

Pension Board

Agenda

Monday, 26 June 2023 at 10.00 a.m.
Committee Room - Tower Hamlets Town Hall,
160 Whitechapel Road, London E1 1BJ

Members:

Chair: John Jones (Independent Chair)

Vice Chair:

John Gray, (Representing Active Admitted/Statutory Bodies Pension Fund Members)

Chris Boylett, (Interim Head of Revenue and Benefits)

Nneka Oroge, Trade Union Representative

David Stephen Thompson, Representing Retired/Deferred Pension Fund Members

Councillor Abdul Mannan

Annette McKenna, Representing Admitted Bodies Employers

Substitutes: Michael Alderson

[A meeting is only quorate when at least one person of each member and employer representatives are present including the independent chair, or 50% of both member and employer representative are present]

Contact for further enquiries:

Farhana Zia, Democratic Services Officer,

farhana.zia@towerhamlets.gov.uk

020 7364 0842

Town Hall, 160 Whitechapel Road, London, E1 1BJ

<http://www.towerhamlets.gov.uk/committee>



Public Information

Viewing or Participating in Committee Meetings

The meeting will be broadcast live on the Council's website. A link to the website is detailed below. The press and public are encouraged to watch this meeting online.

Please note: Whilst the meeting is open to the public, the public seating in the meeting room for observers may be limited due to health and safety measures. You are advised to contact the Democratic Services Officer to reserve a place.

Meeting Webcast

The meeting is being webcast for viewing through the Council's webcast system.

<http://towerhamlets.public-i.tv/core/portal/home>

Electronic agendas reports and minutes.

Copies of agendas, reports and minutes for council meetings can also be found on our website from day of publication.

To access this, click www.towerhamlets.gov.uk/committee and search for the relevant committee and meeting date.

Agendas are available on the Modern.Gov, Windows, iPad and Android apps



Scan this QR code to view the electronic agenda



A Guide to the Pensions Board

The Pensions Board was created in 2015 under the requirements of the Public Service Pensions Act 2013 to assist the Administering Authority (Tower Hamlets Council) in its role as a scheme manager of the Scheme. Its role is to:

- a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- b) to ensure the effective and efficient governance and administration of the Scheme.

Public Engagement

Meetings of the committee are open to the public to attend, and a timetable for meeting dates and deadlines can be found on the council's website.

London Borough of Tower Hamlets



Pension Board

Monday, 26 June 2023

10.00 a.m.

1. **APOLOGIES**
2. **DECLARATIONS OF INTERESTS**
3. **APPOINTMENT OF VICE-CHAIR**
4. **UNRESTRICTED MINUTES (PAGES 9 - 16)**

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Board held on 27th February 2023.

5. **SUBMISSIONS FROM FUND MEMBERS**

To consider any written submissions from Fund Members/Stakeholders.

(Submissions must be received by the Clerk to the meeting no later than 5.00p.m. on the day before the meeting.)

6. **SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE**
7. **TRAINING - INFLATION & INTEREST RATES**
8. **REPORTS FOR CONSIDERATION**
 - 8.1 **Pension Board Terms of Reference, Membership, Quorum and Dates of Meetings 2023/24 (Pages 17 - 26)**
 - 8.2 **Governance Compliance Policy and Statement (Pages 27 - 50)**
 - 8.3 **Administering Authority Discretions (Pages 51 - 88)**
 - 8.4 **ESG, Voting, Engagement and Stewardship Update (Pages 89 - 128)**
 - 8.5 **PENSIONS BOARD WORK PLAN 2023-24 (Pages 129 - 134)**
 - 8.6 **Pensions Administration and LGPS Quarterly Update (Pages 135 - 146)**



8.7 Pension Fund Accounts Audit Update (verbal)

8.8 Quarterly Update Risk Register and Risk Policy (Pages 147 - 156)

8.9 Internal Control Report (manager/custodian)

To follow.

9. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

10. ANY OTHER BUSINESS

11. EXCLUSION OF PRESS AND PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion: "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."

EXEMPT SECTION (Pink Papers)

The Exempt/Confidential (pink) papers for consideration at the meeting will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Democratic Services Officer present or dispose of them in the confidential bins.

11.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING (Pages 157 - 166)

Next Meeting of the Pension Board

Monday, 11 September 2023 at 10.00 a.m. to be held in Committee Room - Tower Hamlets Town Hall, 160 Whitechapel Road, London E1 1BJ



This page is intentionally left blank

Agenda Item 2

DECLARATIONS OF INTERESTS AT MEETINGS– NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Code of Conduct for Members at Part C, Section 31 of the Council's Constitution

(i) Disclosable Pecuniary Interests (DPI)

You have a DPI in any item of business on the agenda where it relates to the categories listed in **Appendix A** to this guidance. Please note that a DPI includes: (i) Your own relevant interests; (ii) Those of your spouse or civil partner; (iii) A person with whom the Member is living as husband/wife/civil partners. Other individuals, e.g. Children, siblings and flatmates do not need to be considered. Failure to disclose or register a DPI (within 28 days) is a criminal offence.

Members with a DPI, (unless granted a dispensation) must not seek to improperly influence the decision, must declare the nature of the interest and leave the meeting room (including the public gallery) during the consideration and decision on the item – unless exercising their right to address the Committee.

DPI Dispensations and Sensitive Interests. In certain circumstances, Members may make a request to the Monitoring Officer for a dispensation or for an interest to be treated as sensitive.

(ii) Non - DPI Interests that the Council has decided should be registered – (Non - DPIs)

You will have 'Non DPI Interest' in any item on the agenda, where it relates to (i) the offer of gifts or hospitality, (with an estimated value of at least £25) (ii) Council Appointments or nominations to bodies (iii) Membership of any body exercising a function of a public nature, a charitable purpose or aimed at influencing public opinion.

Members must declare the nature of the interest, but may stay in the meeting room and participate in the consideration of the matter and vote on it **unless:**

- A reasonable person would think that your interest is so significant that it would be likely to impair your judgement of the public interest. **If so, you must withdraw and take no part in the consideration or discussion of the matter.**

(iii) Declarations of Interests not included in the Register of Members' Interest.

Occasions may arise where a matter under consideration would, or would be likely to, **affect the wellbeing of you, your family, or close associate(s) more than it would anyone else living in the local area** but which is not required to be included in the Register of Members' Interests. In such matters, Members must consider the information set out in paragraph (ii) above regarding Non DPI - interests and apply the test, set out in this paragraph.

Guidance on Predetermination and Bias

Member's attention is drawn to the guidance on predetermination and bias, particularly the need to consider the merits of the case with an open mind, as set out in the Planning and Licensing Codes of Conduct, (Part C, Section 34 and 35 of the Constitution). For further advice on the possibility of bias or predetermination, you are advised to seek advice prior to the meeting.

Section 106 of the Local Government Finance Act, 1992 - Declarations which restrict Members in Council Tax arrears, for at least a two months from voting

In such circumstances the member may not vote on any reports and motions with respect to the matter.

Further Advice contact: Janet Fasan, Director of Legal and Monitoring Officer, Tel: 0207 364 4800.

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to the Member's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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
-------------	----------------------------

Others In Attendance Virtually:

Barry Dodds	Actuary - Hymans Robertson
-------------	----------------------------

Officers Present in Person:

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

Officers In Attendance Virtually:

Nisar Visram	(Director of Finance, Procurement & Audit)
--------------	--

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

Non-Executive Report of the: Pension Board Monday, 26 th June 2023	 TOWER HAMLETS
Report of: Janet Fasan, Director of Legal and Monitoring Officer	Classification: Open (Unrestricted)
Pension Board Terms of Reference, Membership, Quorum and Dates of Meetings 2023/24	

Originating Officer(s)	Farhana Zia, Democratic Services Officer (Committees)
Wards affected	All Wards

Executive Summary

This report sets out the Terms of Reference, membership, quorum and dates of meetings of the Pensions Board for the municipal year of 2023/24 for the information of members of the Pensions Board.

Recommendations:

The Pensions Board is recommended to:

1. Note its Terms of Reference, quorum, membership and dates of future meetings as set out in Appendices 1, 2 and 3 to this report.
2. Confirm 10a.m. as the preferred time at which the scheduled meetings will start.

1. REASONS FOR THE DECISIONS

- 1.1 The report is brought annually to assist new and returning Members by informing them of the framework of the Board set out in the Council's Constitution.

2. ALTERNATIVE OPTIONS

- 2.1 The report asks Members solely to confirm its constitutional arrangements and therefore they are not required to consider any alternative options.

3. DETAILS OF THE REPORT

- 3.1 The Pensions Board was established under the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local

Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).

- 3.2 Each year following the establishment of the Board at the Council's Annual Meeting, it is customary that the newly established Board notes its procedural arrangements.

Pension Board Arrangements

- 3.2 At the Annual General Meeting of the full Council held on 17th May 2023, the Authority approved proportionality, establishment of the Committees and Panels of the Council and appointment of Members thereto. The membership of Pensions Board for the municipal year 2023/24 was among the committees memberships approved and these details are set out at Appendix 2 to the report.
- 3.3 Having been established by Council, it is customary that the Board (at its first meeting of the municipal year) notes its terms of reference and quorum. These are set out in Appendix 1 to the report.
- 3.4 The Board meetings for the remainder of the year, as agreed at the same meeting of the Council, are also provided at Appendix 3.
- 3.5 Meetings are scheduled to take place at 10:00 a.m. The Board may wish to agree an alternative start time that suits its Members at the first meeting of the Board.
- 3.6 It may be necessary to convene additional meetings of the Board should urgent business arise. Officers will consult with the Chair and Members as appropriate.

Membership

- 3.7 To ensure the size of the Board is not cumbersome but representative across the scope of the Pension Fund, a working party in February 2015 agreed that the Board Membership should comprise 7 members composed of:
- 3 employer representatives,
 - 3 employee representatives and
 - an independent non-voting member to act as Chair of the Board.
- 3.8 The employer and employee categories were further divided into the following categories:

Employer Representatives

- 1 Elected Member – who cannot be a member of the Pension Committee
- 1 Tower Hamlets Senior (management) Officer
- 1 Admitted/Statutory Bodies (management)

Employee Representatives

- 1 Active Fund Member (Tower Hamlets employee)
- 1 Active Fund Member (Admitted/Statutory Bodies employee)
- 1 Non-active Fund Member (Retired/deferred fund members)

4. EQUALITIES IMPLICATIONS

- 4.1 When drawing up the schedule of dates, consideration was given to avoiding school holiday dates and known dates of religious holidays and other important dates where at all possible.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

- 5.2 Not applicable to this report.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report recommends that the Pensions Board to note its Terms of Reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1 – 3. There are no direct financial implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The terms of reference, membership and quorum are consistent with the legal framework and Part A, Section 10 of the Council's Constitution and have been adopted by Council in accordance with Part A, Section 7(a).

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Pensions Board Terms of Reference
- Appendix 2 – Membership
- Appendix 3 – Scheduled meetings for the Municipal Year

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- NONE

Officer contact details for documents:

N/A

Pensions Board

<p>Summary Description: The Board was created under the Public Service Pensions Act 2013 to assist the Administering Authority (Tower Hamlets Council) in its role as a scheme manager of the scheme.</p>	
<p>Membership: The Board shall consist of 6 voting members, as follows: 3 Member Representatives; and 3 Employer Representatives.</p> <p>There shall be an equal number of Member and Employer Representatives.</p> <p>There shall also be 1 other representative who is not entitled to vote (to be appointed as Chair).</p>	
<p>Functions</p>	<p>Delegation of Functions</p>
<p>1. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:</p> <p>a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;</p> <p>b) to ensure the effective and efficient governance and administration of the Scheme.</p> <p style="text-align: center;">More details are set out in the Pensions Board Meeting Procedure Rules</p>	<p>None</p>
<p>Quorum: 1. A meeting is only quorate when at least one person of each member and employer representatives are present plus an independent chair or 50% of both member and employer representatives are present.</p> <p>2. A meeting that becomes inquorate may continue but any decisions will be non-binding.</p>	
<p>Additional Information:</p> <ul style="list-style-type: none"> • Constitution Part D, Section 54 (Pensions Board Meeting Procedure Rules) 	

This page is intentionally left blank

LONDON BOROUGH OF TOWER HAMLETS

BOARD MEMBERSHIP 2023 - 2024

NOMINATIONS SUBMITTED TO THE ANNUAL COUNCIL MEETING ON 17th MAY 2023

PENSION BOARD (One Councillor (from any group/ungrouped) to work alongside six other members of the Board. Cannot be a member of Pensions Committee) (If there is more than one nomination then Council will determine the appointment)		
<i>Independent Chair (1)</i>	<i>Employer Representatives (3)</i>	<i>Employee Representatives (3)</i>
Mr John Jones	Councillor Abdul Mannan (Elected Member Representing Pensions Fund Employers) *Christopher Boylett (Senior Management Officer Representing Pensions Fund Employers) Annette McKenna (Management Officer Representing Admitted Bodies Employers) Substitute:- *Michael Alderson (Senior Management Officer Representing Pensions Fund Employers)	Nneka Oroge (Active Fund Members' Representative) John Gray (Admitted Bodies Representative for Active Fund Members) David Stephen Thompson (Representing Retired/Deferred Pension Fund Members)

This page is intentionally left blank

PENSIONS BOARD

SCHEDULE OF MEETING DATES 2023 - 2024

Monday, 26th June 2023

Monday, 11th September 2023


Monday, 20th November 2023

Monday, 11th March 2024

Note:

All meetings will start at 10:00 a.m. unless otherwise determined by the Chair.

This page is intentionally left blank

Non-Executive Report of the: Pensions Committee Monday, 3 July 2023	 TOWER HAMLETS
Report of: Corporate Director, Resources	Classification: Open (Unrestricted)
Governance Compliance Policy and Statement	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

This report outlines the Governance Policy and Governance Compliance Statement in accordance with the Local Government Pension Scheme Regulations.

Recommendations:

The Pensions Committee is recommended to:

1. Note approve the draft Governance Compliance Policy and Compliance Statement (Appendix 1).

1. REASONS FOR THE DECISIONS

- 1.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Tower Hamlets Council, as administering authority of the Tower Hamlets Pension Fund, to prepare a written statement setting out details of the authority's delegation of functions under the LGPS Regulations. The statement sets out the governance procedures for the Fund and indicates where it is compliance with best practice as laid down in statutory guidance issued by the Secretary of State and SAB Good Governance III recommendations. This document presents and update to the existing statement approved by the Committee in 2022.

2. ALTERNATIVE OPTIONS

- 2.1 This is a legislative requirement so there is no alternative option to consider.

3. DETAILS OF THE REPORT

3.1 Local Government Pensions Scheme 2013 Clause 55 requires that:

- (1) An administering authority must prepare a written statement setting out;
 - a.) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a subcommittee or an officer of the authority;
 - b.) if the authority does so-
 - (i) the terms, structure and operational procedures of the delegation,
 - (ii) the frequency of any committee or sub-committee meetings,
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
 - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
 - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards establishment).
- (2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.
- (3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.
- (4) An administering authority must publish its statement under this regulation, and any revised statement.

3.2 This document therefore presents an update to the Governance Policy and Compliance Statement, under the programme of regular policy review set out in the Fund's business plan. It is recommended that the Committee approve the policy and statement for consultation with key stakeholders, including employers and other interested parties. It is intended that the final version be brought to the November Pensions Committee for final approval.

3.4 The key amendments that have been made are:

- Updating the Policy and Statement to reflect new London CIV governance arrangement.
- Updating delegations to reflect changes to roles as a result of asset pooling.
- Progress is also being made to hold the first Annual General Meeting of the Fund in January 2024.

- 3.5 Appendix B of the document includes the Fund's Statement of Compliance against best practice as laid down in statutory guidance issued by the Secretary of State.
- 3.6 It is pleasing to note that the Fund continues to be fully compliant in all areas apart from 1 partial compliance.
- 3.7 The Pensions Regulator's plan to combine 10 of its 15 existing code of practice (including Code of Practice 14: Governance an administration of public service pension schemes) into a new single, combined and expanded to incorporate climate change, cyber security, (ESG) stewardship of investments, administration and remuneration policies is closely monitored by the Fund.

4. EQUALITIES IMPLICATIONS

- 4.1 All equalities implications have been included in this report.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

Risk Management

- 5.2 The rigorous robust management of LBTH Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.
- The monitoring arrangement for the Pension Fund and the work of the Pensions Committee should ensure that the Fund optimises the use of resources in achieving the best returns for the Council and members of the Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report incorporates all material, financial and business issues and possible risks and there are no direct financial implications arising as a

consequence of the revised Policy and Statement. The cost of compliance with the necessary regulations with regards to governance is minimal in comparison to the value of the fund, and the risks arising through failure to do so.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Tower Hamlets Council, as the administering authority for the Tower Hamlets Pension Fund, to prepare a written statement setting out details of the authority's delegations of functions under the LGPS Regulations. The statement sets out the governance procedures for the Fund and indicates where it is compliant with best practice as laid down in statutory guidance issued by the Secretary of State. This document presents an update to the existing statement as part of the review programme set out in the Pension Fund Business Plan.
- 7.2 It is a matter for the Pensions Committee to agree all Fund policies and strategies as well as recommending changes to the Terms of Reference. It is therefore appropriate for the Committee to formally approve this Governance Policy and Statement of Compliance. However, prior to any such approval there is a requirement to consult with appropriate stakeholders.
- 7.3 When exercising its functions in relation to the Pension Fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE .

Appendices

- LBTH Governance Policy and Compliance Statement (Appendix 1)

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

- NONE

Officer contact details for documents:

Miriam Adams – Interim Head of Pensions & Treasury 02073644248
Pensions & Treasury, 160 Whitechapel Road, E1 1BJ

This page is intentionally left blank



The London Borough of Tower Hamlets Pension Fund

Governance Compliance Policy Including Compliance Statement

Introduction

This is the governance compliance statement which sets out the Council's arrangements (in its capacity as administering authority of the Tower Hamlets Pension Fund), for discharging its responsibilities in accordance with Clause 55 of the Local Government Pension Scheme (LGPS) Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

This statement is published on the Pension Fund's website.

Aims and Objectives

Tower Hamlets Council recognises the significance of its role as Administering Authority to the London Borough of Tower Hamlets Pension Fund on behalf of its stakeholders which include:

- around 23,500 current and former members of the Fund, and their dependants
- over 31 employers in the scheme with paying employees.
- 14 employers in the scheme do not have active members
- All employers are within the Tower Hamlets Council area or with close links to Tower Hamlets Council and the local taxpayers within the London Borough of Tower Hamlets.

In relation to the governance of the Fund, our objectives are to ensure that:

- That pension benefits are paid to members accurately and on time.
- That the funds are available to pay benefits when they fall due.
- The establishment of policies and their implementation
- Clarity of areas of responsibilities between Officers, Pension Committee/Board members.
- The effectiveness of the Committee, the Pension Board and Officers to which delegated function has been passed, including areas such as decision making process, knowledge and competencies.

Governance Arrangements and Structure

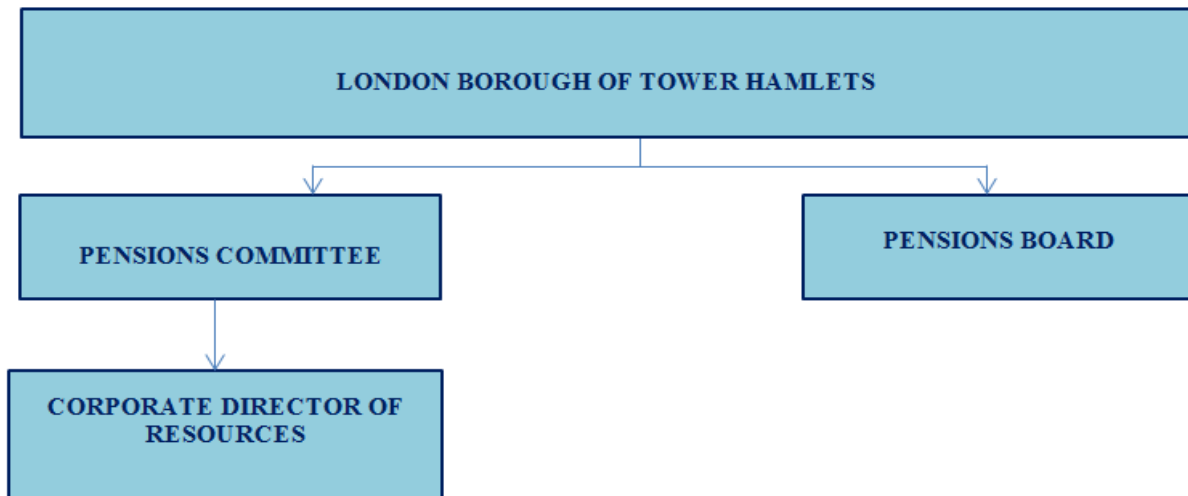
The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people.

The Council delegates its responsibility for administering the Fund to the Pensions Committee. The Council's constitution can be accessed here.

<https://democracy.towerhamlets.gov.uk/ieListMeetings.aspx?CId=663&Year=0&info=1&MD=Constitution>

The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.

The Constitution sets out the framework under which the Pension Fund is to be administered as depicted in the diagram below.



Terms of Reference for the Pensions Committee

Full Council has delegated its functions to consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972 and the various statutory requirements in respect of investment matters.

Membership of the Pensions Committee

The Council decides the composition and makes appointments to the Pensions Committee. Currently the membership of the Pensions Committee is a minimum of 7 elected Members from Tower Hamlets Council on a politically proportionate basis and the Pensions Committee will elect a Chair and Vice Chair. All Tower Hamlets Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

In addition there are two co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.

Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

Members of the Pensions Committee, including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

The following are the terms of reference for the Pensions Committee:

<p>Summary Description To consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972 and the various statutory requirements in respect of investment matters.</p>	
<p>Membership 7 Councillors, 1 representative of the Admitted Bodies and 1 Trade Union representative. The Admitted Body and Trade Union representatives will be non-voting members of the Committee.</p> <p>Declaration of Interests: Members of the Pensions Committee including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting</p>	
<p>Functions</p>	<p>Delegation of Functions</p>
<p>1. To act as Trustees of the Council’s Pension Fund, consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions’ legislation.</p> <p>2. To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and global custodians and periodically to review those arrangements.</p> <p>3. To formulate and publish an Investment Strategy Statement.</p> <p>4. To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives.</p> <p>5. To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.</p>	<p>None</p>

- | | |
|---|--|
| <ol style="list-style-type: none">6. To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.7. To monitor the performance and effectiveness of the investment managers and their compliance with the Investment Strategy Statement.8. To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.9. To receive and approve an Annual Report and accounts on the activities of the Fund prior to publication.10. To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.11. To keep the terms of reference under review.12. To determine all matters relating to admission body issues.13. To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan including stakeholder communications.14. To maintain an overview of pensions training for Members.15. To ensure compliance with the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme advisory Board as they apply to pension benefits and the payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.16. Selection, appointment and termination of external Additional Voluntary Contribution (AVC) providers and reviewing performance. | |
|---|--|

<p>17. Approve policy on environmental, social and governance considerations, responsible investment and on the exercise of share voting rights.</p> <p>18. To review the risks inherent in the management of the Pension Fund.</p> <p>19. To consider any recommendations made or views expressed by the London Borough of Tower Hamlets Pensions Board.</p> <p>20. In relation to pooled asset arrangements under the London Collective Investment Vehicle (LCIV) Shareholder Committee:</p> <ul style="list-style-type: none"> • Undertaking the role of Shareholder in relation to the Shareholder agreement relating to LCIV • Functions relating to the LCIV including receiving and considering reports and recommendations from the London CIV Share holder Committee. • Ensuring that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling and performance of LCIV. • Determining what the administering authority requires the pool to provide to enable it to execute its local investment strategy effectively. • Undertaking the role of Client in relation to the Service Level Agreement 	
<p>Quorum: 3 Members of the Committee</p>	
<p>Meetings: At least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.</p>	
<p>Additional Information:</p> <ul style="list-style-type: none"> • Constitution Part D, Section 53 (Pensions Committee Meeting Procedure Rules) 	

Meetings

The Pensions Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund's Investment Advisor.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Tower Hamlets Town Hall and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website:

<http://moderngov.towerhamlets.gov.uk/ieListMeetings.aspx?Committeeld=392>

Other Delegations of Powers

The Pensions Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions, they have to ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix A outlines the areas that the Pensions Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Corporate Director, Resources in relation to all other pension fund matters, in addition to her role as Chief Financial Officer (often called S151 Officer).

Pension Board

With effect from 1 April 2015, each Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Tower Hamlets Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Tower Hamlets Pension Board established by Tower Hamlets Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

Role of the Pension Board

The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pensions Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

Membership of the Pension Board

The Pension Board consists of 7 members as follows:

- Three Employer Representatives
- Three Scheme Member Representatives
- One Independent Member (non-voting) to act as chair of the Pension Board

Pension Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when two of the six Employer and Scheme Member Representatives are present, and where the Board has an Independent Member they must also be present.

