

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 5.00 P.M. ON TUESDAY, 22 SEPTEMBER 2020

ONLINE 'VIRTUAL' MEETING - [HTTPS://TOWERHAMLETS.PUBLIC-I.TV/CORE/PORTAL/HOME](https://towerhamlets.public-i.tv/core/portal/home)

Members Present:

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

Union and Admitted Bodies, Non-Voting Members Present:

Kehinde Akintunde	– GMB Union Representative
John Jones	– Chair Pensions Board
Colin Robertson	– Independent Advisor
Steve Turner	– Mercer
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Others Present:

Harry Lamprinopoulos	– London CIV
Jacqueline Jackson	– London CIV
Jason Fletcher	– London CIV
David Thomas	– Goldman Sachs
Clare Hedley	– Goldman Sachs
Jonathan Orr	– Goldman Sachs

Officers Present:

Miriam Adams	– Interim Pensions and Investment Manager
Ngozi Adedeji	– (Principal Lawyer Civil Litigation, Governance)
Kevin Bartle	– Interim Divisional Director of Finance, Procurement and Audit
Farhana Zia	– Democratic Services Officer

APOLOGIES FOR ABSENCE

Apologies for an early departure at 6:00p.m. were received from Councillor Rachel Blake.

Apologies for lateness were received from Mr John Jones.

1. DECLARATIONS OF INTERESTS

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

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the meeting held on the 27th July and 24th August were agreed and approved to be an accurate record of the meeting.

Matters Arising

Councillor Blake enquired what progress had been made in relation to item 5.5 'Divestment Strategy Implementation Considerations & Sustainable Investment Options', which was last discussed by the Pensions Committee at its meeting of 18th June 2020.

Ms Miriam Adams, Interim Pensions and Investments Manager informed Members she was waiting for the costings from the Carbon Audit and thereafter to find a suitable date to invite the three managers to a training session, which she hoped to organise by the end of October 2020.

3. PETITIONS

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

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

No submissions were received from the Pensions Board. Their meeting scheduled for the 23rd September had been postponed, due to it being inquorate.

5. UNRESTRICTED REPORTS FOR CONSIDERATION**5.1 LCIV Update and presentation**

Mr Jason Fletcher and Ms Jacqueline Jackson, from the London CIV made a presentation to the Committee outlining the current work of the LCIV and the future work they would be undertaking. They briefly outlined their experience and said they were newly appointed at the London CIV.

Mr Fletcher referred members to slide seven of the presentation and said it was important to develop the staff and resources at the London CIV so that

data services, risk management and manager selection were of high quality and in order for clients to have confidence in their work. Mr Fletcher said that to enable this to happen, communication was key. He said the London CIV was trying to improve transparency and was developing ways to launch funds by working in partnership with shareholders and investors alike. He said he hoped Tower Hamlets would be part of the seed group looking at passive low carbon funds given Tower Hamlets' experience in this area.

The Committee then heard from Ms Jacqueline Jackson who provided details of the work the London CIV was undertaking in terms of ESG (Environmental, Social & Governance) and Responsible Investment. She explained the products available and referred to slide eleven. She said ESG and responsible investments had grown exponentially and this was being encouraged by the disclosure and transparency agenda of PRI (Principles for Responsible Investments) and by the Stewardship code 2020. Mr Fletcher explained to Committee Members the products and funds available and talked about products being developed by the London CIV. He also commented on the performance of the LCIV funds that the Council had invested in.

In response to questions from Members the following was noted:

- Mr Fletcher said the 100% Renewable Infrastructure Fund was now being developed rapidly. He said this was at stage three of the six stage development program and he hoped to make available the fund for investment later in the year.
- In response to why Tower Hamlets should continue to invest with the London CIV, Mr Fletcher acknowledged Tower Hamlets was one of the biggest investors. He said he hoped to persuade other Councils to invest more with them. He said it was key to develop the products but also the staff at the London CIV so as to build trust with investors.
- In terms of the decision making for the Renewable Fund, Mr Fletcher explained the initial managers would be selected using an advisor who would work with the internal team including to develop the RFP. Going forward the internal team would be doing more to select the investments in the renewable fund. He hoped to have managers in place by the beginning of next year.
- Mr Fletcher confirmed that a second manager would be added in the MAC fund. He said they had made a start on selecting the second manager and that this would be done internally

The Chair, Councillor Kyrsten Perry thanked Mr Fletcher and Ms Jackson for their presentation.

5.2 ESG and Impact Investing - Tower Hamlets

Mr David Thomas, Ms Clare Hedley and Mr Jonathan Orr from Goldman Sachs Asset Management made a presentation on their ESG and Impact Investing strategy.

Mr Thomas introduced the presentation before Ms Hedley explained the ESG strategy used by Goldman Sachs. Ms Hedley said there was an increasing awareness of the global effect of climate change, be it plastics in the ocean or forest fires in California or Australia. She said that due to this tide of popularism, the way businesses are investing is also changing. She said there were two themes leading to sustainable growth; (1) Climate Transition, such as investment in clean energy, waste material, eco systems services and timber and (2) Inclusive Growth, where investment is made for the betterment of more people, such as affordable healthcare, education and communities.

Ms Hedley said the current trend was driving efficiency and innovation and was making it more attractive for investors to invest in ESG products. For example, renewables had become more attractive than fossil fuel. She said ESG Investment had become a core part of Goldman Sachs business as this is what investors wanted. She referred to slide 6 of the presentation and said different clients were at different stages of the journey and therefore it was useful for clients to think about how they would anchor their investment portfolio as part of the investment framework.

