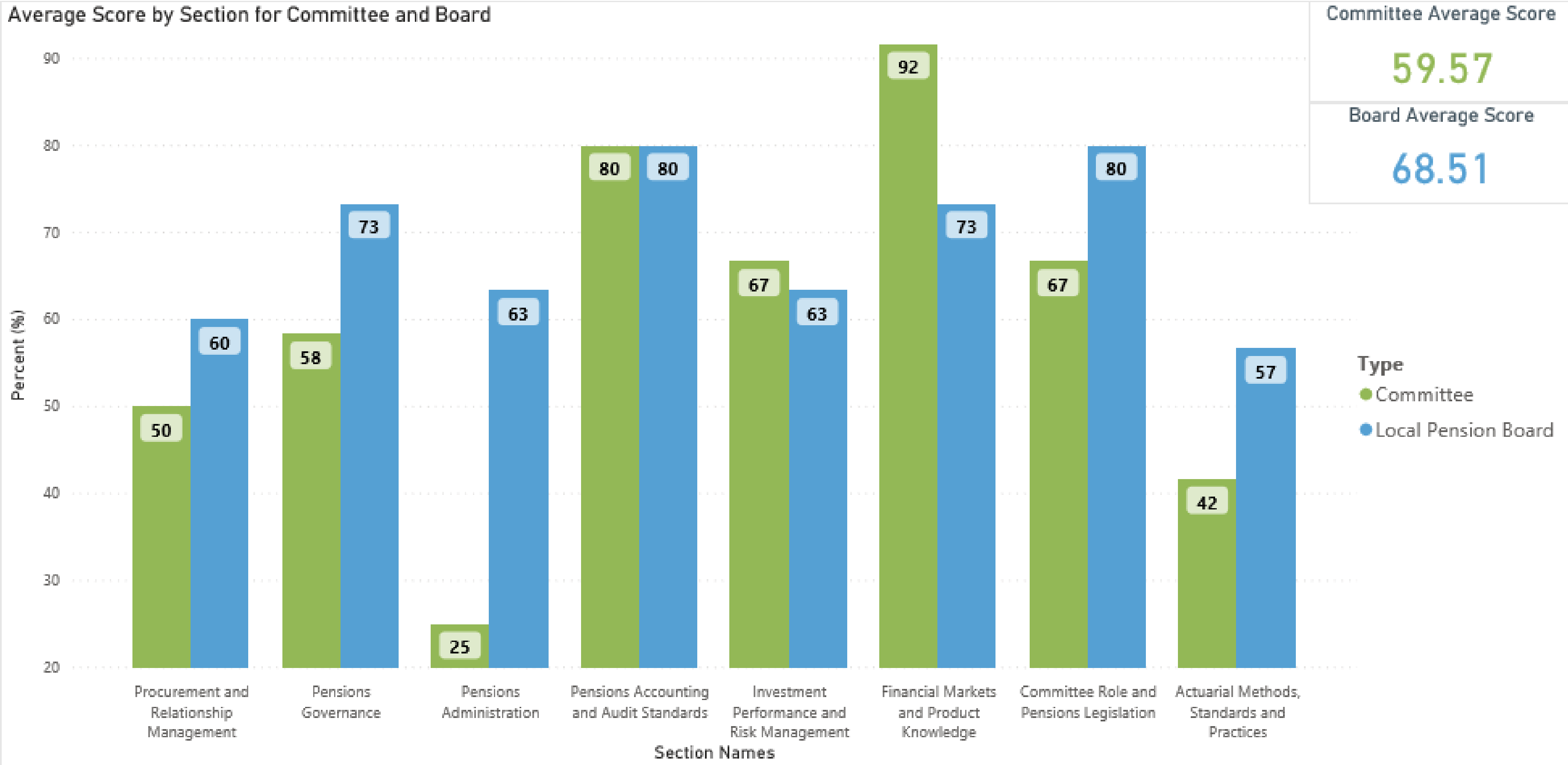
Based on the results and the responses received from participants we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other "next steps" to consider.

Overall Results

The table below shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The "score" shown below is the average score of all participating Committee and Board members from each Fund. The Tower Hamlets Fund is 6th out of 18 Funds.



For each of the assessment's 8 areas we have shown the results of both the Committee and Board. These have been shown in the order in which the sections appeared in the survey. There is also a summary showing the average scores across all sections for the Committee and Board.

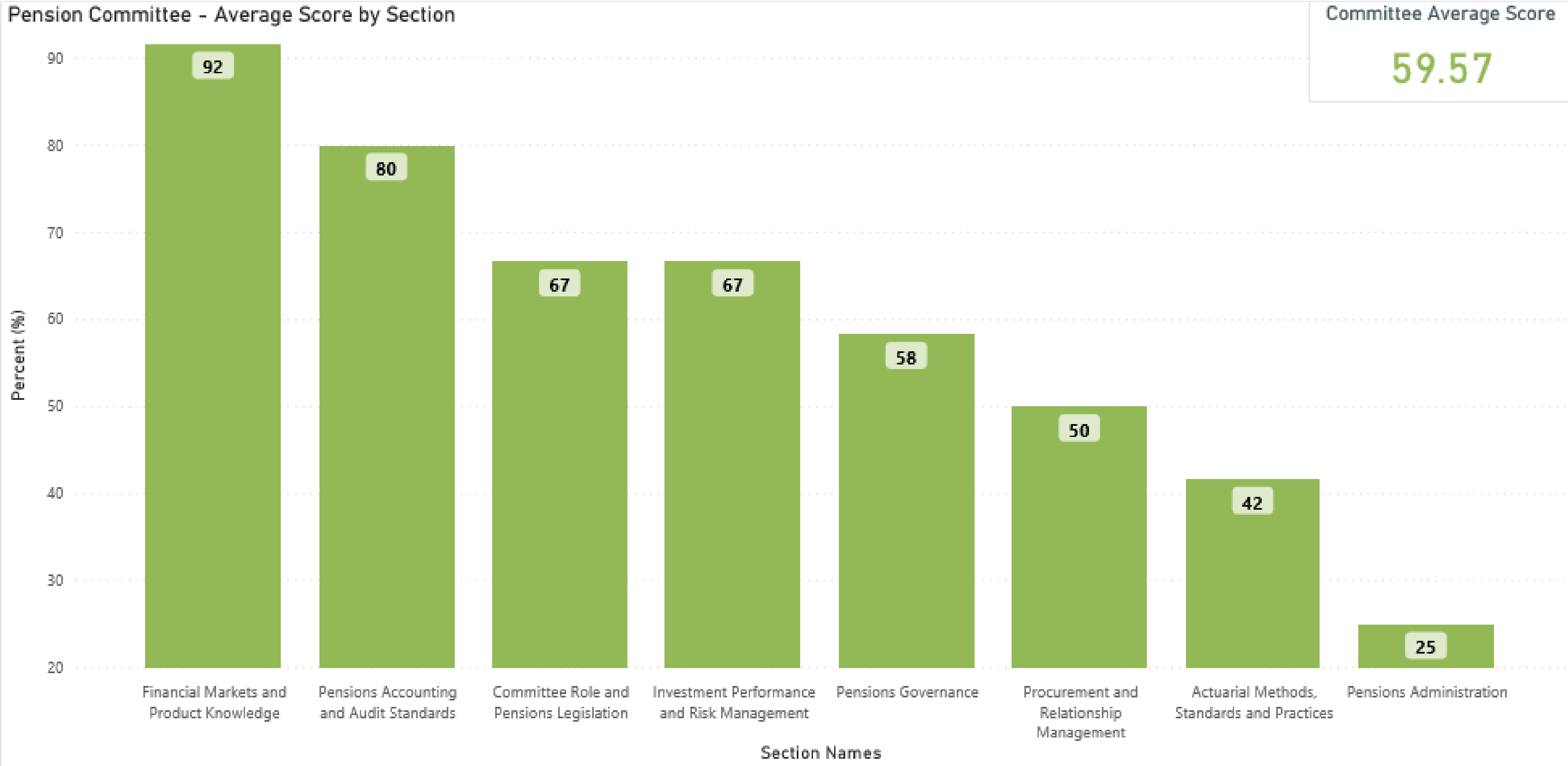


The Board had higher average scores, and performed strongly in the Committee role & legislation, and accounting and audit standards sections. The Board outscored the Committee in most areas, but there were 2 sections in which the Committee performed better - investment performance and financial markets.

Performance in each area

The results can be ranked for each section from the highest score (greatest knowledge) to lowest score (least knowledge). This is shown separately for both the Committee and the Board. The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

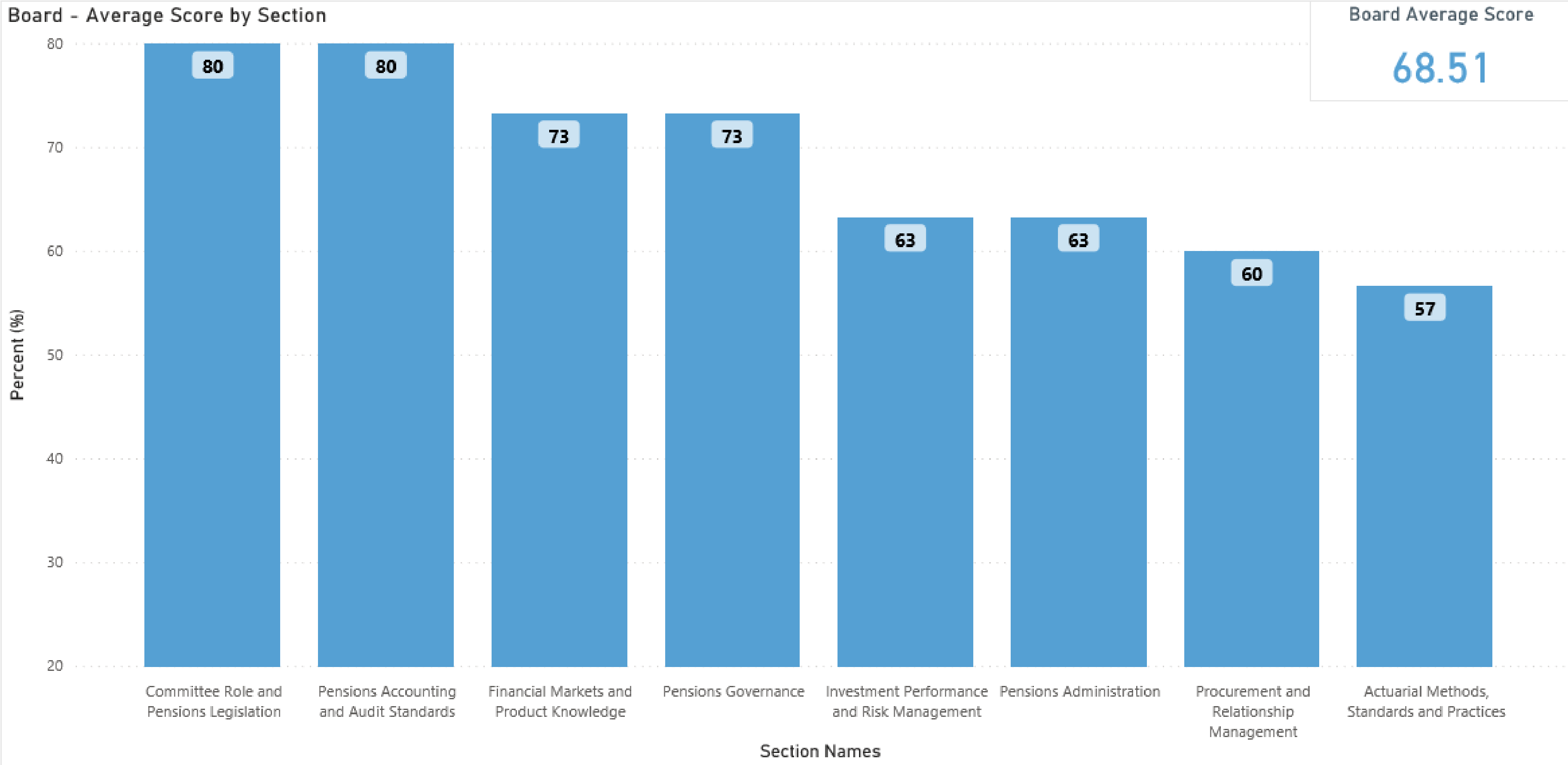
Pension Committee



The results show the scores for financial markets and product knowledge were significantly higher than other areas. There was a good spread of knowledge across other areas too.

Pension administration and actuarial methods, standards and practices are the areas of most concern – with significantly lower than all other areas.