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

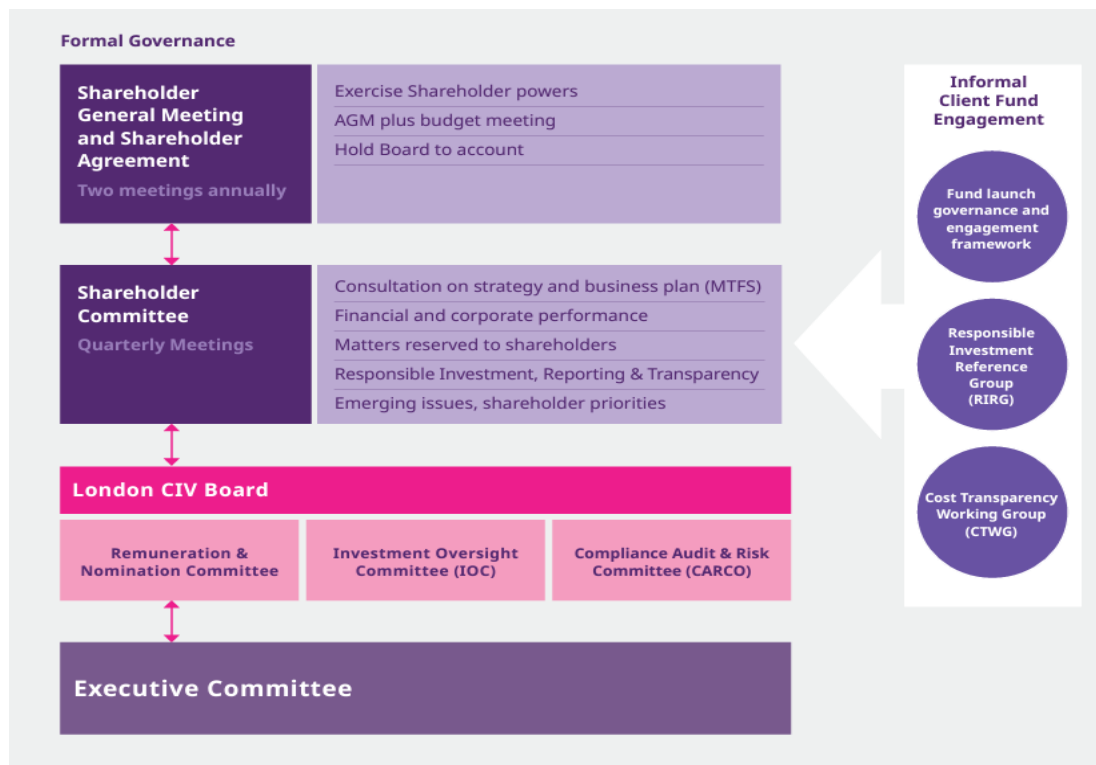
Meetings

The Pension Board meets at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Members of the public may attend and papers will be made public in the same way as described above for the Pension Committee.

Asset Pooling Governance

In response to the change in regulations, LGPS funds have to pool the investment of their assets. London Borough of Tower Hamlets Pension Fund is a Partner Fund to London Collective Investment Vehicle (LCIV).

The diagram below shows the governance structure for LCIV one of the eight pools created.



The Pension Fund retains the decision-making powers regarding asset allocation and delegates the investment management function to LCIV, where asset have been transitioned.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website:

<http://www.towerhamletspensionfund.org/>

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's Actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement

The Investment Strategy Statement (ISS) replaced the Statement of Investment Principles from 1st April 2016. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a

statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.

This document will be reviewed following the completion of the Fund investment strategy review and updated revised version will be tabled at the November Pensions Committee meeting for approval.

Governance Policy Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy

Tower Hamlets Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pensions Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives, the London Borough of Tower Hamlets Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and
- the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

As well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pensions Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least on annual basis.

Annual Report and Accounts

The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pensions Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are made available to employers and other interested parties on request and a copy placed on the websites:

<http://www.towerhamletspensionfund.org/>

<http://moderngov.towerhamlets.gov.uk/ieListMeetings.aspx?CommitteId=392>

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the

Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website: <http://www.towerhamletspensionfund.org/>

Discretions Policies

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Tower Hamlets' Employing Authority Discretions can be found on the website: <http://www.towerhamletspensionfund.org/>

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: <http://www.towerhamletspensionfund.org/>

This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Business Plan

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming 3 years, its core work and how the objectives will be achieved. A report of the management of key risks is also included as part of the Business Plan. The Pensions Board on behalf of the Committee reviews the detailed Risk Register on a quarterly basis.

Approval, Review and Consultation

This Governance Policy and Statement was approved at the London Borough of Tower Hamlets Pensions Committee meeting on 23 July 2015 following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration. This current review complies with the requirements of SAB Good Governance III guidance.

Contact Information

Further information on the London Borough of Tower Hamlets Pension Fund can be found as shown below:

Head of Pensions & Treasury
London Borough of Tower Hamlets Pension Fund
160 Whitechapel Road

London
E1 1BJ

Email: miriam.adams@towerhamlets.gov.uk

Website: <http://www.towerhamletspensionfund.org/>

Appendix A

LONDON BOROUGH OF TOWER HAMLETS GOVERNANCE COMPLIANCE STATEMENT**Governance Best Practice**

The following compliance statement has been approved by the Pensions Committee. This sets out where the Pension Fund is compliant with the guidance and where it is not compliant provides an explanation for non-compliance.

Principle	Tower Hamlets Pension's Approach	Compliance
STUCTURE		
The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	London Borough of Tower Hamlets Council delegates the management of the London Borough of Tower Hamlets Pension Fund ("LBTHPF") to the Pension Fund Committee. The Committee is responsible for these areas under the terms of reference contained in the Council's Constitution.	Comply
That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	LBTHPF is compliant with these principles. Employers and employee representatives are represented on the Pension Fund Committee. The Committee comprises council elected councilors, two co-opted non voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.	Comply


That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	There is currently no secondary committee.	n/a
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	There is currently no secondary committee.. Should a secondary committee be established, all members of that secondary committee would sit on the main Pension Fund Committee.	n/a
Principle	Tower Hamlets Pension's Approach	Compliance
REPRESENTATION		
That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • employing authorities (including non-scheme employers, e.g., admitted bodies);	With over 40 employer bodies, not all stakeholders are directly represented on the Pension Fund Committee. All stakeholders are free to make representations in writing to the Committee. The Council and two co-opted members directly represent employer and member interest.	Partial – efforts
• scheme members (including deferred and pensioner scheme members);	The Pension Fund Committee membership includes a trade union representative.	Comply
• independent professional observers; and	The Committee employs an independent consultant who is an experienced actuary and Investment Manager. The consultant is present at all Committee meetings.	Comply
• expert advisors (on an ad hoc basis).	Expert advisors attend the Committee as required, depending on the nature of the decisions to be taken. For example, the Scheme Actuary attends when the valuation is being considered and the investment consultant attends all meetings and participates on all agenda items when strategic asset allocation decisions and investment matters are being discussed.	Comply

That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	All members are treated equally in terms of access to papers and to training that is given as part of the Committee processes.	Comply
Principle	Tower Hamlets Pension's Approach	Compliance
SELECTION AND ROLE OF LAY MEMBERS		
That Committee or Panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee	Committee members are given initial and ongoing training to support them in their role as trustees. All Board and Committee members have log in access to Hymans academy on line training portal	Comply
VOTING		
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	LBTHPF is fully compliant with this principle. Most decisions are reached by consensus, but voting rights remain with the Pension Fund Committee because the Council retains legal responsibility as the administering authority.	Comply
TRAINING/FACILITY TIME/EXPENSES		
That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decisionmaking process.	Facility time and expenses falls within the Council's normal approach to member expenses. Pension Fund Committee members receive expenses. Training has been referred to above and inline with Committee approved training policy.	Comply
That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	The policy applies equally to all members of the Pension Fund Committee. All members currently enjoy voting rights.	Comply
Principle	Tower Hamlets Pension's Approach	Compliance

MEETINGS (FREQUENCY/QUORUM)		
That an administering authority's main committee or committees meet at least quarterly	Tower Hamlets is fully compliant with this principle by holding quarterly and special appointment meetings including training sessions. The Chief Finance Officer sends performance data and relevant information as appropriate. The quorum for the committee is three.	Comply
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit	There is currently no secondary committee.	n/a
That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	The Committee welcomes representations on any issue in writing at any time.	Partial Compliance. AGM in progress
ACCESS		
That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	All members of the Pension Fund Committee have equal access to committee papers, documents and advice.	Comply
Principle	Tower Hamlets Pension's Approach	Compliance
SCOPE		
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	LBTHPF is fully compliant with this principle by bringing all investment, liability, benefit and governance issues to the Pension Fund Committee. An agenda will usually include a fund monitoring report, individual reports from managers, and reports on specific investment,	Comply

	administration and governance issues. A business plan is approved each year	
PUBLICITY		
That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	LBTHPF is fully compliant with this principle by publishing statements in the Annual Report. A website has now been established	Comply

This page is intentionally left blank

<p>Non-Executive Report of the:</p> <p>Pensions Committee</p> <p>3 July 2023</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Caroline Holland Interim Director Resources</p>	<p>Classification: Open</p>
<p>Administering Authority Discretions</p>	

Executive Summary

The Local Government Pension Scheme (LGPS) in England and Wales was amended from 1 April 2014 so that benefits for service after 31 March 2014, build-up on a defined benefit career average revalued earnings (CARE) basis, rather than on a defined benefit, final salary basis.

This full review of all required Administering Authority discretions and policies has been undertaken with support from the Fund actuaries. This paper and appendix sets out the updated discretionary requirements for approval.

Recommendations:

The Pensions Committee is recommended to:

1. Consider and approve the recommended administering authority discretions policy.
2. Note that policies have been implemented following legal developments and recommendations from the Local Government Association:
3. Consider and approve the Death Grant Policy.
4. Consider and approve the Child Pension Policy and.
5. That the Committee approve publication on the Pension Fund website.

1. REASONS FOR THE DECISIONS

- 1.1 To facilitate strong governance, administering authorities are required to formulate mandatory /may (non-mandatory) discretionary policies in respect of Local Government Pension Scheme (LGPS). These discretions must be published and kept under review.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternatives to this report. Regulation states, and best practice dictates, that a Pension Fund should have a range of written policies and procedures in place. Not only does this prove regulatory compliance, it also demonstrates good governance and provides a range of information to stakeholders.

3. DETAILS OF THE REPORT

- 3.1 The Local Government Pension Scheme give some responsibilities and discretions to the administering authorities in relation to benefits or options that can be made available to scheme members under those regulations. These are usually referred to as administering authority discretions. (Appendix A).
- 3.2 There are also responsibilities governing participating employers. These are referred to as employer discretions.
- 3.3 Employer discretions that fall to the administering authority where the employer has become defunct is also included in appendix A.
- 3.4 Discretions fall into two categories: Those which must be formulated and published (mandatory discretions) and those which don't need to be formulated and published (non-mandatory discretions).
- 3.5 Whilst Tower Hamlets Pension Fund is compliant in having a range of policies in place over the years, due to the length and technical complexity of the Discretions Policy, a regular review of the policy had not been undertaken. Following an initial audit by Officers, it was identified that some policies needed documenting, in need of review or updated with the list of discretionary policies in respect of the Local Government Pension Scheme (LGPS) published by the LGA. The scheme actuary along with officers prepared the one document which includes all major discretions relating to members. (Appendix A)
- 3.6 The Administering Authority's new policy is divided into 5 main sections:
- Statement of policy stating mandatory policies that an Administering Authority should have:
 - Governance Compliance Statement
 - Communications Policy
 - Administration Strategy
 - Funding Strategy Statement
 - Independent Dispute Resolution Procedure (IDRP)
 - For active members or members who left on or after 1 April 2014 or in respect of current policies.

- For members who left on or after 1 April 2008 and before 1 April 2014
- For members who left on or after 1 April 1998 and before 1 April 2008
- For members who ceased active membership before 1 April 1998

3.7 Whilst there are no changes to the actual policies, detailed policies in relation to payment of death grants and child pensions have also been prepared to ensure transparency. (Appendices 2 and 3)

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equality implications arising from this report however having a policy in place ensures all scheme members are treated equally.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

Risk Management

5.2 There is always a risk of challenge when any discretion is exercised.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no direct resources and value for money implications arising from this report.

7. COMMENTS OF LEGAL SERVICES

7.1 Under the LGPS Regulations, the Council, as Administering Authority is required to formulate and keep under review the policies that apply in respect of exercising the discretions referred to in this report.

7.2 The Council must publish written statements of the policies.

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports.
- NONE.

Appendices

- List any appendices [if Exempt, Forward Plan entry MUST warn of that]
- Administering Authority discretions policies
- Death Grant payment
- Child Pension

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- <https://www.lgpslibrary.org/assets/gas/ew/DISCLv1.10c.doc.pdf>

Officer contact details for documents:

Miriam Adams Interim Head of Pensions and Treasury

Email: Miriam.Adams@towerhamlets.gov.uk

Administering Authority Discretions

Introduction

This Policy has been determined by the London Borough of Tower Hamlets (“Tower Hamlets” or “The Council”), as the Administering authority of the Tower Hamlets Pension Fund. It relates to the Administering Authority Discretions included within the Local Government Pension Scheme Regulations 2013 and related legislation.

General considerations

When applying powers of discretion Tower Hamlets will look at each case on its merits, considering all relevant information, disregarding irrelevant information and acting properly within the Regulations. This document should be considered a framework for guiding decision making and the Council reserves the right to deviate from any policy outlined here, if it is satisfied that exceptional circumstances exist.

In exercising any discretion, the Council will be mindful of the Equality Act 2010, the Equality Act (Age Exceptions for Pension Schemes) Order 2010 and any other relevant legislation.

Scope

These policy decisions apply to all categories of Schemes Members (i.e., active, deferred, pensioners, pension credit members and dependants).

Statement of Policy

This section states the mandatory policies that an Administering Authority should have:

Regulation	Description	Policy
<p>55 of the LGPS Regulations 2013</p>	<p>Publish a Governance Policy stating how functions are delegated and whether the Administering Authority complies with guidance given by the Secretary of State.</p> <p>A Governance Compliance Statement must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a subcommittee or an officer of the admin authority and, if they do so delegate, state: -</p> <ul style="list-style-type: none"> - the frequency of any committee or sub-committee meetings, - the terms, structure and operational procedures appertaining to the delegation, and - whether representatives of employing authorities or members are included and, if so, whether they have voting rights. <p>The policy must also state:</p> <ul style="list-style-type: none"> - the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying, and - the terms, structure and operational procedures appertaining to the local Pensions Board 	<p>Tower Hamlet Pension Fund has a compliant Governance Statement which can be found in the annual report and Pension Fund website. see link below to the document on our pension fund website.</p> <p>www.towerhamletspensionfund.org</p>

Regulation	Description	Policy
58 of the LGPS Regulations 2013	Decide on the Funding Strategy for inclusion in the funding strategy statement.	As set out in the Tower Hamlets Funding Strategy Statement. see link below to the document on our pension fund website. www.towerhamletspensionfund.org
59 (3) (5) of the LGPS Regulations 2013	Whether to have a written Pensions Administration Strategy and, if so, the matters it should include.	As set out in the Tower Hamlets Pensions Administration Strategy see link below to the document on our pension fund website. www.towerhamletspensionfund.org
61 of the LGPS Regulations 2013	Develop a Communication Policy setting out how the Administering Authority communicates with members, representatives of members, prospective members and employing authorities and the format, frequency, method of communication and the promotion of the Scheme to prospective members and their employers.	As set out in the Tower Hamlets Pensions Communication Policy www.towerhamletspensionfund.org
74 of the LGPS Regulations 2013	Appoint someone to deal with applications under stage one of the Internal Dispute Resolution Procedure (IDRP) in relation to any dispute relating to the role of the Administering Authority	As set out in the Tower Hamlets Pensions Internal Dispute Resolution Procedure (IDRP) Stage 1 Adjudicator is the Director of Finance Procurement and Audit Stage 2 Adjudicator is the Corporate Director Resources see link below to the document on our pension fund website. www.towerhamletspensionfund.org

For active members or members who left on or after 1 April 2014 or in respect of current policies.

Relevant Legislation

- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme Regulations 1997 (as amended)
- The Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011

Administering Authority Discretions – Mandatory

Regulation	Description	Policy
30(8) of the LGPS Regulations 2013	<p>Whether to waive, in whole or in part, actuarial reduction on benefits accrued from 1 April 2014 only when a member voluntarily draws them before normal pension age in the event that the member's former employer is no longer a scheme employer.</p> <p>Whether to waive, in whole or in part, actuarial reduction on benefits which a member draws on flexible retirement grounds in the event that the member's former employer is no longer a scheme employer.</p>	<p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>
Schedule 2 para 1(2) and 1(1)(c) of the LGPS (Transitional Provisions and Savings) Regulations 2014	<p>Where a member is voluntarily retiring between the ages of 55 and 60 and has a period of service which is covered by the rule of 85, the rule does not automatically apply. Where the employer no longer exists, the administering authority has the discretion to allow for the rule of 85 to be "switched on".</p>	<p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>
3(1), Schedule 2, para 2(1) of the LGPS (Transitional Provisions and Savings) Regulations 2014 Regulation 30(5) and 30A(5) of	<p>Where the employer no longer exists, whether to waive upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds or, for periods of service to which the compassionate service discretion does not apply, to waive any actuarial reduction on any grounds.</p>	<p>No definition of compassionate grounds is given in the LGPS regulations. The term is sometimes interpreted as referring to a situation when a scheme member is required to give up work in order to be a full-time, long-term carer for a member of their family.</p> <p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the</p>

Regulation	Description	Policy
the LGPS (Benefits, Membership and Contributions) Regulations 2007 Regulation		additional cost.
3(13) of the LGPS (Transitional Provisions and Savings) Regulations 2014 And 70(1) and 71(4)(c) of the LGPS (Administration) Regulations 2008	Decide policy on abatement of pre 1 April 2014 element of pensions in payment following re-employment	Tower Hamlets council will not abate pensions on re-employment.

Administering Authority Discretions – Non Mandatory

Regulation	Description	Policy
16(1) of the LGPS Regulations 2013	Whether to turn down a request by a member to pay an Additional Pension Contribution or Shared Cost Additional Pension Contribution over a period of time where it would be impractical to allow such a request (e.g., where the sum being paid is very small and could be paid as a single payment)	The Council will not permit contracts of less than £10 per month.
16(10) of the LGPS Regulations 2013	<p>Whether to require a satisfactory medical before agreeing to an application to pay an Additional Pension Contribution (APC) or Shared Cost Additional Pension Contribution (SCAPC).</p> <p>If, where a medical is required to turn down an APC or SCAPC application if the member is in poor health.</p>	<p>APCs can be used to either;</p> <ul style="list-style-type: none"> a) Increase a member’s retirement benefits b) Buy back missing pension that is due to a period of unpaid authorised leave of absence, unpaid child related leave or industrial action. <p>Under scenario a) The Administering Authority will require the member to sign to confirm that they have not been assessed by an Independent Medical Practitioner as part of the ill-health retirement process. Where a member has undergone such an assessment the Council reserves the right to request the member undergoes a medical and, if appropriate, refuse the APC request.</p> <p>Under scenario b) the member will not be required to certify or undergo a medical.</p>

Regulation	Description	Policy
17(12) of the LGPS Regulations 2013	Decide to whom any AVC/Shared Cost AVC monies (including life assurance monies) are to be paid on death of the member.	The Administering Authority has a decision-making process that will be followed in order to determine the recipient of the AVC monies. This process is the same as that followed the discretion 'Decide to whom death grant is paid'.
10(9) of the LGPS (Transitional Provisions and Savings) Regulations 2014	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	The administering authority might choose to combine the deferred concurrent record with the ongoing record, which based on evidence available at the time, appears to be most beneficial to the member.
32(7) of the LGPS Regulations 2013	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	The administering authority will not normally require members to give 3 months' notice of early retirement or elect within 1 month for flexible retirement. In most cases once the request is made and all information received the administering authority will endeavour to pay pension on the next available payroll.
34(1)(a) of the LGPS Regulations 2013	Decide whether to commute small pensions under section 166 of the Finance Act 2004	Where the member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member.
34(1)(b) of the LGPS Regulations 2013	Decide whether to commute small dependants' pensions under section 168 of the Finance Act 2004	Where a dependent of a deceased member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member.

Regulation	Description	Policy
34(1)(c) of the LGPS Regulations 2013	Decide whether to commute small pensions under section regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009	Where the member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member. If no request is made, the Fund may still choose to pay a trivial commutation instead of an ongoing pension.
40(2), 43(2) and 46(2) of the LGPS Regulations 2013 17(5) to (8) of the LGPS Transitional Provisions and Savings Regulations) 2014	Decide to whom a death grant should be paid	The Administering Authority has a decision-making process that will be followed in order to determine the recipient of the death grant.
49(1)(c) of the LGPS Regulations 2013	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	The administering authority will choose to award the benefit which, based on evidence available at the time, appears to be most beneficial to the member.
82(2) of the LGPS Regulations 2013	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	The administering authority will assess each case on its own merits. The council may insist that an indemnity form is required from the beneficiary before payment is made.
83 of the LGPS Regulations 2013 52A of the LGPS (Administration) Regulations 2008	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	The administering authority will typically seek to make a decision based on the merits of each case and in the interests of the beneficiary.

Regulation	Description	Policy
3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) of the LGPS (Transitional Provisions and Savings) Regulations 2014 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007	Where a member to whom regulation 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	Administering authorities will consider each case on its own merits and will typically seek to make a decision in the best interests of the member.
Schedule 1 of the LGPS Regulations 2013 17(9)(a) of the Transitional Provisions and Savings Regulations 2014	Decide to treat child as being in continuous education or vocational training despite a break.	The administering authority will reinstate a child's pension if they resume full-time education or vocational study under the age of 23 (until the sooner age of 23 or the date they cease education/training).
Schedule 1 of the LGPS Regulations 2013 & Regulation 17(9)(b) of the Transitional Provisions and Savings Regulations 2014	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	The Council will consider any relevant information provided but will typically look to rely on information such as bank statements, joint loans, mortgage statements, utility bills, council tax bills and personal testimonies.
2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations	Decide whether to allow members who have accrued an annual allowance charge which cannot be discharged by means of mandatory scheme pays to pay any tax due through voluntary scheme pays.	

Regulation	Description	Policy
2011		

For members who left on or after 1 April 2008 and before 1 April 2014

Relevant Legislation

- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme Regulations 2013
- The Local Government Pension Scheme Regulations 1997 (as amended)

Administering Authority Discretions – Mandatory

Regulation	Description	Policy
<p>3(13) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>And 70(1) and 71(4)(c) of the LGPS (Administration) Regulations 2008</p>	<p>Decide policy on abatement of pensions in payment following re-employment</p>	<p>Tower Hamlets council will not abate pensions on re-employment.</p>
<p>Schedule 2 para 1(2) and 1(1)(c) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p>	<p>Where a member is voluntarily retiring between the ages of 55 and 60 and has a period of service which is covered by the rule of 85, the rule does not automatically apply. Where the employer no longer exists, the administering authority has the discretion to allow for the rule of 85 to be “switched on”.</p>	<p>Waiving reductions will typically create a pension strain cost. Where a member’s former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>

Regulation	Description	Policy
<p>30(5) of The Local Government Pension (Benefits, Membership and Contributions) Regulations 2007</p> <p>and Schedule 2 para 2(1) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p>	<p>In the event that a deferred member is drawing benefits early and that member's former employer is no longer a scheme employer, to determine whether to waive any reductions that would apply on compassionate grounds.</p>	<p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all of the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>
<p>Schedule 2 para 1(2) & 1(1)(c) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p>	<p>Where a pensioner member is voluntarily retiring between the ages of 55 and 60 and has a period of service which is covered by the rule of 85, the rule does not automatically apply. Where the employer no longer exists, the administering authority has the discretion to allow for the rule of 85 to be "switched on".</p>	<p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>

Regulation	Description	Policy
<p>30A(5) of The Local Government Pension (Benefits, Membership and Contributions) Regulations 2007</p> <p>and Schedule 2 para 2(1) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p>	<p>In the event that a pensioner member is drawing benefits early and that member's former employer is no longer a scheme employer, to determine whether to waive any reductions that would apply on compassionate grounds.</p>	<p>No definition of compassionate grounds is given in the LGPS regulations. The term is sometimes interpreted as referring to a situation when a scheme member is required to give up work in order to be a full-time, long-term carer for a member of their family.</p> <p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>

Administering Authority Discretions – Non-mandatory

Regulation	Description	Policy
45(3) of the LGPS (Administration) Regulations 2008	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	Outstanding contributions would normally be recovered as a simple debt. However, in exceptional circumstances, the administering authority may recover any debt by deducting it from any benefit due.
52(2) of the LGPS (Administration) Regulations 2008	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	The administering authority will assess each case on its own merits. The council may insist that an indemnity form is required from the beneficiary before payment is made.
Regulation	Description	Policy
10(2) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	Where a member to whom regulation 10 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	Administering authorities will consider each case on its own merits and will typically seek to make a decision in the best interests of the member.
27(5) of the LGPS (Benefits, Membership and Contributions) Regulations 2007	To pay the whole or part of an eligible child's pension benefits to another person for their benefit.	The administering authority will typically seek to make a decision based on the merits of each case and in the interests of the beneficiary.

<p>52A of the LGPS (Administration) Regulations 2008</p>	<p>Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.</p>	<p>The administering authority will typically seek to make a decision based on the merits of each case.</p>
Regulation	Description	Policy
<p>23(2), 32(2), 35(2) of The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007</p> <p>Sch1 of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>155(4) of the LGPS Regulations 1997</p>	<p>Decide to whom a death grant should be paid</p>	<p>The Administering Authority has a decision-making process that will be followed in order to determine the recipient of the death grant.</p>

Regulation	Description	Policy
39(1)(a) LGPS (Benefits, Membership and Contributions) Regulations 2007 14(3) of LGPS (Transitional Provisions) Regulations 2008	Decide whether to commute small pensions under section 166 of the Finance Act 2004	Where the member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member.
39(1)(b) LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide whether to commute small dependants' pensions under section 168 of the Finance Act 2004	Where a dependent of a deceased member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member.
Regulation	Description	Policy
39(1)(c) LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide whether to commute small pensions under section regulations 6 (payment after relevant accretion), 11 (de minimis rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009	Where the member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member. If no request is made, the Fund may still choose to pay a trivial commutation instead of an ongoing pension.
42(1)(c) LGPS (Benefits, Membership and Contributions) Regulations 2007	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	The administering authority might choose to award the benefit which, based on evidence available at the time, appears to be most beneficial to the member.

