

**Tower Hamlets Council
Local Government Pension Scheme**

PENSION BOARD

**Tuesday, 21 July 2020 at 10.30 a.m.
Online 'Virtual' Meeting - <https://towerhamlets.public-i.tv/core/portal/home>**

This meeting is open to the public to view.

Members:

Chair: John Jones
John Gray, (Admitted Bodies Representative for Active Fund Members)
Steve Hill, (Representing Pensions Fund Employers)
Councillor Asma Islam, Mile End Ward
Annette McKenna, (Representing Admitted Bodies Employers)
Nneka Oroge, Active Fund Members' Representative
David Stephen Thompson, (Representing Retired/Deferred Pension Fund Members)

Substitutes:

Roger Jones, (Representing Pensions Fund Employers)

Quorum

A meeting is only quorate when at least one person of each member and employer representatives are present including an independent chair or 50% of both member and employer representatives are present.

Contact for further enquiries:

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Scan this code
to your mobile
phone to view
Committee
website.



1. **APOLOGIES**
2. **DECLARATIONS OF INTERESTS** (Pages 5 - 6)
3. **UNRESTRICTED MINUTES** (Pages 7 - 12)

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Board held on 16th March, 2020.

4. **REPORTS FOR CONSIDERATION**

Special circumstances justifying urgent consideration

The following reports 4.1;4.2;4.3;4.4;4.5;4.6; and 5.1 were not available for publication by the statutory publication deadlines because additional information was required. They are presented for consideration at this meeting as it is not possible to defer until the next meeting. It should also be noted that the report titles were made available as part of the original meeting agenda.

- 4 .1 **Update Report** (Pages 13 - 20)
- 4 .2 **2019/20 Pension Fund Accounts Audit Plan** (Pages 21 - 40)
- 4 .3 **Review of Risk Register** (Pages 41 - 48)
- 4 .4 **Pension Fund Cash Flow Forecast 2020/21** (Pages 49 - 54)
- 4 .5 **Pensions Board Work Plan 2020/21** (Pages 55 - 80)
- 4 .6 **Knowledge Assessment Results and Training Plan for Pensions Committee and Pension Board Members** (Pages 81 - 106)

5. **EXCLUSION OF THE PRESS AND PUBLIC**

In view of the contents of the remaining items on the agenda the Board 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/CONFIDENTIAL 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 return these to the Committee Officer.

- 5 .1 **Pension Fund Remediation Plan** (Pages 107 - 152)
- 5 .2 **Restricted Minutes** (Pages 153 - 158)

To confirm as a correct record of the proceedings the restricted minutes of the meeting of the Pensions Board held on 16th March, 2020.

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Agenda Item 2

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 PENSION BOARD

HELD AT 10.00 A.M. ON MONDAY, 16 MARCH 2020

**ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

John Jones (Chair)	(Independent Chair)
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Steve Hill (Member)	(Head of Benefits Services, Resources)
David Stephen Thompson (Member)	

Officers Present:

Paul Rock	– (Head of Internal Audit, Anti-Fraud and Risk)
Neville Murton	– Corporate Director of Resources
Miriam Adams	– Interim Pensions and Investment Manager
David Knight	– (Senior Democratic Services Officer)
Farhana Zia	– Senior Committee Officer

1. APOLOGIES

Apologies for absence were received from Councillor Kyrsten Perry, Nneka Oroge and Annette McKenna.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

There were no declarations of disclosable pecuniary interests.

3. UNRESTRICTED MINUTES

The unrestricted minutes of the meeting held on the 25th November 2019 were agreed and approved as a correct record save for the minute be amended at the top of Page 12; to state a joint meeting of the Pensions Board and Pensions Committee was requested in relation to the Pensions Administration item and the self-reporting to the Pensions Regulator.

It was requested that the draft minutes be circulated to all Board Members prior to the next meeting.

4. TERMS OF REFERENCE

The Chair clarified the terms of reference for the Board had been approved at the inaugural meeting of the Board and a copy was attached with Item 9, Appendix 1.

5. SUBMISSIONS FROM FUND MEMBERS

No submissions were received at the meeting from Fund Managers.

6. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

The Chair stated a written report conveying the views of the Board Members would be submitted to the Pensions Committee.

7. REPORTS FOR CONSIDERATION

7.1 2020/21 Pension Fund Risk Register

Ms Miriam Adams, Interim Pensions and Investment Manager introduced the report stating the Risk Management policy and risk register for the Pension fund needs to be annually reviewed by the Pension Committee, with the Board having responsibility to review the risk register on a quarterly basis.

Ms Adams stated AON an independent financial services company had been hired to review the risk management policy and risk register and to identify any further risks to the pension fund.

She said the key areas the policy covered were governance, investment, policy and administration. Ms Adams referred Board Members to the summary risk register at pages 31 to 33. She said the old risk register had been combined with the new register.

In answer to questions from Board Members the following was noted:

- The register at pages 31 -33 is the new risk register. This is the summary Members of the Board will receive in future.
- **ACTION:** There are 7 to 8 risks in each category. The risk register needs to be organised showing a separation of risks rated red, amber and green. The red and amber risks should be shown at the top of the register and the date the action is completed needs to be stated, rather than the date of review of the risk.
- The Vice-Chair, Mr John Gray stated he was not confident the green risks were actually green and said he'd like some assurance which demonstrated the risk had been dealt with.
- The Chair, Mr John Johns noted every action as assigned to Miriam Adams and asked how this can be delivered. He said he welcomed the

new framework and agreed the Board needed to focus on the red and amber risks whilst not losing sight of the greens.

- Ms Adams confirmed the template at pages 28 and 29 of the agenda was the council-wide framework, which she had adapted for the Pensions Fund risk register. She said the values shown could be increased to show higher amounts, if that was required.
- With respect to the independent monitoring of the policy and its objectives, referred to on page 30, the Chair queried what the likely timing for this was to be and if it over-shadowed the Internal Audit review which was to be undertaken. Ms Adams stated it would not impinge on the Internal Audit review of the Pensions Fund.
- **ACTION:** The Chair, requested to see the terms of reference for the Independent Governance Review referred to at page 30.

The Board **RESOLVED** to:

1. Note and review the contents of the Risk Management Policy;
2. Note and review the contents of the revised Risk Register including new risks introduced;
3. Recommend that the Pensions Committee adopt and approve the Revised Risk Management Policy and its objectives; and
4. Recommend that the Pensions Committee adopt the revised Risk Register.

7.2 Pension Fund Administration Strategy

Ms Miriam Adams, interim Pensions and Investments Manager stated the revised Pensions Administration Strategy (PAS) was a service level agreement between the administering authority and the scheme employers. She said it was considered good practice to review the strategy, which she hoped to do with the Employers Forum on the 17th March 2020.

In answer to questions from Board Members the following was noted:

- The strategy was ambitious and clearly set out the direction of travel the Pension Fund should be taking, however there was some concern how this was to be achieved given the current issues with resourcing within the Pensions Team.
- Ms Adams confirmed there would be a consultation process with Employers and the Pensions Committee would be informed of the responses received.

The Board **RESOLVED** to:

1. Note the contents of the revised Pensions Administration Strategy;
2. Note the target the Fund aims to achieve once remediation is fully implemented;

3. Recommend that the Pensions Committee approve the revised Pensions Administration Strategy, subject to consultation with stakeholders;
4. Recommend that the Pensions Committee approve the proposed administration objectives set out in 3.4 below; and
5. Recommend that the Pensions Committee approve that the Pensions Administration Strategy is published as required by the LGPS Regulations.

7.3 Pension Fund Conflict of Interest Policy

Ms Miriam Adams, Interim Pension and Investments Manager introduced the report stating the Pensions Fund Conflict of Interest was a requirement of the Public Services Pensions Act 2013 and as such the Pensions Board and Committee were being asked to approve the policy.

Board Members welcomed the Policy and were told the Monitoring Officer reviewed Member conflicts of interest, although the policy applies to both members and officers alike.

The Board **RESOLVED** to:

1. Note the contents of the report;
2. Note the objectives of the Conflict of Interest Policy (Appendix A of the report)
3. Note that key advisers of the Fund were asked to provide copies of their policies dealing with Conflict of Interest;
4. Note that it is the responsibility of each individual covered by this policy to identify any potential instances where their personal, financial, business or other interests might come in conflict with their pension fund duties.

7.4 Pension Fund Breaches Policy

Ms Miriam Adams, Interim Pensions and Investment Manager introduced the report stating the policy outlined how breaches of the law should be reported and recorded. The policy covered a wide variety of tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investments or investment-related decisions. She said the emphasis was on self-reporting to the Pensions Regulator as per section 70 of the Pensions Act 2004.

Members of the Board welcomed the policy and said it was comprehensive and straightforward to understand.

- **ACTION:** Members of the Board requested they receive quarterly updates on the number of breaches reported.

The Board **RESOVLED** to:


1. Note the contents of the report;

2. Reviewed the Policy for reporting breaches of the law;
3. Noted the recommendation to delegate the responsibility for implementation of the policy to the S151 Officer; and
4. Recommend to the Pensions Committee to approve the policy appended at appendix A.

The meeting ended at 12.05 p.m.

Chair, John Jones
Pension Board

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Non-Executive Report of the: Pensions Board 21 July 2020	
Report of: Corporate Director, Resources	Classification: Open (Unrestricted)
Pensions Administration Quarterly update - June 2020	

Originating Officer(s)	Miriam Adams
Wards affected	All Wards

Executive Summary

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

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. COVID -19 RESPONSE

4.1 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.

5. LGPS UPDATES

Valuation

5.1 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.

5.2 **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.

5.3 **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).

5.4 **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

5.5 **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.

5.6 **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.

5.7 **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.

5.8 **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.

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.
- 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

Officer contact details for documents:

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Non-Executive Report of the: Pensions Board 21 July 2020	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	Classification: Unrestricted
2019/20 Pension Fund Accounts Audit Plan	

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

SUMMARY

Deloitte are the Council’s appointed external auditors. This report details their proposed audit scope for the Tower Hamlets Pension Fund for the year ending 31 March 2020, attached as Appendix A to this report. Each year the external auditor prepares an Audit Plan for the work they are required to undertake by the Code of Audit Practice. The Audit Plan for 2019/20 has been prepared by Deloitte LLP, the plan includes work to provide an audit opinion on the financial statements of the Pension Fund and the income and expenditure for 2019/20. The Pensions Committee considered the Pension Fund Audit Plan during their meeting of 18 June.

