

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.00 A.M. ON MONDAY, 22 NOVEMBER 2021

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

Members Present:

John Jones (Chair)	(Independent Chair)
David Stephen Thompson (Vice-Chair)	(Representing Retired/Deferred Pension Fund Members)
Michael Alderson	(Recovery Manager Revenue Services – Substituting for Roger Jones – Representing pensions Fund Employers)
Nneka Oroge*	(Representing Active Fund Members)

Guests Present:

Daniel Kanaris *	– AON
Mark Burrows *	– Quinbrook
Rosalind Smith-Maxwell*	– Quinbrook

Officers Present:

Nisar Visram*	– (Director of Finance, Procurement & Audit)
Miriam Adams	– Interim Head of Pensions and Treasury
Ngozi Adedeji	– (Principal lawyer Civil Litigation, Governance)
Farhana Zia	– (Democratic Services Officer, Committees, Governance)

*Attended online – virtually

1. APOLOGIES

Apologies for Absence were received from Mr John Gray, (Admitted Bodies Representative for Active Fund Members), Ms Annette McKenna (Representing Admitted Bodies Employers) and Councillor Kyrsten Perry, Chair of the Pensions Committee.

2. DECLARATIONS OF INTERESTS

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

3. UNRESTRICTED MINUTES

The unrestricted minutes from the 6th September 2021 meeting were **AGREED** and **APPROVED** to be an accurate record of the meeting.

4. SUBMISSIONS FROM FUND MEMBERS

There were no submission made by fund members.

5. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

There were no submissions/responses from the Pensions Committee.

6. REPORTS FOR CONSIDERATION

6.1 Governance Review Update (verbal)

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the item stating the Governance Review had been agreed to by the Pensions Board and Committee. She said the purpose was to review the policies and procedures in place and to ensure these were in line with best practice and legislation as stipulated by The Pensions Regulator (TPR). She said as part of the Governance Review, Mr Daniel Kanaris from AON was observing the Board and Committee meetings, for November 2021.

The Board then heard from Mr Kanaris who outlined the aims of the review. He said the review would check to see how the scheme complied with the TRP code of practise and would provide analysis on how governance of the Fund could be improved. Mr Kanaris said there were three elements to the review - direction, delivery and decision. Each area would focus on how compliant to the TRP code, the Pension Scheme was performing and would cite best practice for improvement. Mr Kanaris said a confidential questionnaire would be sent to Board and Committee members to gauge their views.

In response to questions from members the following was noted:

- The timescale to produce the review report was January 2022 for consultation and final report by February 2022, in time of the next set of Board and Committee meetings in March 2022.

The Chair, Mr John Jones thanked Ms Adams and Mr Kanaris for their update.

6.2 Member Training - Renewable Energy Infrastructure Training - Quinbrook Infrastructure Partners

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the item stating that following LBTH Pensions Fund expression of interest to join a renewable energy fund, a fund was set up by the London CIV in March 2021. Ms Adams said there are four managers who make up the Fund, Storebrand, Quinbrook, Foresight and BlackRock. She said the Board would be hearing from Quinbrook who would be providing an insight to renewable energy plus benchmarks relating to how they manage this asset class.

Members of the Board then heard from Mr Mark Burrows, European Head of Capital Formation at Quinbrook and Ms Rosalind Smith-Maxwell, Vice-President of the Investment Team in London. Mr Burrows and Ms Smith-Maxwell gave a presentation on various types of renewable energies available, the need to invest in new sources of energy by the National Grid and the effect renewable energy was having on global markets. Mr Burrows said the UK market was ahead of the curve and investment in different types of energy sources, such as solar and offshore wind had piqued interest, with a ground swell of political will to drive forward this change.