For members who left on or after 1 April 1998 and before 1 April 2008

Relevant Legislation

- The Local Government Pension Scheme Regulations 1997
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme Regulations 2013

Administering Authority Discretions – Mandatory

Regulation	Description	Policy
1(2), 1(1)(f) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014	Where a member is voluntarily retiring between the ages of 55 and 60 and has a period of service which is covered by the rule of 85, the rule does not automatically apply. Where the employer no longer exists , the administering authority has the discretion to allow for the rule of 85 to be “switched on”.	Waiving reductions will typically create a pension strain cost. Where a member’s former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund. Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.
31(5) of the LGPS Regulations 1997 Sch 2, para 2(1) of the LGPS (Transitional Provisions and Savings) Regulations 2014	Where the employer no longer exists , whether to waive upon the voluntary early payment of benefits, any actuarial reduction on compassionate grounds	Waiving reductions will typically create a pension strain cost. Where a member’s former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund. Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.
3(13) of the LGPS (Transitional Provisions and Savings) Regulations 2014 70(1) and 71(4)(c) of the LGPS (Administration) Regulations 2008	Decide policy on abatement of pensions in payment following re-employment	Tower Hamlets council will not abate pensions on re-employment.

Administering Authority Discretions – Non-mandatory

Regulation	Description	Policy
38(1) & 155(4) of the LGPS Regulations 1997	Decide to whom a death grant should be paid	The Administering Authority has a decision-making process that will be followed in order to determine the recipient of the death grant
Schedule 1 of the LGPS Regulations 2013 17(9) of the Transitional Provisions and Savings Regulations 2014	Decide to treat child as being in continuous education or vocational training despite a break.	The administering authority will reinstate a child's pension if they resume full-time education or vocational study under the age of 23 (until the sooner age of 23 or the date they cease education/training).
47(1) of the LGPS Regulations 1997	Apportionment of children's pensions	If a child's pension is payable for more than one eligible child, the administering authority may choose how to apportion it. The starting position will be to apportion any pensions equally among the children, however account may be taken of individual circumstances, for example if one child has particular needs or a different financial situation.
47(2) of the LGPS Regulations 1997	To pay the whole or part of an eligible child's pension benefits to another person for their benefit.	The administering authority will typically seek to make a decision based on the merits of each case.
49(1) of the LGPS Regulations 1997	Decide whether to commute small pensions under section 166 of the Finance Act 2004	Where the member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member.

Regulation	Description	Policy
49(1) of the LGPS Regulations 1997	Decide whether to commute small dependants' pensions under section 168 of the Finance Act 2004	Where a dependent of a deceased member satisfies the criteria set out by HMRC, the Fund may choose to pay a lump sum if requested by the member.
50 and 157 of the LGPS Regulations 1997	Commute benefits due to exceptional ill health	The administering authority will consider the views of the member and/or family and will address its case on its own merits.
95 of the LGPS Regulations 1997	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	The administering authority will assess each case on its own merits. The council may insist that an indemnity form is required from the beneficiary before payment is made.

For members who ceased active membership before 1 April 1998

Relevant Legislation

- The Local Government Pension Scheme Regulations 1995
- The Local Government Pension Scheme (Transitional Provisions) Regulations 1997
- The Local Government Pension Scheme Regulations 1997
- The Local Government Pension Scheme (Administration) Regulations 2008
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- The Local Government Pension Scheme Regulations 2013

Administering Authority Discretions – Mandatory

Regulation	Description	Policy
<p>3(5A)(vi) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014</p> <p>4 of the LGPS (Transitional Provisions) Regulations 1997</p> <p>106(1) of the LGPS Regulations 1997</p> <p>D11(2)(c) of the LGPS Regulations 1995</p>	<p>Where the employer is now defunct, grant application for early payment of deferred benefits on or after age 50 on compassionate grounds.</p>	<p>Waiving reductions will typically create a pension strain cost. Where a member's former employer is no longer a scheme employer, this cost will fall on all the employers contributing to the Fund.</p> <p>Tower Hamlets will generally not waive reductions in these circumstances unless there are exceptional circumstances which the council believe outweigh the additional cost.</p>
<p>3(13) of the LGPS (Transitional Provisions and Savings) Regulations 2014</p> <p>And 70(1) and 71(4)(c) of the LGPS (Administration) Regulations 2008</p>	<p>Decide policy on abatement of pensions in payment following re-employment</p>	<p>Tower Hamlets council will not abate pensions on re-employment.</p>
<p>45(3) of the LGPS (Administration) Regulations 2008</p> <p>And 89(3) of the LGPS Regulations 1997</p>	<p>Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.</p> <p>Policy</p>	<p>No policy</p>

Administering Authority Discretions – Non-mandatory

Regulation	Description	Policy
E8 of the LGPS Regulations 1995	Decide to whom a death grant should be paid	The Administering Authority has a decision-making process that will be followed in order to determine the recipient of the death grant
G11(1) of the LGPS Regulations 1995	Apportionment of children's pensions	If a child's pension is payable for more than one eligible child, the administering authority may choose how to apportion it. The starting position will be to apportion any pensions equally among the children, however account may be taken of individual circumstances, for example if one child has particular needs or a different financial situation
G11(2) of the LGPS Regulations 1995	To pay the whole or part of an eligible child's pension benefits to another person for their benefit.	The administering authority will typically seek to make a decision based on the merits of each case.

This page is intentionally left blank

Death Grant Policy

The Local Government Pension Scheme (LGPS) lump sum Death Grant is a benefit provided by the scheme to support the beneficiaries of its members.

This document outlines the policy, criteria, and payment of lump sum Death Grants that may become due under:

- Local Government Pension Scheme Regulations 2013: Regulation 40(2); 43(2) and 46(2)
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007: Regulation 23(2); 32(2) and 35(2)
- Local Government Pension Scheme Regulations 1997: Regulation 38(1) and 155(4)
- Local Government Pension Scheme Regulations 1995: Regulation E8

The policy ensures the payment and exercising of discretion is done fairly, transparently and in a manner that is respectful of the circumstances of each individual case.

Eligibility Criteria

A lump sum Death Grant is payable if, at the time of death, the member:

1. is under the age of 75 and
2. was actively paying into the scheme and contributed to the LGPS for at least two years or
3. had a deferred pension or
4. was a pensioner who left the member left the scheme between 1 April 1998 and 31 March 2008 and in receipt of their pension for less than 5 years or
5. was a pensioner who left the scheme on or after 1 April 2008 and in receipt of their pension for less than 10 years

Death Grant Beneficiary

The Local Government Pension Scheme regulations give responsibilities and discretions to the London Borough of Tower Hamlets as the administering authority of the Tower Hamlets Pension Fund in respect of certain aspects of administration.

Scheme members can nominate any person, persons, or organisation to receive the lump sum Death Grant by completing an Expression of Wish form.

Where an Expression of Wish form has been completed

- The Pensions Administration Team will pay the lump sum Death Grant in accordance with the wishes of the deceased as recorded on the Expression of Wish form.
- There is no need for the approval of Legal Services or for the Scheme Trustees to sign an authority form.

Where an Expression of Wish form has been completed, but one or more of the beneficiaries has predeceased the member

- The Pensions Administration Team will pay the lump sum Death Grant to the remaining beneficiary or beneficiaries as recorded on the Expression of Wish form.

- Where there is more than one remaining beneficiary, the Pensions Administration Team will determine how the lump sum Death Grant should be distributed between the beneficiaries so that it reflects the wishes of the deceased as recorded on the Expression of Wish form.

Where an Expression of Wish form has been completed, but the circumstances of the member are known to have changed

- Where the Pensions Administration Team has good reason to believe that the circumstances of the deceased member have changed since the Expression of Wish form was completed, the Expression of Wish form will be declared invalid and the lump sum Death Grant payment will be paid as if no Expression of Wish form had been completed.

Where an Expression of Wish form has not been completed

- The Pensions Administration Team will pay the lump sum Death Grant to the deceased's partner where a survivor's pension is being paid.
- Where there is no surviving partner, payment of the lump sum Death Grant will be made to the deceased's estate on production of Grant of Probate or Letters of Administration.
- The Pensions Administration Team has the discretion to make lump sum Death Grant payments of less than £5,000.00 under the Administration of Estates (Small Payments) Act 1965. An indemnity form should be complete.

Payment of the lump sum Death Grant to a minor

- Where the nominated beneficiary is under 18 at the time of the members death, the Expression of Wish form will be declared invalid and the lump sum Death Grant payment will be paid as if no Expression of Wish form had been completed.

When exercising discretion, the Pensions Administration will consider the payment of the lump sum Death Grant in the following order of priorities:

- a) the member's spouse, civil partner or cohabiting partner
- b) the member's children
- c) the member's parents
- d) the member's siblings
- e) the member's personal representative (if no beneficiaries are available)

Decisions based on the exercise of discretion will be made on a case-by-case basis, taking into account all relevant circumstances.

Death Grant Calculation

For members actively paying into the scheme: the lump sum Death Grant is three times the member's annual assumed pensionable pay.

For members with a deferred pension who left the scheme on or before 31 March 2008: the lump sum Death Grant is three times the member's annual pension.

For members with a deferred pension who left the scheme on or after 1 April 2008: the lump sum Death Grant is five times the member's annual pension.

For pensioners who left the member left the scheme between 1 April 1998 and 31 March 2008: the lump sum Death Grant is five times the member's pension less any pension already paid.

For pensioners who left the member left the scheme on or after 1 April 2008: the lump sum Death Grant is ten times the member's pension less any pension already paid.

In the case of a member who is actively paying into the scheme and has a deferred pension or is a pensioner, only one lump sum Death Grant is payable, and it is the greater of the Death Grants calculated.

Procedure for Payment of the lump sum Death Grant

The following procedure should be followed for the payment of the lump sum Death Grant:

1. The next of kin or legal representatives should notify us of the member's death as soon as possible.
2. The Pensions Administration Team will provide the beneficiaries with a lump sum Death Grant claim form and guidance notes.
3. The beneficiaries should complete and return the claim form along with any supporting documents requested.
4. The Pensions Administration Team will verify the claim and make the payment.
5. If the lump sum Death Grant is not paid within two years, beginning with the date of the member's death or the date on which the Pensions Administration Team could reasonably be expected to have become aware of the member's death, it must be paid to the estate and a tax charge may apply.

Supporting Documents:

Supporting documents required to verify the claim include:

- Birth certificate of the beneficiary
- Valid passport
- Expression of Wish Form
- Will
- Grant of Probate
- Letters of Administration

The Pensions Administration team are unable to pay a lump sum Death Grant without the necessary supporting documents.

This page is intentionally left blank

Children's Pensions Policy

The Local Government Pension Scheme (LGPS) child pension is a scheme benefit available to eligible children of deceased scheme members. The child pension is a regular payment to support the child financially until they reach a certain age or until they complete full-time education or vocational training.

This policy document outlines the policy, eligibility criteria, and payment of child pensions that may become due under:

- Local Government Pension Scheme Regulations 2013: Regulation 40(2); 43(2) and 46(2)
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007: Regulation 23(2); 32(2) and 35(2)
- Local Government Pension Scheme Regulations 1997: Regulation 38(1) and 155(4)
- Local Government Pension Scheme Regulations 1995: Regulation E8

Qualifying Criteria:

A child, in relation to a deceased member, means:

1. a natural child, born within 12 months of the member's death
2. an adopted child, born before the member's death
3. a stepchild or a child dependent on the member at the date of death and accepted by the deceased as a member of the family (excluding sponsored children through a registered charity)

Eligibility Criteria:

To be eligible for the pension benefit, a child of a deceased member must be:

1. under 18 years of age or
2. over 18 years but under 23 and in full-time education/vocational training or
3. is unable to engage in gainful employment because of physical or mental impairment and either-
 - (i) has not reached the age of 23; or
 - (ii) the impairment is in the opinion of an IRMP likely to be permanent and the person was dependent on the member at the date of the member's death because of that physical or mental impairment.

Benefits Payable:

The amount a child receives depends on the number of eligible children and if a surviving partner's pension is also being paid.

If a surviving partner's pension is payable:

Where there is one child, the pension is based on:

- the member's earned pension accrued at a rate of 1/320th of pensionable pay;
- and the amount of any earned pension multiplied by 49/320

- 15.3125% of any pension purchased by way of additional voluntary contributions (deferred or pensioner members)

where there is more than one child, the pension is payable to those children in equal shares and is based on:

- the member's earned pension accrued at a rate of 1/160th of pensionable pay;
- and the amount of any earned pension multiplied by 49/160
- 30.625% of any pension purchased by way of additional voluntary contributions (deferred or pensioner members)

If there is no surviving partner's pension payable:

Where there is one child, the pension is based on:

- the member's earned pension accrued at a rate of 1/240th of pensionable pay;
- and the amount of any earned pension multiplied by 49/240
- 20.4166% of any pension purchased by way of additional voluntary contributions (deferred or pensioner members)

where there is more than one child, the pension is payable to those children in equal shares and is based on:

- the member's earned pension accrued at a rate of 1/120th of pensionable pay;
- and the amount of any earned pension multiplied by 49/120
- 40.8333% of any pension purchased by way of additional voluntary contributions (deferred or pensioner members)

Procedure for Payment of the Child Pension

To claim the child's pension, the surviving parent or legal guardian must complete the relevant forms and provide evidence of the child's eligibility.

In the case of a child in full-time education or vocational training, evidence of enrolment in an educational institution is required.

Where appropriate, a medical report from an independent registered medical practitioner (IRMP) confirming a physical or mental impairment is necessary.

The following procedure should be followed for the payment of the child pension:

1. The surviving parent or legal guardian should notify us of the member's death as soon as possible.
2. The Pensions Administration Team will provide the surviving parent or legal guardian with the relevant claim form and guidance notes.
3. The surviving parent or legal guardian should complete and return the claim form along with any supporting documents requested.

4. The Pensions Administration Team will verify the claim and make the payment.

Evidence

Acceptable forms of evidence for proof of eligibility may include:

1. birth certificate of the child
2. adoption certificate
3. court order or custody agreement granting the pensioner legal responsibility for the child
4. proof of the child's dependence on the pensioner, such as proof of financial support or proof of the child living with the pensioner
5. Enrolment
6. medical report from an independent registered medical practitioner (IRMP) who is registered with the General Medical Council

We are unable to award a child's pension where the evidence is insufficient.

This page is intentionally left blank

Non-Executive Report of the: Pensions Committee Monday, 3 July 2023	 TOWER HAMLETS
Report of: Caroline Holland, Interim Corporate Director, Resources	Classification: Unrestricted
ESG, Voting, Engagement and Stewardship Update	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards);

Executive Summary

This report provides the Committee 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 March 2023.

Recommendations:

The Pensions Committee is recommended to:

1. Note content of this report and appendices.

1. REASONS FOR THE DECISIONS

- 1.1 The exercise of voting rights and engagement with investee companies are a key path of the Fund’s role as a long-term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative approach. The Fund invests mainly in pooled structures. By nature of these structures, voting is exercised by the investment manager rather than directly by the Fund. The Fund would remain a member of Local Authority Pension Fund Forum (LAPFF) to ensure the Fund’s Responsible Investment (RI) approach is exercised via engagement.

3. DETAILS OF THE REPORT

- 3.1 The move to a pooled structure continues to impact this arrangement as voting rights are exercised at pool or underlying manager level rather than Fund level.

The Fund works with London Collective Investment Vehicle (LCIV) to ensure its views through the exercise of voting rights through the investments it manages on its behalf.

3.2 This report includes two appendices which are set out below to ensure that the Pensions Committee and Pensions Board are aware of the engagement activity being carried out by Legal & General Investment Management (LGIM) and engagement activities of Local Authority Pension Fund Forum (LAPFF)

- LAPFF Q4 2022 report (Appendix 1)
- LGIM ESG Impact report (Appendix 2)

LAPFF Engagement Summary

3.3 LAPFF engagement takes place in the form of sending correspondences, issuing alerts, meetings, press releases, attending company, site visitations and community engagement. LAPFF engaged with various companies during the quarter on a range of topics including:

- Social Risk
- Finance and Accounting
- Employment Standards
- Audit Practices
- Governance (General)
- Environmental Risk
- Human Rights
- Climate Change

3.4 Appendix 1 to this report details the Forum's activity during the quarter, Climate Change, Human Rights, Employment Standards, Governance and Audit Practices were some of the main engagement themes during the quarter.

3.5 Reporting has been limited to companies which the Fund has investments in during the quarter. Engagement took the form of alerts, correspondences issued and received as well as meetings with Chairpersons, Specialist staffs, Executive directors, CEO's and Non-Executive Directors.

Collaborative Engagements

3.6 Amazon

LAPFF signed an investor letter to Amazon that the company take better steps to demonstrate that it upholds the rights to freedom of association bargaining. Concerns around staff unionising.

United Overseas Bank

LAPFF joined a collaborative call hosted by Asia Research and Engagement last week with United Overseas Bank (UOB). The call focused on the bank's approach to climate change and its current transition risk infrastructure.

Long Term Investors for Public Health (LIPH)

LAPFF also joined a 2nd collaborative call hosted by ShareAction with Britvic focusing on the company's approach to nutrition and healthier products in its range. This follows on from the company stating in its 2022 annual report that by the end of 2022, 78% of its products in Great Britain will be non-high in fat, salt and sugar.

Consultations

- 3.7 Transition Pathway Taskforce was launched in 2022 by HM Treasury to develop a 'gold standard' for climate transition plans. The initiative is intended to help shape how companies and financial institutions are disclosing their approaches to decarbonising their business models.

Shareholder Resolutions

Co-Filing Opportunities on lobbying for 2023 for Glencore and Amazon are expected.

Voting Activities

- 3.8 Voting takes place during company meetings such as Annual General (AGM), Special General meeting or Extra Ordinary General Meeting. Meetings are initiated by either management or shareholders as the case may be.
- 3.9 London CIV (BG) Global Alpha Growth Paris Aligned fund– Voting activity and company engagement over the quarter. A total of 71 resolutions across 4 countries and 5 companies was cast. The manager cast 55 votes FOR, 11 votes cast Against, 2 votes Abstained, 2 Withheld votes and 1 vote was cast for One Year.
- 3.10 LCIV (Ruffer) Absolute Return fund – Votes were cast in 3 companies in 3 Countries. The manager cast votes in 67 resolutions, 65 of which were FOR, 1 vote was cast Against and 1 no vote.
- 3.11 LCIV (RBC) Sustainable Equity Fund – there was no voting activity during the quarter.
- 3.12 LCIV (BG) Diversified Growth fund – Stewardship voting activities during the quarter involved 6 companies across 5 countries. A total of 50 resolutions were voted on. All 50 of the votes cast was in support of all resolutions. Meeting types included AGM and Extraordinary GM meetings. Resolutions included election of directors, statutory auditor appointment, share repurchase, annual report, election of directors and discharge of board.

London CIV Engagement

- 3.13 LCIV employs the services of Federated Hermes to report on its engagement and voting functions. The CIV along with other Federated Hermes clients access voting and engagement data via the EOS portal.

Hermes EOS engaged with seven companies held in the LCIV Sustainable Equity Fund portfolio this quarter on a range of 32 environmental, social and governance issues and objectives.

During the quarter the manager engaged with several companies regarding this key theme including Microsoft and Amazon. RBC states that the companies are confident that they will meet their short-term emissions reduction targets; however, for longer term targets they are dependent on the advent and scaling of climate technology.

- 3.14 RBC states that Microsoft and Amazon are investing into emerging technologies in order to bridge this gap. For example, for Microsoft they are investing in direct air capture to help facilitate their carbon negative ambition. The second key theme RBC engaged on was human capital, primarily to understand how their holding companies are working to ensure good working conditions and support for their wider employee base. This quarter RBC engaged with Amazon and Deutsche Post DHL on how they are supporting their employees.

- 3.15 LGIM Low Carbon funds – Stewardship voting activities during the quarter Involved 107 companies across 18 countries. A total of 1,730 resolutions were voted on across a combination of annual, annual/special, extraordinary, court, proxy contest, ordinary shareholders, special, and other meetings.

Resolutions covered a very wide range of categories including takeover related matters, compensation, capitalisation, environmental and climate change, routine business, corporate governance, director elections and other director related matters. The manager cast 321 votes Against the resolution, 1,252 For, 26 Votes allowing only one year for the resolution, 23 Withheld resolutions, 18 Abstain, 2 do not vote instructions and 88 blanks in respect of non-voting resolutions.

LGIM Capricorn Energy PLC voting reasons

- 3.16 General meeting of 1 February 2023. The manager voted to approve the NewMed Acquisition as well resolutions relating to directors. The manager undertook numerous engagements with the Capricorn board over the past nine months to express our widespread concerns with the transactions the board has proposed, including the NewMed transaction that was put forward to shareholders at the General Meeting on 1 February. These concerns include governance, process, conflicts, future strategy, executive compensation, environmental risks and valuation. Rather than attempt to address these concerns constructively, the Capricorn board has suggested that the manager sell the shares in the company if we are not satisfied with the board's decision-making process and proposals. The manager also raised a number of concerns with the company including timing of the GM meeting.

LCIV MAC fund (fixed income fund)

- 3.17 CQS engagement – during the quarter, the investment manager engaged with Jadex as part of their Climate Targeted Engagement Programme. The company indicated that they would continue to make progress by committing to net zero towards calculating baseline greenhouse emissions before establishing any targets. In February 2023, the company released its first ESG report in February 2023 providing scope 1 and 2 carbon emissions disclosures and announced a target of 10% reduction by 2025.

The manager also engaged with Unicaja following their 2023 results to understand the company's governance changes following the Liberbank merger and their progress on climate. CQS reported that Unicaja has introduced a new Sustainability Committee and is encouraged by the progress. The manager reported that Unicaja confirmed that they recently measured their scope 3 carbon emissions and they will publish their decarbonisation targets in the coming months.

- 3.18 PIMCO the second manager in the LCIV MAC fund engaged with Deutsche Bank over the quarter to discuss the issuer's governance / balance sheet and their green credentials. Regarding governance/ balance sheet. On green credentials, PIMCO has focused on the issuer's green bond program including expected allocation details, deforestation and ways of factoring in biodiversity, as well as their current practices on climate.

Schroders Real Estate Fund

- 3.19 The Schroders Real Estate Fund is a Sustainable Finance Disclosure Regulation (SFDR) Article 8 equivalent fund, with three binding commitments to sustainability incorporated within its stated investment objective. All 'in-scope' assets across the Fund now have either a compliant EPC lodged, or a certification in progress. No units with SCREF have had an 'F' or 'G' rated EPC lodged, therefore there is 100% compliance with the House benchmark standard.

The improved score means the Fund has achieved one of its target sustainability KPIs set out in the RCF agreement. The Fund Management team is now working on the 2023 GRESB submission alongside its property management teams.

Voting Alerts

- 3.20 During the quarter ending March 23, LAPFF issued two voting alerts in respect of Starbucks and Rio Tinto. The LGIM Low Carbon equity fund had holdings in Starbucks.
- Starbucks Corporation (AGM on 28 March 2023) with LAPFF recommending voting in favour of 6 resolutions:

4. EQUALITIES IMPLICATIONS

4.1 There are no direct equalities implications from this report.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 Risk Management Implications

The rigorous robust management of London Borough of Tower Hamlets Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund.

Ensuring good governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 This is a noting report and there are no direct financial implications as a result of the contents of this report.

6.2 The exercise of voting rights and engagement with investee companies are a key part of the Fund's role as a long-term steward of assets. Ensuring good corporate governance and the adoption of sustainable business models at the companies in which the Fund invests should over the longer term ensure that they are able to deliver superior returns to the Fund.

6.3 Poor corporate governance and unsustainable business practices can impact on share prices and increases in the risk that the Fund experience a loss of value in its investments in the future.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 Regulation 7 requires Administering Authorities to publish and maintain an Investment Strategy Statement which includes, amongst other items, details of:
- The authority’s policy on how social, environmental, and corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments.
 - The authority’s policy on the exercise of the rights (including voting rights) attaching to investments.
- 7.2 This report provides information demonstrating that investment activity is occurring in line with the Investment Strategy.
- 7.3 In addition, Government guidance on the preparation and maintenance of the Investment Strategy Statement states that Administering Authorities should explain their policy on stewardship with reference to the Stewardship Code, the seven principles of which apply on a ‘comply or explain’ basis.
- 7.4 When carrying out its functions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don’t (the public sector duty).
-

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
None

Appendices

- LAPFF Q1 2023 report (Appendix 1)
- LGIM ESG Impact report March 23 (Appendix 2)

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

- NONE.

Officer contact details for documents:

Miriam Adams Interim Head of Pensions & Treasury Ext 4248

Email: miriam.adams@towerhamlets.gov.uk

This page is intentionally left blank



Quarterly
Engagement
Report

January-March
2023



Say on Climate, Brazil, Volvo, Constellation Brands, Water Stewardship

COMPANY ENGAGEMENTS



Say on Climate

Objective: Despite the financial risks that climate change poses to investors, shareholders do not have a specific vote at AGMs on a company's approach to transitioning to net zero. This is an issue that LAPFF has raised with companies including through a joint letter ahead of the 2022 AGM season. Since then, HM Treasury has established the UK Transition Plan Taskforce, which is developing a 'gold standard' for climate transition plans. A central principle of transition plans is that they should be integral to a company's overall strategy. Yet despite such developments shareholders are generally not given a 'Say on Climate' vote at AGMs to approve their climate plans.

To address this gap, LAPFF, alongside Sarasin & Partners, CCLA, and the Ethos Foundation, wrote to the FTSE All-Share (excluding investment trusts) requesting

that boards provide shareholders with the opportunity to support their greenhouse gas emission reduction strategy by putting an appropriate resolution on the AGM agenda.