RECOMMENDATIONS

The Board is recommended to:

- Note the Audit Planning report from Deloitte that relates to the Tower Hamlets Pension Fund accounts as set out in Appendix A.

1. REASONS FOR THE DECISION

- 1.1 The purpose of the audit planning report is to set out to the Board the key consideration of planning for this year’s audit with a view to ensuring that the year-end activities can be managed smoothly.
- 1.2 The responsibilities of the auditors are set out in Appendix A of this report. The auditors are asked to treat the Local Government Pension Scheme as a stand-alone body, with separate plan and report to those charged with governance.

2. DETAILS OF REPORT

- 2.1 The audit plan sets out the approach the auditors will take, key issues, staffing, time scales and fees. The plan for 2019/20 has been prepared by Deloitte and includes work to provide an audit opinion on the financial statements of the Pension Fund and of the income and expenditure for 2019/20.
- 2.2 Officers will provide the auditors with all necessary information during the audit. Deloitte will then report back to those charged with governance.
- 2.3 The work programme and scale of fees for 2019/20 were published by the Public Sector Audit Appointments (PSAA).

Details of indicative fees are provided on page 15 of the Pension Fund Audit Plan. The proposed fees are £21,000 for the audit of the Pension Fund. The PSAA has published a scale of fees for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the National Audit Office (NAO) Code.

3. COMMENTS OF THE CHIEF FINANCE OFFICER

- 3.1 The audit fee payable is £21,000. The fees are set centrally by Public Sector Audit Appointments Ltd.

4. LEGAL COMMENTS

- 4.1 Part of the Council's duty as administering authority for the Tower Hamlets Pension Fund is to ensure that the annual accounts are properly audited and the audit plan sets out how and when the audit will be carried out.
- 4.2 By virtue of section 20 of the Local Audit and Accountability Act 2014 ("the Act"), the auditor must be satisfied that the accounts comply with the requirements of the enactments that apply to them, proper practices have been observed in the preparation of the statement of accounts, the statement of accounts presents a true and fair view and that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. ONE TOWER HAMLETS CONSIDERATIONS

- 5.1 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.

6. BEST VALUE (BV) IMPLICATIONS

- 6.1 The Pension Fund accounts external audit plan sets out the work to be carried out by Deloitte.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

8. RISK MANAGEMENT IMPLICATIONS

8.1 There is no direct risk management impact arising from this report. Deloitte will consider a number of factors when deciding on significant audit risks, such as audit planning procedures, risks previously reported and critical estimates.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

Appendix A – Tower Hamlets Pension Fund Accounts Audit Plan 2019/20

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

Officer contact details for documents:

Miriam Adams, Interim Pensions & Investments Manager

Tel: 0207 3644248

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

Document is Restricted

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Non-Executive Report of the: PENSIONS BOARD July 2020		 TOWER HAMLET
Report of Neville Murton, Corporate Director, Resources	Classification: unrestricted	
Quarterly Review of Risk Register		

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

Introduction

The Board reviewed the new Risk Register in March 2020. This report updates the Board on changes to the Fund’s Risk Register (see Appendix).

Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the London Borough of Tower Hamlets Pension Fund (“the Fund”). A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

RECOMMENDATIONS

The Pensions Board is recommended to:

- Note and comment on the Pension Fund Risk Register;
- note the additional risks introduced during the quarter; and
- Note amendments to existing risks

1. REASONS FOR THE DECISION

1.1 A reconfiguration and review of the Risk Register took place in January 2020 to make it a more dynamic document. Risks were re-categorised and changed. Members of the Board requested that broad sections of the Risk Register is presented to the Board on a quarterly basis. Under the reconfigured Risk Register

the identification of risks will be more evidence based and presented to Board quarterly.

1.2 Tower Hamlets Council, as the Fund’s administering authority recognise that effective risk management is an essential part of good governance in the Local Government Pension Scheme (LGPS).

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative option to the Risk Register. Not setting a policy in respect of risk management for the Pension Fund potentially exposes the Fund and the Council to action by The Pensions Regulator.
- 2.2 The aim of the Risk Register is to ensure that the Pensions Committee and the Pensions Board (and other stakeholders) can easily see the risks that the Fund is exposed to, the likelihood and possible impact of these risks, what action is being taken to manage / mitigate them, and how these risks are moving over time.

3. DETAILS OF REPORT

- 3.1 The risk register is a tool used to effectively identify, prioritise, manage and monitor risks associated with the Tower Hamlets Pension Fund. It assists the Fund by identifying managed and unmanaged risks, providing a systematic approach for managing risks, implementing effective and efficient control, identifying responsibilities, identifying risks at the planning stage and monitoring the risks helping the Fund to achieve its objectives.

- 3.2 Pensions Regulator Code of Practice 14 – Governance and administration of Public service pension scheme requires the scheme manager of a public Service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

The Regulator also recommends that the scheme manager should take a holistic view to risks and understands how they are connected. The full risk register (Appendix A) is made available to the Pension Committee and Pension Board each time they meet and its review is a standing item on both agenda. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

- 3.3 The global outbreak of COVID-19 impacting the stock markets worldwide, as well as uncertainty surrounding illiquid assets including property are new risks introduced in the risk register this quarter.
- 3.4 Volatility caused by uncertainty with regard to the UK's exit from the European Union, lack of trade deal and the economic after effect. There will be a transition period until the end of 2020, during which time the UK and EU will negotiate new arrangements from 2021 (investment risk). COVID-19 has placed additional uncertainty to this deadline being achieved.
- 3.5 The impact of COVID-19 on day to day functions of the Pensions

administration services include elimination of face to face customer contact, impact of delivery of cheques to overseas pensioners due to lock down and impact on submissions of Life Certificates due to restrictions in movements including postal restrictions.

4. REVISIONS TO THE RISK REGISTER

4.1 Three new risks FI 10 and AG9 were added to the register during the quarter in relation to covid-19. The onset of covid-19 placed significant pressures on both employers in the Fund and the Pension Administration Service. The scheme is now exposed to likelihood of Cyber Scams and Data Protection risks as staff migrate to remote working.

4.2 In line with the Pension Regulator notice issued on 2 April 2020 to Scheme Managers of Public Service Pension Schemes to carry out a risk assessment of their pension administration service in relation to covid-19. Officers carried out, completed and updated the council business continuity plan document. The Regulator's notice set out the order and priorities in which admin activities should be delivered during the pandemic:

- Paying members benefits
- Retirement processing
- Bereavement services, as well as any administrative functions require support these
- Any processes needed to ensure benefits are accurate

This includes the agreement of changes in operating procedures such as allowing electronic signatures and documents and encouraging other third-party providers to do the same. The legal validity of electronic signatures has been endorsed in recent statement from government. This meant the Fund was able to accept electronic signatures from its members.

4.3 The Chancellor, Rishi Sunak, in his March Statement, in his March Statement advised a suite of financial relief measures to alleviate economic duress arising from the global lockdown and the corresponding liquidity squeeze. It is clear, that despite attempts by the Government to prevent a permanent structural impact, the likelihood that some companies that existed prior to the lockdown will not exist after the lockdown due to the severity of the economic shock.

4.4 The LBTH Fund has yet to receive applications from employers advising they need to defer the payment of employer contributions to the Fund, noting that employee contributions are legally prohibited from deferral. The Fund is presenting a policy on the deferral of employer contributions in the July 2020 Pensions Committee meeting. Deferrals will be considered on a case by case basis.

4.5 2020/21 deficit funding cash payment of £13.65m received from the Council expected to help alleviate any cash flows which may result from employers deferring contributions. It should be noted that the scheme is in a much better position than larger LGPS Funds due to the Council being the main employer.

the scheme (85%).

Covid-19 may also impact the progress of the Data Improvement Programme and the Annual Benefit Statement exercise for 2019. Officers continue to work towards the statutory delivery date of 31 August 2020. At the time of writing this report, Annual Benefit Statements for deferred scheme members are in the process of print.

In summary, the Covid-19 Risk is a global risk affecting a number of risk indicators.

- 4.6 Governance risk G9 has been added to reflect the risk associated with the pension fund administration contract not being agreed and managed by pensions or or finance staff. Admin and Governance risk AG3 has been updated to reflect te lack of receipt of reports which agree to contributions paid and complete monthly correct payroll data.
- 4.7 Risk FI 11 has been included to ensure the Fund monitors the impact of cost of implementing McCloud judgement while AG8 monitors the inability to meet Guaranteed Minimum Pension (GMP) reconciliation deadlines.

5. COMMENTS OF THE CHIEF FINANCE OFFICER

- 5.1 There are no direct financial implications arising as a result of this report, other than that, by implementing new Risk Register, the Fund is trying to minimise the chance of financial reputational loss occurring.
- 5.2 There are clearly some risks which would be difficult to transfer or manage, such as the impact that increased longevity will have on the liabilities of the Pension Fund, but the understanding of such risks could well impact on other aspects of the decision-making process to lower risks elsewhere.

6. LEGAL COMMENTS

- 6.1 Section 249B of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed: -
 - (a) in accordance with the scheme rules
 - (b) in accordance with the requirements of the law
- 6.2 The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

7. ONE TOWER HAMLETS CONSIDERATIONS

7.1 Any costs associated with meeting the policy and related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to the Pension Fund.

8. BEST VALUE (BV) IMPLICATIONS

8.1 The costs of not adhering to either the legislation or indeed applying best practice could be significantly higher and pose risks to the financial management of the Pension Fund.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

10. RISK MANAGEMENT IMPLICATIONS

10.1 The Fund's Risk Register aims to include all risks faced by the Fund and detail how they are being managed. It should be considered in conjunction with the Fund's Risk Policy.