Pension Board



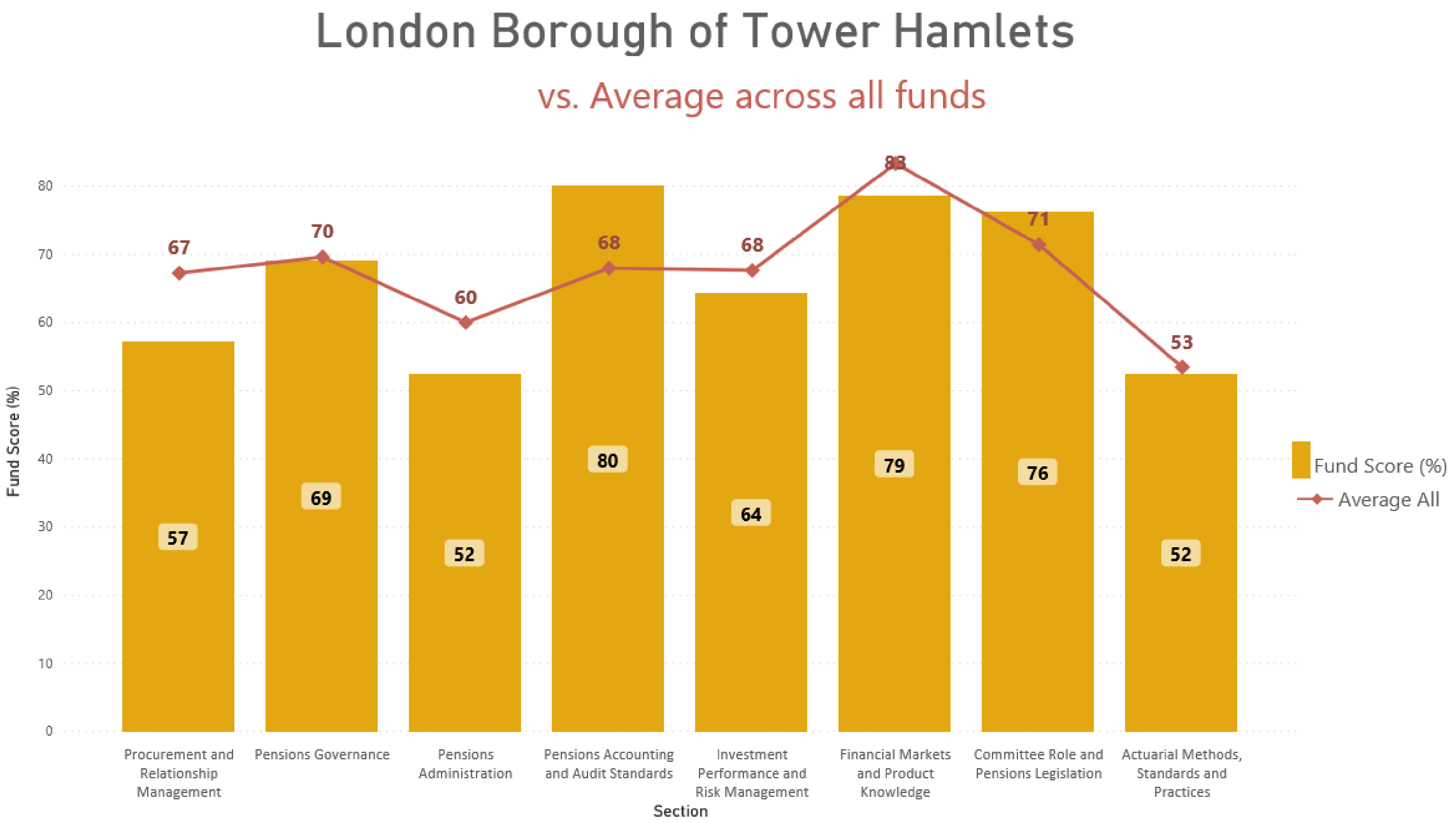
The Committee's role and pensions legislation and accounting and audit standards were the highest scoring areas for the Board. Financial markets and governance were also answered strongly which is encouraging.

It does appear that the Board's knowledge in the other areas is generally good, actuarial methods and procurement would be the key areas to focus on. This is highlighted further in the following section which compares the Tower Hamlets results, with all participating funds' results.

Benchmarking

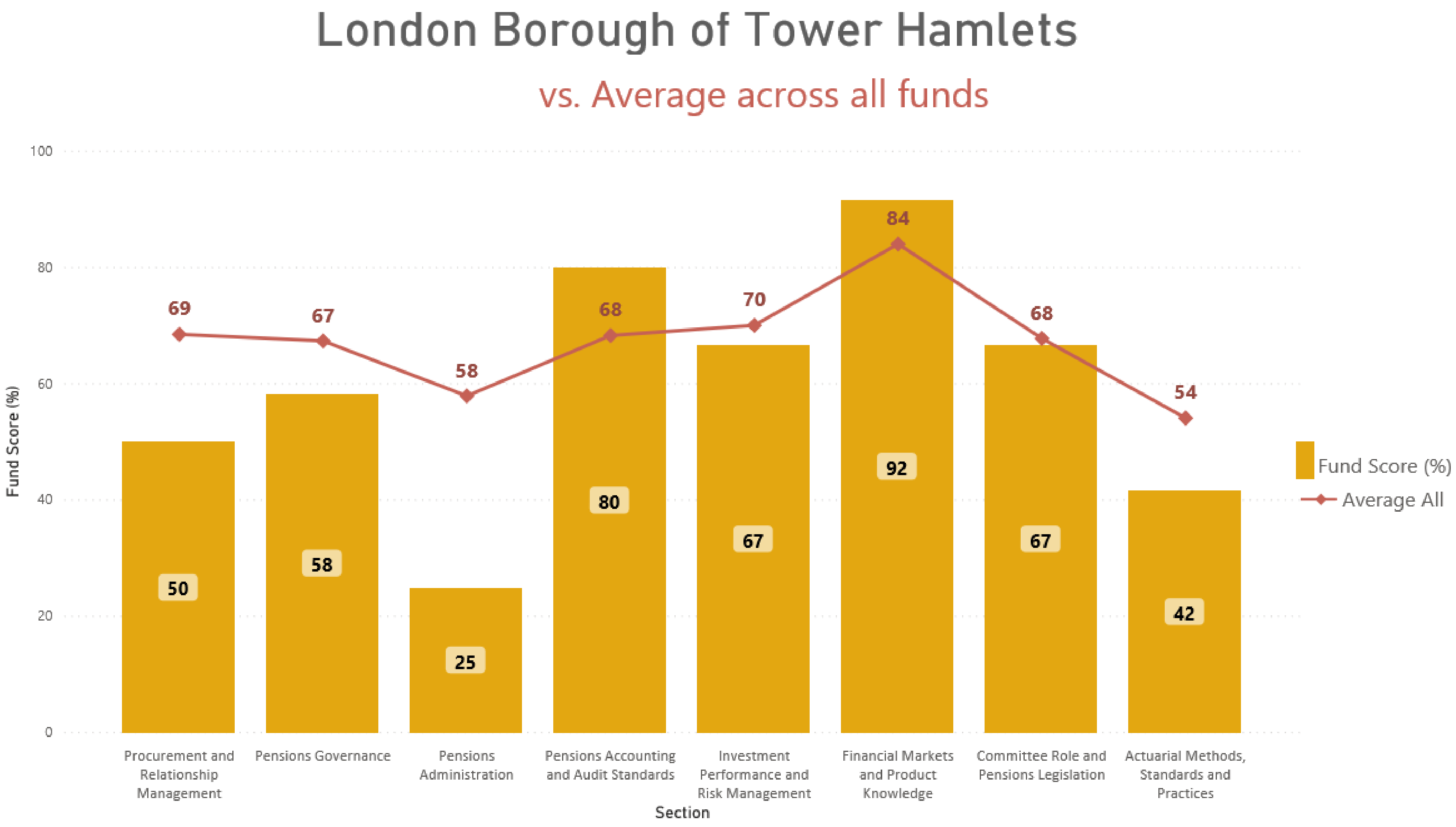
As this assessment is being conducted at national level across a number of LGPS funds we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date. We have provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

Committee and Board combined



Pension Committee

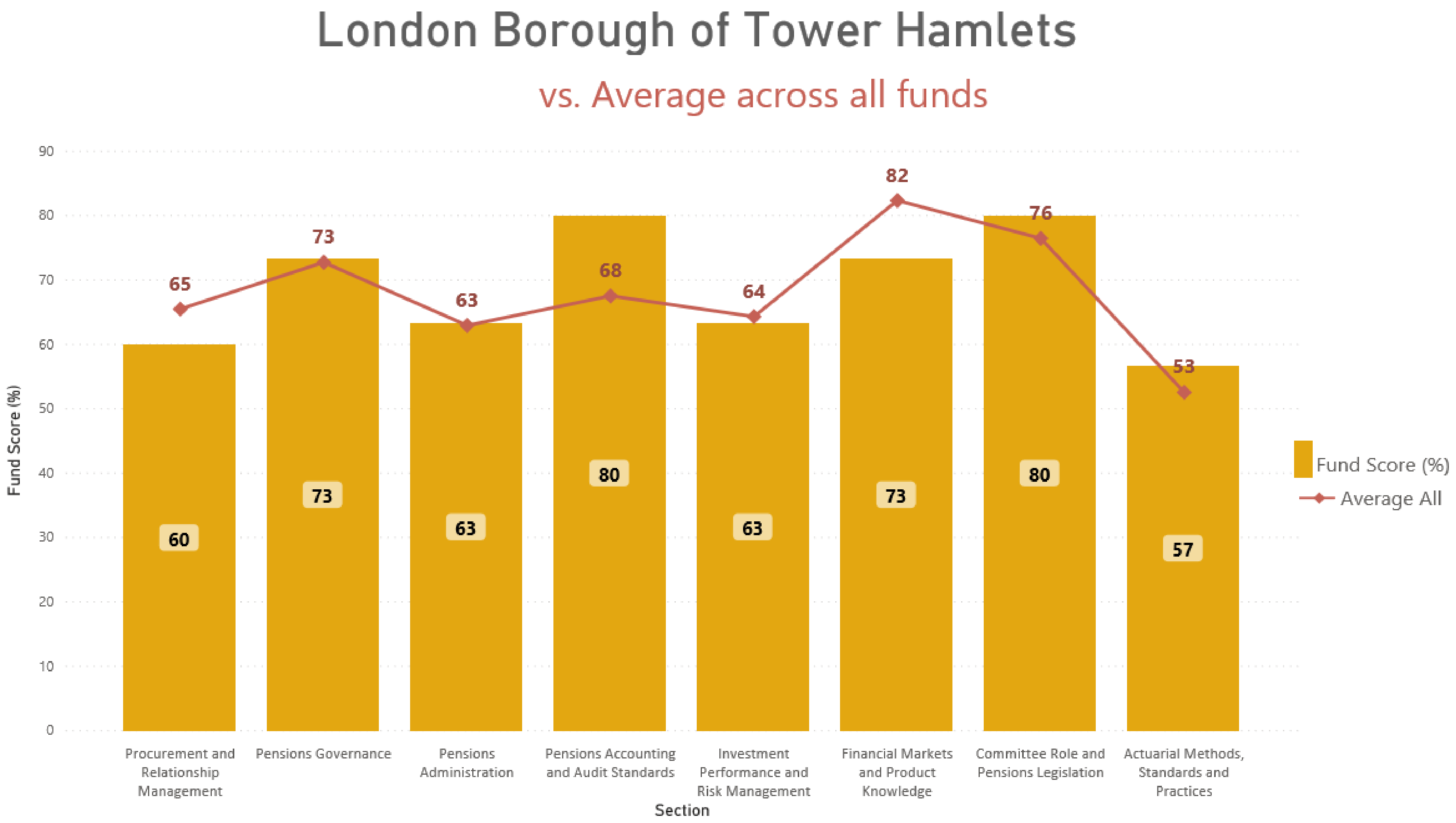
The following chart shows how your Fund's Committee scored in each section, versus the national average of all Committee members who took part.



The Committee ranked 12 out of 18 Funds' Committee results

Pension Board

The chart below shows how your Fund's Board scored in each section, versus the national average of all Board members who took part.



The Board ranked 8 out of 18 Funds' Board results.

Commentary

It is encouraging that 7 participants from your Fund took part in the assessment – though this was mainly Board participants. Overall the results were positive and it is clear that there are areas of greater knowledge and there are those that should be developed over time. We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience. The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective. To supplement a Fund's training plan, we recommend that case study analysis is also included as part of both the Committee and Board training plans, allowing time for reflection on how both groups react and act on issues.

Committee

The results show that financial markets and product knowledge has the highest levels of knowledge, but that the key areas to focus any specific training on would be pensions administration and actuarial methods. The scores for pensions administration in particular of concern. Procurement and relationship management is another relatively low-scoring area for which training might be beneficial.

Pension Board

The results show that the highest levels of knowledge relate to the role of the Committee and accounting and audit standards, but that the areas to focus any specific training on might be actuarial methods and procurement for the Board.

The next step would be to try an develop the knowledge about the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensure it aligns with your priorities.