Achieved: The letter highlighted the importance of the issue with companies across the FTSE All-Share. Some companies responded by stating that they were planning to have an annual Say on Climate vote while others noted that there would be a vote every three years to approve their triennial climate plan. However, most companies said that they did not intend to hold Say on Climate votes, with many outlining their climate plans and noting their engagement with shareholders.

Alongside raising the issue with the companies, the letter received coverage in the press which widened awareness of the

role a Say on Climate could play in supporting companies' transition to net zero.

In Progress: Although some companies have committed to Say on Climate votes they are in a minority. LAPFF will continue to engage with companies so that shareholders can express their views specifically about climate strategies – something which will become more important with the introduction of transition plans and as the financial risks of climate change become even clearer.

Rio Tinto

Objective: LAPFF joined Rio Tinto's full year results call ahead of the company's April AGM to understand better how Rio Tinto is integrating environmental, social, and governance considerations into its operations, and issued a voting alert ahead of the April AGM. LAPFF then attended a meeting with Rio Tinto Chair, Dominic Barton.

Achieved: LAPFF was pleased to hear that Rio Tinto has had yet another fatality-free year. It was also good to see that the company has concluded a number of agreements with Indigenous groups and continues to focus on partnerships, co-design, and co-management with affected communities. It would have been useful to have more discussion on community relationships in relation to the company's Oyu Tolgoi, Jadar, and Simandou projects, as well as some of the remaining engineering challenges at Oyu Tolgoi.

On the climate side, Rio Tinto's commitment to making climate a strategic objective is welcome. It appears that more work on Scope 3 emissions is needed. Recognising the importance of Rio Tinto's minerals for a green transition, LAPFF is also keen to hear more from the company on its plans for a just transition. LAPFF probed these issues in more detail in the meeting with Mr. Barton.

In Progress: LAPFF will continue to engage both the company and its affected stakeholders, including workers and community members, to assess progress in both the human rights and climate areas because LAPFF deems this range of engagement and issues financially material.

COMPANY ENGAGEMENTS



McDonald's

Objective: LAPFF has been pushing for McDonald's to publicly disclose the findings of a water risk assessment and physical risk scenario analysis undertaken by the company in 2020. In order for investors to fully understand the water-related risks facing the company, the disclosure should provide information relating to how the findings inform timebound and quantifiable mitigation efforts for key commodities and regions.

Achieved: LAPFF met with McDonald's as part of a coalition of investors to discuss the company's approach to managing environmental risks across its agricultural supply chain. The 2020 water risk assessment used the WRI Aqueduct Water Risk tool to identify high risk areas, but the company has, to date, failed to release the results. LAPFF requested that the company disclose the findings to facilitate a better understanding of the material risks.

McDonald's was also questioned about

updating its emissions reduction targets, following the release of the Science-Based Target initiative's (SBTi) FLAG guidance. The company has committed to reducing greenhouse gas emissions (GHG) by 36percent by 2030 from a 2015 base. This is an absolute target that covers Scopes 1, 2 and 3 emissions, the latter including upstream emissions from operational waste and downstream emissions from delivery-related waste and franchisee operations.

To achieve SBTi verification, the new FLAG guidance requires a commitment to eliminate deforestation from agricultural supply chains by 2025, which would require an acceleration of existing commitments.

In Progress: McDonald's has been identified by the Valuing Water Finance Initiative as a company with significant exposure to water-related risks and therefore included the company in the 203 VWFI benchmark. This benchmark will be used by LAPFF to measure company performance and the extent to which disclosure on the issue improves.

Constellation Brands

Objective: LAPFF wanted Constellation Brands to set timebound, contextual targets, goals or policies to address the impacts on water availability in water scarce areas across the sections of the value chain, for which water is most material.

Achieved: LAPFF Executive member John Anzani met with the US-listed beverage manufacturer to discuss its approach to water stewardship. This engagement followed on from an introductory meeting held in 2022 in which the company had committed to undertaking a water risk assessment covering its entire value chain. Constellation Brands subsequently conducted an initial assessment, and as a result highlighted a number of facilities operating in regions of high water stress. LAPFF encouraged the company to set targets that would prevent it from negatively impacting water availability in water-scarce areas across its value chain.

In Progress: As part of the Valuing Water Finance Initiative LAPFF is a co-lead investor for Constellation Brands. The company has been included in the 2023 VWFI benchmark, owing to the impact it has on freshwater resources. This benchmark will be used by LAPFF to measure company performance, with the expectation that a meaningful target is set to help mitigate impact on regions of high water stress.

Volvo

Objective: The acceleration in moving to electric vehicles is being seen globally, as auto manufacturers seek to meet net zero targets and reduce the carbon footprint in the life cycle of their vehicles. In this vein, LAPFF sought to meet some heavy goods vehicle (HGV) manufacturers to discuss their role in this transition.

Achieved: LAPFF met with Volvo to discuss its approach to climate change and a net zero transition. The company provided a promising dialogue, giving an in-depth overview of its approach.

In Progress: As legislation tightens in Europe with the Corporate Sustainability Due Diligence Directive, companies will

COMPANY ENGAGEMENTS

have to do further due diligence on their supply chains and will need to ensure greater oversight of their supply chains. LAPFF continues to impress upon vehicle manufacturers the benefits of transparent reporting and enhanced due diligence, whilst seeking to better understand how companies are managing a just transition.

Pay Letters

Objective: How companies distribute capital and reward both their executive directors and wider workforce is important information for investors. In January, the Financial Times published an article looking at real term pay cuts in the FTSE100 but cited a few companies that had paid wage increases to their lowest pay staff above soaring inflation.

Achieved: LAPFF wrote to BT, Vodafone, and Kingfisher, as companies that provided salary increases for their lowest paid members of staff above that of inflation. LAPFF seeks to better understand the considerations around these increases as well as to discuss executive remuneration in the context of the cost-of-living crisis.

In Progress: Kingfisher has responded to LAPFF's request for engagement and a meeting is being organised for the second quarter of 2023.

Occupied Palestinian Territories

Objective: LAPFF members remain concerned about the investment risks associated with companies operating in the Occupied Palestinian Territories (OPT). LAPFF maintains a position that companies considered to have business activities in this area should commission independent human rights risk impact assessments, given that operating in a conflict zone carries heightened human rights, and consequently, business risks.

Achieved: LAPFF wrote to four companies on its target engagement list which it deems to have not engaged in a meaningful manner (or not engaged at all): Mizrahi Tefahot Bank, Isarel Discount Bank, and Bank Hapoalim. LAPFF wrote to all four regarding voting considerations at their respective 2023 AGMs. The Forum is now in dialogue with Bank Leumi.



In Progress: LAPFF will monitor these engagements and consider voting alerts for LAPFF members accordingly.

Chipotle

Objective: LAPFF has engaged with Chipotle Mexican Grill (Chipotle) on its approach to water stewardship since 2019. The initial engagement objective was met during 2022, with the company undertaking an ingredient level water risk assessment to identify areas of water stress within the supply chain. The risk assessment found that a significant percentage of the company's suppliers operate in areas of high water stress. Given the degree of exposure Chipotle has to water risk, LAPFF now considers it imperative the company utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Achieved: During March, LAPFF met with Chipotle to discuss the outcome of its water risk assessment undertaken in 2022. This was a direct response to the resolution co-filed by the Greater Manchester Pension Fund, a LAPFF member fund, in 2020. The company had made some notable progress, including the completion of a water stress evaluation for the current state of its supply chain, forecasting the impact of water stress to 2040, and developing a mitigation roadmap to establish water stewardship throughout its operations.

In Progress: LAPFF is the lead investor for Chipotle as part of the Valuing Water

Finance Initiative. During 2023, Chipotle will be benchmarked against peers on its approach to water stewardship. LAPFF will leverage the findings of the benchmark in order to work with the company to develop relevant water use targets and to utilise the results of this risk assessment to set time-bound and context-based targets for water use, focusing on regions it has identified as water stressed from its operations.

Nestlé

Objective: As one of the largest food and beverage companies in the world, Nestlé has a crucial role to play in many parts of its operations, on issues such as the climate crisis, plastics, nutrition, human rights, and a fair and just transition.

Achieved: Chair Paul Bulcke hosted a roundtable with investors in March. He provided a high-level overview of the company's financial and ESG strategies before taking questions from investors. LAPFF asked about the company's approach to reducing Scope 3 emissions, which as demonstrated in its reporting has a large focus on regenerative farming. The company also talked about a fair and just transition in its net zero roadmap, as well as plastics, ShareAction's Healthy Markets campaign (which LAPFF also supports), and executive compensation.

In Progress: LAPFF will continue to monitor Nestlé's progress in these areas and will continue to support ShareAction's Healthy Markets engagement as it progresses.

COLLABORATIVE ENGAGEMENTS

COLLABORATIVE ENGAGEMENTS

SHARE: Amazon

Objective: Amazon has faced criticism in the press for not upholding adequate standards and practices on freedom of association. LAPFF has also heard from Amazon workers on various investor calls about their concerns relating to Amazon's practices on freedom of association. Consequently, LAPFF signed a joint investor letter initiated by Canadian shareholder organisation, SHARE, requesting that Amazon take steps to meet the requests on freedom of association set out in SHARE's shareholder resolution to Amazon's 2022 AGM.

Achieved: LAPFF last year recommended a vote in favour of the SHARE resolution. The company provided what was in LAPFF's view a less than satisfactory response. Notably, in LAPFF's view, the company has completely misconstrued the definition of freedom of association to meet its own interests rather than the standards set out in international labour law. For example, Amazon has cited its compliance with US labour law, which has notoriously poor standards on freedom of association. Over the course of its existence the ILO Committee on Freedom of Association has heard 44 cases against the US and/or individual US states for their laws and practices on this topic.

In Progress: LAPFF's attempts to meaningfully engage with Amazon have failed. In the past, LAPFF has participated in The Big Tent group of investors that have sought meaningful engagement with the company, and LAPFF will seek to continue to engage through this group to obtain progress in this area.

PRI Advance

Objective: LAPFF is pleased to have been selected to join the Principle for Responsible Investment (PRI) Advance working groups for Anglo American and Vale. The initiative is aimed at improving human rights standards in the mining and renewable energy industries.

LAPFF recognises the leverage that collaborative engagements can bring to its own engagements, which are

themselves collaborative. Given LAPFF's extensive work over the last few years on mining and human rights, LAPFF's aim is to help create investor leverage to improve human rights performance at Anglo American and Vale. In LAPFF's experience, improved human rights performance create the conditions for sustainable long-term shareholder returns.

Achieved: LAPFF has now participated in the initial meetings for both the Anglo American and Vale groups. These meetings were structured to identify short, medium, and long-term objectives for the engagements with each company.

It was interesting to hear the different ideas and objectives within each of the groups. It is clear that each working group will structure itself quite differently and will be tailored to a given company's characteristics and challenges. However, members of both groups seemed equally enthusiastic and keen to make progress, so LAPFF is optimistic that this initiative will help to improve human rights practices within the mining industry.

In Progress: LAPFF will continue to work with other investor members in each working group to solidify company objectives, engage with the companies selected for the programme, and liaise with stakeholders affected by the companies' operations.

A General Motors EV1 electric car



CA100+: General Motors

Objective: LAPFF is a member of the CA100+ transport group which is engaging with the largest emitters from the automotive sector. Road transportation is a major contributor to global emissions, the industry faces tightening regulation on emissions standards and some countries have set dates after which the sales of new petrol vehicles will be banned. As such, investors are seeking to ensure that car companies are managing these risks by setting targets and taking action to shift production to electric vehicles.

Achieved: LAPFF participated in a CA100+ collaborative meeting with General Motors. The meeting covered the impact of the Inflation Reduction Act in the US, GM's targets and how GM is planning on reaching its ambitions. The company plans to have capacity in excess of one million EV units in both North America and China by 2025.

In Progress: LAPFF will continue to engage carmakers on their targets, plans, investment, and delivery of targets as well as their approach to public policy engagement.

Asia Research and Engagement (ARE): MUFG and UOB

Objective: LAPFF continues to support company engagements in Asia's financial markets, focusing on carbon and coal

COLLABORATIVE ENGAGEMENTS

risks at financial institutions, as well as coal-exposed power companies.

Achieved: LAPFF joined collaborative calls with both Mitsubishi UFJ Financial Group (MUFG) and United Overseas Bank (UOB). ARE's continued dialogue with Asia's financial institutions provides in-depth conversations about company climate approach and provide valuable insight into how the companies are approaching carbon reduction measures.

In Progress: LAPFF will continue to engage through the ARE, with regular meetings being held each quarter.

Initiative for Responsible Mining Assurance (IRMA)

Objective: During engagements with electric vehicle manufacturers on their approach to responsible mineral sourcing and supply chain due diligence, IRMA has come up in conversation with many of these companies. LAPFF sought a meeting with IRMA to discuss their certification standard for industrial scale mine sites.

Achieved: LAPFF met with Aimee Boulanger, IRMA's Executive Director, and Rebecca Burton, IRMA's Director of Corporate Engagement, to discuss IRMA's standard in greater depth. LAPFF was subsequently invited to, and attended, a finance sector deep dive, held in-person at Anglo Americans office.

In Progress: Both of these meetings with IRMA provided insight into the value of greater due diligence at mine sites and how this can be achieved, in particular through effective multi-stakeholder engagement. It has provided talking points and considerations for engagements with a range of industries going forward, including the mining sector and auto-manufacturers which are being engaged by LAPFF.

Valuing Water Finance Initiative (VWFI)

LAPFF Executive member John Anzani facilitated the first VWFI Task Force meeting of the year. LAPFF is a founding member of the initiative and currently co-chairs the initiative. The meeting was attended by institutional investors from

around the world to discuss updates and progress of the initiative to date. With both company engagement and benchmarking work streams making good progress, LAPFF is well positioned to be at the forefront of driving positive change in this area in 2023.

Investor Initiative for Responsible Care: EU Commissioner

Objective: LAPFF is a member of the Investor Initiative for Responsible Care a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management. The coalition has been established to address specific investment risks within the sector including around staffing, safety, wages, freedom of association and quality of care. These risks were very apparent in events over the past year at Orpea, the listed French care provider. The group is seeking to engage companies both regarding disclosure but also improving their practices.

Achieved: LAPFF has written to two Real Estate Investment Trusts (REITs) seeking clarification around data and metrics as part of a group initiative to request such information from other care providers and REITs. Alongside engagement with companies, the group has also been engaging public policymakers, including a meeting with the EU Commissioner responsible for care this quarter. The meeting came off the back of a new EU care strategy, and discussions focused on how implementation of the strategy could support the aims of responsible investors in the sector to improve care quality and employment standards to help deliver sustainable returns.

In Progress: LAPFF will continue to participate in the initiative and engage care providers, REITs operating in the sector and where relevant with policymakers.

Follow This

Objective: As an activist investor, Follow This has been filing shareholder resolutions at the oil and gas majors' AGMs since 2016. Having recommended votes in favour of two Follow This resolutions in 2022, at both the Shell and BP AGMs,

LAPFF sought a meeting with Follow This representatives to discuss the organisation's ongoing work.

Achieved: LAPFF met with Mark Van Baal, founder of Follow This, to discuss the organisation's plans for development, both in the immediate future and looking further forward.

In Progress: Follow This has published its resolutions for 2023 and will be considered for voting alerts throughout the year.

Market Forces

Objective: LAPFF has met with Market Forces a number of times over the past couple of years. It is an environmental advocacy project which primarily focuses on financial institutions, although it has published guidance for other sectors.

Achieved: After recommending votes in favour of Market Forces' resolutions at Barclays and Rio Tinto AGMs in 2021, LAPFF met with representatives from the organisation to discuss plans for development in 2023.

In Progress: LAPFF will monitor Market Forces' resolutions and work as the year progresses.

Taskforce on Social Factors

LAPFF is a member of the Taskforce on Social Factors that has been established by the DWP. The taskforce chaired by Luba Nikulina from IFM has been established to look at how investors can best address and manage social factors, including by identifying reliable data and metrics.

The main objectives of the Taskforce are to:

- Identify reliable data sources and other resources, which could be used by pension schemes to identify, assess, and manage financially material social risks and opportunities.
- Monitor and report on developments relating to the International Sustainability Standards Board (ISSB) and other international standards.
- Develop thinking around how trustees can identify, assess, and manage the financial risks posed by modern slavery and supply chain issues.

The taskforce was established by DWP

COLLABORATIVE ENGAGEMENTS



Construction workers in Doha, Qatar

following a consultation on the issue. LAPFF responded to the consultation highlighting the importance of social factors in our work and outlining some of the engagements that the Forum has undertaken on social issues for over three decades. The taskforce is comprised of people from the industry and, alongside the DWP, includes observers from the Financial Conduct Authority, Financial Reporting Council, HM Treasury and the Pensions Regulator.

30% Investor Club

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF joined two collaborative engagements this quarter, with Otsuka Corporation and Marubeni Corporation. Both are domiciled in Japan, and neither are currently members of the Japanese 30% Club charter. Whilst they have some way to go in their approaches to gender diversity at board and executive level, both companies provided promising outlooks regarding their approach to supporting women throughout their organisations.

In Progress: The Group is continuing to extend its outreach to companies outside of the UK and is looking at regional considerations for other markets. LAPFF is part of the Group's Global Workstream subgroup and will be contributing to engagements throughout the year.

Rathbones Votes Against Slavery

Objective: Rathbones undertakes an annual analysis of compliance by FSTE350 companies with section 54 of the Modern Slavery Act. LAPFF views compliance of

this piece of legislation as an indicator of how seriously a company takes modern slavery in its operations. The engagement seeks compliance from those that currently do not meet this standard.

Achieved: LAPFF co-signed letters to 29 companies sent by Rathbones. At the time of publication, this engagement has brought about compliance from 14 of the companies approached, with a number in the process of making changes.

In Progress: LAPFF will monitor compliance levels as the engagement progresses and will join collaborative calls during the year to further explore company approaches to modern slavery.

New York City Comptroller: Migrant Child Labour

Objective: An investigative report published by the New York Times in February 2023 provided evidence that a collection of US companies may be profiting from the use of American suppliers that illegally employ underage migrant

POLICY ENGAGEMENTS

children. Ensuring that companies have controls and processes in place to manage such risks and hold suppliers accountable is an investment imperative for LAPFF.

Achieved: LAPFF co-signed a letter to this group of companies seeking a response and further detail on the allegations around the use of child labour.

In Progress: LAPFF will monitor the response and will support engagements as appropriate.

CONSULTATION RESPONSES

Transition Plan Taskforce

Objective: In 2022, HM Treasury launched the Transition Plan Taskforce (TPT) with the objective of developing the gold standard for climate transition plans. The UK government and the Financial Conduct Authority are involved with the Taskforce with the intention that they will draw on the recommendations to strengthen disclosure requirements.

Done in the right way, transition plan disclosures could enable investors to better understand a company's approach to decarbonising their business model. They are also designed to help companies and investors with regard to developing plans that are integral to company's overall strategy. Given their potential importance, LAPFF responded to a TPT consultation regarding its draft disclosure framework.

Achieved: In LAPFF's previous TPT response, the Forum recommended that just transition implications should be included in the TPT's guidance. It was welcome that just transition issues were included in the draft disclosure framework. LAPFF welcomed this development but considered there to be further scope to integrate these just transition factors across the framework.

LAPFF's response stated that if it was to be a gold standard and in line with UK government policy then transition plans would need to be consistent with a 1.5°C scenario. To ensure consistency and comparability between transition plans, the response also called for a focus on absolute rather than relative emission reductions and greater clarity on definitions of Scope 3 emissions and what is

meant and included within the 'value chains' concept.

In Progress: LAPFF will where possible continue to engage with the TPT, including around the issue of further integrating the just transition into its recommendations.

LAPFF WEBINARS

All-Party Parliamentary Group

The LAPFF-supported All-Party Parliamentary Group for Local Authority Pension Funds held a meeting on affordable housing and the LGPS. The meeting came off the back of government calls for the LGPS to increase local investment and the chancellor has stated that the government will consult on requiring LGPS funds to consider illiquid asset investment opportunities. There have also been other calls for the LGPS funds to scale up place-based investment and invest more in social and affordable housing.

To discuss the issues, the speakers at the meeting, chaired by Clive Betts MP, were Cllr John Gray (Vice-Chair, Local Authority Pension Fund Forum); Paddy Dowdall (Assistant Executive Director at Greater Manchester Pension Fund); Helen Collins (Head of Affordable Housing, Savills); and John Butler (Finance Policy Lead, National Housing Federation).

The discussion covered housing investments that LGPS funds were already making as well as some of the barriers to doing more. The meeting highlighted challenges of scaling up investment in affordable or social housing without additional government funding as well as issues around scale and the lack of investible projects.

MEDIA COVERAGE

Water Risk

ESG Investor: [Investors Seek to Turn the Tide on Water Risk](#)

Say on Climate

IPE: [Investors call for voting on 'Say on Climate'](#)

Pensions Age: [LAPFF calls for shareholder vote on greenhouse emissions](#)

ESG Investor: [Investors demand 'Say on Climate' at FTSE Listed Firms](#)

Net Zero Investor: [Investors demand vote on climate transition plans at FTSE firms](#)

Investment Week: [Shell directors sued over 'flawed' climate plan](#)

Lexology: [Investors step up pressure on boards to keep pace with climate targets in upcoming AGM season](#)

The MJ: [Public sector pension funds call for 'Say on Climate' vote](#)

The Actuary: [Public-sector pension funds seek carbon vote](#)

ESG Investor: [New Ideas, Better Teamwork in Pursuit of Paris Goals](#)

Local Gov: [Public sector pension funds call for 'Say on Climate' vote](#)

LAPFF Executive

Local Government Chronicle: [Rodney Barton receives LGC Investment lifetime achievement award](#)

Social Factors

Pensions Age: [Taskforce on Social Factors launched with DWP support](#)

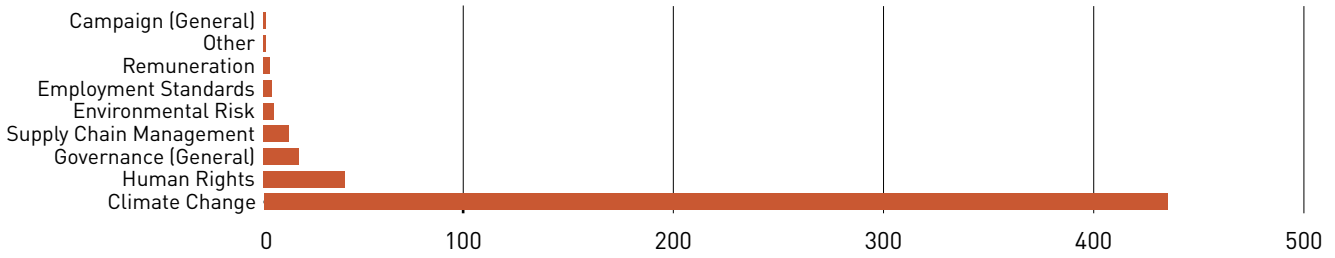
Professional Pensions: [DWP launches social factors taskforce for industry](#)

ESG Clarity: [UK pensions social taskforce launches to address data gap](#)

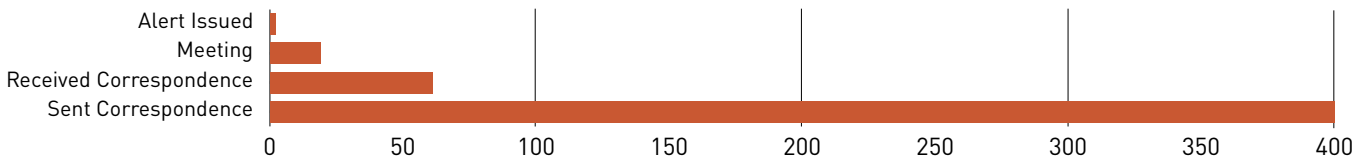
Pensions and Investments: [UK task force sets out to help asset owners with social considerations](#)