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

There are no linked reports to this agenda item

Appendices

Appendix – Risk Register

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

None

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Governance

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Date Not Met Target From	Expected Back on Target	Further Action and Owner	Risk Manager	Next review date
G1	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change, national reorganisation, cybercrime and asset pooling	Catastrophic	Possible		1 - Continued discussions at PC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to PC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Officers on London CIV Working Group 6 - Ongoing monitoring of cybercrime risk by Officers and PC	Major	Unlikely		31/03/2021	Mar 2021	1 - Regular ongoing monitoring to consider if any action is necessary around asset pooling, cost cap and McCloud judgement (MA) 2 - Identify further actions to manage Cybercrime risk (MA)	Pension and Investments Manager	30/09/2020
G3	Services are not being delivered to meet legal and policy objectives	Insufficient staff numbers (e.g. sickness, resignation, retirement, unable to recruit) - current issues include age profile, implementation of asset pools and local authority pay grades. Weak procurement process or failure to review existing contracts leads to poor value, sub-optimal providers. Pension Fund admin contract is managed by LBTH IT leading to the Fund paying for services which are not in place, contracts agreed to without legislative understanding and pensions experience	Major	Possible		1 - Business plan includes workforce matters 2 - Review of administration team structure 3 - Quarterly update reports consider resourcing matters 4 - Additional resources, such as outsourcing, considered as part of business plan 5 - Staff reviews implemented and most vacant positions now recruited to 6 - All procurement carried out in line with the Council's procurement rules and guidance 7 - Contracts reviewed annually (including market testing where applicable) to ensure Fund receives good value 8 - Pension Fund contracts should be agreed and managed by staff with pension fund experience and LGPS Framework used where available	Major	Rare		31/03/2021	Dec 2020	1 - Recruit to any vacant roles (MA) 2 - Ongoing consideration of succession planning (MA) 3 - Continue training of new and newly promoted staff (MA) 4. Complete team restructuring (MA) 5. Liaise with LBTH IT on Heywood contract	Pension and Investments Manager	30/06/2020
G4	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	Moderate	Possible		1- Range of policies in place and all reviewed regularly (work in progress) 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored 6 - PC has approved a mission statement which summarises the overarching objectives of the Fund	Insignificant	Rare		30/06/2021	Mar 2021	1 - Ensure objectives agreed for each policy (MA) 2- Ensure all policies are finalised, approved and regularly reviewed (MA) 3 - Resolution on pensions admin contract (MA)	Pension and Investments Manager	30/06/2020
G5	Inappropriate or no decisions are made	Governance (particularly at PC) is poor including due to: - turnover of PC members - lack of knowledge and appropriate skills at PC - failure to take appropriate advice - poor engagement /preparation / commitment - poor oversight / lack of officer skills & knowledge - PC members have undisclosed Conflicts of Interest - PC decision making process is too rigid	Major	Possible		1 - Renewed Officer focus on decision-making / governance including considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Training Policy, Plan and monitoring in place for PC and PB members. Training needs analysis undertaken annually 4 - Range of professional advisors covering Fund responsibilities guiding the PC, PB and officers in their responsibilities 5 - Induction training in place for new PC members covering CIPFA Knowledge and Skills requirements and TPR toolkit 6 - Training / improvement plans in place for all officers as part of the Council's performance appraisal programme 7 - Declaration of conflict of interest is standing item on agenda. PC members required to complete annual declaration of interest 8 - Process exists to allow urgent decisions outside of PC meetings	Minor	Unlikely		25/02/2020	Mar 2021	1 - Revise and update Conflicts of Interest Policy (MA)	Pension and Investments Manager	30/06/2020

G6	Losses or other detrimental impact on the Fund or its stakeholders	Risk is not identified and/or appropriately monitored (recognising that many risks can be identified but not managed to any degree of certainty)	Major	Unlikely		1 - Risk policy in place 2 - Risk register in place and key risks/movements considered quarterly and reported to PC meeting 3 - Attendance at regional / national forums to keep abreast of current issues and their potential impact on the Fund. 4 - Fundamental review of risk register annually 5 - TPR Code Compliance review completed annually 6 - Annual internal and external audit reviews 7 - Breaches procedure also assists in identifying key risks	Moderate	Unlikely		25/02/2020	Jun 2020	1 - Revise / update Risk Policy (MA) 2 - Revise / update Risk Register (MA) 3 - Ensure Annual Reviews of Risk Register / TPR Compliance (MA) 4 - Revise / update Breaches procedure (MA)	Pension and Investments Manager	30/06/2020	
G7	Legal requirements and/or guidance are not complied with, leading to financial loss and / or reputational damage - internal factors	Those tasked with managing the Fund are not appropriately trained or do not understand their responsibilities (including recording and reporting breaches), or there is a lack of access to appropriate legislation / guidance.	Major	Unlikely		1 - TPR Code Compliance review completed annually 2 - Annual internal and external audit reviews 3 - Breaches procedure also assists in identifying non-compliant areas 4 - Training policy in place (fundamental to understanding legal requirements) 5 - Use of nationally developed administration system 6 - Documented processes and procedures to ensure compliance 7 - Strategies and policies include statements or measures around legal requirements/guidance 8 - Wide range of expert advisers in place 9 - Officers maintain knowledge of legal framework for routine decisions. Council's legal team is involved in reviewing PC papers and other legal documents. 10 - Access to LGA material, use of specialist advisors, membership on national and regional forums and attending training. 11 - Collaborative working with other Funds to assess requirement and impact of new legislation.	Moderate	Rare		25/02/2020	Jun 2020	1 - Ensure Annual Reviews of Risk Register / TPR Compliance (MA) 2 - Revise / update Breaches procedure (MA)	Pension and Investments Manager	30/06/2020	
G8	Material misstatement of accounts and potentially a qualified audit opinion	Poor internal monitoring and reconciliation process leads to incorrect financing / assets recorded in the Statement of Accounts	Catastrophic	Unlikely		1 - Qualified Accountant produces accounts using most recent SORP, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications. Attendance at Pensions Officers Group Meetings 2 - Draft Statement of Accounts and working papers reviewed by the Investment & Treasury Manager and the Chief Accountant. 3 - Reconciliation undertaken between the book cost and market values to the custodians book of records received quarterly. Further reconciliation undertaken between the custodian and investment managers' records. 4 - A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained. Full reconciliation and interim accounts are prepared on a quarterly basis. 5 - All reconciliations are independently reviewed and signed off by a second officer. 6 - All adjustments (including unrealised profits) posted into the general ledger so that accounts can be reported created directly from AGGRESSO.	Catastrophic	Unlikely		25/02/2020	Jun 2020	1 - Consider controls and whether further actions are required (MA)	Pension and Investments Manager	30/06/2020	
NEW RISK															
G9	Pensions administration contract agreed and managed by non pensions and non finance staff	Several key risks on data. Services paid for which the Fund had not implemented. Lack of Pensions regulatory and legislative knowledge of staff agreeing contract	Moderate	Possible		1.) Raise concerns with appropriate LBTH IT staff and resolve	Moderate	Possible		01/04/2020	Dec-20	Contract management reassigned to pensions. Negotiate possibility of moving current contract to LGPS Framework terms and conditions	Pension and Investments Manager	30/09/2020	

Non-Executive Report of the: Pensions Board 21 July 2020	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director, Resources	Classification: Unrestricted
Report on 2020/21 Fund Cash Flow	

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

Summary

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, a request for cash draw down is presented . A request for estimated cash drawdown of £20m from Equity Protection proceeds is being presented at the July Pensions Committee meeting. 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)

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 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.

Although the Funding Strategy Statement has assumed 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. In 2019/20 the Fund received £13m from liquidation of its investments to meet operational cash flow obligations.

- 3.2 It is difficult to be exact about the day at which the Fund will become cash flow negative given the potential impact of transfers in/out and payment of lump sum amounts, both of which are very difficult to predict. Never the less based on actuals to date, it is expected that the Fund will be cash-flow negative by end of December.
- 3.3 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. 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.
- 3.4 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

- 3.5 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

- 3.3.1 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, 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.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 Finance comments are included in the report.

5. LEGAL COMMENTS

- 5.1 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 Board to receive information on the performance of the fund in relation to the fund liquidity as set out in this report.

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 other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

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

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 investment inevitably involves a degree of risk.
- 9.2 To minimise risk, the Pensions Committee attempts to achieve a diversified portfolio. Diversification relates to asset classes and management styles.

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

- **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	2019/20	2020/21	2021/22	2022/23
	Actual	Draft	Forecast	Forecast	Forecast
	£,000	£,000	£,000	£,000	£,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

Non-Executive Report of the: PENSIONS BOARD 22 July 2020	 TOWER HAMLETS
Report of: Neville Murton, Corporate Director Resources	Classification: Unrestricted
LBTH Pensions Board Work Plan 2020/21	

Originating Officer(s)	Miriam Adams Interim Pensions and Investments Manager
Wards affected	All

Summary

The key decision making for, and management of, the Fund has been delegated by the London Borough of Tower Hamlets (the Council) to a formal Pension Fund Committee, supported by officers of the Council and advisers to the Pension Fund. The Corporate Director, Resources is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters.

A local pension board has been in place since April 2015 to assist in:

- securing compliance of Fund matters; and
- ensuring the efficient and effective governance and administration of the Fund.

The work of the local pension board in assisting the Scheme Manager is broad and extensive, therefore the understanding what the remit for the Board is undoubtedly complex.

This report outlines the 2020/21 LBTH Pensions Board work plan.

Recommendations:

The Pension Board is asked to:

- a) note the contents of this report;
- b) note the pension board terms of reference attached as Appendix 1; and
- c) agree the 2020/21 work plan attached as Appendix 2 to this report.

1. REASONS FOR THE DECISIONS

- 1.1 The indicative work plan for the board has been put together to assist in the management of the Fund, so that the Council is able to perform its role as the administering authority in a structured way. The Work Plan is not intended to cover all aspects of Pension Fund administration; rather it is designed to assist with meeting part of its delegated function as administering authority to the Fund.

- 1.2 The Pensions Board's role is to assist the Administering Authority in ensuring compliance with the regulations. There are no immediate financial implications attached to this report, although it is recognised that the Pensions Board are able to ask for additional information or resourcing in order to help them to fulfil their role as the Pension Board.

2. ALTERNATIVE OPTIONS

- 2.1 The development and implementation of a work plan should ensure that a structured approach is in place for the monitoring and management of the Pension Fund. This should in turn ensure that the Council meets its statutory obligations as administering authority to the Fund. However, the Board is under no obligation to adopt a work plan in carrying out its duties.

3. DETAILS OF REPORT

- 3.1 In accordance with the Public Service Pensions Act 2013 (PSPA) all Board members are required to have knowledge and understanding of pension scheme matters at a level that will allow them to properly exercise the functions of their role.
- 3.2 Although it is early days in terms of the establishment of Pension Boards in the Local Government Pension Scheme (LGPS), there has clearly been a range of approaches to the way that Boards are established and the matters being considered by individual boards.
- 3.3 At the time the local Pension Boards were being established, the National Scheme Advisory Board issued a Q&A for Pension Boards that included a question on the role of the Board is and it is worth covering the response on this from the Scheme Advisory Board:

What is the role of a Local Pension Board?

