

**Tower Hamlets Council  
Local Government Pension Scheme**

# PENSION BOARD

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**Wednesday, 23 September 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 (Independent Chair)

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:

Democratic Services

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London, E14 2BG

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E-mail: [committee.services@towerhamlets.gov.uk](mailto:committee.services@towerhamlets.gov.uk)

Web: <http://www.towerhamlets.gov.uk/committee>

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 - 16)

To confirm as a correct record of the proceedings the unrestricted minutes of the last meeting of the Pensions Board.

**4. TRAINING**

**4 .1 ESG and Impact investment training**

To follow

**4 .2 Revised National Knowledge Assessment report**

To follow

**5. REPORTS FOR CONSIDERATION**

**5 .1 Pension Fund 2019/20 draft accounts**

To follow

**5 .2 Risk Register Review**

To follow

**5 .3 Fund managers and Custodian internal control report review**

To follow

**5 .4 Draft response to McCloud Consultation**

To follow

**5 .5 Review of Administration and LGPS Key Updates**

To follow

**5 .6 Exit Credit and Contribution Deferral Fund Policies**

To follow

## **6. 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.

#### **6 .1 Voting and Engagement Update**

To follow

#### **6 .2 Pensions Board Work Plan**

To follow

#### **6 .3 Restricted Minutes (Pages 17 - 18)**

To confirm as a correct record of the proceedings the restricted minutes of the last meeting of the Pensions Board.

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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 10.30 A.M. ON TUESDAY, 21 JULY 2020  
ONLINE 'VIRTUAL' MEETING - [HTTPS://TOWERHAMLETS.PUBLIC-I.TV/CORE/PORTAL/HOME](https://towerhamlets.public-i.tv/core/portal/home)**

**Members Present:**

John Jones (Chair)	Independent Chair
John Gray (Member)	Representing Active Admitted/Statutory Bodies Pension Fund Members
Councillor Asma Islam (Member)	Cabinet Member for Environment and Public Realm (Job Share) - Lead on Environment
Annette McKenna (Member)	Pensions Board Member representing Admitted Bodies Employers
Nneka Oroge (Member)	Trade Union Representative
David Stephen Thompson (Member)	Representing Retired/Deferred Pension Fund Members

**Others Present:**

Miriam Adams	– Interim Pensions and Investment Manager
Douglas Anderson	– Hymans Robertson
Kevin Bartle	– Interim Divisional Director of Finance, Procurement and Audit
David Knight	– (Democratic Services Officer, Committees, Governance)
Joel West	– (Democratic Services Officer, Committees, Governance)
Farhana Zia	– (Democratic Services Officer, Committees, Governance)

**1. INTRODUCTION**

Good morning and welcome to the Pensions Board meeting. My name is John Jones and I will be Chairing this meeting.

Thank you all for participating in this meeting under these difficult circumstances. To ensure the Council is able to function effectively it is vital that the Board meetings continue to operate as the Council must continue to be able to undertake its duties and to offer a good service to its residents and businesses.

Please note that this meeting is being webcast live and will be available to view via the Council's website. If during the meeting a technical error occurs with the transmission which cannot be resolved within a reasonable period of time, then the meeting will be closed, and the remaining business will be deferred to the next meeting of the Pensions Board.

Please could everybody ensure that mobile phones are switched off or on 'silent mode'.

Members and Officers will be speaking at various points during the meeting and those speaking may switch their cameras on at that point, but I would ask that with the exception of myself as Chair, at all other times you keep your cameras and microphones switched off as this will help to minimise any background noise and interference and to ensure the connection remains as stable as possible. If any Members or officers wish to raise a point or question, they should use the *'Meeting Chat'* facility accessed via the teams toolbar signified by the *conversation icon*, and simply type "Speak?" or click on the 'raise your hand sign' and I will come to you in the order I receive requests. Please do not use your microphone until I invite you to do so.

Can I please ask the Members to introduce themselves and state any declarations of interest they may have. We will now go through the agenda.

## **2. ORDER OF BUSINESS**

The Chair indicated that he thought it appropriate that the Order of Business be varied:

Accordingly, the Chair Moved the following motion for the consideration of Members, and it was: -

### **RESOLVED**

To vary the order of business and consider Knowledge Assessment Results and Training Plan for Pensions Committee and Pension Board Members.

To aid clarity, the minutes are presented in the order that the items originally appeared on the agenda.

## **3. DECLARATIONS OF INTERESTS**

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

## **4. UNRESTRICTED MINUTES**

The minutes of the last meeting were confirmed as a correct record and the Chair was authorised to sign them accordingly.