ENGAGEMENT DATA

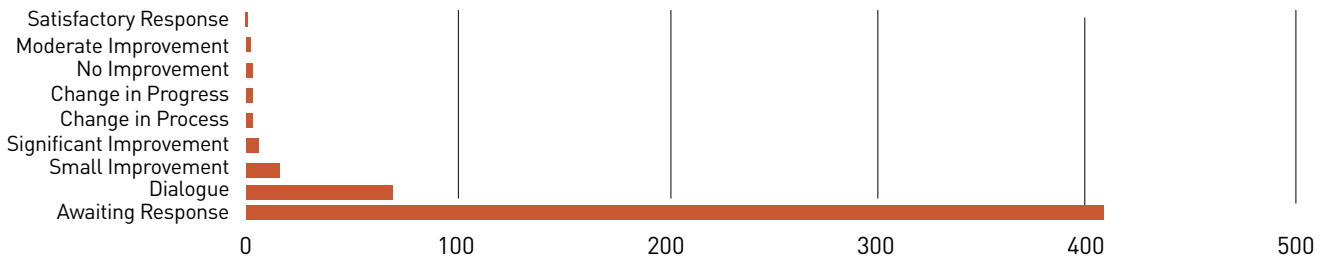
ENGAGEMENT TOPICS



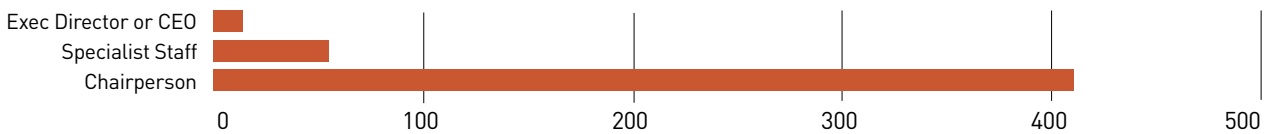
ACTIVITY



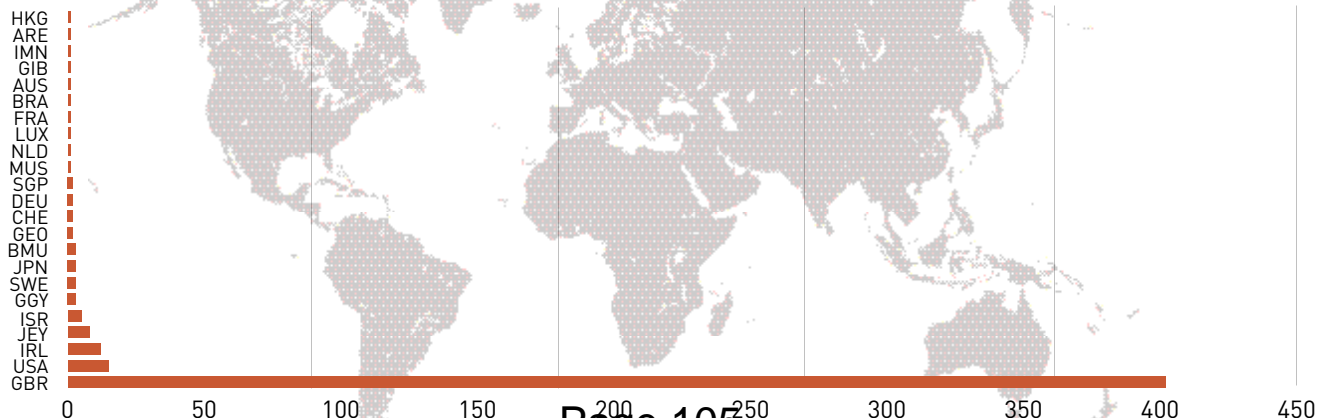
MEETING ENGAGEMENT OUTCOMES



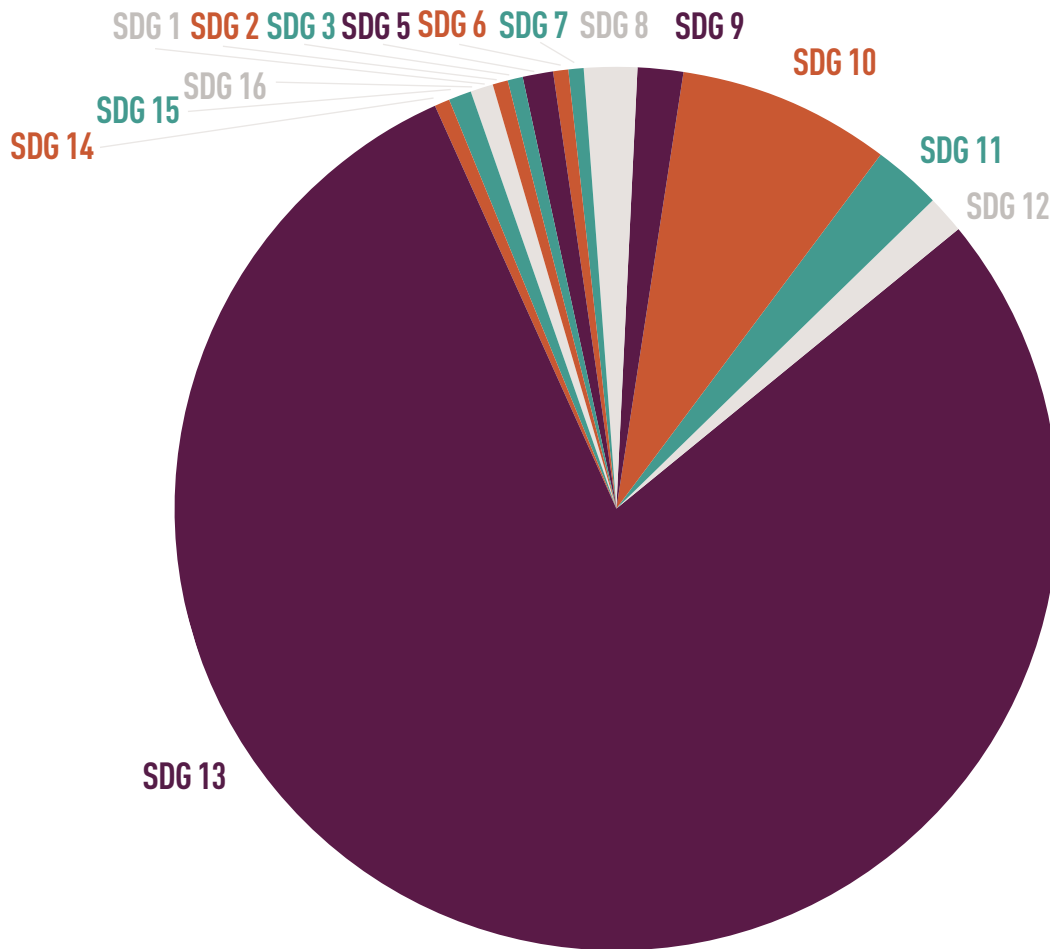
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	1
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	3
SDG 4: Quality Education	0
SDG 5: Gender Equality	5
SDG 6: Clean Water and Sanitation	4
SDG 7: Affordable and Clean Energy	3
SDG 8: Decent Work and Economic Growth	10
SDG 9: Industry, Innovation, and Infrastructure	9
SDG 10: Reduced Inequalities	38
SDG 11: Sustainable Cities and Communities	10
SDG 12: Responsible Production and Consumption	7
SDG 13: Climate Action	426
SDG 14: Life Below Water	3
SDG 15: Life on Land	4
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

397 companies were engaged over the quarter. This number includes 368 letters sent to the FTSE All Share on presenting a climate transition plan to shareholders for approval at their AGMs. Letters were not sent to investment trusts. Excluding this engagement, LAPFF engaged with 54 companies.

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Sent Correspondence	Human Rights	Awaiting Response
AIA GROUP LTD	Meeting	Climate Change	Awaiting Response
AIRTEL AFRICA PLC	Received Correspondence	Governance (General)	Dialogue
AMAZON.COM INC.	Sent Correspondence	Human Rights	Awaiting Response
ASSOCIATED BRITISH FOODS PLC	Sent Correspondence	Human Rights	Awaiting Response
BANK HAPOALIM B M	Sent Correspondence	Human Rights	Awaiting Response
BANK LEUMI LE-ISRAEL BM	Sent Correspondence	Human Rights	In Dialogue
BARCLAYS PLC	Sent Correspondence	Climate Change	Awaiting Response
BERKSHIRE HATHAWAY INC.	Sent Correspondence	Human Rights	Awaiting Response
BIFFA PLC	Received Correspondence	Governance (General)	Significant Improvement
BRITVIC PLC	Meeting	Campaign (General)	Dialogue
BT GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
CENTAMIN PLC	Received Correspondence	Governance (General)	Change in Progress
CHIPOTLE MEXICAN GRILL INC	Meeting	Environmental Risk	Small Improvement
CLS HOLDINGS PLC	Sent Correspondence	Governance (General)	Awaiting Response
CONSTELLATION BRANDS INC.	Meeting	Environmental Risk	No Improvement
DIRECT LINE INSURANCE GROUP PLC	Received Correspondence	Governance (General)	Dialogue
DRAX GROUP PLC	Received Correspondence	Environmental Risk	Small Improvement
FORD MOTOR COMPANY	Sent Correspondence	Human Rights	Awaiting Response
FRASERS GROUP PLC	Sent Correspondence	Governance (General)	Awaiting Response
GENERAL MILLS INC	Sent Correspondence	Human Rights	Awaiting Response
GENERAL MOTORS COMPANY	Meeting	Climate Change	Change in Process
GENUIT GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
GRAFTON GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HILL & SMITH PLC	Received Correspondence	Governance (General)	Dialogue
ICADE	Meeting	Employment Standards	Dialogue
ISRAEL DISCOUNT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
JBS SA	Sent Correspondence	Human Rights	Awaiting Response
JD SPORTS FASHION PLC	Received Correspondence	Governance (General)	Significant Improvement
JTC PLC	Received Correspondence	Governance (General)	Change in Progress
KINGFISHER PLC	Sent Correspondence	Remuneration	Awaiting Response
MARUBENI CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
MCDONALD'S CORPORATION	Meeting	Supply Chain Management	No Improvement
MITSUBISHI UFJ FINANCIAL GRP	Meeting	Climate Change	Dialogue
MIZRAHI TEFAHOT BANK LTD	Sent Correspondence	Human Rights	Awaiting Response
NCC GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
NESTLE SA	Meeting	Climate Change	Small Improvement
NEXT PLC	Sent Correspondence	Human Rights	Awaiting Response
OTSUKA CORPORATION	Meeting	Diversity Equity and Inclusion	Small Improvement
PEPSICO INC.	Sent Correspondence	Human Rights	Awaiting Response
RIO TINTO PLC	Alert Issued	Climate Change	Dialogue
RPS GROUP PLC	Received Correspondence	Governance (General)	Dialogue
SHELL PLC	Sent Correspondence	Climate Change	Awaiting Response
STANDARD CHARTERED PLC	Sent Correspondence	Climate Change	Awaiting Response
STARBUCKS CORPORATION	Alert Issued	Social Risk	Dialogue
THE KRAFT HEINZ COMPANY	Meeting	Other	No Improvement
TP ICAP GROUP PLC	Received Correspondence	Governance (General)	Significant Improvement
UNILEVER PLC	Sent Correspondence	Human Rights	Awaiting Response
UNITED OVERSEAS BANK LTD	Meeting	Climate Change	Moderate Improvement
VIDENDUM PLC	Received Correspondence	Governance (General)	Change in Progress
VODAFONE GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
VOLVO AB	Meeting	Environmental Risk	Dialogue
WALMART INC.	Sent Correspondence	Human Rights	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund	Enfield Pension Fund	Leicestershire Pension Fund	Suffolk Pension Fund
Barking and Dagenham Pension Fund	Environment Agency Pension Fund	Lewisham Pension Fund	Surrey Pension Fund
Barnet Pension Fund	Essex Pension Fund	Lincolnshire Pension Fund	Sutton Pension Fund
Bedfordshire Pension Fund	Falkirk Pension Fund	London Pension Fund Authority	Swansea Pension Fund
Berkshire Pension Fund	Gloucestershire Pension Fund	Lothian Pension Fund	Teeside Pension Fund
Bexley (London Borough of)	Greater Gwent Pension Fund	Merseyside Pension Fund	Tower Hamlets Pension Fund
Brent (London Borough of)	Greater Manchester Pension Fund	Merton Pension Fund	Tyne and Wear Pension Fund
Cambridgeshire Pension Fund	Greenwich Pension Fund	Newham Pension Fund	Waltham Forest Pension Fund
Camden Pension Fund	Gwynedd Pension Fund	Norfolk Pension Fund	Wandsworth Borough Council Pension Fund
Cardiff & Glamorgan Pension Fund	Hackney Pension Fund	North East Scotland Pension Fund	Warwickshire Pension Fund
Cheshire Pension Fund	Hammersmith and Fulham Pension Fund	North Yorkshire Pension Fund	West Midlands Pension Fund
City of London Corporation Pension Fund	Haringey Pension Fund	Northamptonshire Pension Fund	West Yorkshire Pension Fund
Clywd Pension Fund (Flintshire CC)	Harrow Pension Fund	Nottinghamshire Pension Fund	Westminster Pension Fund
Cornwall Pension Fund	Havering Pension Fund	Oxfordshire Pension Fund	Wiltshire Pension Fund
Croydon Pension Fund	Hertfordshire Pension Fund	Powys Pension Fund	Worcestershire Pension Fund
Cumbria Pension Fund	Hillingdon Pension Fund	Redbridge Pension Fund	
Derbyshire Pension Fund	Hounslow Pension Fund	Rhondda Cynon Taf Pension Fund	Pool Company Members
Devon Pension Fund	Isle of Wight Pension Fund	Scottish Borders Council Pension Fund	Border to Coast Pensions Partnership
Dorset Pension Fund	Islington Pension Fund	Shropshire Pension Fund	LGPS Central
Durham Pension Fund	Kensington and Chelsea (Royal Borough of)	Somerset Pension Fund	Local Pensions Partnership
Dyfed Pension Fund	Kent Pension Fund	South Yorkshire Pension Authority	London CIV
Ealing Pension Fund	Kingston upon Thames Pension Fund	Southwark Pension Fund	Northern LGPS
East Riding Pension Fund	Lambeth Pension Fund	Staffordshire Pension Fund	Wales Pension Partnership
East Sussex Pension Fund	Lancashire County Pension Fund	Strathclyde Pension Fund	



Q1 2023

ESG impact report

Global engagement to
deliver positive change

Our mission

We aim to use our influence to ensure:



1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking



2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that seek to deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets (and, by extension, the companies within them) are able to generate sustainable value. In doing so, we believe companies should become more resilient amid change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues affecting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change across markets as a whole.



Page 111

Action and impact

In this report, we highlight some of our key activity in the Investment Stewardship team, including our latest Climate Impact Pledge updates, our collaboration with ShareAction on European chemical companies, and a selection of our significant votes.



Environmental | Social | Governance

ESG: Environment

Decarbonising European chemical companies: collaboration with ShareAction

As part of a collaboration of approximately 35 investors organised by Share Action, representing over US\$7 trillion,¹ we have been engaging with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies. The engagements have included 13 of the largest European chemical companies, including Koninklijke DSM, Air Liquide and BASF. The collaboration has requested that the companies formulate strategies to electrify chemical production processes, increase their use of renewable energy sources, phase in non-petrochemical feedstocks, and set Scope 3 targets aligned with a 1.5°C pathway. Progress has been made, with some companies (for example, *BASF and LyondellBasell)² confirming plans to reach net zero by 2050. Nevertheless, there is still much progress to be made, and the collaboration will continue this year focusing on clear plans to make the transition happen. Letters have been sent out to targeted companies and engagements started to take place at the end of the first quarter.

At LGIM, we include the chemical sector within our Climate Impact Pledge as we believe that decarbonisation of the sector is a crucial part of the global journey to net zero, as the sector has links to and dependencies between many other industries and supply chains.

1. Source: Share Action, 04 April 2023
 2. Chemical companies urged to present 'credible' decarbonisation plans - Sustainable Views

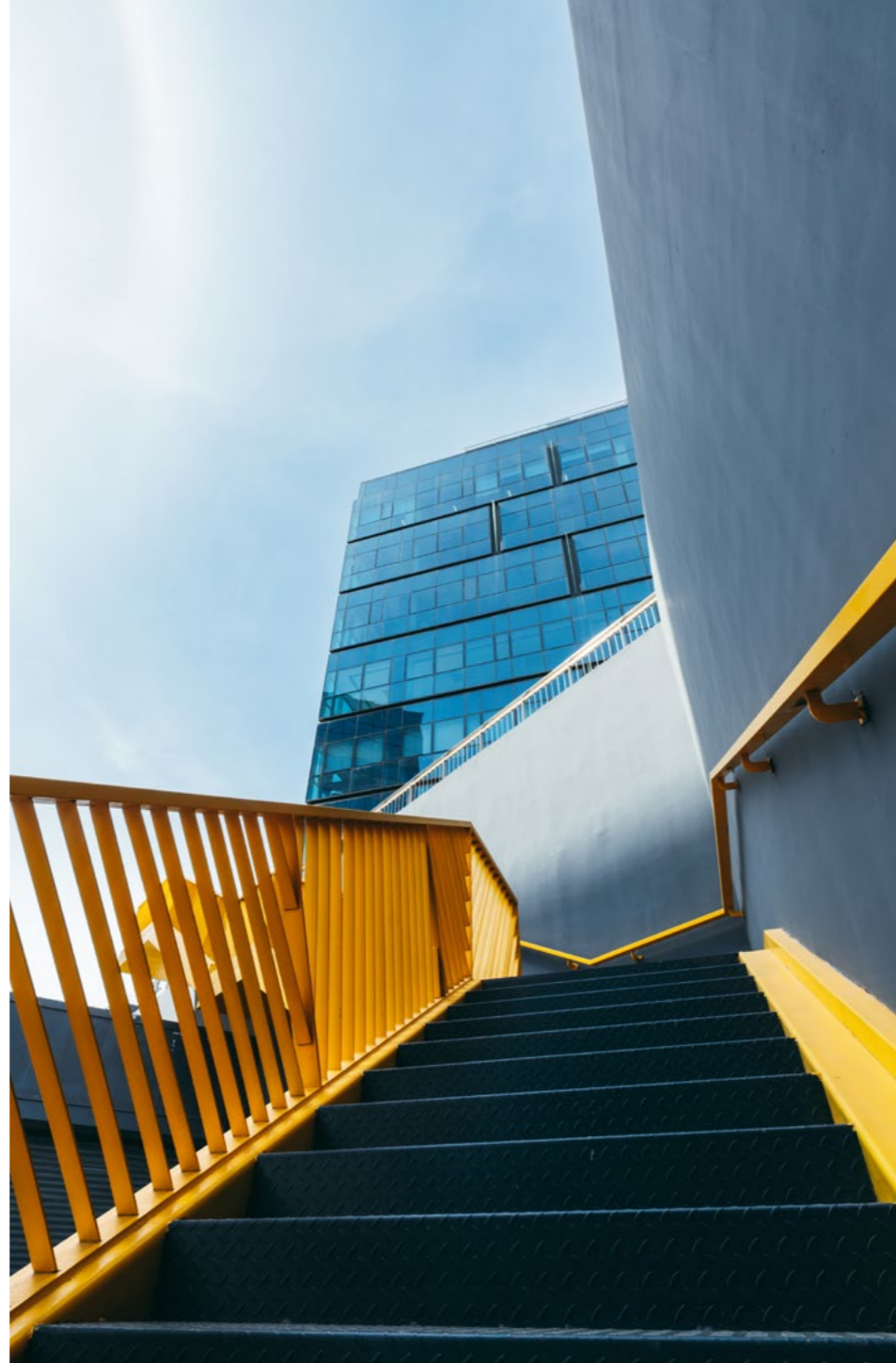
*For illustrative purposes only. This is not a recommendation to buy or sell any security.



*Glencore: escalating our engagement

In 2022, we pledged to increase pressure on companies that fail to put suitably ambitious and credible transition plans to a shareholder vote, by filing shareholder resolutions. In light of our ongoing concerns at Glencore, we are putting our commitment into effect by co-filing a shareholder resolution at Glencore's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, we believe Glencore has a key role to play in the energy transition. We have been engaging with the company for a number of years under our Climate Impact Pledge, and this escalation reflects our unabated concerns about the company's trajectory to net zero. Filing a resolution puts pressure on companies and encourages them to discuss and resolve issues with us. Where we have filed or collaborated on select proposals in this way in the past, we have found that they have been an effective means of escalation – both at the individual company level and for market-wide change more broadly.

*For illustrative purposes only. This is not a recommendation to buy or sell any security.



Climate Impact Pledge update

Having announced the expansion of our Climate Impact Pledge engagement programme in October 2022 to cover 5000+ companies, with 100+ in-depth engagements, we can report at the end of the first quarter of 2023 that we have sent a total of 250 letters to companies identified as not meeting our minimum standards, ahead of the main AGM season.

The letters outline our key expectations, the potential vote sanction, and our approach and assessment of companies via [our dedicated website](#) highlighting areas which may need addressing using a ‘traffic light’ system. We also request that companies address areas flagged as ‘red’, especially those considered as ‘minimum standards’, and engage with data providers to ensure correct information is captured on their platforms. With regards to disclosures, we encourage companies to disclose through CDP and have TCFD-aligned reporting, as well as setting science-based targets aligned to 1.5°C pathways. We will be reporting on our Climate Impact Pledge results in June 2023.

Significant votes

Company name	Capricorn Energy Plc*
ISIN	GB00BN0SMB92
Market cap	£733 million *Source: London Stock Exchange , 31 March 2023
Sector	Oil and gas
Issue identified	As detailed in our Q4 2022 Quarterly Impact Report , our concerns included governance, process, conflicts, future strategy, executive compensation, environmental risks and valuation. LGIM’s view had consistently been that the proposed combination with NewMed had weak strategic rationale and would not lead to meaningful synergies; rather, it would create significant new risks for Capricorn shareholders.
Summary of the resolution	<ul style="list-style-type: none"> EGM (management), 1 February 2023, 9am: Resolution 1 – Approve NewMed Acquisition Shareholder requisitioned EGM, 1 February 2023, 2pm: Resolution 1-7 – To remove the following current directors of Capricorn from office: Simon Thomson, James Smith, Nicoletta Giadrossi, Peter Kallos, Keith Lough, Luis Araujo and Alison Wood.
How LGIM voted	<p>EGM (management), 1 February 2023, 9am: AGAINST Resolution 1, (against management recommendation)</p> <p>Shareholder-requisitioned EGM, 1 February 2023, 2pm: FOR Resolutions 1-7, (against management recommendation)</p>
Rationale for the vote decision	LGIM has undertaken numerous engagements with the Capricorn board over the past nine months to express our widespread concerns with the transactions the board has proposed, including the NewMed transaction. Further detail can be found in our Q4 2022 Quarterly Impact Report . In particular, we noted the timing of the proposed meetings as a matter of grave concern. The decision to hold the company’s meeting before the shareholder requisitioned meeting appeared to be a direct attempt to undermine due process. It was LGIM’s view that meaningful board change was needed to restore investor confidence. The process to date has raised serious questions about the ongoing suitability and fitness of the entire board – and the chair and senior independent director in particular – to serve as directors of a listed company.
Outcome	The company announced the resignation of the seven directors who were proposed to be removed, and in the shareholder EGM held on 1 February 2023, all six directors proposed by the proponent were elected by an overwhelming majority of 99.2% of the votes cast. The newly constituted board intended to conduct a comprehensive strategic review of Capricorn’s business and potential directions for the future, with a priority given to the NewMed transaction. Following the strategic review, and given shareholders’ views, the board and NewMed have agreed to terminate the business combination.
Why is this vote ‘significant’?	The overall engagement demonstrates how LGIM’s Investment Stewardship, Investment and Climate Solutions teams work together in pushing for a better financial and environmental outcome for stakeholders, and the outcome of the vote demonstrates the power of combined shareholder action.

*For illustrative purposes only. This is not a recommendation to buy or sell any security.



Moving forward with Fortum*

Identify and engage

LGIM co-leads the Fortum engagement as part of CA100+. We also engage with them under our Climate Impact Pledge. We have a productive and collaborative relationship with the company, and throughout our tenure as a co-lead within CA100+ we have overseen some significant commitments from the company, including its December 2021 production of its first lobbying report, which helped the company to gain joint-first place in InfluenceMap’s assessment of lobbying activities of CA100+ companies, and the update in December 2022, which can be found [here](#).

During the quarter, following the company’s exit from Uniper and ongoing exit from Russia, we were delighted to see that the company has further increased its climate change ambitions by:

- Brining forward its carbon neutrality target (across Scopes 1, 2 and 3), to 2030
- Exiting all coal generation by the end of 2027
- Committing to set a 1.5°C aligned Science-Based Target

Escalate

As always, the devil is in the detail, so we are currently arranging further meetings with the company (first with the investor relations and sustainability teams, and then with the CEO) with the aim of fully understanding how the company will exit coal (with particular interest regarding the company’s Polish assets). We would also like to know more about the timelines and details of the company’s exit from Russia, and to include additional disclosures within its lobbying report. Additionally, we will continue to emphasise the minimum standards that we expect of companies in the sector, as set out by LGIM’s Climate Impact Pledge Sector Guide, and as reflected by the CA100+ indicators. We look forward to the next steps in our long-standing relationship with Fortum.

*For illustrative purposes only. This is not a recommendation to buy or sell any security.

Global Research & Engagement Groups focus: Water pollution in the UK

Background

UK water companies have attracted plenty of press attention and criticism in recent months.³ There has been an increased focus on their environmental performance, which the UK Environment Agency described in its report covering 2021 as “the worst we have seen for years”.⁴ Lobbying groups such as Surfers Against Sewage⁵ have also had an impact with high-profile campaigns tracking and highlighting pollution incidents.

It is noting that some water companies are more indebted than the sector regulator Ofwat assumes when it sets prices, despite a heavy future investment need.⁶

What LGIM did

During the quarter, LGIM arranged an engagement call with Macquarie Asset Management, Southern Water’s majority shareholder, to share its views on the topic. This builds on LGIM’s engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. In the first quarter of 2023, LGIM also signed up to the Ceres investor-led ‘Valuing Water Finance Initiative’, aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.⁷

3. [Watchdog to block shareholder payouts if water companies in England and Wales miss targets | Water | The Guardian](#)
 4. [Water and sewerage companies in England: environmental performance report 2021 - GOV.UK \(www.gov.uk\)](#)
 5. [Surfers Against Sewage - UK charity campaigning for the ocean \(sas.org.uk\)](#)
 6. [LGIM Blog: How active credit investors can help flush out UK sewage pollution](#)
 7. Ceres launches new investor-led effort to move corporate water users and polluters to value and act on water as a financial risk | Ceres
 8. Thames Water braced for crunch talks over £14bn debt-pile | Business News | Sky News
 9. Source: LGIM data as at 22 March 2023



Outcome

LGIM continues to limit its exposure to the bonds of weaker companies in the sector, pending evidence on progress on operational and financial issues. Press reports indicate that Thames Water has hired advisors to explore financing options.⁸ As one of the largest lenders in the sterling corporate bond market,⁹ LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at ages with other sector stakeholders such as regulators and industry bodies as part of our broader aim not just to improve ESG factors at individual companies, but across the global markets in which our clients are invested. Further updates on our policy engagement on the topic of water can be found in the policy section of this report.

