

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.32 P.M. ON THURSDAY, 10 MARCH 2022

**COMMITTEE ROOM ONE - TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present in Person:

Councillor Kyrsten Perry
Councillor David Edgar
Councillor Mufeedah Bustin
Councillor Andrew Wood
Kehinde Akintunde GMB Union Representative

Members In Attendance Virtually:

Councillor Rachel Blake
Councillor Ayas Miah

Apologies:

Councillor James King

Others Present in Person:

Steve Turner Mercer

Others In Attendance Virtually:

John Jones (Independent Chair)
Colin Robertson Independent Adviser

Officers Present in Person:

Miriam Adams Interim Head of Pensions and Treasury
Farhana Zia (Democratic Services Officer, Committees,
Governance)

Officers In Attendance Virtually:

Ngozi Adedeji (Principal Lawyer Civil Litigation, Governance)
Lilian Ajose (Senior Lawyer)
Kevin Bartle (Corporate Director, Resources & Section 151
Officer)
Nisar Visram (Director of Finance, Procurement & Audit)

1. DECLARATIONS OF INTERESTS

There were no pecuniary declarations of interest declared at the meeting by members.

2. UNRESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes from the meeting of 25th November 2021 were agreed to be an accurate record of the meeting and were approved by the Committee.

3. PETITIONS

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

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

Mr John Jones, Independent Chair of the Pensions Board presented his report on behalf of the Pensions Board.

Mr Jones stated the Board received a useful presentation on GDPR regulations and said it was important to ensure the Fund had strong data security and privacy features, which were compliant with the regulations. He said there were financial penalties for serious breaches as well as reputational risk and damage associated with breaches.

Mr Jones said several reports being presented to the Committee were also discussed at the Board and said the Board had had a full discussion in relation to the audit of the accounts and annual report. Mr Jones said the implementation of the Pension Dashboard was a concern, owing to the resources required and said the Pensions Board would be keep a close eye on the progress made.

With regards to Pension Administration, Mr Jones said it was evident good progress had been made, with performance data and key indicators showing an improvement and reduction in the backlog. However, it was important this progress did not slip especially considering the Pension Dashboard project. Mr Jones said the Board also looked at the Risk Register and said the total of 19 risks remaining amber were too large and said action was required to reduce the number.

In response to comments and questions for members the following was noted:

- Members of the Committee had no questions for Mr Jones.

The Chair, Councillor Kyrsten Perry thanked Mr Jones for his update report and the points highlighted.

The Pensions Committee **RESOLVED** to:

1. Note the report of the Pensions Board and the issues raised therein.

5. REPORTS FOR CONSIDERATION

5.1 Public Service Pensions Schemes: Pensions Dashboards

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and stated this was a government backed initiative which required the pensions industry to design and own the dashboard. She said the Pension Scheme Act 2021 received Royal Assent on the 11th February 2021, and provided the legal framework to support pension dashboards, including powers to compel schemes to provide member information.

Ms Adams drew particular attention to paragraphs 3.5 and 3.6, which set out the requirements for the Pensions Dashboard as well as the risks associated with the project, such as who will be responsible for hosting the dashboard plus the impact of the McCloud judgment, referred to at paragraph 3.14.

In response to comments and questions from members the following was noted:

- Ms Adams said the actuary had made the appropriate adjustments to the Pension Scheme, however the cost of McCloud would not be known until the LGPS regulations had been issued.
- In reference to paragraph 3.16 and the external support required, Ms Adams said it was too early to assess exactly what support would be required. She said this was a big project, with a considerable amount of data implications.

The Pensions Committee **RESOLVED** to:

1. Note the requirement to improve the reliability of data in accordance with the Pensions Dashboards Programme data standards guide in order to supply the correct information to the dashboards and ensure compliance with the statutory staging timeline to onboard schemes.
2. Note the critical bottleneck the scheme faces in respect of council employee data.

5.2 Pension Fund Accounts and Annual Report

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and stated this was the draft unaudited Statement of Accounts and Annual Report for the LBTH Pension Fund for year ending 31st March 2021. She said the report was attached at appendix A.

Ms Adams referred to several sections within the report such as paragraph 3.1 and 3.3 and said the audit for 2021/22 had commenced. She said there were no outstanding queries in relation to this audit and previous years.

In response to comments and questions from members the following was noted:

- Councillor Edgar said he had several questions in relation to accounts, however he would send these to Ms Adams directly.

The Pensions Committee **RESOVLED** to:

1. Note the contents of this report;
2. Approve the Pension Fund Annual Report and Accounts (Appendix 1); and
3. Note that the 2018/19 and 2019/20 audit will not be concluded until the council's main accounts audit have been concluded.