## **5. REPORTS FOR CONSIDERATION**

### **5.1 Pensions Administration Quarterly update - June 2020**



The Board received and noted the update the update report on the current position with the Pensions Administration service. The main points of the discussion may be summarised as follows:

The Board:

- Welcomed the commendable reduction in the work outstanding at the end of June. Which shows a considerable improvement compared with the position at the end of March.
- Were encouraged that the initiative to implement the I connect system as this will enable data to be uploaded more easily and improve overall efficiency.
- Noted that the 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
- Noted that the Government want people to belong to workplace pension schemes, so employers have to automatically enrol you back into the LGPS approximately every three years.
- Noted that concerns have been expressed about the fall in stock markets and the potential resultant impact on defined contribution pensions. However, the LGPS as a defined benefit pensions are not linked to stock market performance and are set out in statute. Therefore, although short term investment values may vary, the LGPS as a long-term investor is securely managed to address any longer-term impacts. Therefore, LGPS Scheme members can be assured that both their contributions and their pension, whether in payment or built up to date, will be unaffected.
- Acknowledged that COVID-19 has led to an extraordinary period of lockdown and social distancing measures which has put many employers with LGPS liabilities under considerable financial pressure as their sources of revenue has reduced. Accordingly, the Pensions Team are closely monitoring if to see if any employer with LGPS liabilities is under pressure.
- Was informed that it is anticipated that the pressure on employers will continue over the short to medium term as Government measures to curb the spread of the infection are gradually lifted and public confidence improves.
- Recommend that in future the Service should work with Trade Union representatives to encourage staff to join and continue membership of the LGPS;
- Noted that, where employers have opted to furlough staff, pay continues to be pensionable (i.e. if a member receives 80% of their pay under furlough, employee and employer contributions are due on this level of pay). However, the Government furlough scheme only compensates employers by 3% of pay towards employer pension contributions (the minimum employer contribution under autoenrollment rules). Therefore, the balance of employer pension contributions must

be found by the employer through other sources which may deplete any cash reserves held by employers, putting their businesses at risk.

- Stated that it wished to place on record their thanks and appreciation to Pensions and Investment Manager and her team on the commendable reduction in the back logs.
- Noted the progress in responding to the McCloud ruling with reference to engagement with employers to ensure receipt of member data when required; identifying those scheme members who may be affected; setting up McCloud project plan and identify project team and develop the Member communication.

Accordingly, the Chair Moved and it was:

**RESOLVED** to:

1. Note the report;
2. Recommend that in future the Service should work with Trade Union representatives to encourage staff to join and continue membership of the LGPS; and
3. Place on record their thanks and appreciation to Miriam Adams the Pensions and Investment Manager and her team on the commendable reduction in the back logs.

## 5.2 2019/20 Pension Fund Accounts Audit Plan

The Board received and noted that the Audit Plan for 2019/20 The main points of the discussion may be summarised as follows:

The Board:

- Noted that has been prepared by Deloitte LLP, the plan included work to provide an audit opinion on the financial statements of the Pension Fund and the income and expenditure for 2019/20 and to finalise the audit of the 2018/19 Pension Fund accounts.
- Noted that the Pensions Committee had considered the Pension Fund Audit Plan during its meeting held on the 18<sup>th</sup> June 2020.
- Was advised that the audit cannot yet be concluded because of issues outstanding from previous years, although it was noted that there are no known issues impacting on the Pension Fund accounts.
- Noted that the Pensions Regulator has published guidance for trustees and public service setting out the critical processes for administrators including paying members' benefits, retirement processing, bereavement services as well as any administration functions required to support this function.
- 

Accordingly, the Chair Moved and it was:

**RESOLVED** to:

Note the Audit Planning report from Deloitte that relates to the Tower Hamlets

Pension Fund accounts.

### 5.3 Review of Risk Register

The Board received and noted a report that outlined changes to the Fund's Risk Register. The main points of the discussion may be summarised as follows:

The Board:

- Noted the changes arising from the Covid 19 epidemic and the Council's response.
- Discussed the risks associated with fraud and Members transferring their pensions to private schemes e.g. the Council are working to ensure that Scheme Members can make informed decisions about their pensions to help protect them from scams.
- Noted the recent statement from the Minister of State regarding the progress in responding to the McCloud ruling as a possible risk.
- Noted that to facilitate successful delivery, the Fund will need to commence preliminary work to ensure successful processing implementation of McCloud ruling with regard to the identification of affected members, processing of arrears and interest as well as adjusting of records of affected members once final legislation is received.
- Noted it was noted felt that the scheme might be exposed to likelihood of Cyber Scams and Data Protection risks as staff migrated to remote working. However, as a part of the commitment to keep the wired and wireless network safe, the Council are applying the latest security measures to ensure the safe operation of these wired and wireless networks.

Accordingly, the Chair Moved and it was:

**RESOLVED** to:

1. Note and comment on the Pension Fund Risk Register;
2. Note the additional risks introduced during the quarter; and
3. Note amendments to existing risks.