Environmental | Social | Governance

ESG: Social

Driving diversity: expanding our campaigns

Ethnic diversity: broadening the scope

In our last quarterly report, we talked about our plans to widen our ethnicity engagement campaign to tackle the lagging UK and US mid-cap companies of the FTSE 250 and the Russell 1000 indices. In January, we wrote to 95 companies across these indices which currently don't have any ethnicity at board level, setting out our expectation that they should have at least one person of ethnic background on their board by the end of 2024. The sanctions remain consistent with the larger companies, and we will vote against companies within these indices that don't meet these red lines from 2025. We have seen significant progress with this approach in the larger indices,¹⁰ and we are hopeful that this approach will result in similar progress for these smaller companies.

Gender diversity: beyond board level

Many studies show that higher levels of diversity throughout an organisation is linked to higher performance in terms of both profitability and long-term value creation.¹¹ Furthermore, the strategic rationale for diverse executive teams is straightforward; there is greater potential to attract top talent, broaden the customer base and limit 'groupthink'. Historically we have focused on gender diversity at the board level, but we decided to expand this focus as we believe diversity at the executive and strategic decision-making level is imperative.

10. [LGIM Blog - Ethnic diversity on boards: results and reflections](#).

11. For example: [Delivering through diversity](#)

Since 2022, our policy has stated that we will vote against FTSE 100 and S&P 500 companies that have all-male executive teams. In 2022, we voted against 70 companies within these indices on these grounds.

As we approach the 2023 AGM season, we currently expect to vote against 79 companies for having all-male executive teams. When comparing the 2023 list of votes against to the 2022 list, there are 49 companies that overlap. Of those 49 laggards, 45 are within the S&P 500, with only four in the FTSE 100. Of the 30 new laggards in 2023, 16 are listed on the S&P 500 and 14 are listed on the FTSE 100 – of these, we illustrate Hewlett Packard Enterprises* in our 'Significant votes' examples, below.

This illustrates that much more change is needed to improve gender diversity levels of these all-important decision-making teams. We will continue to explore how we can make a greater impact on this issue going forward, including through our collaborative work with the 30% Club in different parts of the world, but our voting stance will continue into 2023 and beyond.

Emerging markets diversity: our new research!

We have recently published our research and findings from expanding our emerging markets diversity campaign work into Brazil, India, China and South Africa. Read more about our in-depth findings here: [Globalising our diversity engagement | LGIM Institutional](#)

Unwanted celebrity: Novo Nordisk* and Eli Lilly*

Identify and engage

Wegovy, Ozempic and Mounjaro . This time last year, these names could have been mistaken for far-flung planets in the latest Star Wars spin-off series. But they've hit the headlines recently for all the wrong reasons: the first two are brand names for Novo Nordisk's anti-obesity and diabetes drugs, respectively, the third is the brand name for Eli Lilly's diabetic drug for which the pharma company is awaiting FDA approval for to also be used as a weight loss drug. But how did legitimate, ground-breaking diabetes and obesity drugs become embroiled in a social media storm, and what can pharmaceutical companies do about it?

Deriving from effective, ground-breaking drugs originally developed by Eli Lilly and Novo Nordisk to treat Type II diabetes, it was noticed that semaglutide and tirzepatide also caused significant weight loss in the patients who took it. The pharmaceutical companies then decided to develop specific weight-loss drugs, designed to reduce obesity. These new anti-obesity drugs are in different stages of approvals: Wegovy has already hit the market, and Mounjaro is waiting at the starting line.

However, a disturbing trend has gathered pace, with celebrities such as Elon Musk¹² and David Aaronovitch¹³ having obtained these drugs (which are designed for obese and seriously overweight people) and advertised their benefits as weight-loss drugs on social media and in the press, with the result that they are being publicised as 'lifestyle' drugs, rather than as the serious medication that it really is (and designed to be). Headlines such as The Evening Standard's 'Could celebrity diet drugs give you the body you've always wanted?'¹⁴ show the infiltration of these social media statements and videos into the mainstream press.

Novo Nordisk and Eli Lilly have both followed all procedures and requirements for their own production and marketing of their drugs. The issue identified here has been brought about by casual yet pervasive misinformation on social media, and what pharma companies could or should do to attempt to counter that misinformation. With both a

For illustrative purposes only. This is not a recommendation to buy or sell any security.



social aspect and a clear financial risk of litigation, this was an issue the Investment Stewardship and Investment team, working jointly through our Global Research & Engagement Group on Healthcare, we felt we should raise with these two investee companies.

We spoke directly to Novo Nordisk and to Eli Lilly about this issue. The companies both emphasised the fact that they had done everything 'by the book'. As our engagements progressed, however, and we explained not only the broader issues for society, but also the impact for potentially damaging lawsuits, our conversations began to gain ground.

In an age where in the realm of social media, the value of 'influence' over expertise clearly cannot be overestimated, this has implications across society, especially among the young and the vulnerable. We believe that pharmaceutical companies should aim to demonstrate that they are taking actions to counter misinformation and to attempt to mitigate misuse of their drugs.

We asked Novo Nordisk and Eli Lilly to take more steps to try and educate people about the purpose of these drugs, and to encourage monitoring their use. We asked them to:

- Ensure information about the purpose of the drug and its risks are included as extensively as possible on labelling
- Speak to eating disorder charities to enhance awareness and understanding of these drugs and how they are or may be misused
- In the US, ensure that advertising for these drugs includes appropriate information about their purpose and risks
- Set a clear programme for sales and collecting monitoring data on prescriptions
- Publish clear information about the purpose of these weight loss drugs on their websites

Escalate

New pharmaceuticals can herald ground-breaking treatments and have far-reaching social benefits. The misuse of these drugs and the role played by social media is a relatively new phenomenon that we want to help pharmaceutical companies navigate, so that they can continue to undertake their ground-breaking research and development. We believe that there are actions that pharmaceuticals companies can, and should, take beyond established requirements to mitigate against these new risks, and we believe that it's increasingly urgent that drug manufacturers and distributors take extra steps to avoid damaging health consequences for untold numbers of (often younger and more vulnerable) people, and to mitigate against the potential for negative financial implications for their firms and their investors. We will continue to engage with both pharmaceutical companies on this topic and to monitor the actions they take, and also to be aware of this issue more broadly within the pharmaceuticals sector.

12. [Elon Musk on Twitter: "@EvasTeslaSPlaid And Wegovy" / Twitter](#)

13. [tried Ozempic, the 'miracle' weight-loss jab. This is what happened \(thetimes.co.uk\)](#)

14. [Could celebrity diet drugs give you the body you've always wanted? | Evening Standard](#)

Significant votes

Company name	Air Products and Chemicals, Inc*
ISIN	US0091581068
Market cap	US\$63.35 billion (Source: APD Air Products & Chemicals Inc. Stock Price & News - WSJ , 06 April 2023)
Sector	Chemicals
Issue identified	A lack of gender diversity on the executive committee. LGIM has expanded its gender diversity policy in the UK and US to include the executive committee, as well as the company board.
Summary of the resolution	1f – Elect Director Edward L Monser
How LGIM voted	Against the resolution, i.e. against management recommendation.
Rationale for the vote decision	Diversity: A vote against was applied as the company has an all-male executive committee. From 2022, we have applied voting sanctions to the FTSE 100 companies and S&P 500 companies that do not have at least one woman on their executive committee, with the expectation that there should be a minimum of 33% over time.
Outcome	90% of shareholders voted for the resolution. LGIM will continue to engage with companies on gender diversity, and to implement our global and regional voting policies on this issue.
Why is this vote ‘significant’?	This vote is significant as it relates to the escalation of our activities on one of our core stewardship themes, gender diversity.

Page 117

For illustrative purposes only. This is not a recommendation to buy or sell any security.



Full steam ahead: paid sick leave in the US

Identify

Human capital issues have been a point of focus for LGIM for quite some time. We understand human capital issues represent risk to a company’s operations, whether it be through heightened attrition or decreased productivity. In 2022, we held a series of engagements and signed investor letters directed at companies that lacked paid sick leave and could benefit from providing it. In the latter half of that year, we zeroed in on the railway industry given the unique situation that the industry was facing.

Throughout 2022, hundreds of thousands of railway workers were in the midst of negotiating contract terms with the largest railway companies in the US to improve working conditions. The salient point of contention was that around the lack of paid sick leave. However, those negotiations fell flat. This was relevant to us as investors because the contention nearly led to a [nationwide strike that would have crippled the nation’s supply chain](#) and posed a material systemic risk. While Congress and the Executive Branch has the authority to mediate the negotiation and did ultimately avoid a strike, the reliance on government intervention over a basic benefit to stave off market calamity did not seem like a sensible risk-return dynamic worth maintaining.

For illustrative purposes only. This is not a recommendation to buy or sell any security.

Engage and Escalate

Since the [government-mediated deal excluded sick leave](#), LGIM took charge by writing a letter to the four largest railway carriers in the US – Norfolk Southern*, Union Pacific*, BNSF*, and CSX*. We aggregated approximately 146 to 148 other investors per letter, with around US\$1 trillion in additional assets under management, to come on board as signatories. In the letter we specified the importance of paid sick leave in the face of post-pandemic labour dynamics as well the types of disclosures investors would find helpful, such as the types of benefits available, the usage of such benefits, employee eligibility criteria, and others. We had correspondence with CSX and Norfolk Southern via email and have maintained an ongoing dialogue.

Eventually, one by one, the companies we contacted re-ignited negotiations with their workforces. Those negotiations led to deals being struck by three out of the four railways – [CSX](#), [Union Pacific](#), and [Norfolk Southern](#) – leading to thousands of railway workers obtaining paid sick leave as a benefit. We intend to continue engaging with the holdout railway carrier, BNSF, to understand how worker conditions can be improved so that future strikes and service disruptions are less likely.

ESG: Governance

Kansai Electric Power*: governance and climate

Identify and engage

Kansai Electric Power is one of the largest electric utilities companies in Japan. We identified several governance areas for improvement and the company appears to lag some of our minimum expectations on board composition. We believe that through its improvement, it could have a positive influence more broadly upon its sector in Japan.

Following a bribery scandal in 2020 involving former directors, the company underwent significant changes to improve governance. These changes have been positive but we still observe some areas where we think improvements could be made, relative to our minimum expectations.

Specifically, these include:

- Director independence and the presence of executives on committee which we think should be fully independent (e.g. the Remuneration Committee)
- Cross-shareholdings
- Limits to tenure of senior advisors to the board ('Komon')

We are pleased to note that the company meets our expectations for gender diversity in Japan of 15% female representation on the board, which we also expect to increase over time.

Regarding climate change and our expectations under the Climate Impact Pledge, we noted its lack of interim emissions targets and lack of time-bound commitment to exit coal-fired power generation as an area for discussion.

In our meeting with Kansai Electric Power, we were able to discuss these areas in detail to better understand its approaches to governance and climate, and to talk in-depth about related areas such as responsibility for executing the net zero transition plan.

For illustrative purposes only. This is not a recommendation to buy or sell any security.

Escalate

In its 2022 AGM, in the governance sphere, we had supported shareholder resolutions relating to remuneration transparency and diversity. We had also voted against the re-election of a director who also sat on both remuneration and nomination committees, the former of which we would expect to contain only independent directors.

In terms of climate change, we have explained our expectations under the Climate Impact Pledge regarding verification of interim targets, and in its 2022 AGM we had supported shareholder proposals relating to disclosure of a Paris-aligned net zero transition plan and to linking remuneration to ESG factors. While the company does disclose its CO2 emissions in its reporting, we would still note the lack of published and independently verified interim emissions targets as an area which falls behind our minimum expectations for the electric utilities sector.

Our meeting with the company was productive and we look forward to working with management more closely on both governance and climate change, and gaining a deeper understanding of the reasons behind its decisions and actions.



Significant votes

Company name	Fujitec Co., Ltd*
ISIN	JP3818800009
Market cap	¥254 billion (Source)
Sector	Industrials: Machinery
Issue identified	Following successive governance failures at Fujitec and concerns about undue levels of family influence, significant shareholder Oasis proposed a proxy contest to replace six directors.
Summary of the resolution	A proxy contest proposing the replacement of six incumbent directors. EGM date: 24 February 2023
How LGIM voted	LGIM voted against management recommendations (i.e. supported the shareholder-proposed board) LGIM also intended to vote against the re-election of Mr.Uchiyama at its AGM in 2022, but this was withdrawn.
Rationale for the vote decision	Our rationale for supporting the activist proposals stemmed from our concerns about the firm’s flawed governance processes and its conduct at the last AGM, which resulted in an irreparable loss of faith in the leadership and in the incumbent outside directors’ ability to overcome the family’s strong influence on the board.
Outcome	Investors voted to replace three incumbent directors with four new independent directors.
Why is this vote ‘significant’?	Successful shareholder activism of this kind is rare in Japan, and director independence and board composition is an important area of governance for LGIM, making this a significant vote.

For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Public policy update

As a long-term investor, we share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets. Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue, providing practical advice to policymakers and regulators on the key systemic issues.



Climate: FCA response on UK Sustainable Disclosure Requirements ('SDR')

The creation of a coherent, consistent and meaningful reporting regime for corporations on climate change remains firmly on our list of priorities, along with our policy work with the ISSB.

Recently, along with our parent company Legal & General, we responded to the FCA's consultation on the proposed SDR regulations regarding labelling, naming and marketing for the financial sector. We have long been supporters of the FCA's goal of developing an ambitious, appropriate and robust regime, we believe that we must also use our voice as an asset manager to identify those areas of the proposals which we believe to be incompatible with how the sustainable investment market currently operates, and with our clients' objectives. We are particularly keen to promote international alignment of regulations. Through our continued collaboration with the [Aldersgate Group](#), we also maintain our pressure on the UK government for the updated Green Finance Strategy to include mandatory climate transition plans for large UK companies.

Climate: US focus

The big [policy news](#) in the US over the quarter pertains to the Department of Labor's (DOL) rule determining whether ESG factors can be considered in retirement account investment decisions. This issue has been meeting significant resistance as it makes its way through the legal processes. At LGIM, we expect legal headwinds for many ESG-related regulations that were introduced in the recent past. We will continue to monitor these developments and what they mean for our stewardship activities in the US.

Continuing our action on methane emissions, we submitted a [supportive comment](#) to the US Environmental Protection Agency (EPA) on its proposed rules seeking to reduce methane via improved disclosures and measurements. This is a follow-on to a [prior comment](#) we submitted last year on this same rule.

Climate: Water

In February, in an initiative co-ordinated by the Carbon Disclosure Project ('CDP'), we co-signed an [open letter](#) to governments on the water crisis, ahead of the UN 2023 Water Conference. This letter, signed by investors with over US\$3 trillion in assets under management, highlights the severity of the global water crisis, the hurdles presented by a lack of global commitments, investment and standardised disclosures, and set out recommendations for action, including implementation of domestic policies to incentivise investment in water solutions, and alignment with target 15 of the new [Global Biodiversity Framework](#). The UN Water Conference at the end of March was the first such conference since 1977 and, we hope, an opportunity for much-needed international action and coordination on these vital issues, and for making progress towards the goal of living in harmony with nature by 2050. By increasing public pressure on governments strategically and in collaboration with our peers, we aim to drive the development of a regulatory backdrop which enables and encourages water security around the world.



Health: Obesity

Obesity is thought to cost the UK economy nearly £30 billion a year in lost productivity and is regularly cited as a 'health ticking time bomb'.¹⁵ Under our 'health' theme and our work on nutrition, obesity remains a core area of focus for us on account of its potential financial impact upon a number of sectors in which our clients are invested, and on economies more broadly.

Government regulation is crucial in terms of providing the necessary impetus and backdrop to improving nutrition. We continue our collaborative work with the [Food Foundation](#) in the UK to put pressure on ministers regarding food reporting standards; the Food Foundation's mission is 'a sustainable food system which delivers health and wellbeing for all'.¹⁶ We believe that mandatory food reporting by companies and retailers regarding, for example, sales of fruit and vegetables and percentage of revenues derived from 'healthy products', would provide not only valuable data about some of the drivers of obesity, but also help to develop appropriately targeted regulation to tackle these challenges.

In the US, LGIMA responded to the FDA's consultation on food labelling and the definition of the term 'healthy'. We are supportive of the move by the FDA to improve its definition for 'healthy' and we strongly encourage alignment with classifications from, for example, Health Star Rating (HSR), NutriScore and the World Health Organization models, in order to promote global consistency and transparency. Regular readers of our Quarterly Impact Reports will notice the parallels between this policy-driven work and our collaborations with the [Access to Nutrition Initiative](#) and the [ShareAction Healthy Markets initiative](#), which have been focused on the corporate engagement side.

¹⁵ [Higher obesity levels linked to lower productivity in England, research shows | Health | The Guardian](#)
¹⁶ [Home \(foodfoundation.org.uk\)](#)



Regional updates

Global - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	14563	4252	210	77%	22%	1%
Routine Business	2035	626	1	76%	24%	0%
Miscellaneous	107	28	1	79%	21%	1%
Company Articles	791	161	0	83%	17%	0%
Capitalization	1669	129	0	93%	7%	0%
Strategic Transactions	631	205	0	75%	25%	0%
Director Related	1786	281	1	86%	14%	0%
Compensation	1294	1027	0	56%	44%	0%
Director Election	5024	1374	194	76%	21%	3%
Audit Related	656	125	13	83%	16%	2%
No Research	8	182	0	4%	96%	0%
Mutual Funds	10	0	0	100%	0%	0%
Takeover Related	96	16	0	86%	14%	0%
Non-Routine Business	382	59	0	87%	13%	0%
Social	55	38	0	59%	41%	0%
E&S Blended	19	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

Global - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	348	157	10	68%	30%	2%
Social	9	5	0	64%	36%	0%
Miscellaneous	52	22	0	70%	30%	0%
Director Election	177	83	10	66%	31%	4%
Compensation	8	4	0	67%	33%	0%
Director Related	13	10	0	57%	43%	0%
Audit Related	62	3	0	95%	5%	0%
E&S Blended	2	2	0	50%	50%	0%
Corporate Governance	2	0	0	100%	0%	0%
Non-Routine Business	9	8	0	53%	47%	0%
Environmental	1	6	0	14%	86%	0%
Company Articles	7	11	0	39%	61%	0%
Routine Business	6	3	0	67%	33%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	14911	76%
Against	4409	77%
Abstain	220	86%

Number of	Values
Resolutions	19540
AGMs	15027
EGMs	4500

Number of companies where LGIM voted:	Values
In Total	2107
For in all resolutions	551
Against or Abstain in at least one resolution	1556



UK - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	1213	66	0	95%	5%	0%
Routine Business	138	2	0	99%	1%	0%
Compensation	129	22	0	85%	15%	0%
Director Election	436	23	0	95%	5%	0%
Audit Related	144	2	0	99%	1%	0%
Mutual Funds	10	0	0	100%	0%	0%
Capitalization	267	10	0	96%	4%	0%
Social	20	0	0	100%	0%	0%
Takeover Related	51	0	0	100%	0%	0%
Strategic Transactions	13	5	0	72%	28%	0%
Company Articles	3	0	0	100%	0%	0%
Miscellaneous	2	2	0	50%	50%	0%

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	13	3	0	81%	19%	0%
Director Election	13	3	0	81%	19%	0%

EU - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	2552	691	66	77%	21%	2%
Audit Related	174	13	9	89%	7%	5%
Capitalization	242	38	0	86%	14%	0%
Company Articles	147	26	0	85%	15%	0%
Compensation	268	237	0	53%	47%	0%
Director Election	479	211	55	64%	28%	7%
Director Related	616	76	1	89%	11%	0%
Miscellaneous	13	4	0	76%	24%	0%
Non-Routine Business	12	2	0	86%	14%	0%
Routine Business	572	76	1	88%	12%	0%
Social	9	0	0	100%	0%	0%
Strategic Transactions	11	2	0	85%	15%	0%
Takeover Related	0	6	0	0%	100%	0%
No Research	7	0	0	100%	0%	0%
E&S Blended	2	0	0	100%	0%	0%

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	20	54	0	27%	73%	0%
Audit Related	2	1	0	67%	33%	0%
Compensation	0	1	0	0%	100%	0%
Director Election	6	25	0	19%	81%	0%
Director Related	7	9	0	44%	56%	0%
Environmental	0	5	0	0%	100%	0%
Miscellaneous	1	13	0	7%	93%	0%
Social	4	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	1838	296	0	86%	14%	0%
Company Articles	60	17	0	78%	22%	0%
Routine Business	131	1	0	99%	1%	0%
Director Election	1380	214	0	87%	13%	0%
Director Related	188	47	0	80%	20%	0%
Audit Related	6	0	0	100%	0%	0%
Takeover Related	0	7	0	0%	100%	0%
Compensation	60	8	0	88%	12%	0%
Miscellaneous	1	1	0	50%	50%	0%
Non-Routine Business	2	0	0	100%	0%	0%
Strategic Transactions	5	1	0	83%	17%	0%
Capitalization	5	0	0	100%	0%	0%

Japan - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	31	4	0	89%	11%	0%
Director Election	12	0	0	100%	0%	0%
Compensation	6	0	0	100%	0%	0%
Routine Business	6	3	0	67%	33%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Corporate Governance	1	0	0	100%	0%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1869	85%
Against	300	86%
Abstain	0	0%

Number of	Values
Resolutions	2169
AGMs	2096
EGMs	73

Number of companies where LGIM voted:	Value
In Total	217
For in all resolutions	57
Against or Abstain in at least one resolution	160



USA - Q1 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Management (total)	1089	645	1	63%	37%	0%
Routine Business	12	0	0	100%	0%	0%
Miscellaneous	3	0	1	75%	0%	25%
Company Articles	13	0	0	100%	0%	0%
Director Election	725	372	0	66%	34%	0%
Compensation	109	194	0	36%	64%	0%
Audit Related	96	70	0	58%	42%	0%
Capitalization	41	3	0	93%	7%	0%
Strategic Transactions	34	1	0	97%	3%	0%
Takeover Related	38	3	0	93%	7%	0%
Director Related	17	2	0	89%	11%	0%
Non-Routine Business	1	0	0	100%	0%	0%

USA - Q1 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For	Against %	Abstain %
Shareholder (total)	11	11	0	50%	50%	0%
Compensation	2	3	0	40%	60%	0%
E&S Blended	2	2	0	50%	50%	0%
Social	2	4	0	33%	67%	0%
Miscellaneous	0	1	0	0%	100%	0%
Director Related	3	0	0	100%	0%	0%
Corporate Governance	1	0	0	100%	0%	0%
Non-Routine Business	1	0	0	100%	0%	0%
Environmental	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	1100	62%
Against	656	61%
Abstain	1	100%

Number of	Values
Resolutions	1757
AGMs	1628
EGMs	126

Number of companies where LGIM voted:	Value
In Total	211
For in all resolutions	25
Against or Abstain in at least one resolution	186



Global engagement summary



In Q1 2023, the Investment Stewardship team held

535 engagements **with** **491** companies

(vs. 294 engagements with 242 companies last quarter)

Page 126

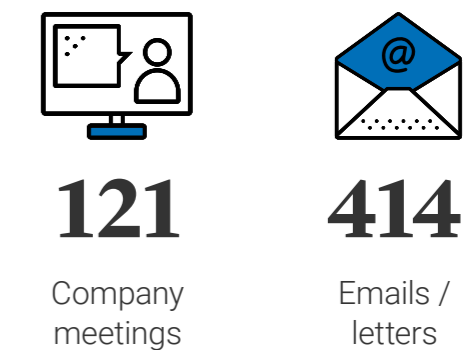
Breaking down the engagement numbers - Q1 2023

At the time of publishing, the engagement data on this page excludes communications in relation to our deforestation and dual-class shares campaigns.