5.3 The General Data Protection Regulation

Ms Miriam Adams, Interim Head of Pensions and Treasury presented the GDPR report. She said the Pension Board had received a presentation at its meeting. The GDPR regulation had come into effect in 2018 and the report and the appendices set out how the Pension Scheme would adhere to the regulation. Ms Adams said this would be circulated to all employers within the scheme. She said the Council's Information and Governance team would have oversight for this and all staff are expected to complete the mandatory course available on the Learning Hub. She said workshops would also be held in addition to the e-learning course.

In response to comments and questions from members the following was noted:

- Councillor Edgar said it was important to ensure there were clear lines of responsibility in terms of the Pensions Dashboard, discussed earlier and where information is held. He said it was vital the personal information of Scheme Members was protected and compliant with GDPR regulations.

The Pensions Committee **RESOLVED** to:

1. Note the content of this report
2. Note the updated Full GDPR Privacy Notices and Employer's Memorandum of Understanding issued by the LGA (Appendices 1-5).

5.4 Responses to Pension Fund Accounts Audit Report

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided the Officers response to the 2018/19 and 2019/20 Pensions Fund ISA260 as well as an update on the 2020/21 audit.

Ms Adams referred members to appendix 1 of the report which set out the two reports. She said the responses to the observations made by Deloitte were

set out on page 289 of the agenda. Ms Adams said that for the comparative figures for the 2017/18, it should be noted the accounts were audited by KPMG and therefore officers when preparing the revised 2018/19 pension fund accounts did not consider the 2017/18 accounts.

In response to comments and questions from members the following was noted:

- Councillor Edgar asked if any steps had been taken regarding the differing views of the actuaries. Ms Adams responded stating it was a matter of wording. Deloitte had initially quoted £7m but had revised their estimate down to £1.8m. She said she had asked for the working papers referred to by Deloitte's and said she'd be happy to make an adjustment if this was material. Ms Adams said it had to be remembered that when Hymans issued their valuation estimate, McCloud remedies was yet to be enacted because there was no judgement on the Government's appeal. Hence any adjustment now would need to be justified.
- In respect to page 290, monthly salary expectation report, Councillor Edgar asked for clarity in relation to the thresholds used. Ms Adams responded stating there was a finance working group Chaired by the Director of Finance Procurement and Audit looking at this, however for every Pensions Scheme the primary source of information is from the employer. She said there were issues with the biggest employer within the scheme and the uploading of data as well as the quality of the data which the working group was looking into. Ms Adams said she hoped this would be resolved soon.

The Pensions Committee **RESOLVED** to:

1. Note the content of this report and updated ISA 260 reports.
2. Note that Deloitte have yet to issue the audit plan for 2020/21 although the audit has since commenced.

6. EXCLUSION OF PRESS AND PUBLIC

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.”

6.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The restricted minutes from the meeting of 25th November 2021 were agreed to be an accurate record of the meeting and were approved by the Committee.

6.2 Changes to the Prospectus for the LCIV MAC Fund

The minute for this item is restricted.

6.3 Proposed Changes to GSAM Absolute Return Bond

The minute for this item is restricted.

6.4 Net Zero Target implications and Decarbonisation Plan

The minute for this item is restricted.

6.5 ESG, Voting, Engagement and Stewardship Update

The minute for this item is restricted.

6.6 Quarterly Performance Review

The minute for this item is restricted.

6.7 Pensions Administration and LGPS Quarterly Update – December 2021

The minute for this item is restricted.

7. TRAINING EVENTS

Ms Miriam Adams, Interim Head of Pensions and Treasury reminded members the Pension Governance Review was still open and asked members to complete the questionnaires sent to them. She said responses would be treated confidentially.

She also reminded members of the Hymans Training Portal and encouraged members to complete the bite-size training sessions. She said they had paid for the user licenses and therefore it was vital members completed this training.

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Russia/Ukraine War

Ms Miriam Adams, Interim Head of Pensions and Treasury stated that an email had been sent to members of the Committee outlining the status of investments in Russia and Ukraine. She said they had no direct investments exposed through LGIM. The London CIV had also confirmed they had written down values to zero. She said both managers were now working on any estimating indirect impact.

The Committee then heard from Mr Colin Robertson, the independent adviser to the committee. Mr Robertson said the direct investments in Russian companies had been reduced but in any case were financially not important. There was a lot of talk about divestment but this was rather academic as the stocks could not actually be sold. He said the indirect investments, such as European banks holding stakes in Russian banks were important owing to their earnings and to investors' attitudes to the principles and morals of the companies concerned. However the biggest impact was on the global economy and inflation. He said this would have a knock-on effect on commodity prices and growth. Otherwise, the focus should be on multi-national companies and their holdings and sales in Russia/Ukraine.

