

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.05 A.M. ON MONDAY, 27 FEBRUARY 2023

**COMMITTEE ROOM - TOWER HAMLETS TOWN HALL, 160 WHITECHAPEL
ROAD, LONDON E1 1BJ**

Members Present in Person:

John Jones	(Independent Chair)
David Stephen Thompson (Vice-Chair)	(Representing Retired/Deferred Pension Fund Members)
Councillor Abdul Mannan	(Representing Pension Fund Employers)
Annette McKenna	(Representing Admitted Bodies Employers)

Members In Attendance Virtually:

John Gray	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Chris Boylett	(Interim Head of Revenue and Benefits)

Apologies:

Nneka Oroge	Trade Union Representative
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Others In Attendance Virtually:

Barry Dodds	Actuary - Hymans Robertson
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Officers Present in Person:

Carole S Bowes	(Employment Lawyer, Legal Services, Directorate Law, Probity and Governance)
Miriam Adams	Interim Head of Pensions and Treasury
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Nisar Visram	(Director of Finance, Procurement & Audit)
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VARIATION IN BUSINESS RUNNING ORDER

The Chair stated that item 6.4, the Actuarial Valuation report would be taken first before the rest of the items on the agenda.

1. APOLOGIES

Apologies for absence were received from Nneka Oroge (Trade Union Representative).

Apologies for lateness were received from Annette McKenna (Admitted Bodies -Employers Representative)

2. DECLARATIONS OF INTERESTS

John Gray (Representing Active Admitted/Statutory Bodies Fund Members) declared he was the Vice-Chair of the Local Authority Pension Fund Forum and a trade union member.

3. UNRESTRICTED MINUTES FROM THE PREVIOUS MEETING(S)

The unrestricted minutes from the 28th November 2022 meeting were **AGREED** and **APPROVED** as an accurate record of the meeting.

The Chair, John Jones stated the typos on page 11 under item 7.1 had been corrected to ready Mr Gray and for item 7.2 page 12, the typo in the action point had been corrected to read 'invited' instead of 'invested'.

4. SUBMISSIONS FROM FUND MEMBERS

There were no submissions from fund members.

5. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

There were no submissions/responses from the Pensions Committee.

Mr Thompson stated he had attended the last Pensions Committee meeting of 12th January 2023 on behalf of the Chair and had presented the Board's report which had been well received.

6. REPORTS FOR CONSIDERATION**6.1 Risk Register Quarterly Update December 2022**

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report updated members of the Board and Committee, on the changes to the Fund's Risk Register and Risk Management Policy as at December 2022. Ms Adams provided an explanation for the risks listed at paragraphs 3.4 to 3.8 and the remedial action taken. She explained the progress that had been made to the risks and referred to the table at paragraph 3.10 which summarised the total risks.

In response to comments and questions the following was noted:

- In reference to paragraph 3.8 and delays to transfers-in, Ms Adams said they had written to 67 scheme members to encourage them to chase their previous schemes to initiate the transfers. She said they gave them 3 months to contact the previous scheme and get a response from them, whilst at the same time chasing for responses themselves.
- In respect to administration and governance risks AG2, paragraph 3.4, Mr Thompson asked for an update regarding the data quality issues that had been spoken about at previous Board meetings. Mr Nisar responded that they were making good progress against the action plan, with payroll staff being trained on how to upload information onto the payroll system. He said some of the underlying issues were deeper and they would take time to resolve.
- Referring to the table at paragraph, Mr Gray asked what was being done to reduce the amber rated risks? Ms Adams said they were working to progress these but some things, such as transfer-ins were not in their control.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee for its meeting on 13th March 2023 that:

The Pensions Committee is recommended to:

1. Note and comment on the detailed Risk Register (Appendix 1)

6.2 ESG, Voting, Engagement and Stewardship Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated this was a regular report presented to the Board and Committee. She said it provided members with an overview of the stewardship activity carried out by Tower Hamlets Pension Fund's investment managers and on its behalf by Local Authority Pension Forum (LAPFF) in the quarter ending December 2022. Referring to pages 4 and 5 of the supplementary agenda, Ms Adams stated collaborative work had been undertaken on climate change with engagement with several companies. She referred to the voting activities listed on page 6 of the supplementary agenda and said this had been a quite quarter. She drew attention to paragraph 3.17 and said both LCIV and Baillie Gifford had been invited to the next meeting of the Pensions Committee.