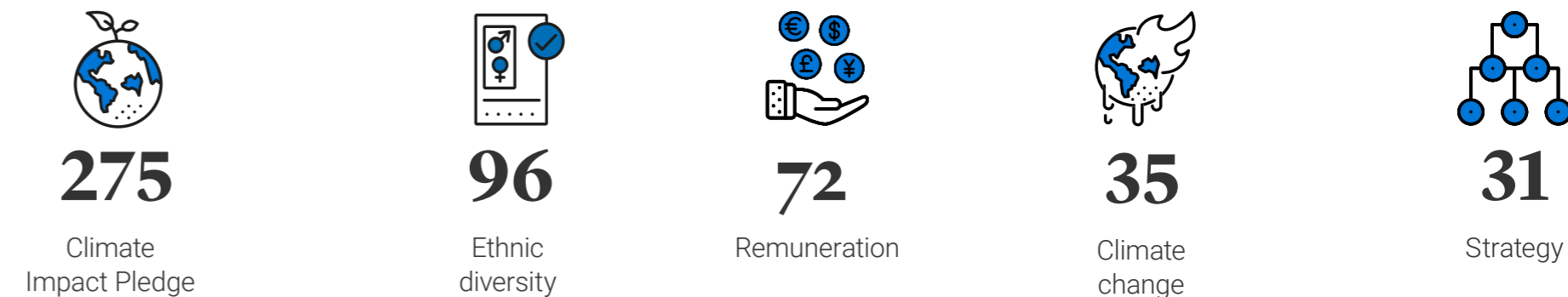
Breakdown of engagement by themes



Engagement type

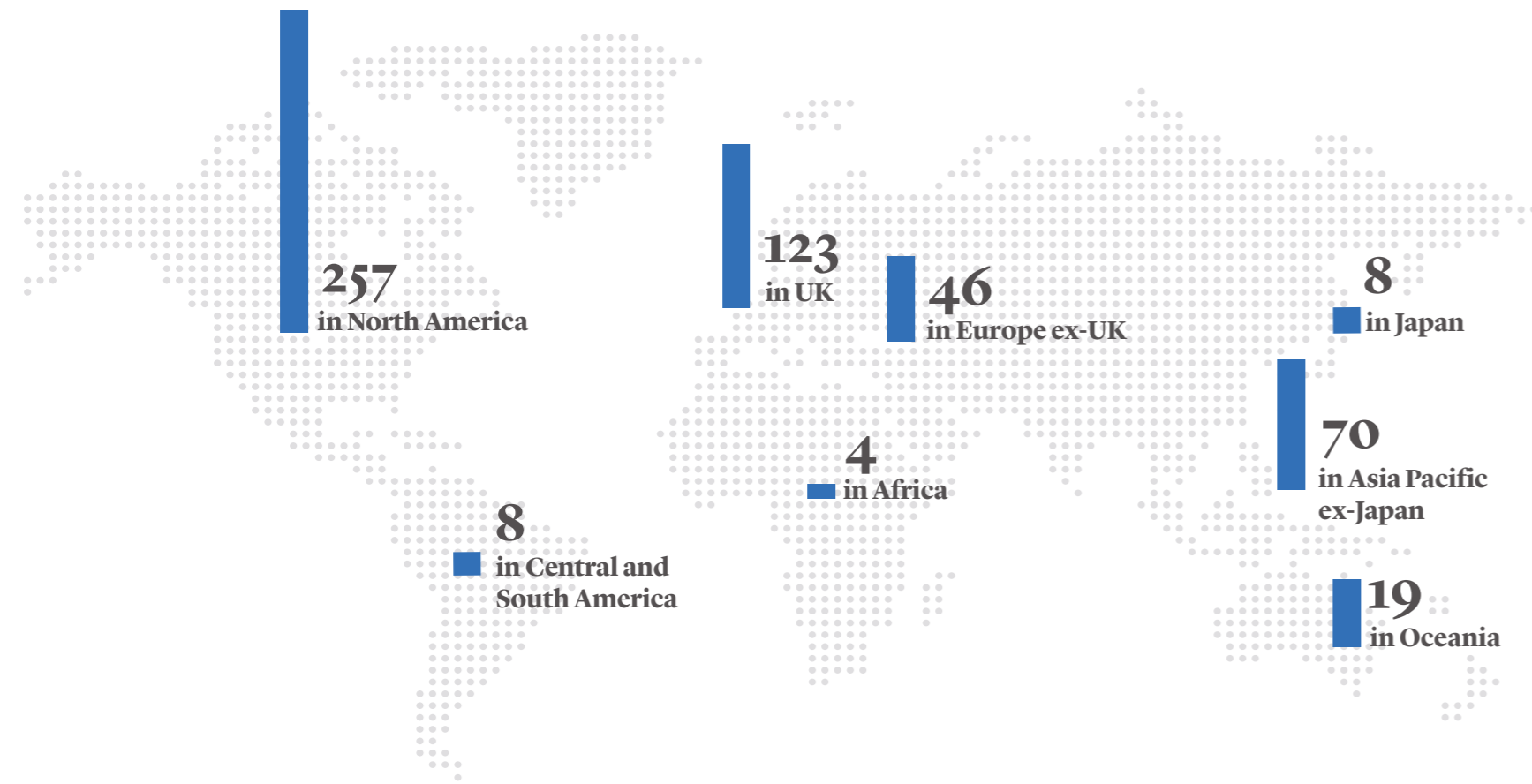


Top five engagement topics*



*Note: an engagement can cover more than a single topic

Regional breakdown of engagements



Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative



Key Risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Important information

This document is not a financial promotion nor a marketing communication. It has been produced by Legal & General Investment Management Limited and/or its affiliates ('Legal & General', 'we' or 'us') as thought leadership which represents our intellectual property. The information contained in this document (the 'Information') may include our views on significant governance issues which can affect listed companies and issuers of securities generally. It intentionally refrains from describing any products or services provided by any of the regulated entities within our group of companies, this is so the document can be distributed to the widest possible audience without geographic limitation.

No party shall have any right of action against Legal & General in relation to the accuracy or completeness of the Information, or any other written or oral information made available in connection with this publication. No part of this or any other document or presentation provided by us shall be deemed to constitute 'proper advice' for the purposes of the Pensions Act 1995 (as amended).

Limitations:

Unless otherwise agreed by Legal & General in writing, the Information in this document (a) is for information purposes only and we are not soliciting any action based on it, and (b) is not a recommendation to buy or sell securities or pursue a particular investment strategy; and (c) is not investment, legal, regulatory or tax advice. To the fullest extent permitted by law, we exclude all

representations, warranties, conditions, undertakings and all other terms of any kind, implied by statute or common law, with respect to the Information including (without limitation) any representations as to the quality, suitability, accuracy or completeness of the Information.

The Information is provided 'as is' and 'as available'. To the fullest extent permitted by law, Legal & General accepts no liability to you or any other recipient of the Information for any loss, damage or cost arising from, or in connection with, any use or reliance on the Information. Without limiting the generality of the foregoing, Legal & General does not accept any liability for any indirect, special or consequential loss howsoever caused and on any theory or liability, whether in contract or tort (including negligence) or otherwise, even if Legal & General has been advised of the possibility of such loss.

Third party data:

Where this document contains third party information or data ('Third Party Data'), we cannot guarantee the accuracy, completeness or reliability of such Third Party Data and accept no responsibility or liability whatsoever in respect of such Third Party Data.

Publication, amendments and updates:

We are under no obligation to update or amend the Information or correct any errors in the Information following the date it was delivered to you. Legal & General reserves the right to update this document and/or the Information at any time and without notice. Although the Information contained in this document is believed to be correct as at the time of printing or publication, no assurance can be given to you that this document is complete or accurate in the light of information that may become available after its publication. The Information may not take into account any relevant events, facts or conditions that have occurred after the publication or printing of this document.

© 2023 Legal & General Investment Management Limited, authorised and regulated by the Financial Conduct Authority, No. 119272. Registered in England and Wales No. 02091894 with registered office at One Coleman Street, London, EC2R 5AA

PENSIONS BOARD

Draft Work Plan

**2023/24
June 2023**

Date of Meeting	Title of Report	In-line with PB Terms of Reference (no.)
26 June 2023		
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a
	Training – Inflation and interest rates	55j
	Governance Compliance	55d
	Administering Authority Discretions Policy	56d
	Quarterly Voting and Engagement Update Report	56j
	Quarterly Administration Monitoring & Performance Update	55c & 56b
	2023/24 Pensions Board Work Plan	55i & 55j
	Risk Register	56f
	Pension Board Training & National Knowledge Assessment Results	55j
	Pension Fund Accounts Update	55m & 56d
	Internal Control report – investment manager and custodian	56e & 55i
September 2023		
	Board Training	55j
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes) Meeting agenda and minutes	55a

	Quarterly Administration Monitoring & Performance Update	55c & 56b
	Quarterly Voting and Engagement Update	56j
	Review the Performance and Contracts of Service Providers to the Fund	56c
	Review 2023/24 Pensions Board Work Plan	55i & 55j
	Review of Risk Management Policy and Risk Register	56f
	Review Draft Account, Fund Annual Report and policies	55l, 55m & 56e
	Pension Overpayment Policy	55d & 55i
	Communication Policy	55d & 55i
	Review AVC	55e & 55o & 55c
November 2023		
	Board Training	55j
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes) Meeting agenda and minutes	55a
	LGPS Cost Transparency	55c & 56j
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b
	Quarterly Voting and Engagement Update	56j
	Actuarial Funding Update	55h

	Review Pension Fund Work Plan 23/24	55i & 55j
	Pension Administration Remediation Plan Update	55c, 55n, 56g
	Review of Risk Management Policy and Risk Register	56f
	Administration Strategy	55c
March 2024		
	Member Training	55j
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes) Meeting agenda and minutes	55a
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b
	Quarterly Voting and Engagement Update	56j
	Review of Pension Fund Customer Services Survey	56a
	2023/24 Pension Fund Audit Plan	55m & 56d
	LGPS Update	55d
	Review of Risk Management Policy and Risk Register	56f
	Receive Internal and External Audit Reports	56e & 55i
	Pension Fund Work Plan 2020/21	55i & 55j
	Update on Cost Transparency	55d

June 2024		
	Member Training	55j
	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b
	Quarterly LAPFF Voting and Engagement Update	56j
	LGPS Update	55d
	Receive and review The Pensions Regulator Code of Practice – TPR Checklist	55a-55e
	Review of Risk Management Policy and Risk Register	56f
	Review Draft Account and Fund Annual Report	55l, 55m & 56e
	Receive Investment Strategy Statement and review changes	55d & 55i
	Review the Performance and Contracts of Service Providers to the Fund	56c

This page is intentionally left blank

Non-Executive Report of the: Pensions Committee Monday, 3 July 2023	 TOWER HAMLETS
Report of: Caroline Holland, Interim Corporate Director, Resources	Classification: unrestricted
Pensions Administration and LGPS Quarterly Update – March 2023	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards)

Executive Summary

To provide Members with information relating to the administration and performance of the Fund over the last quarter as well as update on key LGPS issues and initiatives which impact the Fund.

Recommendations:

The Pensions Committee is recommended to:

1. Note and comment on the contents of this report and appendix.
2. Agree the admission of Riverside Housing Association previously known as One Housing.
3. Note the conversion of Cannon Barnet LEA maintained school to academy status and.
4. Agree to extend the annual overseas existence checks to include a once every 3 years additional checks via Convera (previously known as Western Union).

1. REASONS FOR THE DECISIONS

- 1.1 This Committee need to receive this report on a regular basis to discharge its duty.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options to this report.

3. DETAILS OF THE REPORT

ADMINISTRATION UPDATE

Scheme Membership on 31 March 2023.

- 3.1 A core part of running the pension fund is the maintenance of scheme membership records that enable scheme benefits to be calculated in addition to dealing with new members joining and members leaving the scheme. This activity is carried out in house. The team also deals with employer related issues, including new employers and cessation. Task outstanding reported last quarter slightly moved since reported due to reopening of a few frozen and pensioner cases since quarter end report.

Membership Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,810	8,392	48	7,139	2,890
% of Membership	29.72%	31.93%	0.18%	27.17%	11.00%
Change from last quarter	111	6	(96)	65	131

Membership Category	At 31/12/22	+/- Change (%)	At 31/03/2023
Active	7,699	1.4	7,810
Deferred	8,386	0.1	8,392
Undecided	144	(66.7)	48
Pensioner (incl spouse & dependant members)	7,074	0.9	7,139
Frozen	2,759	4.7	2,890
Total	26,062	0.8	26,279

- 3.2 The table below shows tasks completed and outstanding on 31 March 2023.

Casetype	Cases Outstanding Dec 2022	New Cases	Cases Closed	Cases Outstanding Mar 2023
Transfer in quotes	19	38	45	12
Transfer Out quotes	18	87	87	18
Employee estimates	10	94	89	15
Retirement quotes	13	173	150	36
Preserved benefits	26	119	124	21
Opt out	25	159	155	29
Refund Calculations	9	127	126	10
Refund Payments	15	79	79	15
Death in payment or in service	69	138	145	62
Actual Transfers In	10	34	31	13
Actual Transfers Out	11	56	57	10
Others	102	399	424	77

Starters	0	340	329	11
Leavers	43	162	166	39
Total Case	370	2005	2007	368

3.3 The above tables exclude most tasks received via the pension team inbox and telephone queries. Most queries are currently actioned immediately without logging them to avoid further delay to existing workload. Some queries like refunds, opt outs, death notifications, leavers, retirement quotes are logged as tasks and allocated to members of the team to action.

3.4 The pensions email inbox response time lag is now down to 5 days. This is a significant improvement from 3 years ago when the back log to respond to emails was over 12 months in some instances and majority of cases over 6 months.

A dedicated agency employee cover has been assigned in the last 12 months to clear outstanding back log and ensure that queries are now attended or assigned to an officer promptly. It is anticipated that a permanent post will be created to cover this work stream at some point. The number of emails received via the inbox ranges between 35 to 55 each day.

The team aims to target a turnaround time of 24 hours to either action the query or raise tasks for a member of the team to action if complex.

3.5 2022 Triennial Valuation Update

The Fund 2022 triennial valuation has since been completed. The fund was 123% funded.

Overseas Pensioners Existence Checks 2023 (Life Certificates)

3.6 All overseas pensioners and dependents are required to complete a Life Certificate each year which serves as an existence check. All overseas pensioners are required to verify that our records are correct and to ensure pension payments should continue to be made. This acts as an anti-fraud exercise and safeguards the pension fund.

The 2023 Life Certification process commenced in February. Overseas pensioners who do not return Life Certificates after 2 reminders will have their pensions suspended. So far about 25 pensioners have yet to return their Life Certificates. These pensioners will be issued via recorded delivery a final reminder after which pensions will be stopped.

Officers are looking into adopting additional existence check on overseas pensioner every 3 years via Convera, UK branch previously known as Western Union International Bank who currently assist with remitting overseas pensioner payments. Officers will engage with Convera to facilitate this process and will contact pensioners to advise of the necessary actions required. In essence, this will require a visit to a Convera Agent location to confirm your identity and that

you are remain entitled to receive a pension from Tower Hamlets. Alternative process will be available should health or location reasons prevent a pensioner from visiting a Convera Agent location.

Performance Against CIPFA Pensions Administration Suggested Targets

- 3.7 The table below shows performance against CIPFA suggested timelines. Some tasks such as transfers in and out as well as processing of deaths and retirements require initial responses from 3rd parties, other pension funds, lawyers or scheme members which sometimes take time. Due date on all cases are never amended or revised except in exceptional circumstances to enable officers effective monitor time taken to complete tasks and review process changes in the team which might be required. Performance during the quarter was significantly impacted by staff annual leave and long term sickness.

Retirements	Altair Workflow	Target Days	January % Within Target	February % Within Target	March % Within Target
Voluntary	AHEARLYA	15	40	0	36.36
Redundancy	AHREDUNA	15	-	100	-
Medical	AHIHRETA	15	-	0	-
Late	AHLATERA	15	25	0	50
Flexible	AHFLEXRA	15	-	-	-
Deferred into Payment	AHDBPAYA	15	36.36	33.33	29.41
Transfers					
Transfer In - Quotes	AHTVIQ	10	28.57	50	70
Transfer Out - Quotes	AHTVOQ	10	62.5	69.23	78.79
Transfer In - Actual	IFAIN03 & TVIN03	0	work flow in use since 1 June 2023		
Transfer Out - Actual	IFAOUT02 & TVOUT02	0	work flow in use since 1 June 2024		
Refunds					
Refund Calculations	AHRFNDF	10	87.88	48.15	87.69
Refund Payments	AHRFNDA	10	41.67	22.73	63.33
Estimates					
Voluntary	AHBENEST & AHEARLYQ	15	83.33	87.1	90.32
Redundancy	AHREDUNQ	15	75	0	100
Medical	AHIHRETQ	15	-	-	-
Late	AHLATERQ	15	50	50	87.5
Flexible	AHFLEXRQ	15	50	100	100
Deferred into Payment	AHDBPAYQ	15			
Deferred					
Deferred Calculations	AHDEFLV	30	81.08	91.67	98
Opt Out					
Opt Out	OPTOPRT2	2	53.66	65.91	43.28
New Starters					
New Starters	AHNEWST	40	100	100	100
Nominations					
Nomination Changes	AHNOMIN	10	33.33	40	45
Address					
Address Changes	AHADDRES	15	57.89	72.73	84.09
Bank Account					
Bank Accoun Change	BANKCHGE	10	40	42.86	62.5
General Enquiry					
General Enquiry	AHMEMBER	10	73.08	69.62	59.69
Deaths					
Death Cases - General	AHDEATH	15	28.57	76.67	50
Average			55.15	53.33	70.31

EMPLOYER UPDATES

3.8 Employers with active members on 31 March 2023.

Administering Authority	Scheduled Bodies
London Borough of Tower Hamlets	Attwood Academy (Ian Mikardo School)
Admitted Bodies	Boleyn Multi-Academy Trust
Age UK East London	Bishop Challoner
Atlantic Cleaning Services	Canary Wharf College
Compass Contract Services Limited	City Gateway
East End Homes	Cyril Jackson Academy
Greenwich Leisure Limited	East London Arts & Music
Juniper Ventures Ltd	Gateway (Bethnal Green & Vic)
Mediquip	Letta Trust (Stebon and Bygrove Schools)
Olive Dining	London Enterprise Academy
One Housing Group (formerly Island Homes)	Mulberry Academy
Phoenix Trust – closed scheme	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
Purgo Supplies Services Ltd	Sir William Burrough
Tower Hamlets Community Housing Limited	St. Pauls Way Community School
Taylor Shaw	Tower Hamlets Homes Limited
Vibrance (formerly Redbridge Community Housing Limited)	Wapping High School
Wettons Cleaning Limited	

Employer Insourcing

- 3.9 The following insourcing arrangements is ongoing:
 Tower Hamlets Council – Greenwich Leisure
 Tower Hamlets Council – Breast feeding team from NHS.

New Employer Admissions

- 3.10 Cannon Barnet Academy LEA maintained converted to academy status on 1 June 2023. One Housing was taken over by Riverside Housing Group.

Employer Data Quality

- 3.11 The Council's Payroll team has since commenced uploading monthly council employee payroll data to the pensions iconnect system in April 2023. This means that all employers in the scheme now upload employee payroll data.

Data extracted remain incomplete and inaccurate in some instances however the pensions team in the next 12 to 15 months will now focus on monthly review of data with the aim of alerting employers each month of inaccuracies as well as continuing to amend existing records.

Employer Cessation

- 3.12 The following employers have had their last contributing members left. Gateway Housing Association (formerly Bethnal Green and Victoria Park Housing Association) left in September 2022, Juniper Catering (St Saviours) left May 2022 and Medquip left March 2023. This process triggers a cessation, the actuary has been informed and cessation calculations are underway.

LGPS SCHEME and LEGISLATIVE UPDATES

Gender pensions gap report

- 3.13 On 29 March 2023, the Scheme Advisory Board published a report on the gender pensions gap in the LGPS from the Government Actuary's department. The report provides an initial overview of the gender pensions gap in the LGPS, based on data from the 2020 scheme valuation. It shows the difference (in men's favour) is 34.7 percent in the CARE scheme and 46.4 per cent in the final salary scheme. The Board however notes that these findings need to be interpreted with caution. The Board will do further work to understand the data and investigate causes, as well as considering possible next steps.

Annual and lifetime allowance limits

- 3.14 On 15 March 2023, the Chancellor of the Exchequer announced in the 2023 Spring Budget announced that, from 6 April 2023:
- the standard annual allowance will increase from £40,000 to £60,000.
 - the money purchase allowance will increase from £4,000 to £10,000.
 - the adjusted income for the tapered annual allowance will increase from £240,000 to £260,000.
 - the minimum tapered annual allowance will increase from £4,000 to £10,000.

	Definition	Limit in 2023/24
Threshold income	Broadly, taxable income	£200,000
Adjusted income	Threshold income plus pension input amount	£260,000
Minimum AA	If AA is tapered, the minimum AA that can apply	£10,000

Pensions dashboards

- 3.15 Delays to the dashboard connection deadlines was recently announced by DWP. Legislation to amend schemes' connection deadlines is expected. The delays are necessary to give the dashboard programme time it needs to meet the challenges in developing the digital architecture. It is currently not clear whether the 2024 connection deadlines for public service schemes will change.

The Fund continues with the task of reviewing member records.

Annual Pensions Increase

- 3.16 From 10 April 2023, LGPS administering authorities increased qualifying pensions. This increase applied applies to a pension that begin before 11 April 2022 is 10.1%. Part year increases also apply per the Pensions Increase (Review) Order 2023. Other increases apply to various aspects of benefits.

McCloud legislative Update

- 3.17 In March 2023, the SAB published administering authorities with guidance setting up options when data needed to implement McCloud remedy is unavailable or lacks credibility.

On 6 April 2023, the Department for Levelling Up, Communities and Housing (DLUHC) published their response to the consultation on amendments to the underpin. The consultation proposed changes to the underpin to address the discrimination found in the McCloud judgement and to ensure that it works effectively and consistently for all qualifying members. DLUHC expects to launch a further consultation which will seek views on:

- Issues like aggregation, flexible retirement, compensation, interest and excess teacher service; and
- Updated draft regulations

McCloud project update

- 3.18 The process of data collection from employers is still ongoing templates were issued to employers in July 2022. 30% of employers returned data as of 27 April 2023. However, others are yet to return include Council. The table below provides the future actions in the next quarter. Consideration is being given on data collection for employers with no active scheme members.

Task	Responsible For
Chase the employers that have not returned data	LBTH
Send returned data to Heywood	LBTH
Insights Analysis of Returned Data	Heywood
Review of Insights Analysis Report and review data errors	LBTH
Provisional Load of 'Good' Data into Altair TEST	Heywood
Review of errors from provisional load of 'Good' Data into Altair TEST	LBTH
Actual Load of 'Good' Data into Altair TEST	Heywood
Review of data loaded into Altair TEST	LBTH

Provisional Load of 'Good' Data into Altair LIVE	Heywood
Review of errors from provisional load of 'Good' Data into Altair LIVE	LBTH
Actual Load of 'Good' Data into Altair LIVE	Heywood
Return of cleansed data from review of Insights Analysis Report	LBTH
Provisional Load of 'Cleansed' Data into Altair TEST	Heywood
Review of errors from provisional load of 'Cleansed' Data into Altair TEST	LBTH
Actual Load of 'Cleansed' Data into Altair TEST	Heywood
Review of data loaded into Altair TEST	LBTH
Provisional Load of 'Cleansed' Data into Altair LIVE	Heywood
Review of errors from provisional load of 'Good' Data into Altair LIVE	LBTH
Actual Load of 'Cleansed' Data into Altair LIVE	Heywood
Slippage and remediation actions	
Fund looking into possibility of extracting data from historic payroll records in Resource Link payroll system and transferring over to datasheet.	LBTH
Risks	
Time scales not met	

Update Guides

- 3.19 LGA issued updates HR and Payroll guides in April 2023. All payroll providers and employer contacts have been forwarded a copy of the payroll guide.

Member Self Service (MSS) Roll Out

- 3.20 The roll out of Member Self Service (MSS) continues although, take up remain low. Officers will be visiting school over the next few months to register LGPS members.

Academy Guarantee

- 3.21 The Department of Education (DfE) recently released policy statement amending how existing LGPS Academy guarantee applies to the LGPS liabilities for academy outsourcings. The new DfE Academy Trust LGPS Guarantee Policy confirms that the existing academy guarantee will apply to all academy outsourcings which fall into one of three scenarios. This is an important development as previously outsourcings in scenarios 2 and 3 below were not being covered by the guarantee. This meant that the academy could not be a guarantor to the admission agreement. This issue is now resolved.

The scenarios covered are only applicable to staff who are eligible for LGPS and if the admission is operating under a 'pass-through' arrangement:

1. Staff currently working for an academy transfer to an outsourced contractor under TUPE.
2. Staff who transfer to an outsourced contractor under TUPE before the academy converted (i.e., when it was still a maintained school) and the outsourcing contract passes to the academy following conversion.
3. Staff who currently work for the local authority which is providing services to the academy under a contract, but the contract is then awarded to another third-party contractor and the staff transfer to the contractor under TUPE.

3.22 Academies do not need to request ESFA approval in the above scenarios. If the outsourcing is not covered under the scenarios, then academies still must contact ESFA for approval.

ESFA's view is that this now removes the need for a bond for outsourcings in these scenarios. If an administering authority still insists on a bond, then the contractor has to provide it as academies cannot provide bonds for LGPS liabilities. The policy is retrospective in its application.

The Fund is currently working with the actuary to update admission guides/policies and funding strategy statement which need to be updated in light of these changes.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 There are no direct financial implications arising from the contents of this report.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Pensions Committee is required to consider pension matters and ensure that the Council meets its statutory duties in respect of the Fund. It is appropriate having regard to these matters for the Committee to receive information from the Pensions Administration team about the performance of the administration functions of the pension fund and updates on the LGPS generally.
- 7.2 When carrying out its functions as the administering authority of the fund, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).
-

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Employer monthly data submission (Appendix 1)

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report.

<https://ri.lgpsboard.org/items>

Officer contact details for documents:

Miriam Adams – Interim Head of Pensions & Treasury Ext.4248
3rd Floor 160 Whitechapel Road, E1 1BJ
Email: miriam.adams@towerhamlets.gov.uk

Monthly Data Submission on 31 March 2023

(Employer data submission is not a guarantee that correct data was submitted)

Employer Name	Employer Code	Employer Type	Data Submitted to
Age UK	00045	Admitted Body	31/03/2023
Atlantic Cleaning Services	00037	Admitted Body	31/03/2023
City Gateway	00025	Admitted Body	31/03/2023
Compass Contract	00027	Admitted Body	31/03/2023
Greenwich Leisure Limited	00007	Admitted Body	31/03/2023
Juniper Cleaning St Saviours	00041	Admitted Body	31/03/2023
Olive Dining	00043	Admitted Body	31/03/2023
One Housing (Toynbee Island)	00011	Admitted Body	31/03/2023
Phoenix Trust (Closed Scheme)	00051	Admitted Body	31/03/2023
Purgo Supply Cyril Jackson	00039	Admitted Body	24/03/2023
Purgo Supply St Paul's	00042	Admitted Body	25/03/2023
REDBRIDGE CHL (Vibrance)	00004	Admitted Body	31/03/2023
THCH (Closed Scheme)	00003	Admitted Body	31/03/2023
THCH (Open Scheme)	00008	Admitted Body	31/03/2023
Taylor Shaw - Catering	00036	Admitted Body	31/03/2023
Wettons Cleaning Services Ltd	00034	Admitted Body	31/03/2023
Bishop Challinor Catholic Federation of Schools	00131	Scheduled Body	31/03/2023
Canary Wharf College	00021	Scheduled Body	31/03/2023
Clara Grant - Boelyn Trust	00046	Scheduled Body	31/03/2023
Cyril Jackson Academy	00044	Scheduled Body	31/03/2023
East London Arts & Music	00030	Scheduled Body	31/03/2023
Ian Mikardo Academy	00029	Scheduled Body	31/03/2023
LETTA Trust	00028	Scheduled Body	31/03/2023
London Enterprise Academy	00023	Scheduled Body	31/03/2023
Olga Primary School	00128	Scheduled Body	31/03/2023
Paradigm Trust	00033	Scheduled Body	31/03/2023
Sir William Burrough Academy	00018	Scheduled Body	31/03/2023
Stepney Green -Mulberry Trust	00047	Scheduled Body	31/03/2023
St Pauls Way Trust Academy	00019	Scheduled Body	31/03/2023
Wapping High School	00024	Scheduled Body	31/03/2023
Bowden House	00129	Main Scheme	31/03/2023
Cayley Primary School	00130	Main Scheme	31/03/2023
TH EPM MPP	00001	Main Scheme	31/03/2023
Internal Upload by Pension Team			
Tower Hamlets LBC	00001	Main Scheme	31/03/2023
Central Foundation	00001	Main Scheme	31/03/2023
East End Homes	00006	Admitted Body	31/03/2023
Mulberry Academy	00026	Scheduled Body	31/03/2023
Tower Hamlets Homes	00013	Scheduled Body	31/03/2023

Non-Executive Report of the: Pensions Committee Monday, 3 July 2023	 TOWER HAMLETS
Report of: Caroline Holland, Interim Corporate Director Resources	Classification: Open (Unrestricted)
Risk Management Policy and Quarterly Review of Risk Register	

Originating Officer(s)	Miriam Adams
Wards affected	(All Wards)

Executive Summary

This report updates the Board and Committee on changes to the Fund’s Risk Register at March 2023. Risk Management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the London Borough of Tower Hamlets Pension Fund (“the Fund”). A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

Recommendations:

The Committee is recommended to:

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

1. REASONS FOR THE DECISIONS

1.1 The terms of reference of the Pensions Committee sets out its responsibilities regarding risk management, namely:

- *To review the risks inherent in the management of the Pension Fund.*

1.2 The Board is established by Public Sector Pensions Act 2013 and the first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme.