- a) Regulation 106(1) specifies that each Administering Authority shall establish its own Local Pension Board with responsibility for assisting the Administering Authority to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS. In addition it must ensure the effective and efficient governance and administration of the LGPS.
- b) The Local Pension Board does not replace the Administering Authority as scheme manager or make decisions which are the responsibility of the Administering Authority in that role and have been properly delegated to a Pension Committee or officer. The role of the Board should be interpreted as covering all aspects of governance and administration of the LGPS including funding and investments.
- c) The remit of the Local Pension Board can be as wide or as narrow as is decided upon locally. However, it should be borne in mind that under

regulation 106(8) of the Regulations, the Local Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

- d) There are many areas of work which a Local Pension Board may be the most appropriate place for that work to take place, consider for example the requirements of the new code of practice no. 14 from the Pensions Regulator. The Local Pension Board could be tasked with reviewing whether the Administering Authority is compliant with the requirements of that code.

- 3.4 The following extract from Schedule A in the full guidance on the establishment and operation of local Pension Boards sets out an example of the remit of a Local Pension Board

SCHEDULE A

Remit of a Local Pension Board

Administering Authorities should remember that the Local Pension Board does not replace the Administering Authority or make decisions or carry out other duties which are the responsibility of the Administering Authority.

- 1) The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
 - a. Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
 - b. Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code of Practice.
 - c. Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
 - d. Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
 - e. Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
 - f. Monitor complaints and performance on the administration and governance of the scheme.

- g. Assist with the application of the Internal Dispute Resolution Process.
 - h. Review the complete and proper exercise of Pensions Ombudsman cases.
 - i. Review the implementation of revised policies and procedures following changes to the Scheme.
 - j. Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
 - k. Review the complete and proper exercise of employer and administering authority discretions.
 - l. Review the outcome of internal and external audit reports.
 - m. Review draft accounts and scheme annual report.
 - n. Review the compliance of particular cases, projects or process on request of the Committee.
 - o. Any other area within the core function (i.e. assisting the Administering Authority) the Board deems appropriate.
- 2) The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
- a. Assist with the development of improved customer services.
 - b. Monitor performance of administration, governance and investments against key performance targets and indicators.
 - c. Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
 - d. Monitor investment costs including custodian and transaction costs.
 - e. Monitor internal and external audit reports.
 - f. Review the risk register as it relates to the scheme manager function of the authority.
 - g. Assist with the development of improved management, administration and governance structures and policies.
 - h. Review the outcome of actuarial reporting and valuations.
 - i. Assist in the development and monitoring of process improvements on request of Committee.

- j. Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
 - k. Any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) the Board deems appropriate.
- 3.5 In support of its core functions the Local Pension Board may make a request for information to be presented to the Pensions Committee with regard to any aspect of the Administering Authority function. Any such request should be reasonably complied with in both scope and timing.
- 3.6 In support of its core functions the Local Pension Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Schedule A has been added as an example only - it should not be considered an exhaustive list and full consideration should be given locally to the remit of the Local Pension Board.

- 3.7 The Council has specific delegated functions that it has to fulfil as the administering authority to the Pension Fund. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its oversight and governance responsibilities to the Fund.
- 3.8 It is appropriate that the Board should set out how it intends to fulfil its roles and responsibilities. Adopting a planned approach should make monitoring easier for the Board and ensure that activities critical to the effective management of the Fund are being undertaken.
- 3.9 The Key Performance Indicators cover the following areas:
- a. Investment performance
 - b. Funding level
 - c. Death benefit administration
 - d. Retirement administration
 - e. Benefit statements
 - f. New Joiners
 - g. Transfers in and out
 - h. Employer and member satisfaction
 - i. Data quality
 - j. Contributions monitoring
 - k. Overall administration cost
 - l. Audit
- 3.10 In line with best practice, a schedule of Pension Fund key performance indicators (KPIs) covering investment and administration practices, will be provided at Pensions Board meetings.
- 3.11 An annual Work Plan will be presented to the Board for agreement. The Work Plan should be presented to the Pension Board by the last board meeting of the prior financial year to which the Work Plan applies.

3.12 WORK PLAN

In designing the work plan, the priorities of the Council as the administering authority of the Fund have been considered and incorporated into the Plan. The Work Plan has been developed using the below outline action plan.

ACTIVITY	PURPOSE
Administration & Governance	
Member training on specific and general issues	To provide training on specific issues based on identified need or emerging/ current issues. To provide ongoing training to members to enable them to challenge the advice received and equip them with the tools to enter into constructive dialogue with advisers.
Pensions Board to receive key performance indicators report on a quarterly basis.	To ensure scheme is run in accordance with agreed service standards; and compliance with regulations and to deal with and rectify any errors and complaints in a timely way.
Review the current pension administration strategy	To ensure scheme is run in accordance with the rules.
Review and refresh key policy documents; the Investment Strategy Statement, Funding Strategy Statement, Governance & Communications Policy Statement as necessary (i.e. where significant changes are made)	Seek pension committee approval and formally publish any updated documents where this is deemed appropriate.
Review on-line functionality of pensions specific website or microsite	To ensure pension specific website is running with agreed service standards with easy access for employers and members for operational usage. The site to include details on pension administration information & forms, pension investments. And to provide a platform for on-line training facilities.
Investment & Accounting	
Draft Pension Fund Annual Accounts approved by the Corporate Director Resources	To ensure that the Council meets the regulatory timetable and fulfils its stewardship role to the Fund.
Audited Pension Fund Annual Report to be published on or before the statutory deadline of 1 December	Ensure that the Council fulfils its statutory obligation and to keep members abreast of the Pension Fund activities in a transparent and accessible way.
Scrutinise and Review the Fund investment strategy	To ensure that the Fund's investment strategy is optimal. There are no current plans for a major investment strategy review over the financial year, although manager underperformance/ market developments may require a review of Strategy.
Review of (Actuarial, Investment Consultant and Independent Adviser and Custodian Services)	This may not lead to full re-tendering for these services, but reviews will be commissioned to ensure that the Fund is still receiving good

	value for its major services. All options will be considered in the review including joining existing framework contracts.
Training, review preparation and process of 2019, Triennial Valuation of Pension Fund Assets and Liabilities	The Fund is bound by legislation to undertake an actuarial valuation of its assets and liabilities to ensure that appropriate future contribution rates are set and that any Fund deficit is recovered over an appropriate period of time in line with the Fund's Strategy Statement. This report will present to Members the outcome of this exercise.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report details the pension board remit and draft work plan for 2019/20. There are no specific financial implications arising from this report and any costs associated with delivering the pension board workplan will be met by the pension fund.

5. LEGAL COMMENTS

- 5.1 Regulation 106(1) of the Local Government Pension Scheme Regulations 2013 provides for each Administering Authority to establish its own Local Pension Board with responsibility for assisting the Administering Authority to secure compliance with the Regulations, other legislation relating to the governance and administration of the LGPS and the requirements imposed by the Pensions Regulator in relation to the LGPS. The Board must also ensure the effective and efficient governance and administration of the LGPS.

- 5.2 To that end, it is necessary and appropriate for the Pensions Board to have a Work Plan that sets out in detail how it will fulfil its role and comply with its statutory duties. This Work Plan provides for Board members to be well trained and kept up to date and thus fit for purpose.

- 5.3 When making decisions regarding investment of pension funds, 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).

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 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 a more effective management of the Fund.

- 6.2 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.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 A work plan should result in a more efficient process of managing the Pension Fund.

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 The adoption of a work plan will minimise risks relating to the management of the Fund and should assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Tower Hamlets Pension Fund.

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 – LBTH Pension Board Terms of Reference
- Appendix 2 – Pensions Board Work Plan for 2020/21

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:

- Miriam Adams – Pensions & Investment Manager x4248
- Mulberry House, 5 Clove Crescent E14 2BG

LOCAL PENSION BOARD OF LONDON BOROUGH OF TOWER HAMLETS TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Local Pension Board of [LONDON BOROUGH OF TOWER HAMLETS] (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972 (i.e. the Pensions Committee at LBTH).
'the Fund'	means the Fund managed and administered by the Administering Authority.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist¹ the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
- (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members².

Establishment

The Board is established on [01 APRIL 2014] subsequent to approval by [FULL COUNCIL] on [26 NOVEMBER 2014]. (subject to the agreement of the Pensions Committee on 24 February 2015).

¹ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

² See paragraphs 7.9 to 7.11 of the Guidance for more information on a Code of Conduct for Boards.

8. As stated above, the Pensions Board is not explicitly bound by the rules governing Committees established under Section 101 of the Local Government Act 1972, however, for consistency and best practice, the Pensions Board will, where practicable and subject to specific rules set out in these Terms of Reference, operate in the same way as the Council's other Committees as set out in the Constitution. This includes:
- Rules 6 - 10, 17.3, 17.6 and 18 to 25 of the Council Procedure Rules (Part 4 – Rules of Procedures) relating to :
 - Notice and summons to meetings
 - Chair of meeting (except in relation to casting votes)
 - Quorum
 - Duration of meetings
 - Cancellation of meetings
 - Voting (certain rules)
 - Minutes
 - Petitions
 - Record of Attendance
 - Exclusion of the Public
 - Members' Conduct
 - Disturbance by Public
 - Suspension of Amendment of Council Procedure Rules
 - Access to Information Procedure Rules (Part 4.2 of the Constitution)
 - Code of Conduct for Members (Part 5.1 of the Constitution) – with specific reference to registering and disclosing interests.
 - Members' Allowance Scheme (Part 6 of the Constitution) – with particular reference to allowances and expenses payable.

Membership

9. The Board shall consist of [SIX] voting members, as follows:

[THREE] Member Representatives; and

[THREE] Employer Representatives.

10. There shall be an equal number of Member and Employer Representatives.

11. There shall also be [ONE] other representatives who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members³ or have capacity to represent scheme members of the Fund.

13. Member representatives should be able to demonstrate their capacity⁴ to attend and complete the necessary preparation for meetings and participate in training as required.

³ Active, deferred or pensioner members

⁴ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

14. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
15. A total of [THREE] member representatives shall be appointed⁵ from the following sources:
 - a) [ONE] member representative shall be appointed by the recognised trade unions representing employees who are scheme members of the Fund.
 - b) [ONE] member representative shall be appointed by [ADMITTED BODIES FORUM] where that body is independent of the Administering Authority and open to and representative of all scheme members of the Fund.
 - c) [ONE] member representative shall be appointed following a transparent recruitment process which should be open to all pensioners and be approved by the Administering Authority.