Engagement

One of the key areas that we recommend funds focus on is Committee and Board engagement. With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need to be not only willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

Overall engagement

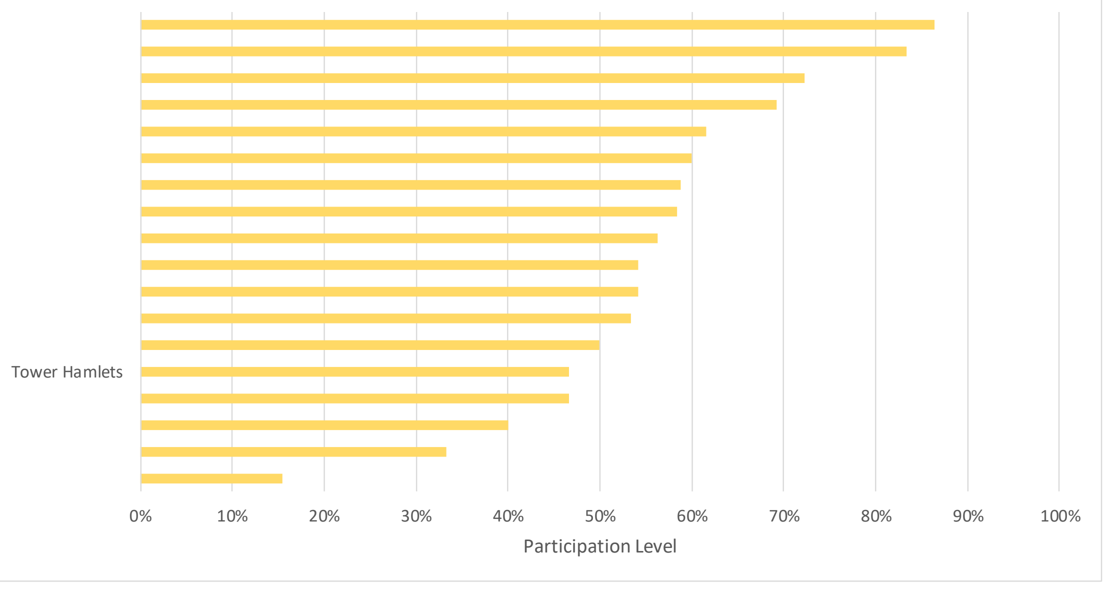
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members. The table below shows the breakdown of the total number of participants from the Tower Hamlets Fund, as a proportion of those who could have responded.

	Participants	Total Number	Participation rate
Committee	2	7	29%
Board	5	8	63%
Total	**7**	**15**	**47%**

We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences from these results. The information is simply being provided to the Fund officers, as they will be best placed to draw any conclusions.

Engagement benchmarking

The chart below shows how your Fund's participation level compares with that of all other funds who took part.



Commentary on engagement

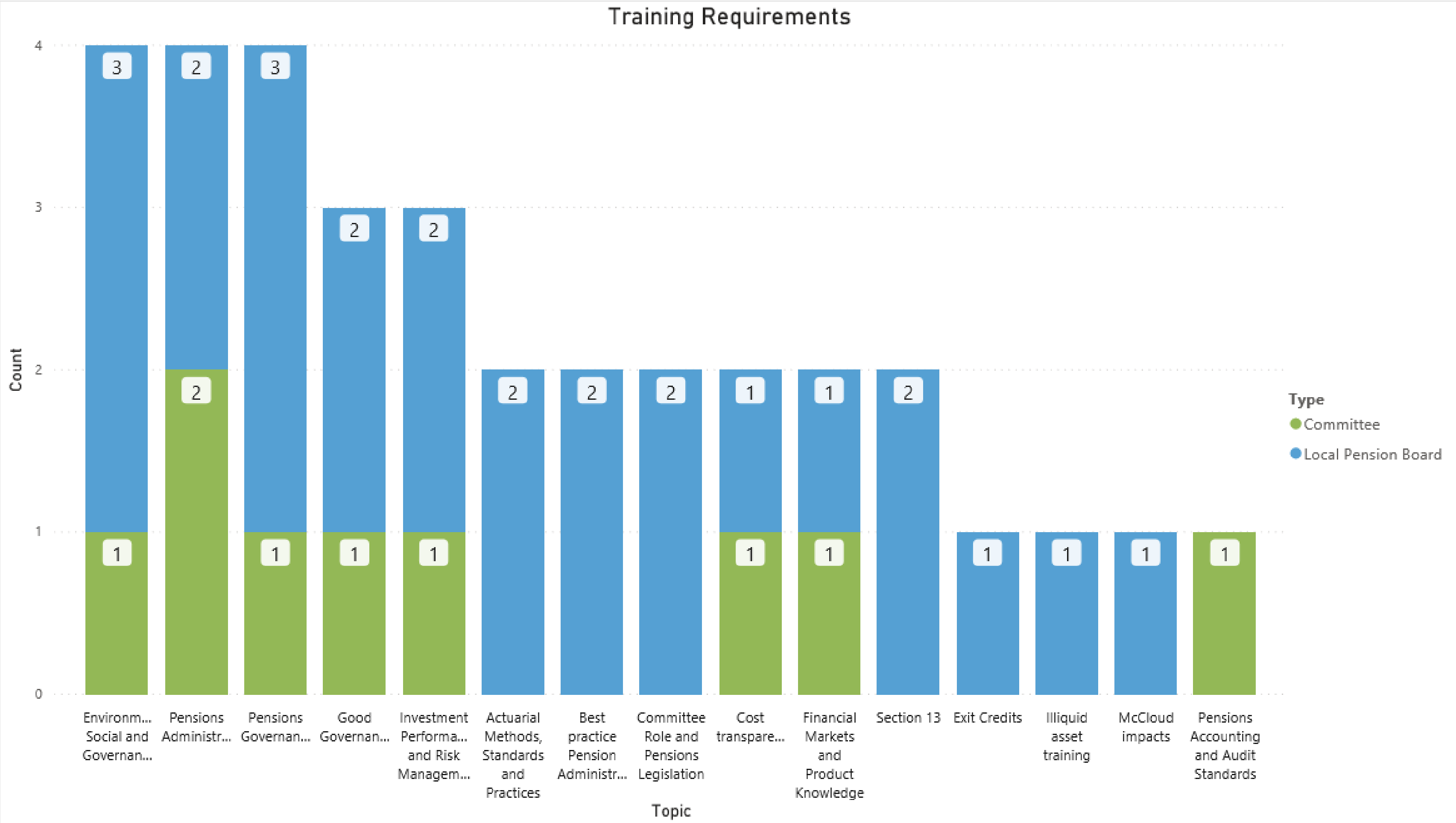
That 7 participants from your Fund took part in the assessment is encouraging but as you see in the table, this still places the Fund at the lower portion of engagement in comparison to other NKA participant funds. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them. Their level of engagement is a key driver of this.

Overall engagement seems to be at a reasonable level, however it is important to maintain and improve, this, particularly in the current climate where face-to-face meetings and therefore delivery of training sessions might be difficult for some time to come.

Training feedback from participants.

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on. There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table below summarises the areas in which members indicated training would be beneficial.



In the addition to the pre-defined list of training, we also asked participants for comment and areas in which they feel further training would be beneficial. We have provided a selection of these comments below:

"More information and training on ESG"

"How to ensure good governance of the Fund"

Suggested Training Plan

We have put together a summarised training plan below, picking out the key areas for development based on participant assessment results and the training requests.

2020/21 – Q3	• The impact of COVID-19 on the Fund + pensions administration (which while scoring low, was the most requested topic for training – an encouraging recognition from both groups)
2020/21 – Q4	• Pensions Governance and ESG – these were both joint most requested topics for training, but the scores in the relevant sections were around the national average
2021/22 – Q1	• Pensions governance and good governance
2021/22 – Q2	• Investment performance & risk management and actuarial methods
2021/22 – Q3	• Procurement and relationship management
2021/22 – Q4	• Valuation training sessions – purpose, role, outcomes etc. This has been timed to coincide with the 2022 Actuarial Valuations.

Training support

Tools such as this online assessment offer different ways for members to take part in training. There might be more options for online training sessions which you could take advantage of. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- TPR Public Service Toolkit
- LGA fundamental training – currently a 'physical' attendance course
- LGA monthly bulletins
- Hymans Robertson Training videos for Committee and Board members (details noted below)

Next Steps

Based on the results we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the funds officers and results shared with the Committee and Board
- Set up a **structured training plan** for the next 18 months covering the main areas highlighted in this report
- Plan for the **delivery** of training over a 6-month period while meeting restrictions might continue to be in place
- Consider the most **pressing** training requirements in the coming months, to ensure members have the required knowledge such as the effect of COVID-19 on assets and liabilities and how this might develop over time
- **Assess** the tools available to the Fund to assist with training.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose
- Look to conduct a **case study workshop** with your Committee and Board. This will gain officers a further insight into the **practical application** of both groups knowledge and understanding. This could be presenting various scenarios e.g. how the administration teams will deal with the McCloud judgement and allowing group discussion on how the Committee and Board would deal with selected case studies in their role as decision makers and oversight bodies. Hymans Robertson can facilitate a case study workshop for your Committee and Pension Board, as well as preparing an observation report for the Fund.

Hymans Support

We are happy to run training sessions, and/or provide training materials covering any of the topics covered in this report. The value of a face-to-face session for this type of training lies in members being able to ask relevant questions and interrogate the trainer on the specific areas they want to develop knowledge in. We understand that at present this will exclude physical attendance, but we are happy to set up video conference calls to assist with the ongoing training of both groups now. We will very soon be releasing our Hymans LGPS online training support that will give a comprehensive but bitesize training course.

We will be producing an NKA report discussing and analysing the results at the national level. A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch with either myself, Alan or Barry.

Prepared by Hymans Robertson LLP.

Andrew McKerns

LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson

LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the London Borough of Tower Hamlets Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as at June 2020.

Non-Executive Report of the: **PENSIONS COMMITTEE** **27 July 2020**	TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Unrestricted
Admission Employer Exit Credit Policy	

Originating Officer(s)	Miriam Adams, Pensions & Investments Manager
Wards affected	All Wards

Introduction

This report provides the Pensions Committee with a draft policy on how it will make its determination such that a consistent approach is taken between employers over time and the interests of all parties, including any employer providing a guarantee, are taken into consideration.

Recommendations:

Members are asked to

- note and approve the draft admission employer exit credit policy in principle pending finalised guidance from MHCLG.

1. REASONS FOR THE DECISIONS

1.1 To keep the Committee updated on recent and key developments in the LGPS. To approve the draft policy so this can immediately apply in respect of existing employers who joined the Fund before 14 May 2018 who are subject to a risk sharing arrangement as per point 3 in the draft policy.

1.2 This policy also applies to any pre-14 May 2018 admission which has been extended or 'rolled over' on the same terms that applied on joining the Fund to ensure a consistent approach is take between employers over time and the interests of all parties, including any employer providing a guarantee, are taken into account.

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options to this report.

3. DETAILS OF REPORT

3.1 In light of concerns raised in the consultation document, the government has amended its proposals and published the LGPS (Amendment Regulations 2020) (the 'Amending Regulations').

3.2 Exit credits were first introduced to the LGPS in the Local Government Pension Scheme (LGPS) (Amendment) Regulation 2018 and came into effect from 14 May 2018. This brought the ability for LGPS Funds to pay money to an employer exiting the LGPS where a surplus was revealed on cessation. Although this gave Funds more flexibility in dealing with employers participation in the Fund, one of the key issues in practice was that it also gave rise to the potential for employers to receive an exit credit without taken on any pensions risk (i.e. the financial risk remained the responsibility of another employer).

3.3 Previously when an employer leaves the Fund, the Actuary will calculate their cessation position on a minimum risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibilities in the future. If the Fund is satisfied that there is another employer willing to take on responsibility for the liabilities, for example a guarantor then the cessation position may be calculated on the ongoing/long term funding basis. If there is no other employer to take on responsibility for the liabilities, then the exit credit policy will apply.

3.4 The updated Regulations while still requiring the Actuary to carry out an exit valuation, place the responsibility for determining the level of any exit credit on the Administering Authority having considered various factors.

The new amendments addressed short falls of the previous regulations by addressing the fact that contractors were getting surpluses that was in some cases more than the total contributions paid in the period or surpluses which was due to Fund investment performance

3.5 The new amendments for exit credits include:

- Administering authorities will be able to determine, at their discretion, the amount of any exit credit due, having regard to any relevant consideration
- The period in which an exit credit (when due) is payable will be extended from three to six months. This will help offer administering authorities a more appropriate length of time for managing the cessation process and arranging any payment.

3.6 The effect of the changes has been backdated to 14 May 2018 (when exit credits were introduced) – unless an exit credit has already been paid, in which case the old rules apply. Making legislation with retrospective effect is unusual this gives room for possible challenge from employers.

A review of employers in the Fund likely to come up to exit is ongoing to enable the Fund to establish whether there might be an exit credit (or indeed an exit debit event).

3.7 In the Ministry of Housing Communities & Local Government (MHCLG) partial response to the consultation on changes to the Local Valuation Cycle and the Management of Employer Risk any disputes in respect of the Fund's determination should first be routed through the Fund's internal dispute resolution process (IDRP). It is also possible for disagreements to be escalated to the pensions Ombudsman if the IDRP is not successful in settling the matters. Advice is being taken to review the possibility of amending the current IDRP process which applies to individual disputes or establishing a separate IDRP process for non-individual disputes.

3.7 Updated Funding Strategy Statement will be presented to the Committee at the earliest time once MHCLG clarification is received.

3.9 The Fund will seek legal and actuarial advice when making each final exit credit determination.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications. However, the outcomes could have financial implications for the Fund.