In response to questions from members the following was noted:

- In reference to Geo-thermal energy, Mr Thompson asked why growth for this type of energy was low. Ms Smith-Maxwell responded stating the cost was high in comparison with the solar and offshore wind categories. Geo-thermal refers to ground source heat pumps, which requires boring/drilling incredibly deep wells and large circular ones at surface level. Ms Smith-Maxwell said these were in development but there needed to be significant support to reduce the Capx cost to make it deployable at scale.
- In response to why Tidal wave technology and Hydro power were not being invested in, Ms Smith- Maxwell stated this again was due to the cost. She said many industrial backers had lost money in the research and development of tidal technology and there was some way to go to before the technology could be commercially viable. Ms Smith-Maxwell said the stress the blades undergo with tidal technology means there is a high level of breakage and therefore this technology is not considered to be reliable and/or affordable when compared to solar and offshore technologies.
- In response to if the National Grid was up to the challenge over the next 10 to 25 years to achieve a green revolution, Ms Smith-Maxwell said the National Grid had an ambitious plan to be carbon-free by 2025. She said they had a pathfinder programme to take this forward. She said the three areas of focus were EnerSure, constraint and voltage control. Ms Smith-Maxwell said they had identified these areas, as areas that required resolution and investment to enable more renewable energy to come online and for consumers to still have affordable and reliable power. Ms Smith-Maxwell said they were

identifying projects to invest in, which were Index linked and would achieve the best outcome for the industry and consumers.

The Chair, Mr John Jones thanked Mr Burrows and Ms Smith-Maxwell for their presentation and said the presentation provided a useful insight to how the renewable energy markets worked and how investments in this asset class can be beneficial to the Fund.

6.3 Member Training - Update on Hymans Academy (verbal)

Ms Miriam Adams, Interim Head of Pensions and Treasury asked members of the Board how they were finding the training modules and if any member had experienced any issues with logging in to the sessions.

The Chair, Mr John Jones and Mr David Thompson stated they had completed some of the modules which they had found to be quite intense but extremely informative. They said the modules took approximately an hour to complete rather than half an hour and required the learner to make notes. Time was also required for the learner to absorb the information.

- Members suggested that the tests at the end of each module ought to be in bitesize chunks but overall, the content of the training modules was very good.

6.4 Update on Pension Fund Accounts and Audit Plan (verbal)

Ms Miriam Adams, Interim Head of Pensions and Treasury provided a verbal update on the Pension Fund Account and Audit Plan. She said the 2018/19 and 2019/20 pensions account had been submitted to Deloitte's who had given an unqualified report relating to the ISA260. A number of queries such as pricing and data pairing were raised however, she was hopeful that by the next meeting of the Board in March 2022, the 2018/19 and 2019/20 audited accounts could be presented to the Board, as well as the draft accounts for 2020/21.

In response to questions from members the following was noted:

- Most of the issues relating to the 2018/19 and 2019/20 pensions fund accounts had been resolved save for a few outstanding queries. Deloitte will not issue a full audit until such time the Council's main accounts have been completed, because the opinion given relates to the full audit which includes the pensions fund.
- Regarding the work plan for the Pensions Fund 2021/22 this had not been issued by Deloitte for the same reason that the previous years' accounts are complete and up to date. It's been agreed the plan would be released soon after the completed accounts have been approved. Ms Adams added that the scheme's advisory board had been notified of the delay, to meet the deadline of 1st December for the annual report of the Fund.

The Chair, Mr Jones thanked Ms Adams for the update.

6.5 Review of Risk Management Policy and Risk Register

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided an update on changes made to the Fund's Risk Register and Risk Management Policy.

The Chair, Mr Jones, suggested that the Board defer the Risk Management Policy to the next meeting of the Board, to enable members to read the policy document plus ensure an in-depth discussion could take place.

In reference to the Risk Register, Ms Adams stated that this had not changed from the last quarter. There remained five red rated risks, with several relating to administration. She said these would remain on the register until progress had been made with recruitment and data quality. She said there were several risks that could move to amber in the next six to nine months.