Employer representatives

16. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
17. Employer representatives should be able to demonstrate their capacity⁶ to attend and complete the necessary preparation for meetings and participate in training as required.
18. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
19. A total of [THREE] employer representatives shall be appointed⁷ to the Board from the following sources:
 - a) [ONE ELECTED MEMBER] employer representatives shall be appointed by [FULL COUNCIL] to and representative of all employers in the Fund.
 - b) [ONE] employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority.

⁵ See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing member representatives.

⁶ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

⁷ See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing employer representatives.

- c) [ONE] employer representatives shall be appointed by the Administering Authority where all employers will have been asked to submit their interest in undertaking the role of employer representative on the Board.

Other members⁸

20. [ONE] other member shall be appointed to the Board by the agreement of both the Administering Authority and the Board to act as an Independent Chair.

21. Other members do not have voting rights on the Board.

Appointment of chair

22. Subject to the meeting arrangements in paragraphs 35 to 37 below a chair shall be appointed for the Board as set out below:

- a) *An independent chair to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20-21 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund.*

Duties of chair

23. The chair of the Board:

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Notification of appointments

24. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office⁹

⁸ When considering whether to have other members on the Board regard should be given to the advice provided in paragraphs 5.21 to 5.24 of the Guidance.

25. The term of office for Board members is [FOUR] years.
26. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.
27. A Board member may be appointed for further terms of office using the methods set out in paragraphs 15 and 19.
28. Board membership may be terminated prior to the end of the term of office due to:
 - (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund¹⁰.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to [LONDON BOROUGH OF TOWER HAMLETS] their capacity to attend and prepare for meetings or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Pensions Committee.
 - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Conflicts of interest¹¹

29. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
30. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
31. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure

⁹ See paragraphs 5.29 and 5.30 of the Guidance which outlines points to consider when setting out the term of office for Board members. In particular consideration should be given to allowing members to retire on a rolling basis to ensure experience is retained.

¹⁰ This includes active, deferred and pensioner members.

¹¹ See section 7 of the Guidance for more information on Conflicts of Interest.

that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)¹²

32. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
33. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
34. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

35. The Board shall as a minimum meet [FOUR] times¹³ each year.
36. Meetings shall normally take place between the hours of [09:00] and [21:00] at [LBTH TOWNHALL].
37. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

38. A meeting is only quorate when at least one person of each member and employer representatives are present including an independent chair. Or 50% of both member and employer representatives are present.
39. A meeting that becomes inquorate may continue but any decisions will be non-binding.

¹² See section 6 of the Guidance for more information on Knowledge and Understanding.

¹³ See 5.35.11 in Guidance for more advice on the number of meetings to hold each year.

Board administration

40. The Chair shall agree with [AN OFFICER FROM DEMOCRATIC SERVICES] (the 'Board Secretary') an agenda prior to each Board meeting.
41. The agenda and supporting papers will be issued at least [SEVEN] working days (where practicable) in advance of the meeting except in the case of matters of urgency.
42. Draft minutes of each meeting including all actions and agreements will be recorded and published within [TWENTY - ONE] working days of the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

Where necessary any information considered exempt as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or considered confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998 shall be included in a Part II minute that is not made available to the public.

43. The Board Secretary, in consultation with [Investment & Treasury Manager] shall support Board members in maintaining their knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
44. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
45. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
46. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

47. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
48. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) *Members of the Pensions Committee,*
 - (b) *Any person requested to attend by the Board.*

Any attendees will be permitted to speak at the discretion of the Chair.

49. In accordance with the Act the Administering Authority shall publish information about the Board to include:

- (a) The names of Board members and their contact details.
- (b) The representation of employers and members on the Board.
- (c) The role of the Board.
- (d) These Terms of Reference.

50. The Administering Authority shall also publish other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

51. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Fund's website.
- (b) As part of the Fund's Annual Report.
- (c) As part of the Governance Compliance Statement.

52. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances¹⁴

53. The Administering Authority [SHALL] meet the expenses of Board members in line with the Administering Authority's policy on expenses as set out in the Members Allowances Scheme

Budget

54. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund and determined by:

- a) *The Board will seek approval from the Corporate Director of Resources for any expenditure it wishes to make.*

¹⁴ Provision for the payment of expenses and allowances is a decision to be made locally by each Administering Authority. Full consideration should be given to information in Guidance - see section 9 and paragraphs 5.18 and 5.35.17 for more information. Administering authorities should aim to ensure that no Board member is either better or worse off as a result of fulfilling their duties as a member of the Board.

Core functions¹⁵

55. The first core function of the Board is to assist¹⁶ the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.*
- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
- c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
- d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
- e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
- f) *Monitor complaints and performance on the administration and governance of the scheme.*
- g) *Assist with the application of the Internal Dispute Resolution Process.*
- h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
- i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
- j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
- k) *Review the complete and proper exercise of employer and administering authority discretions.*
- l) *Review the outcome of internal and external audit reports.*
- m) *Review draft accounts and Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

56. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core

¹⁵ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

¹⁶ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Assist with the development of improved customer services.*
- b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*
- c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
- d) *Monitor investment costs including custodian and transaction costs.*
- e) *Monitor internal and external audit reports.*
- f) *Review the risk register as it relates to the scheme manager function of the authority.*
- g) *Assist with the development of improved management, administration and governance structures and policies.*
- h) *Review the outcome of actuarial reporting and valuations.*
- i) *Assist in the development and monitoring of process improvements on request of Committee.*
- j) *Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
- k) *Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*

57. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

58. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting¹⁷

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.

60. Requests and recommendations should be reported under the provisions of paragraphs 59 and 60 above.

61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

62. On receipt of a report under paragraph 63 above the Committee should, within a reasonable period, consider and respond to the Board.

¹⁷ See section 8 of the Guidance for more information on Reporting.

- 63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
- 64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 63 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
- 65. The appropriate internal route for escalation is to the Monitoring Officer and/or Acting Corporate Director of Resources, the Section 151 Officer.
- 66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
- 67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

Review of terms of reference

- 68. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every [THREE] years.
- 69. These Terms of Reference were [adopted on [01 APRIL 2015]].

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published 24 February 2015

PENSIONS BOARD

Draft Work Plan

**2020/21
July 2020**

Date of Meeting	Title of Report	In-line with PB Terms of Reference (no.)	Responsible Officer
July 2020			
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Interim Pensions & investment Manager
	Quarterly Administration Monitoring & Performance Update	55c & 56b	Interim Pensions & investment Manager
	2020/21 Pensions Board Work Plan	55i & 55j	Interim Pensions & investment Manager
	LGPS Update	55d	Interim Pensions & investment Manager
	Review of Risk Management Policy and Risk Register	56f	Interim Pensions & investment Manager
	Pension Board Training & National Knowledge Assessment Results	55j	Interim Pensions & investment Manager
	Pension Administration Remediation Plan	55c, 55n, 56g	Interim Pensions & investment Manager
	2020/21 Pension Fund Cash Flow	56d	Interim Pensions & investment Manager
	Quarterly Voting and Engagement Update Report	56j	Interim Pensions & investment Manager
	2019/20 Pension Fund Audit Plan	55m & 56d	Interim Pensions & investment Manager
September 2020			
	Board Training	55j	Interim Pensions & investment Manager

	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)Meeting agenda and minutes	55a	Interim Pensions & investment Manager
	Quarterly Administration Monitoring & Performance Update	55c & 56b	Interim Pensions & investment Manager
	Quarterly Voting and Engagement Update	56j	Interim Pensions & investment Manager
	Review the Performance and Contracts of Service Providers to the Fund	56c	Interim Pensions & investment Manager
	Review 2020/21 Pensions Board Work Plan	55i & 55j	Interim Pensions & investment Manager
	LGPS Update	55d	Interim Pensions & investment Manager
	Review of Risk Management Policy and Risk Register	56f	Interim Pensions & investment Manager
	Review 2019/20 Draft Account, Fund Annual Report and policies	55l, 55m & 56e	Interim Pensions & investment Manager
	Review Pension Fund Policies (Exit Credit/Contribution Deferral)	55d & 55i	Interim Pensions & investment Manager
	Review AVC	55e & 55o & 55c	Interim Pensions & investment Manager
November 2020			
	Board Training	55j	Interim Pensions & investment Manager
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)Meeting agenda and minutes	55a	Interim Pensions & investment Manager
	LGPS Updates	55c & 56j	Interim Pensions & investment Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Interim Pensions & investment Manager

	Quarterly Voting and Engagement Update	56j	Interim Pensions & investment Manager
	LGPS Update	55d	Interim Pensions & investment Manager
	Receive the actuarial valuations results and review decision making process (verbal)	56h	Interim Pensions & investment Manager
	Review Pension Fund Work Plan 20/21	55i & 55j	Interim Pensions & investment Manager
	Review of Risk Management Policy and Risk Register	56f	Interim Pensions & investment Manager
March 2021			
	Member Training	55j	Interim Pensions & investment Manager
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes) Meeting agenda and minutes	55a	Interim Pensions & investment Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Interim Pensions & investment Manager
	Quarterly Voting and Engagement Update	56j	Interim Pensions & investment Manager
	Review of Pension Fund Customer Services Survey	56a	Interim Pensions & investment Manager
	2020/21 Pension Fund Audit Plan	55m & 56d	Interim Pensions & investment Manager
	LGPS Update	55d	Interim Pensions & investment Manager
	Review of Risk Management Policy and Risk Register	56f	Interim Pensions & investment Manager
	Review of Communications Policy Statement	55e & 55i	Interim Pensions & investment Manager
	Receive Internal and External Audit Reports	56e & 55i	Interim Pensions & investment Manager

	Pension Fund Work Plan 2020/21	55i & 55j	Interim Pensions & investment Manager
June 2021			
	Member Training	55j	Interim Pensions & investment Manager
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Interim Pensions & investment Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Interim Pensions & investment Manager
	Quarterly LAPFF Voting and Engagement Update	56j	Interim Pensions & investment Manager
	LGPS Update	55d	Interim Pensions & investment Manager
	Receive and review The Pensions Regulator Code of Practice – TPR Checklist	55a-55e	Interim Pensions & investment Manager
	Review of Risk Management Policy and Risk Register	56f	Interim Pensions & investment Manager
	Review Draft Account and Fund Annual Report	55l, 55m & 56e	Interim Pensions & investment Manager
	Receive Investment Strategy Statement and review changes	55d & 55i	Interim Pensions & investment Manager
	Review the Performance and Contracts of Service Providers to the Fund	56c	Interim Pensions & investment Manager

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Non-Executive Report of the: Pensions Board 21 July 2020	
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.