5. LEGAL COMMENTS

5.1 There are no immediate legal implications arising from this policy. If in due course an employer claims an exit credit and disputes the administering authority's calculation of that credit, they would need to raise this via the Internal Dispute Resolution Process (IDRP). As an Administering Authority of LGPS pension funds, the Council must ensure adherence to the new regulations when making exit credit determinations.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in costs management will reduce the contribution and increase the funds available for other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

7.1 The effective and efficient management of scheme costs is key to the achievement of the funding strategy objectives and this is considered to be a good decision which can result in greater cost savings to the fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There is no direct Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 The rigorous robust management of LBTH 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.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents
Linked Reports

- Appendix A – Hymans Exit Credit Policy Paper

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

- Hymans Exit Credit Paper (Appendix A)

Officer contact details:

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Tel: 0207 364 4248
Pensions & Investments, Mulberry House, 5 Clove Crescent E14 2BG

London Borough of Tower Hamlets Draft Exit Credit Policy Statement

The below sets out the general guidelines that the London Borough of Tower Hamlets Pension Fund ("the Fund") will follow when determining the amount of an exit credit payable to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis.
These considerations may result in a determination that would be different if these guidelines were rigorously adhered to. In all cases, the Fund will make clear its reasoning for any decision.

Admitted bodies
1. No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per point 3 below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and the Fund assumes this was reflected in the commercial terms agreed between the admission body and the letting authority. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' on the same terms that applied on joining the Fund.

2 No exit credit will be payable to any admission body who participates in the Fund via a pass through approach.

3 The Fund will make an exit credit payment (if any) in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority within one month of the admission body ceasing participation in the Fund.

4 If there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in 3, the Fund will withhold payment of the exit credit until such disputes are resolved.

5 The Fund will also consider any representations made by the letting authority regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.

6 Where a guarantor or similar arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

7 If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

8 The decision of the Fund is final in interpreting how any arrangement described under 3, 5, 6 and 7 applies to the value of an exit credit payment.

9 If an admitted body leaves on a gilts-exit basis (because no guarantor is in place) as set out in the Funding Strategy Statement, then any exit credit will normally be paid in full to the employer.

Scheduled bodies and resolution bodies

1 Where a guarantor or similar arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

2 Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

3 The decision of the Fund is final in interpreting how any arrangement described under 1 and 2 applies to the value of an exit credit payment.

4 If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

5 If a scheduled body or resolution body leaves on a gilts-exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

The Fund will also factor in if any contributions due or monies owed to the Fund that remain unpaid by the employer at the cessation date. The Fund’s default position will be to deduct these from any exit credit payment. The final decision will be made by Neville Murton, the Section 151 officer with responsibility for the Fund, in conjunction with advice from the Fund’s Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

The Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer’s exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

If the exiting employer or letting authority wishes to dispute the determination of the amount of an exit credit, this must be routed through the Fund’s internal dispute resolution process in the first instance.

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Exit Credit Policy

Address and purpose

This paper has been commissioned by and is addressed to London Borough of Tower Hamlets in its capacity as Administering Authority to the London Borough of Tower Hamlets Pension Fund ("the Fund"). It has been prepared by Hymans Robertson LLP (as Fund Actuary) to assist the Fund in developing a policy in respect of exercising its discretion on the payment of exit credits. This paper should not be used for any other purpose.

Introduction

The LGPS Regulations 2013 were recently updated to address issues that emerged as a result of previous changes requiring Administering Authorities to pay exit credits when an employer ceased to be a participating employer while in surplus on their respective exit basis. Previously, the Fund's Actuary would determine the level of any exit credit to be paid. However, the updated Regulations, while still requiring the Actuary to carry out an exit valuation, place the responsibility for determining the level of any exit credit on the Administering Authority, having considered various factors.

Therefore, we recommend the Fund puts in place a policy on how it will make its determination such that:

- A consistent approach is taken between employers and over time; and
- The interests of all parties, including any employer providing a guarantee, are taken into account.

This paper sets out the key considerations the Fund may want to take into account when developing a policy on the payment of exit credits.

New Regulations

The updated regulations that have changed how exit credits are determined are Regulation 62 (2ZAB) and Regulation 62 (2ZC) which are reproduced with our observations below. Please note, we are not lawyers, the Fund may wish to take independent legal advice when considering our interpretation of the Regulations.

Regulation 62 (2ZAB)

An administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must-

(a) notify its intention to make a determination to-

(i) the exiting employer and any other body that has provided a guarantee to the exiting employer under paragraph 8 of Part 3 to Schedule 2 to these Regulations;

(ii) where the exiting employer is a body that has participated in the Scheme as a result of an admission agreement under paragraph (1)(d) of Part 3 of Schedule 2, the Scheme employer in connection with the exercise of whose function it was providing a service or assets; and

(b) pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer may agree.

Our interpretation of the above Regulation is that the Fund must notify all parties involved, including any employer providing a guarantee (or some other form of employer financial assistance/support) that a determination as to the level of exit credit will be made. Presumably, this is to allow the interested parties to provide representations as to the level of exit credit to be paid. In addition, the period given to the Fund to pay an exit credit has been extended from 3 months to 6 months compared to the previous Regulation. 6 months can still be a relatively short period of time to finalise the membership data, acquire an exit valuation, allow interested parties to make representations and for the Fund to make a final determination. Therefore, the Regulation does allow some flexibility where the Fund and the exiting employer can agree an extension to the 6 month period.

Regulation 62 (2ZC)

In exercising its discretion to determine the amount of any exit credit the administering authority must have regard to the following factors-

(a) the extent to which there is an excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a);

(b) the proportion of this excess of assets which has arisen because of the value of the employer's contributions;

(c) any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any boy listed in paragraphs (8)(1) to (d)(iii) of Part 3 to Schedule 2 to these Regulations; and

(d) any other relevant factors

Considering each of the above points in some more detail:

Point a) the use of the word "extent" here is interesting as it relates to considering the size of the surplus. We do not see this as a relevant factor when determining whether an exit credit should be paid or not. When we carry out an exit valuation we base it on cashflow, investment and membership data provided by the Fund to determine the value of assets and liabilities on the employer's exit date. Therefore, the size of any surplus is a fact in these situations, not a point for consideration and debate. That being said, payment of an exit credit larger than that identified in an exit valuation may result in underfunding as at the exit date increasing risk to the Fund and any employers providing guarantees to exiting employers. Therefore, the exit credit identified in an exit valuation may be viewed as a maximum amount.

Point b) relates to the amount of the employer's contributions paid during its participation versus the value of the exit credit. This has been inserted to cover off situations where some short-term employers leave funds with large exit credits due mainly to strong growth on the assets that were transferred from letting authorities which have dwarfed any contributions made by the employer. The concern is that some employers attempt to 'game' the system and, before their contract end date, leave the Fund at a market high to access the exit credit. It is our opinion that, if this has been the intention of the employer, then the value of the exit credit should be adjusted to reflect the value of contributions paid. Such events could be the employer somehow terminating the contract early or triggering insolvency to access the monies to pay other creditors. However, if the employer is leaving as planned at the end of their contract then we would suggest that no adjustment is made to the exit credit. Our reasoning is that if investment returns had been poor and resulted in a deficit, the employer would be asked to pay back this deficit in full. In these situations the employer has been fortunate with the timing of their participation. Note that in arriving at this conclusion, it is our opinion that this viewpoint is the Fund fulfilling its obligations under the Regulations as 'must have regard' to this factor.

Point c) intends to allow any risk-sharing arrangements that sit behind an employer's participation to be taken into account. The Government has said however that there is no onus on the Fund to 'enquire into the precise risk sharing arrangements adopted'. Instead, it will be left to the employer and letting authority/guarantor to explain why the arrangements made by them make payment of an exit credit more or less appropriate. There is a risk that the Fund could get caught up in the middle of arguments between employers over commercial terms that were agreed outside the Fund, leading to higher actuarial, legal and internal management costs, and of course delays to the settlement of cessation valuations. It is worth noting that the amending regulations force the Fund to notify how it intends to deal with the exit credit to both parties ahead of any payment. To avoid the Fund being caught in the middle of any such debate, we would suggest that the Fund firmly puts the onus on the employer and letting authority/guarantor to agree how any risk sharing arrangement should feed into the calculation of the exit credit and then present this agreed position to the Fund. This could be done via confirmation of which party is responsible for which funding risks (e.g. investment, member experience, assumptions etc). The Fund should still reserve the right to seek further information or ignore such representations based on legal and/or actuarial advice. In the absence of such agreement, the Fund may consider withholding the exit credit until the parties resolve any disputes.

Point d) provides wide ranging scope for the Fund to factor in anything in determining the value of any exit credit. In our mind, the most relevant factors would be:

- **The regulations in force when the contract was priced:** if the contract commenced before 14 May 2018 (i.e. before Exit Credits were payable), then it could be argued that the contract price will have priced in the asymmetric risk in respect of exit deficits and surpluses. Therefore, in the Fund's opinion, it is not fair to the letting authority to pay an exit credit in this circumstance (however, the contractor could challenge how that occurred). This should also apply to contracts which were originally awarded before May 2018 and then were extended or 'rolled over' to a new contract with no changes to the commercial terms. This point would not apply to any new admissions set up after 14 May 2018.
- **The nature of the employer's funding arrangement:** if the employer participated on a full pass-through basis, then the funding risks they were exposed to were limited so it may not be appropriate for them to benefit from the upside risk. Similarly, if the employer's funding strategy has been set at previous valuations in a way that recognises an arrangement with another fund employer (whether that be a formal guarantor, or otherwise), then a similar argument could also be made.
- **Unpaid contributions:** if the employer has not paid over some employee or employer contributions due then these may be deducted from the funding surplus when determining the exit credit. This is obvious in the situation where they have been allowed for in the calculation of the employer's assets at cessation. In the case where they have not been allowed for, the Fund may still want to make this deduction as a penalty for non-payment and to encourage employers to pay contributions on a prompt monthly basis (although this may result in a challenge from the employer).
- **Factors outside the Fund:** if, for example, the employer owed monies to the letting authority in other parts of the contract that was ceasing or owed monies in other contracts with the letting authority, then the Fund may view it as reasonable to deduct these monies when determining the exit credit. The Fund will need to tread carefully in these instances to ensure that the claim by the letting authority is genuine (and correct) and there are no tax or other legal implications. It will also need to consider how it will assess such claims to gain this level of comfort.

Disputes

In the Ministry of Housing Communities & Local Government's partial response to the consultation on Changes to the Local Valuation Cycle and the Management of Employer Risk, any disputes in respect of the Fund's determination should first be routed through the Fund's internal dispute resolution process (IDRP). It is also possible for disagreements to be escalated to the Pensions Ombudsman if the IDRP is not successful in settling matters. The Fund may wish to take independent legal advice on how to apply Regulations 74 to 78 in determining how the IDRP should be applied in these cases. In addition, complaint processes are normally aimed at resolving member disputes, the Fund may wish to review its IDRP to ensure they are capable of handling employer issues.

Recommendations

The introduction of the new Regulations in respect of exit credits puts an onus on Administering Authorities to decide the level of exit credit to pay to exiting employers. Based on our observations, we recommend the Fund consider the following when setting a policy on the payment of exit credits:

- Exiting employers are considered on a case by case basis, but the Fund follows certain principles in order to consistently apply their discretion to pay an exit credit;
- We recommend the maximum value of any exit credits is the surplus identified in the Fund Actuary's exit valuation on the exit basis appropriate to the exit event/employer;
- Admission bodies can terminate their participation in the Fund at any time, whereby scheduled bodies do not have this ability. Therefore, we recommend the Fund's policy differentiates by the type of body involved;
- Where an admission agreement began prior to 14 May 2018 (and commercial terms have not been revised since to allow for exit credits), we recommend the Fund sets the exit credit to nil as the potential for an exit credit would not likely have been priced into tenders for service unless proven otherwise;
- Where guarantees, pass through and risk sharing agreements are clearly set out, we recommend the Fund reflects these in their determination;
- Where the admission agreement ends early, and there are no pass through or risk sharing agreements, we recommend the Fund consider limiting any exit credit to the value of employer contributions paid over the employer's contract allowing for investment returns on those contributions;
- We recommend the Fund policy sets out that any disputes between the exiting employer and the letting employer are settled between those parties without the intervention of the Fund; and
- We recommend the Fund seeks legal and/or actuarial advice when making a final determination.

Based on the above, a draft policy is set out in the appendix to this report.

Reliances, limitations and professional notes

This paper should not be released or otherwise disclosed to any third party without our prior consent. Hymans Robertson LLP accepts no liability to any other party unless we have expressly accepted such liability.

This report proportionately complies with the relevant Technical Actuarial Standards set out below:

- TAS 100 (Principles of Technical Actuarial Work); and
- TAS 300 (Pensions).

Prepared by:-

Barry Dodds FFA

For and on behalf of Hymans Robertson LLP

15 May 2020

Appendix – draft policy statement

The below sets out the general guidelines that the London Borough of Tower Hamlets Pension Fund ("the Fund") will follow when determining the amount of an exit credit payable to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if these guidelines were rigorously adhered to. In all cases, the Fund will make clear its reasoning for any decision.

Admitted bodies

1 No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per point 3 below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and the Fund assumes this was reflected in the commercial terms agreed between the admission body and the letting authority. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' on the same terms that applied on joining the Fund.

2 No exit credit will be payable to any admission body who participates in the Fund via a pass through approach.

3 The Fund will make an exit credit payment (if any) in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority within one month of the admission body ceasing participation in the Fund.

4 If there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in 3, the Fund will withhold payment of the exit credit until such disputes are resolved.

5 The Fund will also consider any representations made by the letting authority regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.

