

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.30 P.M. ON MONDAY, 27 JUNE 2022

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

Members Present in Person:

Councillor Bellal Uddin	Chair
Councillor Iqbal Hossain	Vice-Chair
Councillor Abdul Malik	
Councillor Abdul Mannan	

Members In Attendance Virtually:

Councillor Ayas Miah

Co-optees Present in Person:

Kehinde Akintunde	Trade Union Representative
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Apologies:

Councillor Rachel Blake
Councillor Abdal Ullah

Others Present in Person:

Barry Dodds	Actuary – Hymans Robertson
John Jones	(Independent Chair)
Colin Robertson	Independent Investment Advisor (Pensions Committee)
Steve Turner	Mercer - Senior Investment Consultant
Stephanie Aymes	London CIV

Others In Attendance Virtually:

Umer Nazir	London CIV
Christopher Osborne	London CIV
Gustave Loriot	London CIV
Alexander Bate	PIMCO
Matthew Livas	PIMCO

Officers Present in Person:

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

Officers In Attendance Virtually:

Kevin Bartle	(Interim Corporate Director, Resources & Section 151 Officer)
Carole S Bowes	(Employment Lawyer, Legal Services, Directorate Law, Probity and Governance)
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. APPOINTMENT OF VICE-CHAIR

Councillor Abdul Mannan proposed Councillor Iqbal Hossain for the position of the vice-chair of the Pensions Committee. The nomination was seconded by Councillor Abdul Malik.

The Pensions Committee **RESOLVED** to:

1. Elect Councillor Iqbal Hossain as the vice-chair of the Pensions Committee for 2022-23.

3. PENSIONS COMMITTEE TERMS OF REFERENCE, MEMBERSHIP, QUORUM AND DATES OF MEETINGS 2022-23

Ms Farhana Zia, Democratic Services Officer presented the report, asking members to note the Pensions Committee's terms of reference, membership, quorum and dates of meeting for the municipal year 2022/23.

She informed members these had been agreed at Full Council on the 25th May 2022.

The Pensions Committee **RESOLVED** to:

1. Note its Terms of reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1,2 and 3 in the report; and
2. AGREED to hold scheduled meetings of the Pensions Committee at 6:30 p.m.

4. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes from the meeting of 10th March 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

5. PETITIONS

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

6. 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 several reports being presented to the Committee had been discussed by the Board at its meeting of 13th June 2022. Mr Jones referred members to his report, in the supplemental agenda and drew attention to paragraph 5 of his report. He said Pensions Administration had been discussed for some time by the Board and concerns remained regarding the recruitment and retention of pension staff. He said at present there were six vacancies out to advert, however good progress had been made to fill these positions. He said the market for recruiting administration staff was difficult and it was not easy to find pension specialists.

Mr Jones continued stating the Board had also looked at the risk register and several areas remained red or amber. He said data quality, staff and resources would continue to be monitored by the Board. Mr Jones recommended that there be a timetabled action plan regarding the data quality issues relating to the IConnect interface which the Council must use to upload information as other employers currently do and said this had been going on for a long time. Mr Jones said the Board received a presentation on the Triennial Assumptions as well as the Business plan that the Committee were to discuss tonight.

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

- The posts were out to advert, with a closing date of 10th July. Therefore, it was a matter of waiting and seeing how many applicants had applied. Ms Adams added that there was a serious shortage of experienced pension administration staff. She said this made it difficult to recruit to vacant posts. Ms Adams added that the Scheme Advisory Board were aware of this and had recently conducted a survey to identify how many schemes were affected by this. She said there may be several solutions that they may propose but the hope was to identify suitable candidates via the recruitment process.

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

7. REPORTS FOR CONSIDERATION

7.1 Draft Pension Fund Triennial Valuation Assumptions

Mr Barry Dodds, from Hymans Robertson introduced the report and explained the role of the Actuary. Mr Dodds referred to his presentation slides and

provided a detailed explanation regarding the valuation process and its timeline; why and how assumptions are set; the financial and longevity assumptions which are considered and how these are derived; as well as the demographic assumptions that are taken into account.