Mr Turner agreed with Mr Robertson and said the big risks were the macro risks that were not Russia specific. He said the risk of escalation was something to bear in mind. Mr Turner said the Committee had reviewed its risks as part of the investment strategy review and therefore it would be good to remind the new committee of the risks the Fund is exposed to.

He said progress to net zero would slow in the near term, because of the rise in energy and commodity prices, however medium to long term, with less dependency on gas and Russia, the progress would recover. He said this needed to be taken into consideration. Mr Turner said it was important to stay focussed on long term strategy and not to make kneejerk reactions. Mr Turner also said the Fund had Equity Protection and therefore it was important to consider if this needed to be renewed.

In answer to comments and questions from members the following was noted:

- Councillor Blake asked if the oil and gas situation in Europe had accelerated investments in renewables? Mr Robertson said there had been no big change in the behaviour of fund managers who continued to be enthusiastic about investing in renewables.
- Mr Robertson was asked to explain the impact of the war on the German economy. He said the Germany economy was exposed as 40% of its gas came from Russia, potentially through two pipelines, one of which was now not going ahead. He said the German government had to review its energy policy, but this was not having a big impact on a macro-economic level at this time.
- Ms Miriam Adams said the situation was changing rapidly day by day. The Pensions Scheme Advisory Board had issued a statement making clear their stand on this. She said LGPS's were advised to keep up with the list of sanctions which would continue to grow. She said the Advisory Board acknowledged that some local authorities had decided to disinvest in Russia, but it was for individual funds to decide how best to manage their investments.
- Ms Adams informed the Committee a tentative date of 6th April had been identified as a possible date for a further meeting, should this be required by the Committee. Following discussion, it was agreed the

Committee should keep a watching brief on the situation in Russia and Ukraine and only call for an extraordinary meeting should it be required.

- Mr Steve Turner from Mercer said he would advise the Committee and the Fund to update their website with a statement condemning the war and stating clearly what exposure the fund had at the end of February. He also recommended that the Fund check to see if it had any pensioners in Russia or Ukraine.
- **ACTION:** Ms Adams confirmed the Fund had no pensioners in Russia and Ukraine and said she'd be happy to add a statement to the Pensions website outlining the position regarding investments in Russia.
- Ms Ngozi Adedeji, legal adviser suggested that any statement for the website be approved by the Council's Communications Team before being added to the website.

The Pensions Committee **RESOLVED** to:

1. Note the update provided and keep a watching brief on the changing situation in Russia and Ukraine war, with the next meeting of the Pensions Committee discussing this further, as required.
2. The Pensions website to be updated with a statement condemning the war and providing information on the investments as at the end of February 2022.

Equity Protection Strategy

Mr Steve Turner from Mercer provided an update regarding the Equity Protection Strategy. He said members may recall that of the £1.1bn in equities, £400m was protected overall. He said £200m of the protection was coming to an end as at the 31st March 2022, with the remaining £200m ceasing in September 2022.

Regarding the protection that was ending in March, as of 3rd March, the fund may benefit from the protection, with a small pay-out, if equity markets fell. Mr Turner said it would be useful for the Committee members to receive weekly updates from now until the end of March about this. He said the remaining £200m would run until September and suggested the Committee may wish to revisit Equity Protection in the new municipal year, given the current situation and impact of the Russia/Ukraine war.

Mr Colin Robertson advised that it would be appropriate to extend the Equity Protection until September, due to the present situation. He said a decision was required within the next two to three weeks.

Discussion ensued regarding whether a decision could be made outside the meeting, however the legal advisor, Ms Ngozi Adedeji made clear that any decision would need to be made by the Committee reconvening at a later date.

The Pensions Committee **RESOLVED:**

1. That it would receive a weekly update on the Equity Protection Strategy ceasing at the end of March 2022, to see if it qualified for a pay-out;
2. That Mercer should provide a report outlining the impact of the previous protection, provide an update in relation to the current protection and the costs involved in renewing the protection;
3. That it would monitor the impact of the geo-political situation, particularly Russia and Ukraine, on the global economy and would designate any decision for an additional meeting before the end of March 2022 to the Chair and Vice-Chair of the Committee.
4. Should a meeting be required regarding Equity Protection it should be held in week commencing the 21st March 2022.

Record of Thanks

The Chair, Councillor Kyrsten Perry thanked Members and Officers for their hard work, over the last four years. She said tough decisions had to be made in relation to the work of the Committee and thanked everyone for their support and hard work. She said members had worked well together and she was thankful for this.

Councillor Rachel Blake expressed her thanks on behalf of the Pensions Committee members and officers to Councillor Kyrsten Perry and Councillor David Edgar who were stepping down as councillors at the end of the municipal year. Councillor Blake asked that the committee record the vote of thanks of members of the committee.

The meeting ended at 9.18 p.m.

Chair, Councillor Kyrsten Perry
Pensions Committee