In response to questions from Members the following was noted:

- Councillor Wood referred to slide 20, 'Process for building an ESG Enhanced Fixed Income Portfolio' and said that as politicians, the Committee needed to think in detail about the types of areas that it wanted to invest in. Councillor Wood referred to the table therein and limiting defence expenditure at 4% GDP. He said this would exclude countries such as Israel and the Ukraine. Councillor Wood asked if as investors, one could pick and choose which option or fund to invest in? Mr Thomas responded and referred members to slide 13 and said there were several options available. He said the integrating of ESG factors into the fundamental credit analysis and portfolio construction were key in driving better investment performance. Mr Thomas said managers should be picking the right credits for clients and should take client direction when aligning ESG investments, so that they meet the client's climate and social goals. He said they had the tools at their disposal to build portfolios to tailor client expectations.
- In response to if a tailored portfolio would result in additional costs, Mr Thomas said the active choices made would mean there may be less options in terms of which companies to invest in but that needs to be balanced against the yield. In terms of fees charged by the asset manager, Mr Thomas said these would not change significantly. He said a more in-depth discussion was required to explain the options available.
- In response to how Goldman Sachs would assist in pushing forward an ESG agenda in renewables and infrastructure, perhaps more so than the London CIV and potentially independently of other councils, Ms Hedley responded stating they had been working on these themes for some time. She said they did most of their work in private markets, accessing investment through real assets, private equity and credit. Ms Hedley said they had acquired a team called Imprint Capital, about

5 years ago who looked to build portfolios reflecting impact growth and had developed eight themes that broadly map to climate transition and inclusive growth. Ms Hedley said detailed research had assisted them in developing packages with the right entry points into the markets to achieve the correct rate of returns, so clients were not investing in something too risky or so mature that it was efficiently priced.

- Mr Jonathan Orr, from Goldman Sachs updated members of the Committee regarding the current performance of the Goldman Sachs fund in which Tower Hamlets is invested.

The Chair, Councillor Kyrsten Perry thanked Mr Thomas, Ms Hedley and Mr Orr for their presentation.

5.3 Pension Fund Accounts 2019/20

Ms Miriam Adams, Interim Pensions and Investments Manager presented the Pension Fund Accounts for 2019/20. She said the unaudited Statement of Accounts for 2019/20 were attached at appendix A. She said these draft accounts were being presented in their current form as part of the Council's obligations as the administrator of the LGPS. She informed Members the auditing of the Pension Fund Accounts had commenced and she was optimistic these would be completed in time for the deadline for the Annual audit report.

Mr Kevin Bartle, Interim Divisional Director for Finance, Procurement and Audit added that the Council's overall Statement of Accounts (which includes the Pensions Fund accounts) for 2018/19 had been delayed but the current aim was for the auditors to complete their audits of both the 2018/19 and the 2019/20 accounts by November, which would then be presented to the Audit Committee.

Members of the Committee had no questions in relation to this report.

The Pensions Committee **RESOLVED** to:

1. Note the unaudited 2019/20 Pension Fund Accounts.

5.4 Independent Investment Adviser Update - Q2

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

5.5 McCloud Remedy Consultation Response

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

5.6 Extension of Interim Voluntary Scheme Pays Discretions Policy

Ms Miriam Adams, Interim Pensions and Investment Manager presented the report, on the Extension of Interim Voluntary Scheme Pays Discretions Policy. Ms Adams said the Committee may recall a report was presented in November 2019, which included the draft policy document relating to Annual Allowance cases. She said the Committee agreed to adopt the policy for a period of six months and that six months had now passed. She said with the help of the Actuary cases had been reviewed to identify scheme members who fell into the category of Annual Allowance. She referred Members to page 78 of the agenda which set out the scenarios whereby the voluntary scheme would apply.

In response to questions from Members the following was noted:

- Through the review exercise, in 2018/19 there were 35 cases that were reviewed. In 2018/19 a total of 90 cases were identified of which 38 members are affected. Ms Adams said the same process will be followed this year and at present of the 180 cases, they would further investigate 40-50 members.
- Mr Kevin Bartle added that he'd like the Committee to adopt the policy on a full-time basis and include the policy as part of the discretionary policy statement.

The Pensions Committee **RESOLVED** to **VOTE** for the recommendations within the report and unanimously **AGREED** to:

1. Note the contents of the report; and
2. Adopt the Voluntary Scheme Pay's policy (Appendix A) initially agreed in November 2019 as an interim policy for 6 months, as the Fund's published discretionary policy statement and subsequently ask officers to include this within the Fund's published discretionary policy statement.

5.7 Administration and LGPS Recent Update

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

5.8 Responsible Investment (RI) and RI Accreditations

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

6. TRAINING EVENTS

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

7. EXCLUSION OF THE PRESS AND PUBLIC - RESTRICTED SESSION 1 (MEMBERS, COOPTEES & OFFICERS)

The Chair **MOVED** and it was:

RESOLVED:

“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.”

7.1 Voting and Engagement Update

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

7.2 ANY OTHER BUSINESS CONSIDERED TO BE URGENT - Extension of the existing Synthetic Equity Derivative Portfolio

The minute for this item is restricted.

8. EXCLUSION OF THE PRESS AND PUBLIC - RESTRICTED SESSION 2 (MEMBERS & OFFICERS)

The Chair **MOVED** and it was:

RESOLVED:

“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.”

8.1 Contract Arrangement Review

Due to insufficient time, this item was adjourned to the next meeting of the Pensions Committee.

The meeting ended at 6.50 p.m.

Chair, Councillor Kyrsten Perry
Pensions Committee