6 Where a guarantor or similar arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

7 If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.

8 The decision of the Fund is final in interpreting how any arrangement described under 3, 5, 6 and 7 applies to the value of an exit credit payment.

9 If an admitted body leaves on a gilts-exit basis (because no guarantor is in place) as set out in the Funding Strategy Statement, then any exit credit will normally be paid in full to the employer.

Scheduled bodies and resolution bodies

1 Where a guarantor or similar arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

2 Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

3 The decision of the Fund is final in interpreting how any arrangement described under 1 and 2 applies to the value of an exit credit payment.

4 If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

5 If a scheduled body or resolution body leaves on a gilts-exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

The Fund will also factor in if any contributions due or monies owed to the Fund that remain unpaid by the employer at the cessation date. The Fund's default position will be to deduct these from any exit credit payment.

The final decision will be made by Neville Murton, the Section 151 officer with responsibility for the Fund, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

The Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

If the exiting employer or letting authority wishes to dispute the determination of the amount of an exit credit, this must be routed through the Fund's internal dispute resolution process in the first instance.

Non-Executive Report of the: **PENSIONS COMMITTEE** **27 July 2020**	TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Unrestricted
Contribution Deferral Policy Statement	

Originating Officer(s)	Miriam Adams, Pensions & Investments Manager
Wards affected	All

Introduction

This report provides the Pensions Committee with a draft policy on how it will make its determination in respect of deferral of employer contributions during COVID-19 lockdown and gradual unwinding of social distancing and related restrictions.

Recommendations:

Members are asked to

- note and approve the draft admission contribution deferral policy:
- agree that the period of deferral should be limited to 3 months after which extensions may be granted on a monthly basis:
- that the total annual contributions must be paid by 31 March of the applicable year and interest may apply:
- delegate the decision to consider and approve requests to the S151 Officer: and
- the Committee is informed of any employer deferrals (those considered, accepted or rejected) at the earliest opportunity.

1. REASONS FOR THE DECISIONS

1.1 To ensure consistent treatment is applied across employers over time and enable employers, guarantors and the Fund understand the risks associated with granting contribution flexibility. It also enables the Fund to consider appropriate measures to manage the risks where possible.

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options to this report.

3. DETAILS OF REPORT

3.1 The Pensions Regulator published on 27 March 2020 Scheme administration COVID-19 guidance for trustees and public service setting out the critical processes for administrators including paying members' benefits, retirement processing, bereavement services as well as any administration functions required to support this function. A revised statement was published on 16 June 2020. On 25 June, the Corporate Insolvency and Governance Act 2020 received royal assent and came into force on 26 June. The measure introduced by the Act which is designed to assist companies during the pandemic includes provisions for a moratorium during which companies can defer debts. The Scheme Advisory Board (SAB) is seeking legal advice on the potential impact of a moratorium on employer deficit contributions.
In addition, LGPS administrators can access the LGPS guidance under frequently asked questions for administrators.

This paper considers the advice received and used by the Fund in the development of its contribution deferral policy. This policy covers delay of contribution payment or temporary reduction of rates payable.

3.2 COVID-19 has led to an extraordinary period of lockdown and social distancing measures which has put many employers with LGPS liabilities under considerable financial pressure as their sources of revenue have reduced. This pressure on employers is expected to continue over the short to medium term as Government measures to curb the spread of the infection are gradually lifted and public confidence improves. In addition, where employers have opted to furlough staff, pay continues to be pensionable (i.e. if a member receives 80% of their pay under furlough, employee and employer contributions are due on this level of pay). However, the Government furlough scheme only compensates employers by 3% of pay towards employer pension contributions (the minimum employer contribution under auto-enrolment rules). Therefore, the balance of employer pension contributions must be found by the employer through other sources which may deplete any cash reserves held by employers, putting their businesses at risk.

3.3 LGPS frequently asked questions for administrators does state that employers cannot delay or pause paying employee contributions. Employee contributions must be submitted to the administering authority in line with the timescales in the Pensions Act 1995. That is, by either the 22nd (where they are paid electronically) or the 19th of the month following the last day of the month in which the contributions are deducted. If an employer fails to submit employee contributions on time, paragraph 148 of TPR Code 14 states that where 'the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, they may give notice of the failure to the regulator and the member within a reasonable period after the end of the prescribed period.

3.4 The LGPS view in the frequently asked questions for scheme administrators is that is that regulations confirm that an administering authority may determine the intervals for employer contribution payments, as they consider appropriate. There must be at least one payment per year but whatever intervals are set, the total contributions due for the year, as set out in the rates and adjustments certificate, must be received by year end and each payment must equal the appropriate proportion of the total contributions due for the year
as determined by the administering authority. Deferrals of contributions are only
allowed in the limited circumstances set out above and there is no provision for non-payment 'holidays' where contributions are not recovered during the year. If, as a last resort, administering authorities consider deferring the commencement of payments to later in the year it is imperative they consider the risks to the fund. These include but are not limited to the risk of the employer not being able to meet the full amount by year end and the risk to the fund's cash flow requirements. As any approach to contribution deferral should be applied consistently authorities may wish to consider agreeing a policy position. Although not directly applicable to the LGPS, administering authorities should be mindful of guidance issued by TPR on this matter, which was substantially revised on 16 June 2020.

3.5 This advice is based on LGPS 2013 Regulations 62,67 and 69 – every employer must pay, at a minimum the rates set out in the Fund's Rates and Adjustment Certificate. Advice paper from the Fund Actuary Hymans Robertson LLP does suggest that the timing of said payments are not explicitly addressed in the regulation. Therefore, the Fund does appear to have flexibility (given any terms in its Funding Strategy Statement) to consider changing contribution patterns paid by employers as long as the total contributions due are paid within the Fund's financial year i.e. before 31 March each year.

3.6 There are several risks to the operation of the Fund to consider, such as:

- Cashflow
- Fund returns
- Administrative complexity

Several considerations which may help protect the Fund from taking excess risks are required at employer level:

- Covenant and solvency
- Interest
- Redundancy
- Guarantors/letting employer
- Employee contributions
- Evidence that the LGPS is not the only avenue being used to preserve cash.
- Evidence that where applicable the Guarantor is aware of the application

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications. However, the outcomes could have financial implications for the Fund.

5. LEGAL COMMENTS

5.1 There are no immediate legal implications arising this policy

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in costs management will reduce the contribution and increase the funds available for other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

7.1 The effective and efficient management of scheme costs is key to the achievement of the funding strategy objectives and this is considered to be a good decision which can result in greater cost savings to the fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 There is no direct Sustainable Action for A Greener Environment implication arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 The rigorous robust management of LBTH 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.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents
Linked Reports

- Appendix A – Hymans Robertson LLP advice paper on COVID-19 contribution deferral

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

- LGPS Scheme Advisory Board - Covid-19 and LGPS
- DB scheme funding and investment: COVID-19 guidance for trustees | The Pensions Regulator
- https://www.lgpsregs.org/news/covid-AFAQs.php

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London Borough of Tower Hamlets draft COVID-19 Contribution Deferral Policy Statement

COVID-19 – Policy on the deferment of employer contributions
As a result of Government policies to manage the spread of COVID-19, many employers are experiencing a severe impact on their immediate and ongoing revenues. The London Borough of Tower Hamlets Pension Fund ("the Fund") recognises the challenges this may bring in respect of meeting employer pension costs over the shorter term. This document sets out the Fund's policy on granting flexibility in respect of the payment of employer contributions during these unprecedented times.

The Fund is restricted by the LGPS Regulations in granting flexibility as there are limited circumstances where contribution rates certified in the Rates and Adjustments Certificate can be amended. In addition, the Regulations require that employer contributions in line with the Rates and Adjustments Certificate must be paid within each 12 month period.
As a result, the Fund is not able to consider reducing contributions or granting contribution holidays to employers. However, the Fund is able to consider the deferral (or temporary reduction) of employer contributions whereby an employer delays payment of employer contributions at the full rate for the current year that are owed to the Fund.

The Fund will only consider deferral where an employer makes a formal request. All other circumstances will be considered as late payments to the Fund and handled in accordance with the Fund's administration policy. In making a request for deferral, the Fund requires:

1. A clear business case and rationale for the request, including evidence that the employer will likely be able to meet the deferred contributions at the end of the deferment period;
2. Assurances that other financial obligations, such as dividend payments, will also be suspended during the period of deferral;

3. Evidence the employer is seeking relief from other creditors, including any other pension arrangements, to ensure the Fund is being treated consistently; and
4. Evidence of discussions with their letting employer or any employer providing a guarantee.

Failure to provide the above will result in the Fund being unable to provide a deferral of contributions.

The request and accompanying evidence will be considered on a case by case basis and, if successful, would be approved by Neville Murton, the Section 151 officer with responsibility for the Fund, after the Fund has taken covenant, legal and actuarial advice.
The Fund will also consult with any associated employer that is providing a guarantee to the employer seeking deferral.

The Fund will respond to a request for contribution deferment as quickly as possible and usually within a 21 day period.
Employer contributions should be remitted as usual during the period that a deferment request is being considered.
Where a request for deferral is not approved in the first instance, the Fund may require additional evidence or security to reconsider the request. There is no explicit appeals process for contribution deferment requests. If an employer feels they have been treated unfairly by the Fund, they may refer to the Fund's standard complaints and Internal Dispute Resolution Procedure (IDRP) processes.

Where a request for deferral is accepted, employers will be able to defer contributions for up to 3 months.

Following the 3-month period, 1-month extensions may be granted on request subject to submission of updated evidence of the employer's financial position. Extensions cannot go beyond 31 March 2021 at which point annual employer contributions for the whole 2020/21 year are due in full. Where contributions are not received in full by 31 March 2021, the Fund has a statutory obligation to consider reporting the failure to make employer contributions to the Pensions Regulator.

It should be noted that employee contributions should be remitted as usual during the period of deferment, and are unaffected by the employer's decision to request (or not) any deferral.

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COVID-19: contribution deferral policy

Address and purpose

This paper has been commissioned by and is addressed to London Borough of Tower Hamlets in its capacity as Administering Authority to the London Borough of Tower Hamlets Pension Fund ("the Fund"). It has been prepared by Hymans Robertson LLP (as Fund Actuary) to assist the Fund in developing a policy in respect of the deferral of employer contributions during the COVID-19 lockdown and gradual unwinding of social distancing etc restrictions. This paper should not be used by any other party or for any other purpose.

Introduction

COVID-19 has led to an extraordinary period of lockdown and social distancing measures which has put many employers with LGPS liabilities under considerable financial pressure as their sources of revenue have reduced. This pressure on employers is expected to continue over the short to medium term as Government measures to curb the spread of the infection are gradually lifted and public confidence improves.

In addition, where employers have opted to furlough staff, pay continues to be pensionable (i.e. if a member receives 80% of their pay under furlough, employee and employer contributions are due on this level of pay). However, the Government furlough scheme only compensates employers by 3% of pay towards employer pension contributions (the minimum employer contribution under auto-enrolment rules). Therefore, the balance of employer pension contributions must be found by the employer through other sources which may deplete any cash reserves held by employers, putting their businesses at risk.

The combination of the above is driving an increase in the number of employers across the LGPS enquiring about possible contribution holidays, deferral or temporary reduction of contributions, or exiting the scheme altogether. As a result, the Fund should consider implementing a policy when reviewing these requests to ensure:

- Consistent treatment is applied across employers and over time;
- Employers, guarantors and the Fund understand the risks associated with granting contribution flexibility; and
- The Fund considers appropriate measures to manage the risks where possible.

This paper sets out the key considerations the Fund may want to make in considering a policy on contribution deferment, the requirements the Fund may place on an employer being granted deferment, and a draft policy.

Please note, contribution holidays indicate no contributions are to be paid during the period of holiday. For the purposes of this paper, contribution deferment refers to a delay in the payment of contributions or a temporary reduction to the rates payable.

Key considerations – Regulatory requirements

Our interpretation of LGPS 2013 Regulations 62, 67 and 69 is that every employer must pay, at a minimum, the rates set out in the Fund's Rates and Adjustments Certificate. The timing of said payments are not explicitly addressed, however, they do appear to have to be paid within each 12-month period. Therefore, the Fund does appear to have the flexibility (given any terms in its Funding Strategy Statement) to consider changing contribution patterns paid by employers as long as the total contributions due are paid within the Fund's financial year.

As the Regulations refer to a 12-month period, this naturally limits the period of any deferment (i.e. annual contributions must be paid on or before 31 March each year).

Please note, we do not believe requests for contribution holidays (as opposed to the deferral of contributions) are allowed under the Regulations following a formal valuation. However, under Regulation 64, the Fund may adjust contributions for those employers expected to exit the scheme in the future, to target full funding on the employer's exit basis.

Please note, we are not lawyers and therefore the Fund may wish to take legal advice when interpreting the relevant Regulations when setting this policy. The Fund should also heed LGA guidance which is on its website under FAQs for LGPS administrators.

Key considerations – Fund level

There are a number of risks to the operation of the Fund to consider when setting a policy on deferment, such as:

Cashflow

The Fund relies on contribution income to pay benefits. Granting contribution deferments will affect the cashflows into the Fund, but not the immediate cash requirements to pay benefits. As a result, the Fund will need to consider its overall cash position if flexibility is granted to any particularly large contributors, if significant numbers of employers are granted deferments and the length of time of any deferments. We do not believe this is a reason to deny a request for deferral, however the Fund would need adequate notice to prepare for the potential consequences of deferral on cashflow to mitigate the risk of being a forced seller of assets.

