

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.30 A.M. ON TUESDAY, 13 OCTOBER 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) |
| Roger Jones (Member) | (Head of Revenues) |
| Annette McKenna (Member) | Pensions Board Member representing Admitted Bodies Employers |
| Councillor Abdal Ullah (Member) | Mayoral Advisor for Public Realm |

Officers Present:

| | |
|----------------|---|
| Ngozi Adedeji | – (Principal Lawyer Civil Litigation, Governance) |
| Kevin Bartle | – Interim Divisional Director of Finance, Procurement and Audit |
| Miriam Adams | – Interim Pensions and Investment Manager |
| David Knight | – (Democratic Services Officer, Committees, Governance) |
| Neville Murton | – (Corporate Director, Resources) |
| 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 can 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, 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. WELCOME

The Chair welcomed Councillor Abdal Ullah the Councils new representative on the Board.

3. APOLOGIES

Apologies for absence were received from Nneka Oroge (Trade Union Representative) and David Stephen Thompson (Deferred/Retired Fund Members Representative).

4. DECLARATIONS OF INTERESTS

No declarations of interest were received.

5. UNRESTRICTED MINUTES

The Chair Moved and it was:

RESOLVED

That the unrestricted minutes of the meeting of the Board held on 21st July 2020 were confirmed as a correct record subject to the inclusion of Ngozi Adedeji in the list of those present and the Chair was authorised to sign them accordingly.

6. TRAINING

6.1 Revised National Knowledge Assessment report

The Board received an update on the 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.

The London Borough of Tower Hamlets Pension Fund ("the Fund") agreed to participate in the NKA using an online assessment provided by Hymans Robertson.

The Board noted that 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. With each participant received their individual results report following completion of the assessment.

It was noted that Hymans Robertson have now collated and analysed the responses for all those members who had participated under the following categories:

- (i) The Fund's overall ranking against other participating LGPS funds
- (ii) The average score for each of the 8 subject areas, for both the Committee and Board.
- (iii) Each average score benchmarked for both groups against the other NKA participant funds' Committee and Board for each of the 8 subject areas
- (iv) 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.

However, the Board noted that one of the Pensions Committee Members in the online assessment provided by Hymans Robertson had indicated that they were a Board Member which meant the outcome of the tests needed to be corrected as attendance at meetings was a key bench mark. Therefore, the report has been updated although it makes no changes to the recommendations on the training to be provided.

The Chair **Moved** and it was:

RESOLVED to note the update.

7. REPORTS FOR CONSIDERATION

7.1 Pension Fund 2019/20 draft accounts

The Board received a report that detailed the proposed audit scope for the Tower Hamlets Pension Fund for the year ending 31 March 2020, attached as Appendix A to the report. The Audit Plan for 2019/20 had 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. The main point of the discussion may be summarised as follows:

The Board:

- That was quite a large growth in the that the number of employees in the scheme from 6740 to 7301 this was due to the auto enrolment for all LBTH/THH employees.
- This happens every three years when each employer is required to go through and re-enrol those employees who perhaps have opted out or never wanted to join the scheme and for Tower Hamlets this was quite significance number of employees and although unfortunately quite a substantial number of these employees did opt-out again. Also, on the 29th of March 2020 the Councils waste and recycling services came back in-house once its existing contract with Veolia had expired. This meant that the 323 staff in this service were once again Council employee's and scheme members.

- Noted that there was also a significant increase in management expenses in 2019/20 when compared to 2018/19. This was due to the use of the Cost Transparency Initiative (CTI) template introduced by the Scheme Advisory Board as part of the work on monitoring of overall cost of LGPS pensions. This has meant that the LGPS is monitored in terms of both cost of benefits and investment management costs.
- In the past it has been difficult to report fully on investment management and transaction costs because of pooling of investments meaning that costs tend to be deducted at source by the manager there by preventing full transparency of costs.
- The introduction of the CTI template means Funds can see (i) in more detail; (ii) if they are getting a better quality of service; (iii) the full cost of running the LGPS service (iv) no hidden fees (v) comparisons across Funds becomes possible for example in London.