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

Recommendations:

The Board 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) Recommend that the 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 Board 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 on 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:

- Setting up of structured training plan for the next 18 months covering the main areas covered in the report.
- 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	<ul style="list-style-type: none"> • The impact of COVID-19 on the Fund • Pensions administration 	All
Jan – Mar 21	<ul style="list-style-type: none"> • Pensions Governance • ESG 	All
Apr – Jun 21	<ul style="list-style-type: none"> • Pension governance and good governance • Investment performance & risk management • Actuarial methods 	All
July – Sept 21	<ul style="list-style-type: none"> • Procurement • Relationship management 	All
Oct – Dec 21	<ul style="list-style-type: none"> • 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:

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LGPS

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National Knowledge Assessment

Page 87

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 14¹. 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.

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

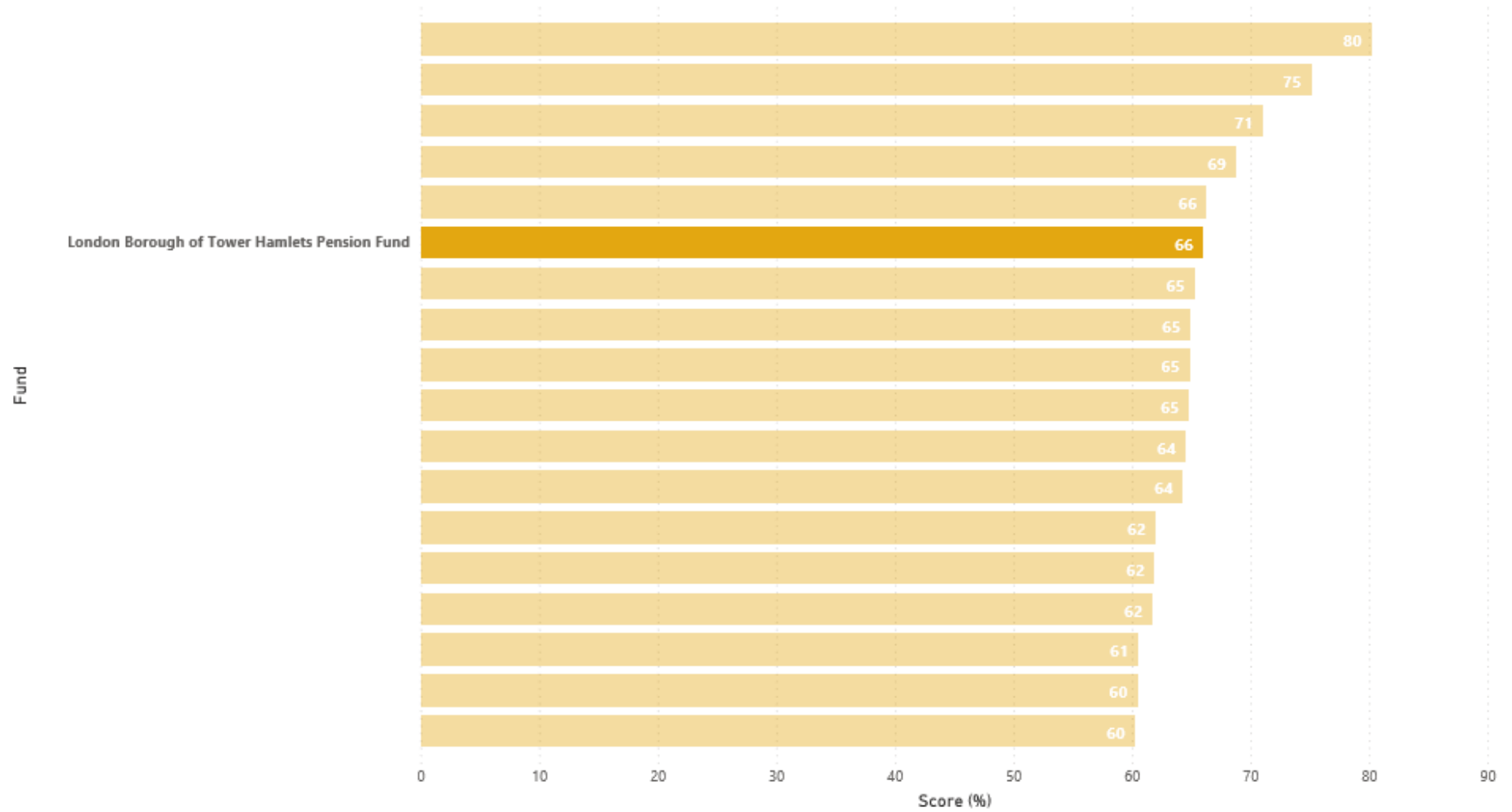
Based on the results and the responses received from participants we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other "next steps" to consider.



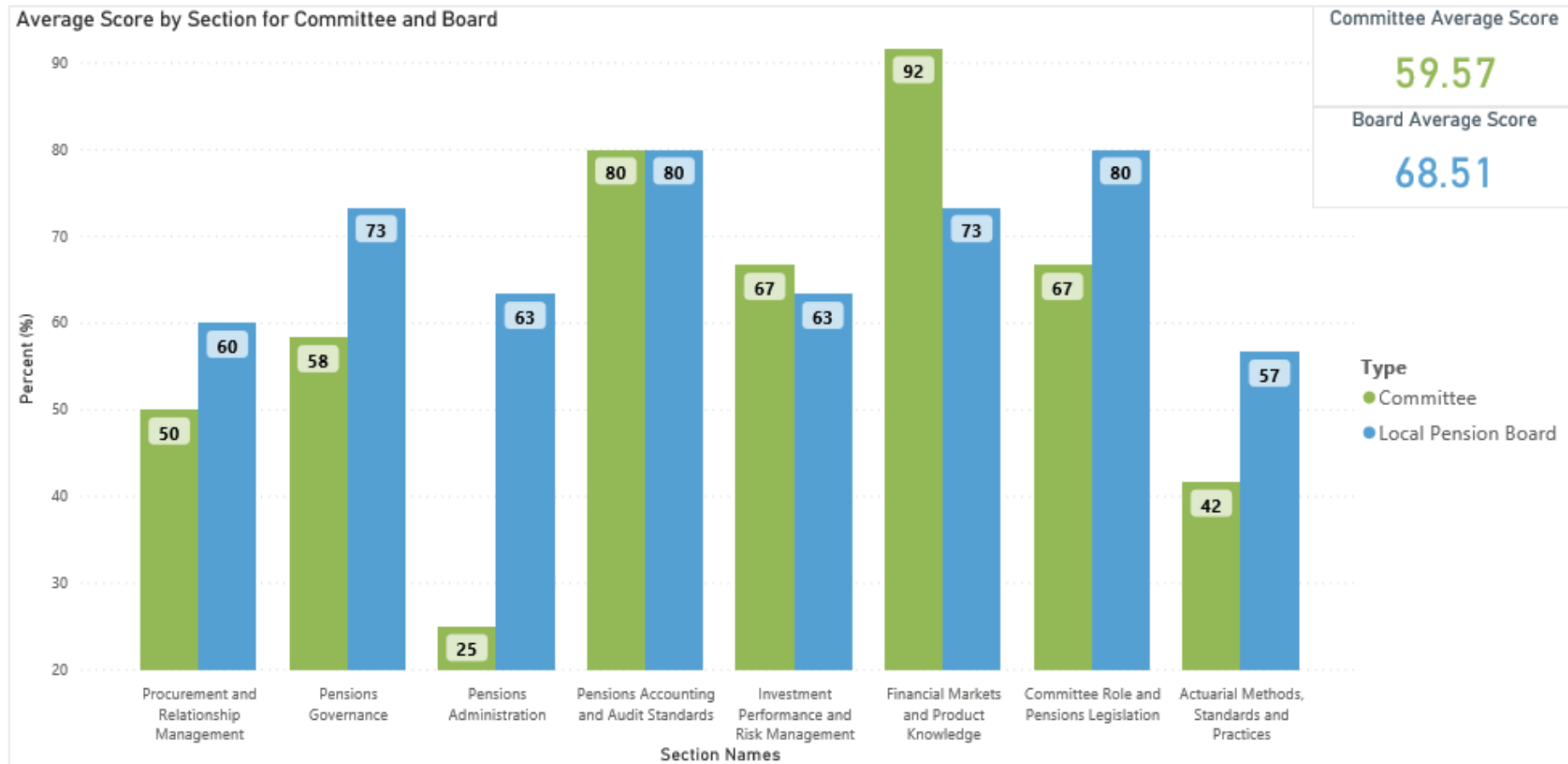
Overall Results

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.

Fund Ranking



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.