Fund returns

As set out above, regular contributions help the Fund manage its cash position over time which may have a direct impact on the investment/disinvestment of assets. There is a potential for lost return (or gain) due to the timing of investment returns which could be material if the flow of contributions to the Fund is disrupted. This risk largely lands on employers, as any drag on investment returns would be reflected in potentially higher contributions in future.

Administrative complexity

If a material number of employers were to be granted deferment, there will be a potential uptick in administrative complexity due to the increased interaction with affected employers, reconciliation of irregular contribution patterns with expectation, and cash management as set out above. While we do not believe this should be a barrier to granting deferment, the Fund should be aware of the potential risks in terms of officer time and effort.

Key considerations – Employer level

Certain risks in respect of the employers themselves should also form part of the Fund's considerations in setting any policy on contribution deferment. Many of these considerations look to protect the Fund from taking excess risks.

Covenant & solvency

In order to protect the Fund (and any Fund employer providing a guarantee), the Fund should be satisfied that employers requesting deferment will likely continue as a going concern (i.e. they will eventually have the ability to meet contributions in future). Alternatively, if there is an increased risk of failure, the Fund should seek assurance that any exit debt is likely to be met. The Fund can gain assurances on covenant and future solvency through a number of approaches:

- Requiring employers to set out why the request is being made (i.e. liquidity constraints) as well as supporting evidence that they have a clear business plan to emerge from their current position;
- Obtaining written assurance that the employer's other financial obligations are suspended for the period of deferment (e.g. dividends and other shareholder returns are suspended);

- Obtaining written assurance that the Fund is being treated consistently with other creditors and pension arrangements where the employer has obligations (i.e. whether any private sector schemes in which the employers participate are granting concessions);
- Obtaining written evidence that the employer is actively considering other means of preserving liquidity as well (e.g. through the Government's furlough or business loan schemes);
- Requesting a covenant assessment be carried out on the employer to determine their ongoing viability, the affordability of increasing contributions in future and potential recovery of exit debts should the employer go into administration; and/or
- Requiring the employer to provide (further) security to the Fund through bonds, guarantees or a charge on disposable assets.

Interest

When calculating employer contribution rates, there is an implicit assumption that contributions will be paid uniformly throughout the year unless otherwise instructed or noted in the Rates and Adjustments Certificate. Therefore, it is assumed the contributions over the year will attract roughly a half year's expected return on investments. If an employer defers their contributions, this assumption no longer holds. As a result, the Fund should consider whether interest should be charged due to the deferral of contributions, especially if deferral is for longer periods. For ease of administration, the Fund may waive this for short periods of deferment.

Redundancy

Employers may need to restructure to ensure their ongoing viability. This may result in redundancies and the associated strain costs where members are aged 55 or older. The Fund may want to consider whether it is appropriate to agree to a deferral request during a period when an Employer is incurring additional liabilities and pension costs.

Guarantors / letting employer

As set out above, if deferment is not granted, employers that may otherwise be viable could be forced into administration (noting that it would be the cumulative effects of public and Government responses and employer creditors that would tip an employer into insolvency). In the event of an employer exiting the scheme, the Fund may need to call on any guarantor where an exit debt exists. In addition, the guarantor is often directly involved in the contract for services or funding of the employer. As a result, the Fund should consider whether to take the opinion of any employer providing a guarantee into account when determining whether to grant a deferral.

Employee contributions

Employee contributions are deducted from payroll, therefore, these must continue to be paid over to the Fund monthly, regardless of any decision on the deferral of employer contributions. This is a strict regulatory requirement.

Recommendations

We do not believe requests for lower contribution rates or contribution holidays are allowed under the Regulations (noting potential changes under review of Regulation 64 could possibly result in reducing contributions for employers planning to exit the Fund). However, given the extraordinary circumstances associated with COVID-19, we recommend the Fund considers all requests for deferral of employer contributions. In considering deferral, the Fund should take several steps to protect itself, guarantors and any other employers in the Fund including:

- Limiting the period of deferral to a maximum of 3 months. Following the 3-month period, extensions may be granted on a monthly basis, however, it should be made clear that the annual total contributions must be paid by 31 March and interest may apply;

- Evidence of the ability to resume contributions is provided. This may come from the employer as part of its business planning or from a covenant advisor;
- Evidence the LGPS is not the only avenue being used to preserve cash (e.g. dividends are suspended, concessions are being sought from other creditors and pension funds, employers are using or considering whether to use the Government's furlough and business loan programs, employers are considering other means to raise or preserve their cash positions);
- Evidence of discussions with their letting employer or any employer providing a guarantee. Where there is no guarantor, additional security should be sought;
- For speed of decision, a named Officer (rather than the Pension Committee) is delegated to approve requests; and
- Consider whether it is appropriate to report on employer contribution deferrals (those considered, accepted or rejected) to the Pensions Committee and Pensions Board.

Based on the above, a draft policy is set out in the appendix to this report.

Reliances, limitations and professional notes

This paper should not be released or otherwise disclosed to any third party without our prior consent. Hymans Robertson LLP accepts no liability to any other party unless we have expressly accepted such liability.

This report complies with the relevant Technical Actuarial Standards set out below:

• TAS 100 (Principles of Technical Actuarial Work).

Prepared by:-

Barry Dodds FFA

For and on behalf of Hymans Robertson LLP

20 May 2020

Appendix – draft policy statement

COVID-19 – Policy on the deferment of employer contributions

As a result of Government policies to manage the spread of COVID-19, many employers are experiencing a severe impact on their immediate and ongoing revenues. The London Borough of Tower Hamlets Pension Fund ("the Fund") recognises the challenges this may bring in respect of meeting employer pension costs over the shorter term. This document sets out the Fund's policy on granting flexibility in respect of the payment of employer contributions during these unprecedented times.

The Fund is restricted by the LGPS Regulations in granting flexibility as there are limited circumstances where contribution rates certified in the Rates and Adjustments Certificate can be amended. In addition, the Regulations require that employer contributions in line with the Rates and Adjustments Certificate must be paid within each 12 month period. As a result, the Fund is not able to consider reducing contributions or granting contribution holidays to employers. However, the Fund is able to consider the deferral (or temporary reduction) of employer contributions whereby an employer delays payment of employer contributions at the full rate for the current year that are owed to the Fund.

The Fund will only consider deferral where an employer makes a formal request. All other circumstances will be considered as late payments to the Fund and handled in accordance with the Fund's administration policy. In making a request for deferral, the Fund requires:

- A clear business case and rationale for the request, including evidence that the employer will likely be able to meet the deferred contributions at the end of the deferment period;
- Assurances that other financial obligations, such as dividend payments, will also be suspended during the period of deferral;
- Evidence the employer is seeking relief from other creditors, including any other pension arrangements, to ensure the Fund is being treated consistently; and
- Evidence of discussions with their letting employer or any employer providing a guarantee.

Failure to provide the above will result in the Fund being unable to provide a deferral of contributions.

The request and accompanying evidence will be considered on a case by case basis and, if successful, would be approved by Neville Murton, the Section 151 officer with responsibility for the Fund, after the Fund has taken covenant, legal and actuarial advice. The Fund will also consult with any associated employer that is providing a guarantee to the employer seeking deferral. The Fund will respond to a request for contribution deferment as quickly as possible and usually within a 21 day period. Employer contributions should be remitted as usual during the period that a deferment request is being considered.

Where a request for deferral is not approved in the first instance, the Fund may require additional evidence or security to reconsider the request. There is no explicit appeals process for contribution deferment requests. If an employer feels they have been treated unfairly by the Fund, they may refer to the Fund's standard complaints and Internal Dispute Resolution Procedure (IDRP) processes.

Where a request for deferral is accepted, employers will be able to defer contributions for up to 3 months. Following the 3-month period, 1-month extensions may be granted on request subject to submission of updated evidence of the employer's financial position. Extensions cannot go beyond 31 March 2021 at which point annual employer contributions for the whole 2020/21 year are due in full. Where contributions are not received in full by 31 March 2021, the Fund has a statutory obligation to consider reporting the failure to make employer contributions to the Pensions Regulator.

It should be noted that employee contributions should be remitted as usual during the period of deferment, and are unaffected by the employer's decision to request (or not) any deferral.

Non-Executive Report of the: **PENSIONS COMMITTEE** **27 July 2020**	
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Unrestricted
ACTUARIAL UPDATE, COVID-19 AND FUNDING RISKS	

Originating Officer(s)	Miriam Adams, Pensions and Investment Treasury Manager
Wards affected	All

Summary

The funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 17 June 2020 as well as understanding the funding impact, risks and mitigation of such risks associated with the ongoing COVID-19 pandemic.

At the last formal valuation, the Fund assets was £1,552m and the liabilities were £1,525m. This represented a surplus of £27m and equated to a funding level of 102%. At June 2020 the actuarial estimate is that the funding level is unchanged at 102%.

Recommendations:

Pensions Committee is recommended to:

1. Note the whole Fund actuarial update at 31 March 2020 and 17 June 2020;
2. Note the impact of COVID-19 and funding risk; and
3. Note the risk mitigating measures

1. REASONS FOR THE DECISIONS

1.1 Tower Hamlets Council as the Fund's administering authority recognises that effective risk management is an essential part of good governance.

1.2 The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due.

2. ALTERNATIVE OPTIONS

2.1 This report serves as a monitoring tool for funding level as well as acting as a risk management tool.

3. DETAILS OF REPORT

17 June 2020 funding and risk

3.1 The funding update is provided to illustrate the estimated development of the funding position from 31 March 2019 to 17 June 2020. At the last formal valuation, the Fund assets were £1,552m and the liabilities were £1,525m. This represented a surplus of £27m and equated to a funding level of 102%. At 17 June 2020 the actuary estimated that the funding level is unchanged at 102% as detailed in the table below.

June 2020 funding and risk report

HEADLINE

17 June 2020	Ongoing Funding (£m)
Assets	1,789
Liabilities	1,752
Surplus/(deficit)	37
Funding level	102%

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	27
Contributions (less benefits accruing)	(8)
Interest on surplus/(deficit)	(0)
Excess return on assets	219
Change in inflation & expected future investment return	(201)
Surplus/(deficit) as at 17/06/2020	37

3.2 The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the reported assumptions for the last actuarial valuation at 31 March 2019. The financial assumptions have been updated to reflect changes in market conditions. The calculations contain approximations and the accuracy of this type of funding declines with time from the valuation. There has been extreme volatility in investment markets in response to COVID-19 global pandemic. This may impact both asset and liability valuations, but in particular the estimate of future investment returns. Estimated investment returns of c10.6% over the period since the valuation have been higher than expected. However, the outlook for future investment returns over the next 20 years on the Fund's portfolio of assets has fallen (from 4% to 3%), increasing the value placed on liabilities. A full breakdown of the impact of these changes on the funding surplus/deficit is included in the table below.

	31 March 2019	17 June 2020
Market yields (p.a.)		
Fixed interest gilts	1.49%	0.51%
Index-linked gilts	-1.81%	-2.37%
Implied inflation	3.36%	2.95%
AA corporate bond yield	2.36%	1.40%
Price Index		
FTSE All Share	3,978	3,465
FTSE 100	7,279	6,253
Expected future investment return (p.a.)		
20yr annualised return on Fund's asset portfolio*	4.0%	3.0%

*There is at least a 70% likelihood of the Fund's investments achieving a return of at least 3.0% p.a. over the next 20 years.

*There was some extreme volatility in investment markets around the date of 31 March 2020, which may impact the likelihood estimates of expected future investment returns in this report.

COVID-19 and funding risks

3.3 COVID-19 has led to a worldwide increase in deaths and a significant shock to the global economy with large movements and increased volatility in stock market values and financial difficulties for some employers.

Whilst the short-term impact on the number of deaths and the economy is significant, it is unclear at this stage what will be the medium- and longer-term impact to be considered for example:

- The impact of recent market movements on the funding level since the 2019 actuarial valuation
- Impact of economic lockdown on employer covenant and risks
- The impact of higher death rates.

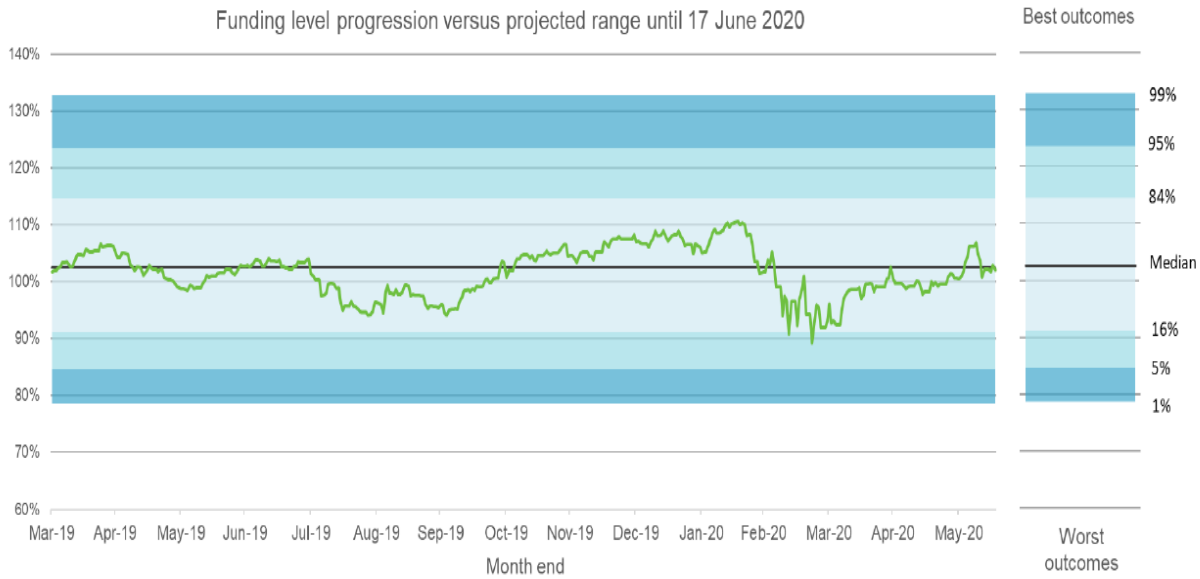
The focus of the funding strategy is to take a long-term view and ensure the circumstances of each employer in the Fund is taken into account.