### 5.4 Pension Fund Cash Flow Forecast 2020/21

The Board received and noted its report is an update on the Pension Fund's projected cash flow forecast for 2020/21 to 2022/23 from operational activities. The main points of the discussion may be summarised as follows:

The Board:

- Noted that 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.
- Noted that the Fund is expecting a projected cash short fall in 2021/22, a request for cash draw down is presented .
- Was advised that a request for estimated cash drawdown of £20m from Equity Protection proceeds is being presented at the 27<sup>th</sup> July 2020 Pensions Committee meeting.
- Was informed that a significant cash flow short fall is estimated for 2021/22 and 2022/23. This is where the Fund expenditure exceeds the income from contributions.
- Welcomed the commendable reduction in the work outstanding at the end of June 2020. Which shows a considerable improvement compared with the position at the end of March 2020
- Commented that the initiative to implement the I connect system should be encouraged as this will enable data to be uploaded more easily and improve overall efficiency

Accordingly, the Chair Moved and it was:

**RESOLVED** to:

1. Note the cash flow forecast from operational activities.

## **5.5 Pensions Board Work Plan 2020/21**

The Board received and noted a report that outlined considered the draft work programme for 2020/21. The main points of the discussion may be summarised as follows:

The Board:

- Noted that 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.
- Was reminded that 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.
- Noted that in designing the work plan, the priorities of the Council as the administering authority of the Fund have been considered and incorporated.
- Considered the review of investment management costs and a review of contracts.
- It was noted that an overall governance review should be carried out within the next 18 months once the position in the pension's administration team has stabilised.

Accordingly, the Chair Moved and it was:

**RESOLVED** 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.

## **5.6 Knowledge Assessment Results and Training Plan for Pensions Committee and Pension Board Members**

The Board received and noted proposals from Hymans Robertson for training and development. The findings of the report being intended to 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 main points of the discussion may be summarised as follows:

The Board:

- Was advised that the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Pensions Regulator continue to emphasise the importance of knowledge and skills in the effective governance of the Pension Fund;
- Noted that in recent years there has been a marked increase in the scrutiny of public service pension schemes including the Local Government Pension Scheme (LGPS). Therefore, the training and development for Committee and Board Members is an important requirement,
- Was reminded that 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 a review of governance arrangements for LGPS funds was commenced. This project termed 'Good Governance' addressed stakeholder knowledge and skills;
- Noted that a clear recommendation of the Good Governance project was that the knowledge levels already statutorily required by Board Members should also be required of Committee Members. The recent events having reaffirm that LGPS funds should evidence the training provided; current knowledge and understanding levels retained within both the Committee and Board;
- Was informed that all Members of the Board and Committee 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 following areas: (i) Committee role and pensions legislation; (ii) Pensions governance; (iii) Pensions administration; (iv) Pensions accounting and audit standards; (v) Procurement and relationship management; (vi) Investment

performance and risk management; (vii) Financial markets and product knowledge; and (viii) Actuarial methods, standard and practices.

- Noted that the Tower Hamlets Fund ranked 6<sup>th</sup> 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.
- Were however, concerned that only two of the Committee Members had completed the Hymans assessment.
- Was advised that 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. Therefore, based on the results the suggestion is that there should be consideration to the establishment of a structured training plan for the next 18 months covering the main areas covered in the report as set out below:

<b>Date</b>	<b>Event and Core Knowledge &amp; Skills Areas Covered</b>	<b>Potential Attendees</b>
Sep – Dec 20	<ul style="list-style-type: none"> <li>• The impact of COVID-19 on the Fund</li> <li>• Pensions administration</li> </ul>	All
Jan – Mar 21	<ul style="list-style-type: none"> <li>• Pensions Governance</li> <li>• ESG</li> </ul>	All
Apr – Jun 21	<ul style="list-style-type: none"> <li>• Pension governance and good governance</li> <li>• Investment performance &amp; risk management</li> <li>• Actuarial methods</li> </ul>	All
July – Sept 21	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Relationship management</li> </ul>	All
Oct – Dec 21	<ul style="list-style-type: none"> <li>• Valuation training – purpose, roles, outcomes</li> </ul>	

- Welcomed and agreed the proposals designed by Hymans Robertson for a bespoke training plan.
- Agreed that it would encourage Pension Committee Members to engage in this training programme and complete the Hymans knowledge assessment.

Accordingly, the Chair Moved and it was:

**RESOLVED** to:

1. Note the report);

2. Note the results including the overall ranking of the Board and Pensions Committee against other participating LGPS funds;
3. Note the suggested training plan picking out the key areas for development based on participant assessment results and the training requests; and
4. Recommend the structured training plan.

## **6. EXCLUSION OF THE PRESS AND PUBLIC**

In view of the contents of the remaining items on the agenda the Board agreed 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.

### **6.1 Pension Fund Remediation Plan**

The minutes for this item are restricted.

### **7.1 Restricted Minutes**

The minutes for this item are restricted.

**The meeting ended at 12.28 p.m.**

**Chair, John Jones  
Pension Board**

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# Agenda Item 6.3

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

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