The Chair **Moved** and it was:

RESOLVED to:

1. **Note** the unaudited 2019/20 Pension Fund Accounts; and
2. **Agreed** that the Board should look this in more detail in the future.

7.2 Risk Register Review

The Board received a report that provided an update on the changes to the Fund's Risk Register. The main points of the discussion are outlined as follows:

The Board:

- Noted that three new risks FI 10 and AG9 were added to the register during the June quarter in relation to covid-19. The onset of covid-19 had placed significant pressures on both employers in the Fund and the Pension Administration Service. The scheme was exposed to the likelihood of Cyber Scams and Data Protection risks as staff migrated to remote working.
- Noted that the Pensions Regulator advice to all pension funds regarding their core functions during the pandemic was that they should be (i) collecting contributions; (ii) paying retirement benefits (iii) and processing death benefits.
- Noted that the fund has also reviewed the Governance Risk G 1 and that has been updated to a Red status from Amber as a result of the McCloud judgement and the reliance on good data. As there will be a significant reliance on data back to 2012 and with (a) the number of functions outsourced; (b) the payroll functions in those scheme employers may have been outsourced; and (c) changes in payroll providers will present challenges in collecting the data.
- Noted that there have been discussions with the software provider on this impact of McCloud and what they will be doing in terms of amendments to the software.
- Noted that a project plan will be set up to look at this and the impact of McCloud although this is not expected to require a greater than 1% adjustment from a cost perspective for the Fund and the Employer's.
- Noted that there will be a small adjustment on Guaranteed Minimum Pension (GMP) to reflect the Government's interim solution.
- Noted that risk FI 16 has been extended to recognise that the London Pension Collective Investment Vehicle (CIV) in the short term may not be able

to meet all the requirements of the fund in terms of providing 100% renewal investment strategy which means that implementing this investment strategy has been hindered. The CIV has been written to about their apparent inability to provide this investment and the Pensions Committee has indicated that it would if possible, wish to use the CIV to implement 100% renewal investment strategy.

The Chair **Moved** and it was:

RESOLVED to:

1. Note the Pension Fund Risk Register; and
2. Note the amendments to existing risks.

7.3 Fund managers and Custodian internal control report review

Item deferred.

7.4 Draft response to McCloud Consultation

The Board received a report that set out the key changes to the scheme proposed by the Government in their recent consultation document produced in response to the McCloud judgement concerning age discrimination.

The Courts determined that the protections afforded to some members of the Local Government Pension Scheme (LGPS) and other public service pension schemes, following the review by Lord Hutton and introduced in 2014 (for the LGPS and 2015 for other schemes), were age discriminatory and unlawful.

Accordingly, the Government accepted the findings of the Court and has issued a consultation as to how best to amend the LGPS regulations. A summary of the deliberations is set out below:

The Board

- Noted appendices to the report is the responses to various questions; and
- Noted that discussions with the Software Provider around how the data can be extracted.

The Chair **Moved** and it was:

RESOLVED to:

1. Note the potential effects on pensions administration workload.

7.5 Review of Administration and LGPS Key Updates

The Board received a report with information relating to the administration and performance of the Fund since the July meeting and key recent LGPS issues and initiatives which impact the Fund. A summary of the discussions is set out below:

The Board

- Noted (i) an update on the production of the accounts; (ii) the direction proposed relating to the new structure of the Pensions Team; and (iii) the

position regarding the recruitment to the new posts of the Team Leader and the Administrator.