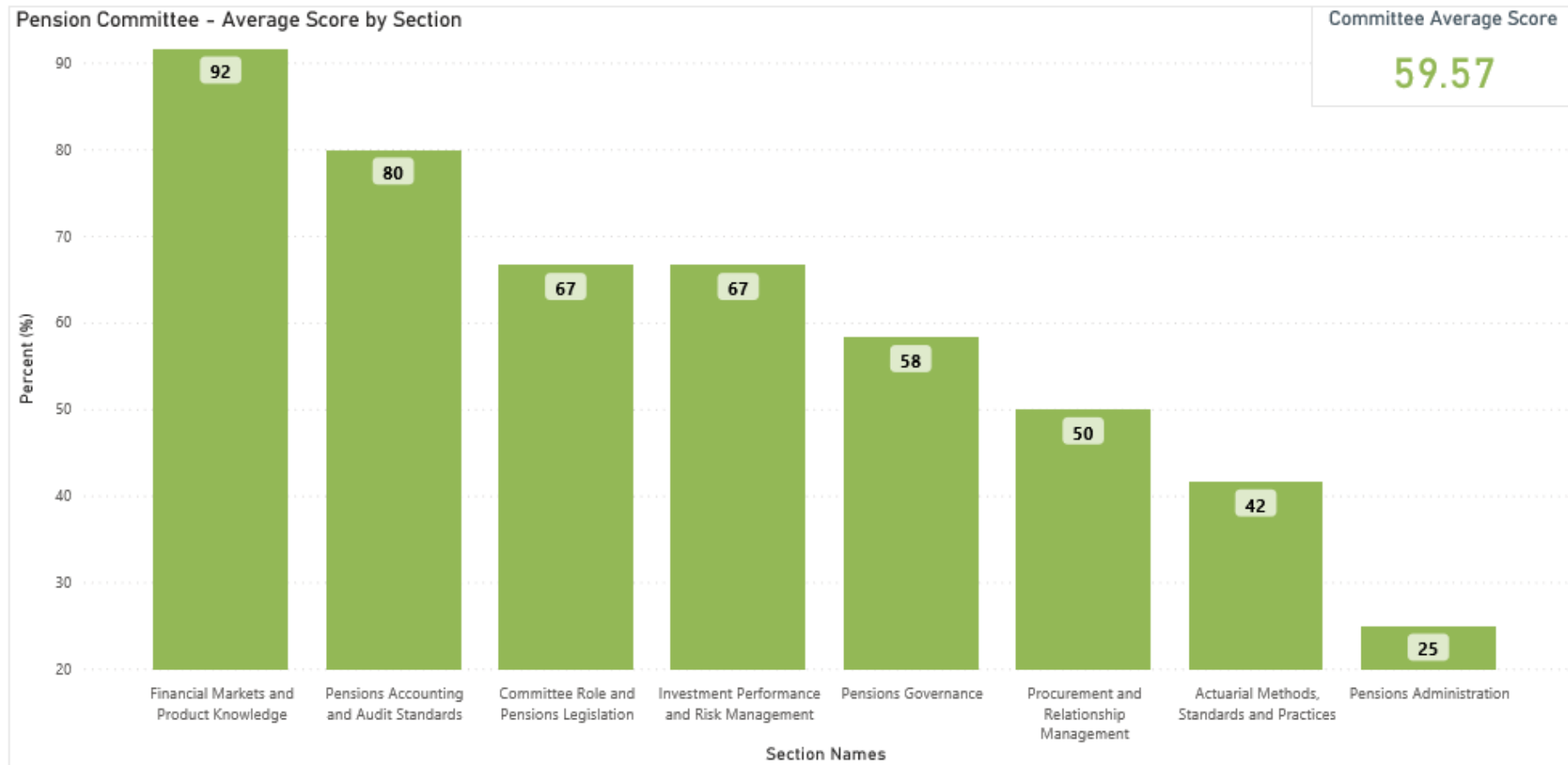


The Board had higher average scores, and performed strongly in the Committee role & legislation, and accounting and audit standards sections. The Board outscored the Committee in most areas, but there were 2 sections in which the Committee performed better - investment performance and financial markets.

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.

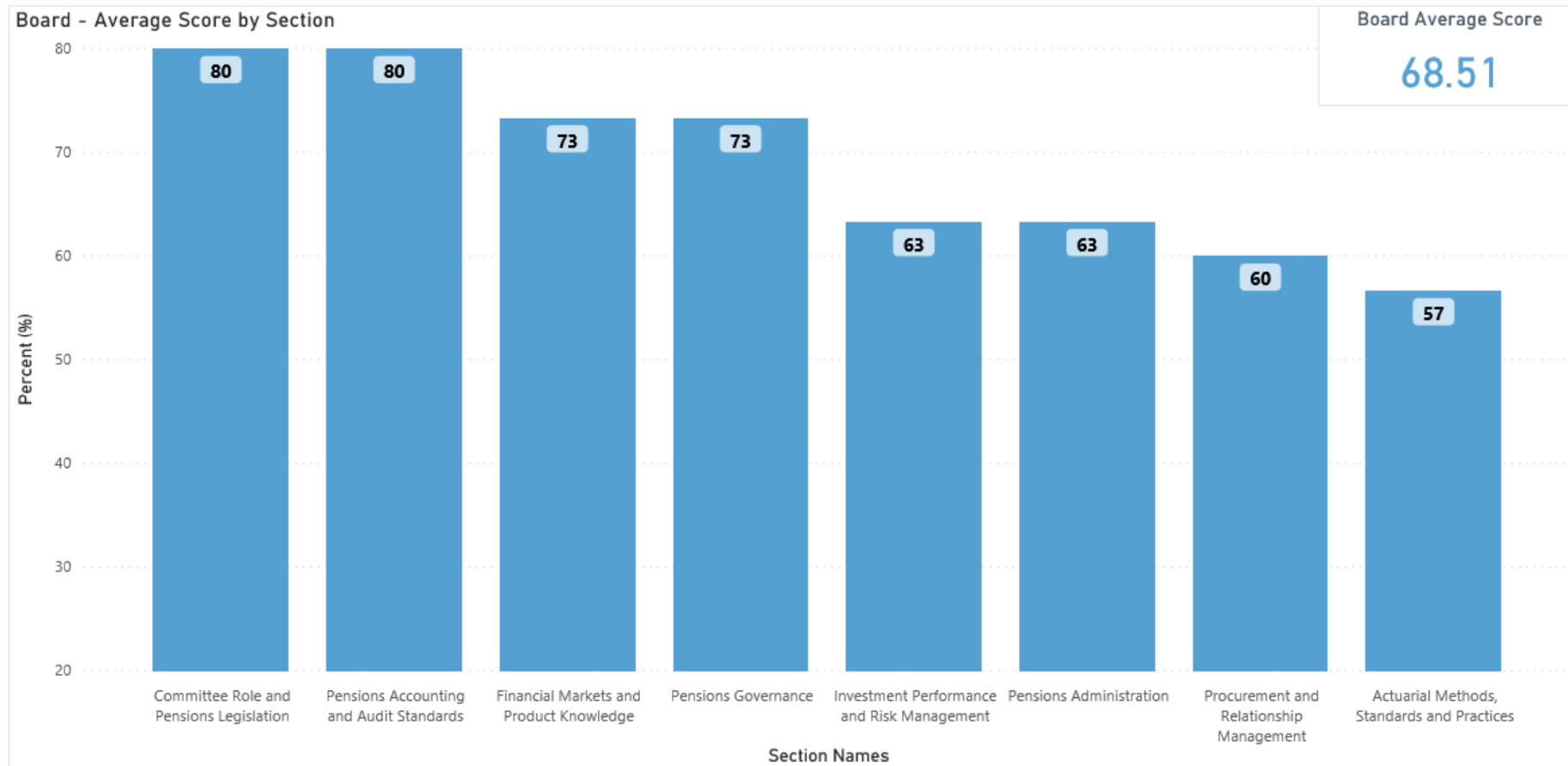
Pension Committee



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.