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

- Demographic data was provided by Club Vita, who use analytics relating to where fund members lived. Fund members may live in the Borough or in other areas of the country and/or abroad. Club Vita can pinpoint this information and their analysis is used when making the valuation assumptions.
- In response to which postcode had the shortest life expectancy, Mr Dodds said Club Vita produced heatmaps showing this data. He gave an example of how the life expectancy in one city can be lower than another.
- Mr Dodds said the funding position for the Fund was positive as the return on assets had been good even though there could be a possibility of a lower return in future. He said there was a balancing factor in that the value of the liabilities had also grown but over the last three years the funding ratio had grown. This led to the possibility of cutting contribution rates.
- In relation to the assumptions made within the report, Mr Robertson explained there was a degree of subjectivity in making the assumptions and therefore in determining the contribution rates. Mr Dodds agreed different actuaries would have different opinions on prudence levels. However, a bar of a 70% or greater likelihood of the assumptions being achieved was used. He said the modelling used by other actuaries was not dissimilar. He agreed with Mr Robertson that there was some flexibility in whether contributions rates should be cut or held.
- Mr Bartle, Interim Corporate Director for Resources and Section 151 Officer said the point about contribution rates was an important point for the Committee Members to note. He said the Committee would be discussing this further at a future meeting and as such he was grateful this had been highlighted. Mr Bartle agreed there was a degree of subjectivity when making assumptions and thanked Mr Robertson for making this point.

The Pensions Committee **RESOLVED** to:

1. Consider and approve the triennial valuation assumptions recommended by the scheme actuary Hymans Robertson.

7.2 ESG, Voting, Engagement and Stewardship Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated that the report provided an overview 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 March 2022.

Ms Adams drew particular attention to the paragraph 3.5 and the LAPFF's engagement with companies as well as paragraphs 3.6 to 3.9, which outlined the collaborative engagement which had taken place. Referring to voting alert variances and the table at paragraph 3.13, Ms Adams said this showed how LCIV and LGIM had voted. She said paragraph 3.14 provided an explanation as to why the voting alerts were issued.

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

- Members of the Committee had no questions for Ms Adams relating to this report.

The Pensions Committee **RESOLVED** to:

1. Note content of this report and appendices.

7.3 Tower Hamlets Pension Fund Business Plan 2022/23 to 2024/25

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and stated the business plan provided the operational framework for the Pension Fund. Ms Adams said the Pensions Committee was being asked to approve the Business Plan to fulfil the strategic objectives for investment, funding, governance, administration, and communication related to the fund. Ms Adams stated this was a high-level document and was a requirement of Good Governance III, however this had not been passed as legislation. She said the Fund had taken the initiative to implement the recommendations and put forward the Business plan for 2022/23 to 2024/25.

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

- Members of the Committee had no questions for Ms Adams relating to this report.

The Pensions Committee **RESOLVED** to:

1. Note the report and approve the Tower Hamlets Pension Fund Business Plan 2022/23 to 2024/25 attached at Appendix 1

7.4 Quarterly Update Risk Register and Risk Policy

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and said the report updated members on the changes to the Fund's risk register and risk management policy.

Ms Adams referred to paragraph 3.3 onwards and provided an update in relation to the risks outlined in the report. She referred to paragraph 3.7 and said the Pensions Committee had approved the net zero pathway. Whilst it was impossible to completely mitigate against climate change impact, these positive steps towards the net zero target, were at the forefront within the LGPS and therefore considered to be an important risk to monitor.

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

- Ms Adams explained the LAPFF (Local Authority Pension Fund Forum) was a helper body which did not comment on the decisions made by the Fund or its performance. She said it was a lobby group and the Pensions Committee itself was accountable for the Fund.

The Pensions Committee **RESOLVED** to:

1. Note the comments on the detailed Risk Register (Appendix 1)

7.5 Pensions Administration and LGPS Quarterly Update – March 2022

Ms Miriam Adams, Interim Head of Pensions and Treasury said the report provided members with information relating to the administration and performance of the Fund over the last quarter as well as an update on the key LGPS issues which impact the Fund.

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

- In answer to why there was a low take up rate for active members, Ms Adams explained that the role of the LGPS was to manage and administer the scheme. She said it was for Employers and the Unions to promote the benefits to its staff/members. She said the Pension Board and Pension Committee may also want to be involved in the promotion of the scheme. Ms Adams said there had been a high percentage of opt-outs at the auto-enrolment stage which the scheme must carry out every three years. She said opt-outs were for several reasons, including affordability and religious reasons.