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

- Mr Jones said he'd be interested to learn more about the approach LCIV had with voting.
- Mr Gray added that Ruffer had not been voting in line with LAPFF alerts and that this had raised with LCIV.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee for its meeting on 13th March 2023 that:

The Pensions Committee is recommended to:

1. Note content of this report and appendices.

6.3 Pension Administration and LGPS Quarterly Update

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and 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 and initiatives which impact the Fund. Ms Adams referred members to paragraph 3.5 and said extra checks were being made in relation to the process of Life Certificates. She said the possibility of overseas pensioners verifying their existence via Western Union methodology is being explored.

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

- Ms Adams stated that the risk register reflected the risk pertaining to overseas pensioners. She said 3 letters were sent to the pensioner, the last one by recorded delivery post, asking them to present proof of existence by returning the Life Certificate which is to be certified by persons stated in the certificate. The Fund was exploring using the Western union existence checking process which will enable overseas pensioners to go to a Western Union outlet to verify themselves in person. She said there was a nominal cost for this, but the incentive was to ensure the Fund is not paying pensions when it should not.
- Mr Thompson thanked Ms Adams for the information tables presented at paragraph 3.2 and said it was heartening to see the progress being made. He said the CIPFA performance table at paragraph 3.8 was also useful. Ms Adams responded stating she hoped to improve on the CIPFA performance targets, through appraisals and the training plan she that she was implementing.
- In respect to staffing updates, Ms Adams informed the Board that they had not recruited a Pensions Accountant however the intention was to go out to recruitment again.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee for its meeting on 13th March 2023 that:

The Pensions Committee is recommended to:

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

6.4 Actuarial Valuation at 31 March 2022 Initial Results and employer policies (Academies Policy, Cessation Policy and Bulk Transfer Policy)

Mr Barry Dodds from Hymans Robertson provided the Board Members with a detailed analysis of the Actuarial Valuation as at 31st March 2022. He went through the presentation appended to the report and highlighted the key findings. In particular, Mr Dodds referred to the Executive Summary at page 105 of the agenda and the funding position as at 31st March 2022. He explained the valuation process, the data and assumptions made, the funding level results as well as the initial employer results before explaining the decisions and next steps.

Mr Dodds also explained the Academies, Cessation and Bulk transfer policies.

In response to comments and questions the following was noted:

- Mr Dodds stated that the Pensions Regulator was satisfied with a funding level probability of anything above 65%. He said the prediction for the LBTH LGPS fund was a probability of 78%. He said it was a prudent position to be in.
- In reference to page 113 and the legal costs from the Goodwin case, Mr Dodds said this had been factored into the assumptions made.
- In reference to page 116, the Chair asked if the 3.3% funding level were real or cash and if it included inflation? Mr Dodds responded stating it was real and included inflation. He said it was a nominal return.
- Referring to inflation, Mr Dodds said the investment assumptions made on behalf of the fund were long-term so whilst short-term inflation would impact investments, long-term he expected the impact to stabilise. He said it could result in higher costs of benefits.
- In reference to the graph on page 125 of the agenda, the Chair asked what happened to employers who were over 200% funded. Ms Adams responded stating that they had a similar situation in 2019 and on that occasion, it was agreed the employer would not pay into the Fund for the next three years. She said sometimes they are asked to pay the primary rate and not the secondary rate.
- In reference to the contributions rates, graph on page 158 of the agenda, Mr Dodds said they used the results to project what the funding would look like over 20 years. He said that every three years this was reviewed.