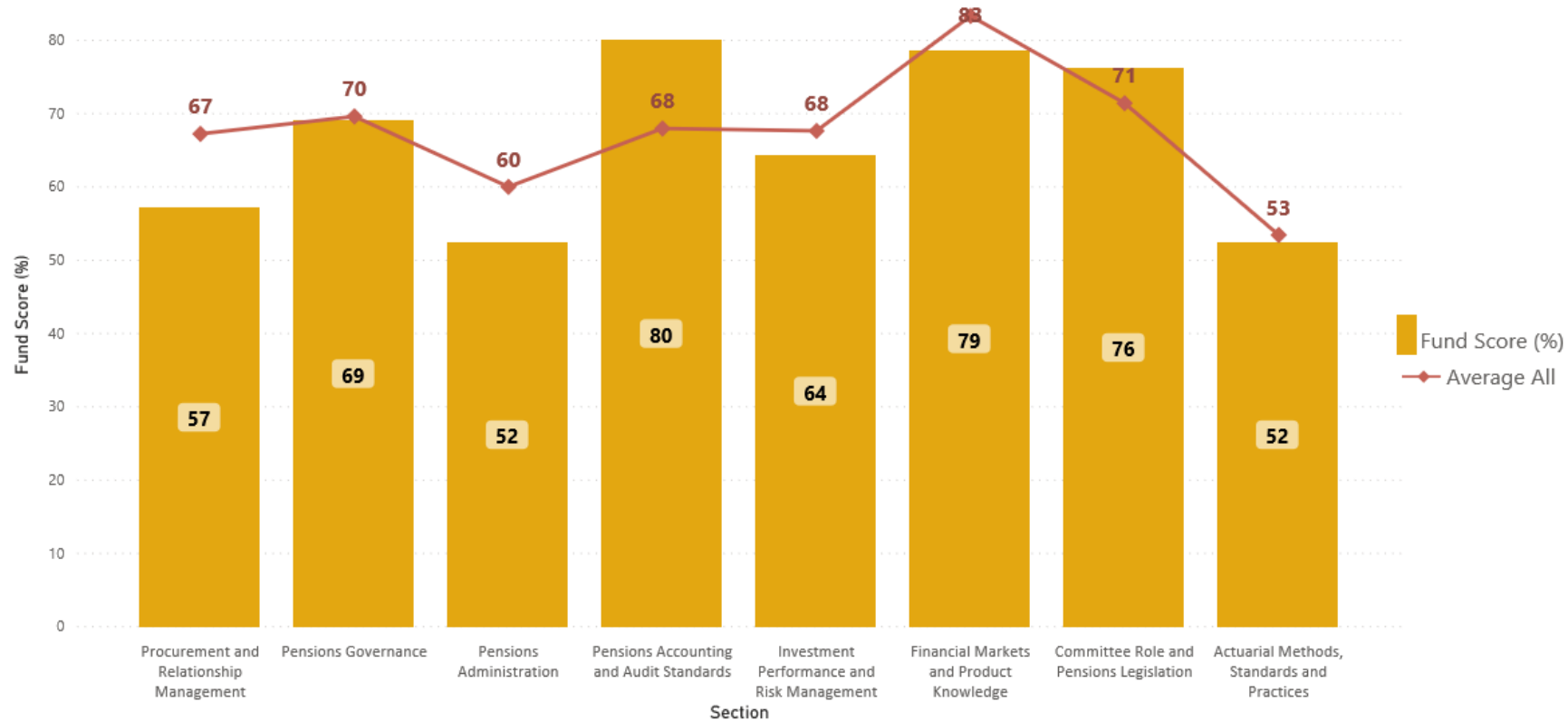


Benchmarking

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

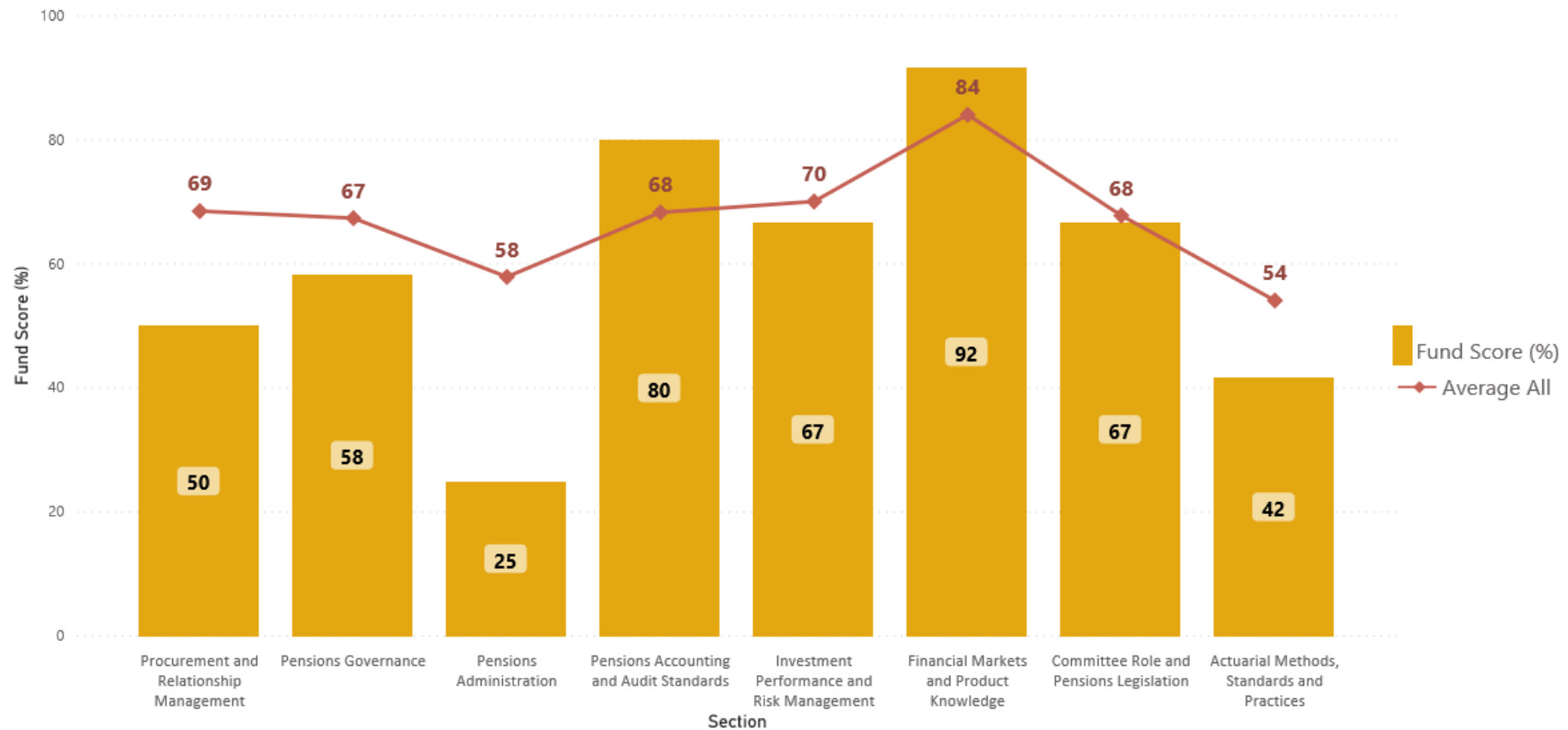
London Borough of Tower Hamlets vs. Average across all funds



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.

London Borough of Tower Hamlets vs. Average across all funds



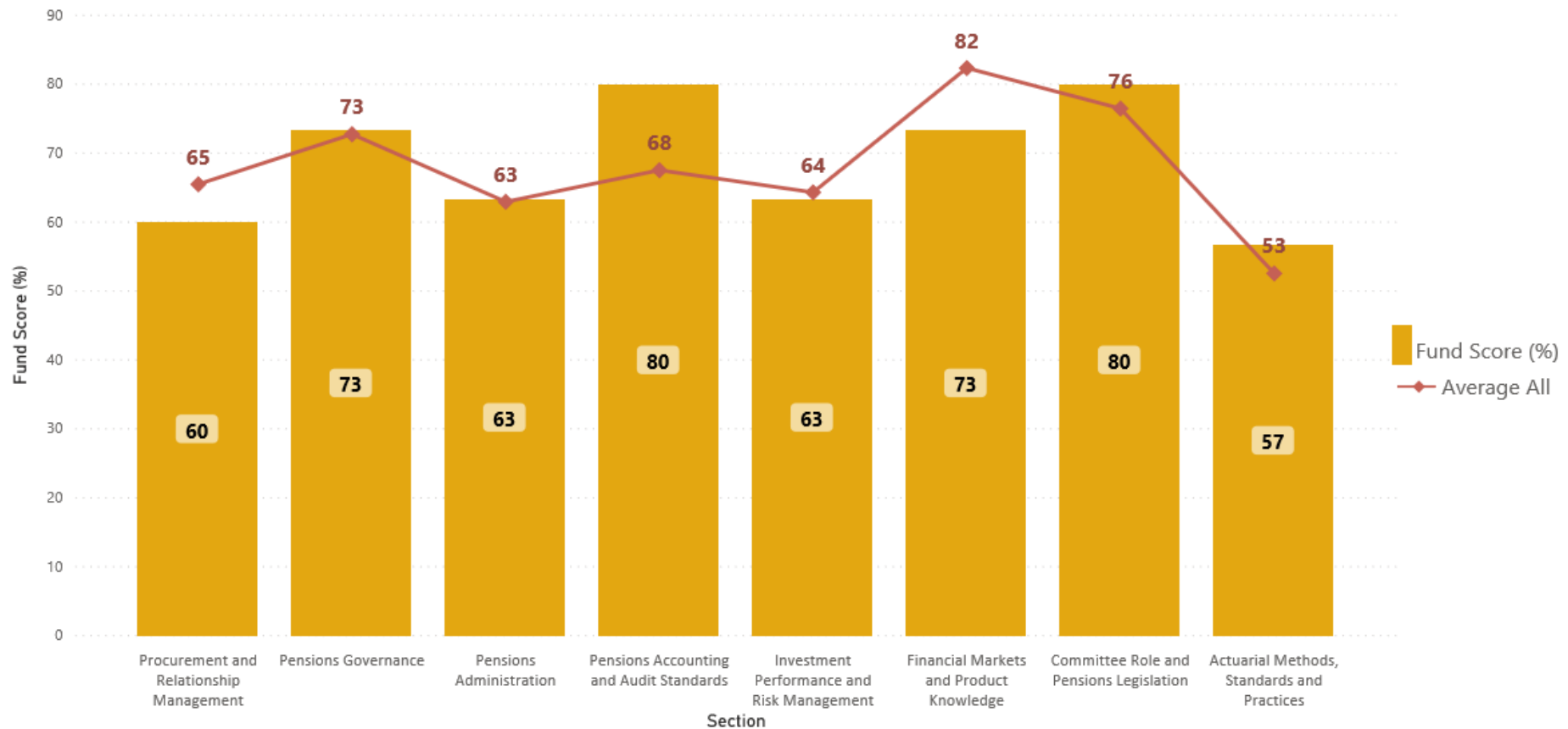
The Committee ranked 12 out of 18 Funds' Committee results

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.

London Borough of Tower Hamlets

vs. Average across all funds



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 and 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

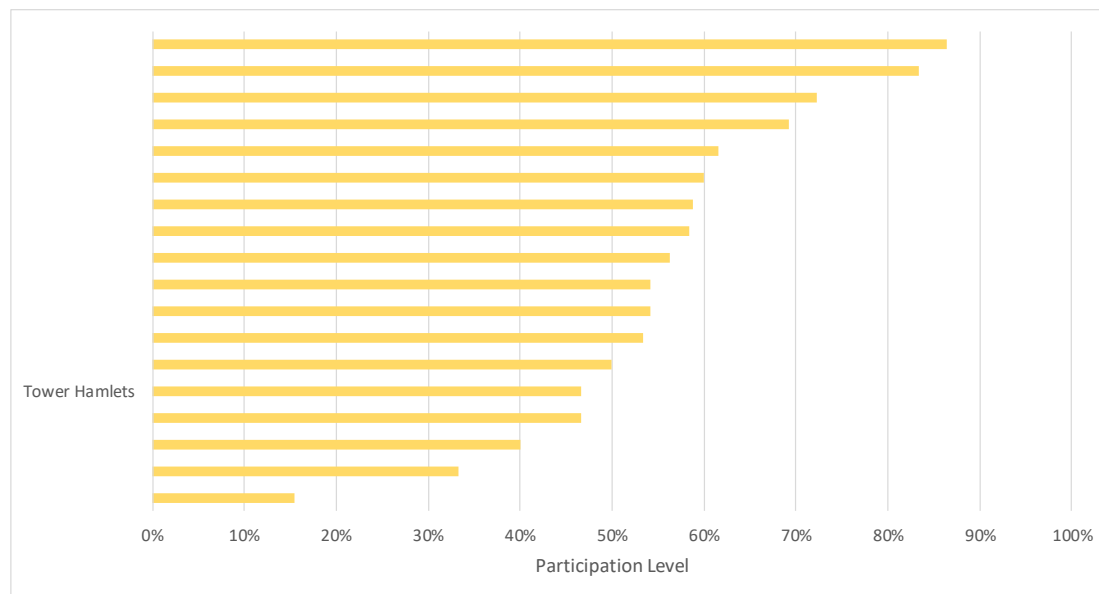
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members. The table below shows the breakdown of the total number of participants from the Tower 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Pensions governance and good governance
2021/22 – Q2	<ul style="list-style-type: none"> Investment performance & risk management and actuarial methods
2021/22 – Q3	<ul style="list-style-type: none"> Procurement and relationship management
2021/22 – Q4	<ul style="list-style-type: none"> 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)

Navigating the LGPS
Online training course for PC and PB members

HYMANS ROBERTSON

For members

- An online course covering all aspects of the refreshed CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14
- Consists of 10-15 minute presentations with supplementary learning materials
- Work at your own pace

For funds

- Cost effective training for new and existing members
- Regular feedback on the progress of members to demonstrate compliance

Coming Soon

Hymans Robertson LLP is authorised and regulated by the Financial Conduct Authority



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.



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

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