The Pensions Committee **RESOLVED** to:

1. Note and comment on the contents of this report and appendix.

7.6 Funding Update March 2022

Ms Miriam Adams, Interim Head of Pensions and Treasury presented the funding update and said it illustrated the estimated funding position from 31st March 2019 to 31st March 2022.

She said the update was a high-level estimation of the Fund's funding position, from which it was clear the Fund was going in the right direction. She referred members to page 9 of the supplemental agenda, paragraph 3.3 and said the table provided a summary of the funding position year by year.

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

- Mr Dodds added that whilst there was a slight dip in the funding level as at 31st March 2022 of 120% compared to 123% at 31st March 2021, the change was not final as data to inform this estimate was still being worked on because of the triennial assumptions.

- Mr Dodds confirmed the percentage could go up or down as there were a considerable amount of data that had be calculated into the final assumption.
- Mr Robertson said that the funding ratio depended on the stock market levels and financial markets, which can change quickly. He advised Members to consider this to be a snapshot of funding levels at one moment in time.
- Ms Adams explained the Fund allocated its investments to different asset classes to diversify the investments made. She said the performance of the asset classes was dependent on the managers appointed as well as financial and global factors. She said the Fund made long term investments and therefore it was important to watch the markets to see how they impacted investments.
- Mr Bartle added that a funding level above 100% was a good achievement and whilst there was a slight dip it would not count against the performance of the Fund.

The Pensions Committee **RESOLVED** to:

1. Note the content of this report.
2. Note that any investment decisions taken which fail to provide the desired returns will impact estimated funding levels.

8. TRAINING EVENTS

Ms Miriam Adams, Interim Head of Pensions and Treasury notified members that there was training available on Monday 4th July for the Pensions Board relating to its roles and responsibilities and that it would be useful for Pension Committee members to attend as well.

Furthermore, Ms Adams advised that an email link to the Hymans Robertson portal had been sent to members. She recommended members register and log into the portal and complete the 30-minute bite size training modules. Ms Adams said it was important for members to complete the training as it would help develop their understanding of Pensions related matters. She said figures of who had completed the training were reported to the Committee each quarter. Mr Jones added that he had found the topics very useful and recommended the training.

Ms Adams said that in addition to the portal, members of the Committee were also required to attend various training relating to specific key decisions that the Committee was to make and said these should be attended by Members.

The Chair thanked Ms Adams for the information and update.

9. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

There was no urgent business to be discussed by the Committee.

10. 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.”

10.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING

The restricted minutes from the meeting of 10th March 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

10.2 Quarterly Performance Review and Manager Deep Dive

Mr Colin Robertson, Independent Adviser and Mr Steve Turner from Mercer, presented the Quarterly Performance review report. The report informed members of the performance of the Pension Fund investments and its investment managers for the quarter ending March 2022.

The Pensions Committee **RESOLVED** to:

1. Note the content of this report.
2. Note the Independent Adviser quarterly commentary (Appendix 1).
3. Note the Mercer performance reports and manager ratings (Appendix 2)
4. Note the Deep Dive LCIV Baillie Gifford Global Alpha Paris Aligned Review (Appendix 3)
5. Note the Deep Dive LCIV Baillie Gifford Diversified Growth Fund Review (Appendix 4)
6. Agree to potentially fund an Affordable Housing portfolio from a 5% reduction of the asset allocation to the LCIV Baillie Gifford Diversified Growth Fund.

10.3 Presentations by LCIV and PIMCO

The Pensions Committee received presentations from LCIV and PIMCO in relation to the Multi Asset Credit (MAC) Fund.

The Chair thanked the attendees for the presentations.

10.4 Social and Affordable Housing Asset Class

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and said it provided an update to the Committee regarding the social and affordable housing asset class which the London CIV UK Housing fund was addressing and the previous Committee had begun to explore.

The Pensions Committee **RESOLVED** to:

1. Consider this report and appendix;
2. Note the progress so far;
3. **AGREED** to making a strategic asset allocation to the social and affordable housing asset class; and
4. **AGREED** to consider a possible implementation route involving investing via the new London CIV UK Housing Fund or to start a search for potential managers with a view to making a direct appointment

The meeting ended at 9.08 p.m.

Chair, Councillor Bellal Uddin
Pensions Committee