In response to questions from Members the following was noted:

- Mr Thompson stated it was important for the Board to have sight of the Risk register on a regular basis. He said of the 33 areas identified, two-thirds were either amber or red rated.
- Mr Thompson referred to Risk G3 "Services are not being delivered to meet legal and policy objectives" and said the comments section needed to provide facts on how and why the rating had been changed from red to amber. Mr Thompson referred to point 3, in the comments section which stated, "recruitment of permanent staff was underway." He said it was unclear from this statement if "underway" meant it was at the beginning of the process to recruit staff or if permanent staff had been recruited and had embedded into the organisation. He said this required additional explanation.
- Mr Thompson referred to risk F11 and stated "external changes" needed to be identified with some indication or description of what the external changes are.
- **ACTION:** The Risk Management Policy to be deferred to the March 2022 meeting of the Board.
- In response to the issues raised by Mr Thompson, Ms Adams provided a detailed update in relation to each risk and said some of the risks would remain on the register in order not to lose sight of them and to ensure compliance. She said the data issue, relating to Iconnect had been discussed by the Board previously. She said her team was continuing to encourage employers to adopt this first line of data input and verification, but progress had been slow.

The Pensions Board **RESOLVED** to:

1. Defer the Risk Management Policy to its next meeting in March 2022; and
2. Noted and commented of the detailed Risk Register.

6.6 Quarterly ESG, Voting, Engagement and Stewardship Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided an overview of the of the stewardship activity carried out by Tower Hamlets Pensions Fund's investment managers and on its behalf by the Local Authority Pensions Forum (LAPFF) in the quarter ending September 2021.

The Chair stated as this was a regular report he would move to questions from Members.

In response to questions from members the following was noted:

- In reference to appendix 1, the Chair asked if LGIM was a tracker fund. Ms Adams responded stating it was a passive fund, with low carbon stocks that were Index linked.
- Referring to the Fraser Group and BHP, the Chair asked why the voting alerts showed "n/a". Ms Adams explained that these were low carbon stocks and therefore they did not hold too may energy stocks.
- In reference to paragraph 3.3, Mr Thompson said the five areas identified were high level requirements with the interventions referred to as 'Director matters.' He said only two of the five areas were covered, governance and board composition and therefore he wanted to hear again why this was. Ms Adams pointed out the report was a quarterly report and therefore reported on voting activity during that quarter. She said a considerable amount of activity occurred behind the scenes and with the move away from the Baillie Gifford equity fund to the Paris Aligned fund there had been a significant change in the landscape of what kind of stock could be invested in. Ms Adams explained that for most companies their year-end was either December or March and it was usual to see further activity in the last quarter of the reporting cycle.

The Pensions Board **RESOLVED** to:

Note the recommendations being made to the Pensions Committee who were to consider this report at its meeting of 25th November 2021.

The Pensions Committee is recommended to:

1. Note the content of this report and appendices.

6.7 Pensions Board Work Plan 2021-22

Members of the Board were asked to note the Pension Board's work plan for 2021/22.

Members of the Board had no questions for Ms Adams.

The Pensions Board **RESOLVED** to:

1. Note the workplan for 2021/22.

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

The Chair, Mr John Jones stated the agenda for the Pensions Committee scheduled for the 25th November had been published on the Council's website and said several reports discussed by the Board, were also on the agenda for the Committee.

Mr Jones confirmed he would be providing an update to the Committee and would be attending the meeting.

8. 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."

8.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The Board members noted the restricted minutes of the Pension's Board meeting of 6th September 2021 and had no comment to make in relation to the exempt items.

The Board **AGREED** and **APPROVED** the restricted minutes of 6th September 2021.

8.2 Administration and LGPS Quarterly Update

The minute for this item is restricted.

8.3 London Collective Investment Vehicle Changes

The minute for this item is restricted.

9. ANY OTHER BUSINESS

No other business was discussed by the Board Members.

The meeting ended at 12.00 p.m.

Chair, John Jones
Pension Board