Market movement impact

3.4 The chart below shows that at 26 June, the funding level remains within the 'corridor' of outcomes predicted by the actuary in the 2019 valuation. For the majority of the period of COVID-19 volatility, the funding level remained within the band consisting of two thirds of the outcomes (with a very short period when the level fell to having just lower than a 1 in 6 chance of occurring).

Employer covenant and risks

3.5 Many businesses and institutions in all sectors have been affected significantly by COVID-19. The impact will vary by sector and by source of funding. The main funding risks posed to the Fund by its participating employers are the inability to make contributions when thy fall due and or insolvency resulting in an employer ceasing in the Fund whilst a deficit exists, and that deficit therefore passing to remaining employers to Fund.



Employers in the Fund

3.6 Majority of employers in the Tower Hamlets Fund are public sector bodies, such as the council and academies where the covenant is strong and backed by statute or the Department of Education (DFE). These kinds of employers are unlikely to pose an insolvency risk to the Fund. Similarly, they are likely to make contributions when they fall due although some may face cash flow challenges.

Other employers like contractors tend to only participate in the Fund for a number of years depending on their contract duration. Most are closed to new entrants. Charities and other third sector employers may be the group most impacted although some may have reserves to call upon. Employers like leisure centres will be badly hit by lockdown although ceding council support may be available.

Future monitoring position of employers

3.7 The Fund will monitor the position of all employers, most importantly employers who are expected to cease in the near future and those whose revenue has been hard hit by COVID-19.

4. <u>RISK MITIGATION MEASURES</u>

4.1 The Fund will apply the following measures to mitigate risks outlines above.

- Market movements – monitor funding level, outlook for the long-term economy and asset returns on a regular basis, avoid revisiting contribution rates for long term employers and avoid reworking the 2019 valuation results.

- Employer covenant and risks – the policy for contribution deferral policy, ensure contracts, bonds and guarantees are in place and up to date. Seek to understand impact of covenant through sector analysis or direct engagement with employers, review funding position for employers likely to cease before 2023.

- Higher death rates - the Fund will ensure liquidity availability to pay increased death benefit payments. The Committee is asked to agree to £20m cash from Equity Protection for operational cash use. Communicate possibility of death in service strain to small employers

- Continue to monitor scheme longevity via Club Vita.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

5.1 The performance of the Pension Fund's investments affects the required level of contributions due from employers.

5.2 The employers' contribution rate for the London Borough of Tower Hamlets remains at 19.9% as a result of the 2019 triennial review. The Council will continue to pay this rate for the next three years up until 31 March 2023. The next valuation exercise will occur in March 2022 with the results taking effect from 1 April 2023.

6. LEGAL COMMENTS

6.1 The Constitution delegates to the Pensions Committee the function of setting the overall strategic objectives for the Pension Fund.

6.2 Regulation 58 of the Local Government Pension Scheme Regulations 2013 requires the Council as an administering authority to publish and maintain a funding strategy statement.

6.3 When preparing, maintaining or publishing the funding strategy statement, the Council is required to make such revisions as it considers appropriate following material change to the policy set out in the statement; any revisions must be made following consultation with such persons as the Authority considers appropriate.

7. ONE TOWER HAMLETS CONSIDERATIONS

7.1 The London Borough of Tower Hamlets Pension Fund represents an asset to the Council in terms of its ability for attracting and retaining staff who deliver services to residents. The adoption of a Work Plan should lead to more effective management of the Fund.

7.2 A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.

8. BEST VALUE (BV) IMPLICATIONS

8.1 The preparation and production of a Funding Strategy Statement ought to result in a more efficient process of managing the Pension Fund.

8.2 Without sound financial management of the Pension Fund, the Council and other employers in the Pension Fund could see increased volatility in their contribution rates and increases in the cost of providing for the benefits of scheme members.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

9.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

10. RISK MANAGEMENT IMPLICATIONS

10.1 All material, financial and business issues and possibility of risks have been considered and addressed within the report and its appendices, and that the actuarial report and funding strategy statement will provide the Pension Fund with a solid framework in which to achieve a full funding status over the long term.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

11.1 There are no any crime and disorder reduction implications arising from this report.

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 - NONE

Officer contact details for documents:

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Non-Executive Report of the: **Pensions Committee** 27 July 2020	TOWER HAMLETS
Report of: Corporate Director, Resources	**Classification:** Open (Unrestricted)
Pensions Administration and LGPS Quarterly update - June 2020	

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 update on key LGPS issues and initiatives which impact the Fund.

Recommendations:

The Pensions Board is recommended to:

1. Note the report contents

1. REASONS FOR THE DECISIONS

1.1 The report asks the Board to note the content of this report which covers the activities relating to Pensions administration over the last quarter.

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options to this report

3. ADMINISTRATION

3.1 Scheme Membership at 30 June 2020

3.1.1 A core part of the role 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.

Membership Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,120	7,908	133	6,698	1,653
% of Membership	30.67	33.34	0.56	28.33	6.99
Change from last quarter	+132	+63	-41	+38	+43

Membership Category	At 31/3/20	+/- Change (%)	At 30/6/20
Active	7,120	+132	7,252
Deferred	7,845	+63	7,908
Pensioner (incl spouse & dependant members)	6,660	+38	6,698
Undecided	174	-41	133
Frozen	1,610	+43	1,653
Total	**23,409**	**23,644**	**235**

3.2 Employers with active members at 30 June 2020.

Scheduled Bodies	Admitted Bodies
London Borough of Tower Hamlets	Attwood Academy (Ian Mikardo School)
Agilisys Limited	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
Swan Housing Association	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
Tower Hamlets Community Housing Limited	Sir William Burrough
Vibrance (formerly Redbridge Community Housing Limited)	St. Pauls Way Community School
Wettons Cleaning Limited	Tower Hamlets Homes Limited
Mediquip	Tower Trust (Clara Grant and Stepney Green Schools)
	Wapping High School

3.3 Tasks completed and outstanding at 30 June 2020.

Task type	Tasks Outstanding at end of March 2020	New Tasks	Tasks Closed	Tasks Outstanding at End June 2020
Transfer in quotes	45	48	69	24
Transfer Out quotes	29	34	51	12
Employee estimates	44	64	92	16
Retirement quotes	30	72	90	12
Preserved benefits	75	92	139	28
Opt out	36	63	93	6
Refund Calculations	67	110	167	10
Refund Payments	5	98	97	6
Death in payment or in service	53	109	157	5
Actual Transfers In	19	16	18	17
Actual Transfers Out	19	19	23	15
Others	169	372	469	72
Starters	80	534	614	0
Leavers	150	230	334	46
Total Case	**821**	**1861**	**2413**	**269**

Alongside the above cases, the team also handles phone calls and emails from members received via the Pensions Inbox.

4. EMPLOYER UPDATES

4.1 During the quarter, the Council signed an updated management agreement with Tower Hamlets Homes (THH). Tower Hamlets Homes is wholly owned by the council and is a scheduled body in the scheme. The Council agrees to continue paying the Management Fee in expectation that THH is able to construct its expenditure plans to fully cover the costs arising from pension liabilities; specifically, there is no exceptional guarantee provided by the Council for this liability.

Should THH be wound up, or the management agreement terminated, the Council recognises that the majority of staff will TUPE back to LBTH along with any pension surplus or deficit. On dissolution of the Company any assets are vested in the HRA, therefore the Council will not take any action against the Company or its directors in respect of any deficit on the pension fund at the point of transfer. However the Council does expect any surplus to be returned to the HRA along with any other assets

5. COVID -19 RESPONSE

5.1 Consistent with the guidance provided by the Government, most members of the team are working remotely with a few choosing to come to the office for convenience.
External post is only sent where necessary and where necessary the sorting of post has been on a voluntary basis for a single officer to attend to sort, scan and post such items.
A letter was issued to all scheme employers and information to issue to their employees. This document was made available to on the Council's website.

6. LGPS UPDATES

Valuation

6.1 Following completion of the 2019 triennial valuation exercise, a Rates and Adjustments Certificate was issued by the Fund actuary, Hymans Robertson. The certificate confirms the revised employer contributions due for the period April 2020 to March 2023 and has been issued to all scheme employees.

6.2 **End of Year/ Annual Returns**

Scheme employers are required to submit their 2019/20 annual return. This is the first stage in allowing the team to produce the Annual Benefit Statements which must be made available to all active and deferred members no later than 31 August 2020. At the time of writing this report, the Annual Benefit Statement for deferred number was nearing print stage.

6.3 **Annual Pension Increase**

The annual pension increase of 1.7% on pension entitlements of both pensioner and deferred members, was successfully applied with effect from 6 April 2020 (prorate where appropriate).

6.4 **Preparing for McCloud**

On March 25 202, the Minister of State made a statement regarding the progress in responding to the McCloud ruling. The statement confirmed that no qualifying scheme member will need to make a claim for the McCloud remedy to apply to them. The LGPS has only one CARE scheme with a final salary underpin for protected members and so no claim would be required unlike other Public Service Pensions like Teachers, Police and Fire.

It is still expected that the consultation on the McCloud remedy will be issued before Parliament's summer recess (21 July).

To facilitate successful delivery, the Fund will need to commence preliminary work to ensure successful processing implementation of McCloud i.e. identification of affected members, understanding the underpin, processing of arrears and interest as well as adjusting of records of affected members once final legislation is received.

Preliminary work will include:

- Understanding of technical requirements
- Establish data which will be required and analyse membership in scope
- Engage with employers to ensure receipt of member data when required
- Identify scheme members who may be affected
- Establish delivery format
- Set up McCloud project plan and identify project team
- Identify stakeholders
- Member communication
- Identify workstream for McCloud
- Start planning early

6.5 **2020 Cost Cap Valuation Data Requirements**

The Government Actuary's Department (GAD) issued a letter to all English & Welsh administering authorities on 9 June 2020, the 2019 exercise served as GAD's dry run for the next cost cap valuation of the E&W LGPS (assessed as at 31 March 2020). LGPS funds will need to submit membership data to GAD in Autumn 2020 as part of this valuation.

6.6 **Corporate Insolvency & Governance Act 2020**

The Corporate Insolvency & Governance Act 2020 gained Royal Assent on 25 June 2020. The Act is intended to help companies that get into financial difficulty, by providing for a moratorium during which creditor activities will be restricted (amongst other measures). The changes have potential adverse implications for LGPS funds, including:

The changes highlight the importance of early and regular employer engagement and improved covenant information.

6.7 **Ongoing transfer concern during COVID-19 restrictions**

As current lock down eases but economic uncertainties remain a concern, the risk remains that individuals desperate for cash could make poor decisions or fall victim of a scam. While TPR acknowledge neither they nor funds can prevent an individual pursuing their right to a statutory transfer, they have updated their guidance on pension scams. The Fund has incorporated this and updated procedures on transferring pension rights.

6.8 **Supreme Court rules against the government in boycotts case**

The UK Supreme Court ruled a provision in the Secretary of State's 2016 guidance for LGPS, which stated that public pension schemes are prohibited from pursuing investment policies contrary to UK foreign or defence policy, is unlawful. This government-mandated restriction would in some cases prevent the LGPS from disinvesting on ethical grounds.

Changes to the Tapered Annual Allowance

6.9 In the Budget on 11 March, I was announced the tapered annual allowance will be amended such that it only applies to individuals with 'adjusted income' (broadly total taxable income from all sources plus the value of pension accrual) of over £240,000 (compared to the 2019/20 tax year where it applied to individuals with adjusted income over £150,000. The minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000, which will only impact people with an adjusted income in excess of £300,000.This means the tapered annual allowance is expected to affect fewer people than previously.
In addition, as set out in the current legislation, the Lifetime Allowance (LTA) increased to £1,073,000from 6 April 2020 (inline with the increase in CPI to September 2019 of 1.7%.

6. SCHEME UPDATES

6.1 Annual Benefit Statement (ABS) 2019/20

The ABS process is carried out annually and its purpose is to actively manage and monitor all employers associated with the Fund. The employers are required to submit their end of year pay information by the set deadline. This requirement to submit end of year pay information is not required for employers who submit payroll data via i-Connect. The ABS statement to all active and deferred members is required be produced by the regulatory deadline of August 31.