- Noted that since July 2020 three employers are in the process of participating in the scheme. With applications for Admitted Body status received following several contract services tenders having been conducted by schools.
- Requested regular updates on employers indicating that they wished to participate in the scheme.
- Noted that the current admission requests are pending the completion of the legal process with the Fund.
- Noted that an Internal audit of the Pensions Administration system commenced at the end of June 2020 and that the findings will be presented to Pensions Committee and Board at the earliest possible meeting once a report has been received.
- Asked that they be provided with details of the date that the Internal audit report would be ready for submission to the Pensions Committee and Board.
- Noted that such a meeting would require additional work to be added to the already substantial workload of the Interim Pensions and Investment Manager and her Team.
- Commented that if resources were not available then it must be recognised that this is a priority for the Council and could have a detrimental impact on the reputation of the Fund.
- Agreed that consideration would be given to escalating the issue if insufficient action was taken.
- Noted that the Interim Pensions and Investment Manager and her Team are daily having to address not only the essential administrative tasks but a wide range statutory deadline.
- Noted that the Chair has been very clear on the Boards concerns regarding the staffing of the Pensions Team in his regular reports to the Pensions Committee.
- Noted that the Chair is happy to take forward the Board Members concerns.
- Noted with the Boards support the issue of additional resources has started to be addressed. However, the processes and procedures within the Council to progress this have proved to be very time consuming. Also, the Council as an organisation has many challenges to be addressed but officers are working hard to deal with this.
- Noted the Pension Teams structure is in place, but the next step is to get the adverts out to commence the recruitment process.
- Noted that 4 posts are ready to go out and 5 other posts have yet to be finalised through the internal processes.
- Place on record its concern at the ongoing issues that are preventing the establishment of the Teams new structure.
- Agreed that outside of the meeting that Board Members and Officers meet informally to discuss how the blockages to progress can be addressed.

The Chair **Moved** and it was:

RESOLVED to:

1. Note the report contents;
2. Note the points raised as a result of the discussions on the report; and
3. Note that three employers are in the process of joining the scheme - Taylor Shaw Cleaning, Ridgecrest cleaning and Atlantic cleaning following successful joint tender process involving several primary and secondary schools including Ian Mikado Academy.

7.6 Contribution Deferral Policy Statement

This report provides the Board with policy on how the Fund will make its determination in respect of deferral of employer contributions during COVID-19 lockdown and gradual unwinding of social distancing and related restrictions. As a result of consideration on the report.

The Chair **Moved** and it was:

RESOLVED to note:

- the content of this report and admission contribution deferral policy:
- that the period of deferral is limited to 3 months after which extensions may be granted on a monthly basis:
- that the total annual contributions must be paid by 31 March of the applicable year and interest may apply:
- the decision to consider and approve requests was delegated to the S151 Officer: and

7.7 Admission Employer Exit Credit Policy

The Board received a report in relation to the Admission Employer Exit Credit Policy that demonstrates the steps the Fund will consider such that a consistent approach is taken between employers over time and the interests of all parties, including any employer providing a guarantee, are taken into consideration.

The Board:

The Chair **Moved** and it was:

RESOLVED to:

- note the admission employer exit credit policy agreed in principle by the Pensions Committee pending finalised guidance from MHCLG.

8. EXCLUSION OF THE PRESS AND PUBLIC

8.1 Voting and Engagement Update

The Board received an update on engagement and voting activities undertaken by the Fund's investment managers and on its behalf by Local Authority Pension Fund Forum (LAPFF).

The Chair **Moved** and it was:

RESOLVED to:

- (i) note the contents of this report.

8.2 Pensions Board Work Plan

The Board in accordance with the Public Service Pensions Act 2013 (PSPA) received a report that provided details on pension scheme matters.

The Chair **Moved** and it was:

RESOLVED to:

- (i) note the contents of this report;
- (ii) note the pension board terms of reference attached as Appendix 1 to the report;
- (iii) note the updated 2020/21 work plan attached as Appendix 2 to the report; and
- (iv) note the revised knowledge Assessment Survey report as Appendix 3 to the report.

8.3 Restricted Minutes

The Chair **Moved** and it was:

RESOLVED to:

- (i) Note the restricted minutes of the last meeting.

The meeting ended at 12.00 p.m.

**Chair, John Jones
Pension Board**