The Pensions Board **RESOLVED** to:

1. Note the results (appendix 1)
2. Note that since the last valuation, the main factor driving the funding position improvement was stronger than expected investment returns. These have more than offset the increase in short to medium-term inflation expectations.

3. Note the employer contribution results for the Council (appendix 2)
4. Note the Academies Policy, Cessation Policy, and Bulk Transfer Policy. (Appendices 3,4 and 5).

6.5 Pension Fund Business Plan

Ms Miriam Adams, Interim Head of Pensions and Treasury stated that this item had been withdrawn and would be presented to the Board at its next meeting.

6.6 Work Plan

Ms Miriam Adams, Interim Head of Pensions and Treasury referred to the Pensions Board work plan on page 202 and welcomed any comments and suggestions.

In response to comments and questions the following was noted:

- Mr Jones asked if the Pensions Fund Accounts and Annual Report was achievable for the May 2023 meeting? Ms Adams responded stating that it did not refer to the 2022/23 accounts but the previous years accounts, which she hoped would be signed off in April, with an update being provided to the Board at its next meeting.

The Pensions Board **RESOLVED** to:

1. Note the work plan for the Board.

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Ms Miriam Adams, Interim Head of Pensions and Treasury said several reports that were on the Pensions Board agenda will be presented to the Committee at its meeting on the 13th March 2023. She said Members would also hear from LCIV and Baillie Gifford at the meeting.

8. ANY OTHER BUSINESS

No other business was discussed by Board Members.

9. 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. RESTRICTED MINUTES FROM THE PREVIOUS MEETING(S)

The restricted minutes from the 28th November 2022 meeting were **AGREED** and **APPROVED** by the Board.

11. ASSET ALLOCATION - AFFORDABLE HOUSING

Ms Miriam Adams, Interim Head of Pensions and Treasury informed members of the Board that the Pensions Committee had over a period considered several strategic asset allocation changes. She said that in June 2022, the Committee agreed in principle to a strategic asset allocation to Affordable Housing via the London CIV.

The Pensions Board **RESOLVED** to:

Note the report which went to the Pensions Committee of 12th January 2023, with the proviso that recommendation 6, is amended to state quarterly updates be provided to the Committee and the Board.

The Pensions Committee is recommended to:

1. Note the report and appendix
2. Note that the Committee agreed a 5% strategic asset allocation to Affordable Housing and for this to be funded from a reduction in the Diversified Growth asset class.
3. Note that the Committee agreed that the Diversified Growth fund asset allocation is reduced to Fund the Affordable Housing Investment
4. Note that the Committee agreed to invest in Affordable Housing asset class via newly set up London CIV UK Housing Fund.
5. That Officers confirmed the Committee's decision to London CIV.
6. Note the request that London CIV provide periodic feedback on the risks and mitigants highlighted by the Investment Adviser.

12. CARBON FOOT PRINT AUDIT 31 MARCH 2022

Ms Miriam Adams, Interim Head of Pensions and Treasury informed members of the Board that the attached report had been considered by the Pensions Committee at its meeting of 12th January 2023. She said the report stated the Fund's Weighted Average Carbon Intensity (WACI) score which had increased since it was last measured in June 2021. However, Ms Adams said the Carbon Footprint had reduced by 46% since June 2021 with Absolute Emissions reducing by 33%.

The Pensions Board **RESOLVED** to:

Note the report which went to the Pensions Committee of 12th January 2023.

The Pension Committee is recommended to:

1. Note the contents of this report and appendix
2. Note the progress in terms of climate change reporting made by the Fund since 2017
3. Note the continued dialog with London CIV and other investment managers on their climate related data improvement plan
4. Note that the data forms basis of 2021/22 TCFD reporting and updating of the Net Zero pathway.
5. Note the need to continue to refine the metrics in future to take into account scope 3 emissions as well as incorporating renewable energy infrastructure investments.

The meeting ended at 12.46 p.m.

Chair, John Jones
Pension Board