6.2 i-Connect

Although the Council is the pre-eminent employer within the Scheme, there are 34 employers in the scheme. The Fund commenced the use of i-Connect in April 2017. Majority of employers including the council continue to rely on pension fund staff to upload their monthly payroll data on the portal. A drive to get employers signed up and using the portal for data submission will commence in September.

7. EQUALITIES IMPLICATIONS

7.1 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.

8. COMMENTS OF THE CHIEF FINANCE OFFICER

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

9. COMMENTS OF LEGAL SERVICES

9.1 The Pensions Committee is required to consider pension matters and ensure that the Council meets its 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.

9.2 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

- NONE

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Non-Executive Report of the: **Pensions Committee** 27 July 2020	TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	**Classification:** Unrestricted
Report on 2020/21 Fund Liquidity and Cash Flow Forecast	

Originating Officer(s)	Miriam Adams, Pensions & Investments Manager
Wards affected	All wards

Summary

The London Borough of Tower Hamlets Pension Fund is open to new entrants however it is maturing fast.

This report is an update on the Pension Fund's projected cash flow forecast for 2020/21 to 2022/23. The Fund is projecting a £0.584m projected surplus on its income and expenditure at the end of the financial year without any cash draw down from investments. The Fund is expecting a projected cash short fall in 2021/22 and 2022/23, a request for cash draw down is presented. A request for estimated cash drawdown of £20m from Equity Protection proceeds is being requested in this paper. Significant cash flow short fall is estimated for 2021/22 and 2022/23. This is where the Fund expenditure exceeds the income from contributions.

Recommendations

The Pensions Committee is recommended to:

- Note the cash flow forecast from operational activities (Appendix A); and
- Agree to fund the projected 2021/22 and 2022/23 cash flow deficit from Equity Protection proceeds

1. REASONS FOR THE DECISION

1.1 The London Borough of Tower Hamlets Pension Fund is part of the wider Local Government Pension Scheme LGPS). The Scheme as with other LGPS schemes is funded and distinct from 'pay as you go' schemes which are unfunded.

1.2 The Fund receives contributions and investment income from current members, employers and fund assets which is used to pay benefits as they fall due. Consequently, one of the main objectives of the Fund is to ensure that sufficient funds are available to meet all benefits as they fall due for payment. However, this objective may be jeopardised if the Fund does not maintain sufficient liquidity. The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund.

2. ALTERNATIVE OPTION

2.1 The Fund is bound by legislation to ensure that members of the Fund receive benefits as they fall due under the Fund's terms. Although the Fund is free to determine how best to fund its liabilities as they fall due. It is expected to meet such obligations to its retired members.

3. DETAILS OF REPORT

3.1 it is difficult to be exact about the day at which the Fund will become cashflow negative given the potential impact of transfers in/out and payment of lumpsum amounts, both of which are very difficult to predict as they do not follow a set pattern. Nevertheless, based on actuals to date and, it is expected that the Fund will report a cash balance of £0.584m at 31 March 2020.

3.2 In the past, Fund has always been cash flow positive and therefore has always been able to meet all its liabilities without the need to sell any of its assets or recall dividends from its fund managers. However, in 2017/18 and 2018/19, the Fund utilised cash to part fund investments in the London CIV. In November the Fund reported estimated cash flow deficit of £12.243m. The Committee agreed to fund this by disinvesting £11m from LCIV Global equities and £2m from Schroders Real Estate fund. A sum of £13m was received from respective fund managers in December 2019. The closing cash position at 31 March 2020 was £3.033m.

3.3 The Funding Strategy Statement assumes that the Fund will mature at some point in the future, maturity has been reached a lot sooner than has been anticipated due to the cash outflow.

3.4 A further contributor to the cash flow position has been the reduction in payroll numbers, the Council's reduction in deficit funding from £15m to £13.65m and employer contribution rates 19.9% in 2020/21, 19.3% in 2021/22 and 18.8% in 2022/23. This affects the Fund in two ways: firstly the Fund loses income that it could otherwise have received as contributions from employees and who are active members of the Fund and also employer contributions to the Fund by the Council in relation to active members; secondly, some staff will be made redundant or retire both of which cases will mean immediate entitlements to cash lumps ums/retirement benefits, both of which will have the effect of impacting cash flow negatively.

3.5 The table below shows the membership over the last 4 years.

Membership Type	2016/17	2017/18	2018/19	2019/20	June 20
Actives	7,256	6,809	6,740	7,120	7,252
Deferred	7,842	7,817	7,744	7,845	7,980
Pensioners	5,870	6,333	6,465	6,660	6,698

3.6 The general belief is that LGPS funds have lot of assets, but don’t hold lots of cash. There good reasons for this – funds generally invest for the longer term and holding too much cash leads to lost opportunities on other assets that offer higher expected returns. Funds are therefore constantly trying to balance the need to hold enough cash to meet all benefit payments against the need to invest the need to invest in return seeking assets. LGPS funds also had very young age profile which meant income received from contributions far exceeded expenditure from benefit payments. Over the last decade LGPS funds are beginning to reach a mature age profile. Although 2018/19 figures released by the SAB showed that overall in England and Wales LGPS funds till remain cash flow positive.

3 OPTIONS TO IMPROVE FUND LIQUIDITY

3.1 As with all LGPS schemes, a key objective of the LBTH Pension Fund funding policy is to ensure that sufficient funds are available to meet all benefits as they fall due for payment. Given that the Fund is expected to be cash flow negative in 2021/22 and 2022/23, necessary measures are being put in place to ensure liquidity is maintained within the Fund and that the Fund can meet its obligations to scheme members.

3.2 The Committee is asked to agree to use £20m of the £48m proceeds of Equity Protection. Moreover, due to the impact of COVID-19 the payment of dividends has been temporarily stopped by most companies. This means that the Funding option for future years which the Committee agreed in November 2019 to utilise dividend from LCIV Global Equities fund is not a viable option currently available to investors.

4. INTERNAL CASH MANAGEMENT

4.1 Pension Fund cash balances held for operational activities is managed in accordance with the Council’s Treasury Management Strategy agreed by Full Council, which is delegated to the Corporate Director, Resources to manage on a day to day basis within the agreed parameters.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

5.1 Finance comments are included in the report.

6. LEGAL COMMENTS

6.1 The Council as administering authority of the pension fund must ensure that it complies with its statutory duties in relation to the proper management of the pension funds. It is necessary and appropriate for the Pensions Committee to receive information on the performance of the fund in relation to the fund liquidity as set out in this report.

7. ONE TOWER HAMLETS CONSIDERATIONS

7.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

8. BEST VALUE (BV) IMPLICATIONS

8.1 The Pension Fund accounts demonstrate the financial stewardship of the scheme members and employers' assets.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

9.1 There is no Sustainable Action for a Greener Environment implication arising from this report.

10. RISK MANAGEMENT IMPLICATIONS

10.1 Any form of investment inevitably involves a degree of risk.

10.2 To minimise risk, the Pensions Committee attempts to achieve a diversified portfolio. Diversification relates to asset classes and management styles.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

11.1 There are no crime and disorder reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report
- None

Appendices
- **Cash flow forecast 2020/21 (Appendix A)**

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

Officer contact details for documents:
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Appendix A

2020/21 Pension Fund Cash Flow Forecast

	2018/19 Actual £,000	2019/20 Draft £,000	2020/21 Forecast £,000	2021/22 Forecast £,000	2022/23 Forecast £,000
Contributions					
- from Employer	31,762	**35,170**	38,670	40,170	41,170
- from Employees	11,945	**11,156**	12,656	12,956	13,256
-Prepayment of Deficit Contributions	53	**53**	13,650	13,650	13,650
Transfer Values In	6,156	**8,589**	10,789	11,789	12,789
Other Income	1,816	**1,851**	1,900	2,100	2,100
Other	2,551	424	100	100	100
Sub - Total Income	**54,283**	**57,243**	**77,765**	**80,765**	**83,065**
Interest on internal cash	54	**0**	**0**	**0**	**0**
TOTAL INCOME	**54,337**	**57,243**	**77,765**	**80,765**	**83,065**
EXPENDITURE					
Benefits Payable	**(44,498)**	**(47,594)**	(50,594)	**(53,094)**	**(55,594)**
- Lump Sums: Retirement Allowances & Death Grants	(13,508)	**(13,229)**	(14,729)	(16,729)	(18,229)
Payments to and on account of leavers					
- Refunds of Contributions	(223)	**(756)**	(250)	(250)	(700)
- Transfer Values Out	(4,847)	**(7,061)**	(8,561)	(10,561)	(12,561)
Administrative and other expenses borne by the scheme					
- Administration and processing	(1,004)	**(1,152)**	(1,500)	(1,500)	(1,500)
- Administration - other					
Sub - Total Expenses	**(64,080)**	**(69,792)**	**(75,634)**	**(82,134)**	**(88,584)**
Investment management Expenses	**(407)**	**(3,930)**	**(4,080)**	**(4,230)**	**(4,380)**
Internal Cash used to finance new investment purchase	(10,000)				
Investment Redemption		**13,000**	**20,000**	**0**	
Other expenditure			**(500)**	**(500)**	**(500)**
TOTAL EXPENDITURE	(74,487)	(60,722)	(60,214)	(86,864)	(93,464)
NET CASH INFLOW/OUTFLOW	**(20,150)**	**(3,479)**	**17,551**	**(6,099)**	**(10,399)**
Opening Cash balance	512	6,512	3,033	**20,584**	**14,485**
Closing balance MMF	6,000	0	0	**0**	**0**
FORECAST CLOSING CASH POSITION	**6,512**	**3,033**	**20,584**	**14,485**	**4,086**

Actual Opening Bank Balance	2,483	512	3,033	**20,584**	**14,485**
Total Income per bank	141,555	78,388	97,765	80,765	83,065
Total Expenditure per bank	(143,526)	(75,866)	(80,214)	(86,864)	(93,464)
Actual Closing Bank Balance	512	3,033			
MMF	6,000	0	0	**0**	**0**
TOTAL CASH BALANCE	**6,512**	**3,033**	**20,584**	**14,485**	**4,086**

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PENSIONS COMMITTEE

Work Plan

2020/21
July 2020

Date of Meeting	Items	Title of Report / Presentation	Contact Officer
27 July 2020			
	1	Knowledge Assessment and training plan	Pensions & Investments Manager
	2	Quarterly Administrative Performance and LGPS Update Report	Pensions & Investments Manager
	3	Exit Credit Policy	Pensions & Investments Manager
	4	COVID-19 Contribution Deferral Policy	Pensions & Investments Manager
	5	Fund Liquidity and Cash Flow	Pensions & Investments Manager
	6	Actuarial Update – Funding update and COVID-19 funding risks	Pensions & Investments Manager
	7	Equity Protection	Pensions & Investments Manager
	8	Sustainable Equity Review	Pensions & Investments Manager
	9	Work Plan	Pensions & Investments Manager
22 September 2020			
	1	Member Training	Pensions & Investments Manager
	2	Voting and Engagement Update	Pensions & Investments Manager
	3	Quarterly Administrative Performance and LGPS Update Report	Pensions & Investments Manager
	4	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Pensions & Investments Manager
	5	LCIV Update and Development	Pensions & Investments Manager
	6	Quarterly Funding Update	Pensions & Investments Manager

	7	Carbon Footprint Audit	Pensions & Investments Manager
	8	Review of Pension Administration Policies	Pensions & Investments Manager
	9	Review of Fund Manager Internal Controls (SAS70)	Pensions & Investments Manager
	10	Review of Additional Voluntary Contribution Providers	Pensions & Investments Manager
	11	Update on Equity Protection	Pensions & Investments Manager
	12	Pension Fund Contracts Review	Pensions & Investments Manager
19 November 2020			
	1	Member Training	Pensions & Investments Manager
	2	Pension Fund Accounts and Annual Report	Pensions & Investments Manager
	3	Review of TRP Compliance Checklist	Pensions & Investments Manager
	4	Review of Pension Fund Administration Policies	Pensions & Investments Manager
	5	Risk Register Review	Pensions & Investments Manager
	6	Review of Governance Compliance	Pensions & Investments Manager
	7	Equity Protection Update	Pensions & Investments Manager
	8	Voting and Engagement Update	Pensions & Investments Manager
	9	Quarterly Administrative Performance and LGPS Update Report	Pensions & Investments Manager
	10	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Pensions & Investments Manager
	11	LCIV Update and Development	Pensions & Investments Manager

	12	GMP Progress Report	Pensions & Investments Manager
	13	Quarterly Funding Update	Pensions & Investments Manager
18 March 2021			
	1	Member Training	Pensions & Investments Manager
	2	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Pensions & Investments Manager
	3	Quarterly Administrative Update and Key Performance Indicators Report	Pensions & Investments Manager
	4	Report on Fund Managers performance and costs	Pensions & Investments Manager
	5	Review of Communications Policy Statement	Pensions & Investments Manager
	6	Review of custody services, actuarial and investment service	Pensions & Investments Manager
	7	Report on Corporate Governance, Stewardship, Engagement & Share Voting	Pensions & Investments Manager
	8	Pension Fund Audit Plan	Pensions & Investments Manager
	9	Review of Pensions Administration Policy	Pensions & Investments Manager
	10	Fund liquidity and Cash Flow 2021/22	Pensions & Investments Manager
	11	GMP Progress Report	Pensions & Investments Manager

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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