1.3 The consideration of the risks associated with administering the Pension Fund properly fall within the terms of reference of the Committee. Setting out of a policy recognises the importance that is placed in this area in accordance

with the CIPFA guidance and recognise the increased role of the Pensions Regulator following the Public Service pensions Act 2013.

- 1.4 The risk register is presented in Appendix 1 for the Board to review and assist to demonstrate compliance with both regulations and guidance provided by CIPFA and TPR.
- 1.5 Not all risks can be eliminated, however with proper management and monitoring the impact to the Fund will be minimised. An example of this is economic downturn which the Fund has mitigated to an extent by having Equity protection in place to cover some of its equity investments from severe falls in the market.

2. ALTERNATIVE OPTIONS

- 2.1 Not reviewing the Risk Register for the Pension Fund potentially exposes the Fund and Council to action by the Pensions Regulator.

3. DETAILS OF THE REPORT

- 3.1 The Pensions Regulator's Code of Practice recommends that a Pension Fund has a Risk Management Policy in place and that this is reviewed periodically. The risk management policy covers key areas such as:
 - The Fund's attitudes to, and appetite for risk
 - Aims
 - Risk measurement and management
 - Responsibility

The Committee approved the updated Risk Management Policy for Tower Hamlets Pension Fund in December 2022.

- 3.2 The Pensions Board undertakes quarterly detailed review of the identified risks and the process for maintaining the Risk Register and report back to the Pensions Committee on any areas of concern. The Pensions Committee carries out an annual review of the high level and emerging risks identified from the Fund's Risk Register. The Risk Register brings together all the Fund's risks in a single document. It continues to be based on the 4 key areas of activity within the Fund: Governance, Funding and Investment, Administration and Communication and Employer Risk. It should be noted that some risks cannot be fully eliminated but managed.

Risk FI 9 - Climate Change

- 3.3 The risk register has been updated to reflect the Fund's adoption of suggested metrics in the Taskforce on Climate-related Financial Disclosures (TCFD) consultation.

There is a potential for Climate change to impact global financial markets and investment assets, impacting the value and investment performance of the Fund. The risks associated with Climate change are classed in two broad categories:

- Physical risks like flooding, drought, sea level rise, heat, extreme weather, human capital, physical capital and natural capital arising from changes in weather that impact on the economy; and
 - Transition risks like policy and legal risks, liability risks, technology risk and demand-side risk arising from the transition to a low carbon economy.
- 3.4 Both of these of these could result in financial market performance being less than expected and/ or underperformance from investments made via London CIV and other managers. As well as societal and economic shifts towards a low-carbon future, which can be linked to policy and regulatory changes, technological risks and stranded assets. This could result in a material increase in employer contributions at the next triennial valuation.
- 3.5 The Fund's Investment Strategy Statement set out how the Fund incorporates Environmental, Social and Governance (ESG) factors into investment decisions can help to improve the long-term value for investors. The Committee continues to diversify its portfolio of assets to mitigate investment risks and Fund ensures its investment managers engage with companies to influence policy change. Additional controls will include identifying which climate related risks are stand-alone and which are linked to or drive other risks by working with investment managers, London CIV and the Investment Adviser.
- 3.6 The Committee agreed a net zero target of 2040 in November 2021 with short term targets of circa 25% reduction by 2025 and 53% reduction by 20230, continue to utilise methodology consistent with TCFD recommendations to monitor developments and change over time. Climate risks identified will be considered proportionately to other risks that impact the Fund.

FI 3 - The impact of inflation

- 3.7 The risk register has been updated to red reflecting the ongoing impact of inflation. Value of liabilities increase due to market yields/inflation moving out of line form actuarial assumptions thereby impacting employer contributions. Market factors impact on inflation and interest rates.

G5 - Pension Fund Accounts (material misstatement of accounts and potentially a qualified audit opinion

- 3.8 The 2016 and 2019 triennial valuation membership data used by the actuary in the calculation of the 2016 and 2019 liabilities is currently under detailed review by Deloitte due to unexplained balancing items in the Council's IAS19 reports issued by Hymans for 2018/19 and 2019/20 financial years. Initially prepared

using the 2016 triennial valuation data on a roll forward basis, and later updated using the 2019 triennial valuation data as it became the most up to date information, there remains unexplained balances in the IAS19 calculations issued by the actuary. Although the balances have reduced, they remain significant. The Deloitte actuaries are at the time of writing this report reviewing in detail both the 2016 and 2019 triennial valuation membership data used by Hymans.

- 3.9 There remains a likely hood that the pension fund accounts may be qualified due to data quality. The Council remains the largest employer in the Fund therefore any issues which affect the council's data is automatically assumed to have an impact on the pension fund.

Officers have been clear with Deloitte from the onset of the audit in 2020 that there are historic data quality issues with the pension fund data and most especially the council's data, the remediation plan, report made to the Pensions Regulator and other measures being put in place to resolve data quality issues have been acceptable until now.

- 3.10 As a precaution Risk G5 has been downgraded from amber – catastrophic/ unlikely to major/possible due to the unknown outcome of the work Deloitte is undertaking. The focus of the auditors is 2018/19 accounts and not future years.

ER - Employer Risk

- 3.11 A new category of risk has been created covering risks relating to employer data provision impacting McCloud, the Fund's ability to meet regulatory objectives including annual benefit statement.

Investment targets

- 3.12 Risks FI 2, FI3 and FI5 have all been downgraded due to current market conditions and investment managers including assets managed by London CIV's on going poor performance.

- 3.14 Table below shows risk totals.

TOTALS							
Governance		Funding & Investment		Administration & Communication		Employer	
Red	1	Red	3	Red	4	Red	3
Amber	4	Amber	4	Amber	2	Amber	1
Green	2	Green	2	Green	9	Green	1

4. EQUALITIES IMPLICATIONS

- 4.1 There are no direct equalities implication arising from this report.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

Risk Management

- 5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
- (a) in accordance with the scheme rules
 - (b) in accordance with the requirements of the law

The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no direct financial implications arising as a result of this report, other than that by regularly reviewing the Risk Register, the Fund is trying to minimise the chance of financial and reputational loss occurring.
- 6.2 There are clearly some risks which would be difficult to transfer or manage, such as the impact that increased longevity will have on the liabilities of the Pension Fund, but the understanding of such risks could well impact on the other aspects of the decision-making process to lower risks elsewhere.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed: -
- (a) in accordance with the scheme rules
 - (b) in accordance with the requirements of the law

- 7.2 The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.
-

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Risk Register (Appendix 1)

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report.

List any background documents not already in the public domain including officer contact information.

- These must be sent to Democratic Services with the report.
- State NONE if none.

Officer contact details for documents:

Miriam Adams, Interim Head of Pensions and Treasury Ext 4248

Email: miriam.adams@towerhamlets.gov.uk

RISK REGISTER MARCH 2023 UPDATE

Governance

Risk no:	Risk Overview (this will happen)	Risk Description (Causes)	Current Impact (see key)	Current Likelihood (see key)	Current Risk Status	Internal and external controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Additional Controls	Indicative Time Frame	Comments and update March 2023
G1	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change, national reorganisation, cybercrime and asset pooling	Moderate	Possible		1 - Continued discussions at PC and PB regarding this risk 2 - Fund's consultants involved at national level/regularly reporting back to PC 3 - Key areas of potential change and expected tasks identified as part of business plan (ensuring ongoing monitoring) 4 - Asset pooling IAA in place 5 - Ongoing monitoring of cybercrime risk by Officers and PC 6.) Close working relationship between officers, investment consultant, scheme actuary and independent investment adviser. 7.) Officers keep abreast with regulatory changes and immediate reporting to Pensions Board 8.) Close monitoring of investment managers appointed by London CIV by Independent Investment Adviser and Investment Adviser 9.) Officers arrange meetings with London CIV to raise concerns early.	Moderate	Possible		Continue manager deep dive and performance monitoring.	on going monitoring	This risk will remain amber. It is not possible to completely eliminate manager underperformance or cyber risk. 1) Officers continue to implement TPR recommendations on cyber risk and liaise with Tower Hamlets IT to understand mitigating factors. 2.) Officers work closely with scheme actuary 3.) Officers provide update on new legislative changes to Board and Committee quarterly 4.) Officers keep abreast with LGA communications to ensure new changes are picked up 5.) Officers work closely with Heywoods to assess impact on new changes. 6.) Cyber crime risk is now a stand alone risk in line with prioritisation by TPR and SAB
G2	Key Person Risk and staff turnover Risk of loss of key/senior staff resulting in lost knowledge and inability to meet service objectives	Impact of sickness, resignation, retirement, unable to recruit to posts that become vacant as a result. Local authority paygrades may be a barrier to recruiting highly skilled staff.	Moderate	Possible		1 - Business plan includes workforce matters 2 - Ensure quarterly update reports are robust and include all matters of administration 3.) - Consider additional resources, such as outsourcing or use of external consultants as required 5 - Staff reviews implemented and vacant positions recruited to	Moderate	Possible		1 -Keep up to date with legislative changes via LGA, HMRC, Actuarial , investment manager, investment adviser newsletters, guidance and bulletins 2.) Continue training of new and newly promoted staff (MA) 3.) Annual appraisals and target setting for all staff. 4.) Consider future succession planning 5.) Consider use of agency staff in the interim	On going monitoring	This risk has been kept at amber. The team is small therefore long term sickness, retirements affect in the short term performance and turn around times . 2.) Monthly client meetings now take place between Heywoods and Pensions Team to ensure services issues are resolved 3.) Recruitment of permanent staff to take place as soon as staff depart. 4.) Staff attend LGA organised training. This is not restricted to senior staff. Attendance is tailored to officers areas of work. 5.) As and when required, in house training is delivered during team meetings, regulatory changes are discussed during monthly team meetings and fund actuary is engaged to provide additional training as required. For example Annual Allowance.
G3	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored	Moderate	Possible		1- Range of policies in place and all reviewed regularly (work in progress) 2 - Review of policy dates included in business plan 3 - Monitoring of all objectives at least annually (work in progress) 4 - Policies stipulate how monitoring is carried out and frequency 5 - Business plan in place and regularly monitored 6 - PC has approved a mission statement which summarises the overarching objectives of the Fund	Insignificant	Rare		1- Ensure objectives agreed for each policy (MA) 2- Ensure all policies are finalised, approved and regularly reviewed (MA) 3.) Procure governance review every 3 years 4.) Fund compliance against TPR Code of Practice to be undertaken every 3 years or when Code is updated 5.) Review remediation plan every 2/3 years to ensure continuous improvement program	on going standard monitoring	All key policies now in place (administrative strategy, breaches policy, IDRP, Investment Strategy Statement, Communications Policy, 3 year rolling Business Plan. Maintain 3 year rolling work plan for team which includes all key duties
G4	Inappropriate or no decisions are made	Governance (particularly at PC) is poor including due to: - turnover of PC members - lack of knowledge and appropriate skills at PC - failure to take appropriate advice - poor engagement /preparation / commitment - poor oversight / lack of officer skills & knowledge - PC members have undisclosed Conflicts of Interest - PC decision making process is too rigid	Minor	Unlikely		1 - Renewed Officer focus on decision-making / governance including considering structure, behaviour and knowledge 2 - Oversight by Local Pension Board 3 - Training Policy, Plan and monitoring in place for PC and PB members. Training needs analysis undertaken annually 4 - Range of professional advisors covering Fund responsibilities guiding the PC, PB and officers in their responsibilities 5 - Induction training in place for new PC members covering CIPFA Knowledge and Skills requirements and TPR toolkit 6 - Training / improvement plans in place for all officers as part of the Council's performance appraisal programme 7 - Declaration of conflict of interest is standing item on agenda. PC members required to complete annual declaration of interest 8 - Process exists to allow urgent decisions outside of PC meetings 9. - PC flexible to arranging of additional training in relation to key matters 10. PC and PB signed up to the Hymans online knowledge portal.	Minor	Unlikely		1 - Revise and update Conflicts of Interest Policy (MA) 2 - Monitor Board and Pensions Committee participation in Hymans online training. 3. Update PC and PB training plan with regulatory changes from CIPFA, TPR or SAB as and when. 4. Arrange additional training as required (scheme actuary, investment adviser, investment managers or officer) 5.) Monitor use of Hymans online knowledge portal	on going standard monitoring	1.) Declaration of interest now standing meeting agenda item - completed. 2.) Hymans bitesize online training for PC and PB 3.) Fund Investment adviser and fund actuary provide additional training as required. 4.) Fund managers provide additional training as required
G5	Material misstatement of accounts and potentially a qualified audit opinion	Poor internal monitoring and reconciliation process leads to incorrect financing / assets recorded in the Statement of Accounts	Major	Possible		1 - Qualified Accountant produces accounts using most recent SORP, Accounting Code of Practice, Disclosure Checklist and other relevant CIPFA training materials/publications. Attendance at Pensions Officers Group Meetings 2 - Draft Statement of Accounts and working papers reviewed by the Head of Pensions & Treasury and the Chief Accountant. 3 - Reconciliation undertaken between the book cost and market values to the custodians book of records received quarterly. Further reconciliation undertaken between the custodian and investment managers' records. 4 - A checklist of all daily, weekly, monthly and quarterly reconciliations is maintained. Full reconciliation and interim accounts are prepared on a quarterly basis. 5 - All reconciliations are independently reviewed and signed off by a second officer. 6 - All adjustments (including unrealised profits) posted into the general ledger so that accounts can be reported created directly from a gresso.	Moderate	Rare		1) - Consider controls and whether further actions are required (MA) 2.) Head of Pensions & Treasury reviews all reconciliations (transfer in, transfer out, refunds, benefit paid, lump sum, death benefits and pensions paid)	Sep-23	Deloitte auditors have commenced review of the 2016 and 2019 membership data used by Hymans to calculate the pension fund liabilities and funding level. This may result in a qualification of the 2018/19 and 2019/20 pension fund accounts.
G6	Failure to comply with TPR Cyber requirements for Pension Schemes	Confidential and personal member information is put at risk. Potential breach Of the Data Protection Act 2018. A breach of Corporate IT systems may lead to a failure of the pensions administration system and / or a breach of Data Protection regulations	Moderate	Possible		Council's policies on cyber protection and data protection apply to the Fund. Membership database is locally hosted and subject to the Council's wider cyber security protections including off side back ups. Computers are password protected. Access to sensitive data pool is limited to restricted number of staff. All staff complete corporate mandatory training on data protection and cyber crime. Sharing of password is prohibited. Pension staff are prohibited from amending their own records. System reports are set up to exclude the record of the member of staff running the report. Only one senior members of the team can override	Moderate	Rare		Assess Fund against Draft TPR Code of Practice. Risk cannot be completely eliminated . 2.) Complete LGPS Cyber Score card 3.) Provide cyber risk assessment to Board every 2 years	Sep-23	Comments on cyber score card received from Heywoods, Hymans Robertson. Hymans to assist with Cyber risk review and engagement with LBTH IT.
G7	Failure to secure and manage personal data in line with GDPR requirements	Cyber attacks may lead to loss or compromise of data. Leading to Audit criticism, legal challenge, reputational risks and financial penalties	Moderate	Possible		1.) Annual Information governance for staff 2.) Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) 3.) Secure physical storage measures 4.) Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc. 5.) Use of actuary's portal to send data for calculations 6.) Actuary implement range of protection against cyber crime	Moderate	Possible		1.) On going monitoring. Ensure completion of cyber score card by LBTH IT officers. 2.) Arrange for Local Pensions Board to receive assurance presentation by Divisional Director IT at its November 2021 meeting. 3.) LGA suggested GDPR policies issued to employers	Dec-23	Scheme version of LGA GDPR policies and templates submitted to Committee for approval and issued to employers in March 2022

Funding & Investment Risks (includes accounting and audit)

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
F1 1	Investment and/or funding objectives and/or strategies are inappropriate, inconsistent or otherwise no longer fit for purpose such that asset values fall/liabilities rise and funding levels fall and/or employer costs rise unexpectedly	Investment and funding strategies are considered in isolation or without proper advice or without considering legislative changes such as LGPS regulations (e.g. asset pooling), external factors (e.g. McCloud) and other funding and investment related requirements	Catastrophic	Unlikely		1 - ISS / FSS are set in line with legislation /guidance, approved by PC, reviewed regularly and contain links to each other 2 - Close liaison between the Fund's actuary and strategic investment adviser 3 - Fund commissions stochastic modelling from the actuary to test the likelihood of success of achieving required returns 4 - The Fund uses Strategic Investment consultant, but has also engaged an independent adviser to challenge/confirm investment/investment strategy decisions 5 - The Investment Consultant / Independent Adviser along with officers have regular meetings to review the investment strategy and present options to the Committee for approval. 6 - The Fund subscribes to a number of organisations that assist officers to keep abreast of development / changes to the LGPS which may affect funding	Minor	Unlikely		1 - Ensure strategies reviewed in response to external changes (MA) 2 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	On-going monitoring	The Pensions Committee is currently undertaking a full investment strategy review

FI 2	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.	Major	Possible		1 - Use of a diversified portfolio (regularly monitored) 2 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the PC 3 - On going monitoring of appointed managers (including in house investments) managed through regular updates and meetings with key personnel 4 - Officers regularly meet with Fund Managers, attend seminars and conferences to continually gain knowledge of investment opportunities available 5 - Consideration / understanding of potential Brexit implications 6 - Equity Protection and Currency Hedging Strategy in place to protect equity gains and potentially reduce volatility of contributions.	Moderate	Possible		1 - Consider whether any actions set out in this point are not currently done, and consider implementing (MA)	On-going monitoring	This risk cannot be completely eliminated however by diversifying and monitoring the Pensions Committee reduces the risk of occurrence
FI 3	Value of liabilities increase due to market yields/inflation moving out of line from actuarial assumptions	Market factors impact on inflation and interest rates. There is a risk that increased inflation may impact on liabilities which could impact onto employer contribution rates payable to the Fund.	Major	Likely		1 - Use of a diversified portfolio which is regularly monitored. 2 - Monthly monitoring of funding and hedge ratio position versus targets. 3 - Annual formal reviews of the continued appropriateness of the funding/investment strategies by the PC. 4 - Consideration / understanding of potential Brexit implications. 5. Investment strategy reviews held every three years or earlier consider inflation risks and protection from different asset classes. Index linked gilts provide some protection. Some other assets have inflation linkage e.g. property, UK Housing, Renewable Energy fund 6. Fund Actuary consulted when making strategic investment changes involving asset allocations 7. Actuarial valuation uses discount rate linked to inflation to reduce short-term volatility of funding level and employer contributions.	Moderate	Possible		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2. Pensions Committee receives quarterly funding update from scheme actuary 3. Independent Adviser provides updates on inflation 4.) Pensions Committee reviewing various inflation linked asset classes.	On going monitoring next review Sept 23	
FI 4	Investment Strategy fails to deliver appropriate returns	Long-term Investment Strategy issues caused by: - Responsible Investment (including Climate Change) is not properly considered - Actual asset allocations move away from strategic benchmark - Relevant information relating to investments is not communicated to the PC - The risks associated with the Fund's assets are not fully understood resulting in taking either too much or too little risk	Major	Possible		1. Fund has in place Responsible Investment (RI) Strategy 2. RI Policy has Strategic RI Priorities 3. London CIV has RI policy in place 4. Asset Allocations formally reviewed as part of quarterly report to PC and necessary action taken to correct imbalance 5 - PC receives formal quarterly reports on both the overall performance of the Fund and individual investment managers 6 - Full Investment Strategy review undertaken by Investment Consultant after triennial valuation with Annual/Ad-hoc Strategy reviews undertaken in intervening years to ensure the Strategy is still appropriate to achieve long term funding objectives 7- PC sign up to TCFD 8 - PC set net zero carbon targets	Moderate	Possible		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2- Pensions Committee is currently working on adopting TCFD accreditation and reporting	On going monitoring. Risk cannot be completely eliminated	1.) London CIV RI Policy completed May 21 2.) Draft Tower Hamlets Pension Fund RI Policy June 21 3.) TCFD accreditation March 22 4.) Net zero target set by Pensions Committee November 2020 5.) Full Investment Strategy Review March 24
FI 5	Failure of London CIV and investment managers to meet adequate performance levels resulting in reduced financial returns	Issues with the London CIV including: - The manager selection strategy and process adopted by London CIV through fund manager appointments may be inadequate - Asset pooling restricts Fund's ability to fully implement a desired mandate - Asset Pool may not possess required inhouse skill to manage new asset classes like Renewable Infrastructure fund coinvestments - Failure of Asset Pool to appoint best in class investment managers	Major	Likely		1 - The Fund is a founding member of London CIV and is an active participant at all levels (Executive and Officer) of London CIV. 2 - Specifically, the Fund has representation at the Investment Advisory Committee and Officer's business meetings where strategies and fund manager appointments that align with the Fund's investment strategy are promoted. 3 - The London CIV will have as wide a range of mandates as possible and also that there will be a choice of manager for each mandate/asset class. However, because the CIV has to reach consensus among its 32 members, there is a risk that the full complement of mandates in the Fund may not be replicated by London CIV. 4- The London CIV is planning to appoint investment managers to all asset classes that the Fund is currently invested in. 5 - Fund will be able to retain mandates not currently appointed to by the London CIV and may invest in other pools if they have a desired mandate 6 - Fund to continue close monitoring of Renewable Energy Fund and pressue the LCIV to take advice before coinvestment are made.	Moderate	Possible		1 - Keep abreast of asset pooling developments generally and London CIV issues specifically, and ensure the Fund is well placed to act accordingly (MA) 2 - Pensions Committee to promptly write to LCIV raising any concerns and continue close monitoring	Mar-24	Continued close monitoring. Interim Head of Pensions & Treasury met with LCIV CEO to raise concerns over manager performance
FI 6	Value of liabilities/contributions change due to demographics being out of line with assumptions	Employer related assumptions (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions	Moderate	Unlikely		1 - Regular monitoring of actual membership experience carried out by the Fund. 2 - Actuarial valuation assumptions based on evidential analysis and discussions with the Fund/employers. 3 - Ensure employers made aware of the financial consequences of their decisions 4 - In the case of early retirements, employers pay capital sums to fund the costs for non-ill health cases. 5 - Employer monitoring project commissioned with Hymans to review employers close to cessation.	Moderate	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-25	The Fund subscribes to Hymans Club Vitae for demographic monitoring
FI 7	Insufficient cash to pay benefits as they fall due, resulting in disinvestment at depressed asset prices	Increases in benefit outflow, including new retirements, or inadequate monitoring, or reductions in contributions not anticipated/expected and/or investment income is less than expected	Minor	Rare		1 - Annual cashflow monitoring undertaken and utilised to inform Investment Strategy to ensure that Fund is always able to meet liabilities as they fall due 2 - Ensuring all payments due are received on time including employer contributions (to avoid breaching Regulations) 3 - Employer contribution payments monitored on a monthly basis; including a full reconciliation between expected and actual 4 - Late payers are identified and reported to the PC as part of quarterly pensions administration report. 5 - Holding sufficient liquid assets as part of agreed cashflow management policy 6 - Monitor cashflow requirements 7 - Treasury management policy is documented	Minor	Rare		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA) 2 - £20m cash requested from Schroders equity protection proceeds to meet cashflow gap for 2021/22 and 22/23	on going monitoring. Next review 2024 June	Pensions Committee agreed £20m cash to cover operational cash short falls in 2021 and 2022
FI 8	McCloud Judgement	Implementation of the proposed remedy following new pension legislation and scheme specific regulations for the removal of age discrimination from the LGPS due to the McCloud judgement. Pension Fund officers unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy due to employers inability to provide historic data required. There is a key risk that employers will not respond when contacted or employers will not have the required information due to GDPR rules which require finance data to be destroyed after 6 years or some employers may have changed payroll provider. DLUHC has confirmed the proposed remedy and th intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014.	Moderate	Possible		1.) Adjustments were made to the 2019 valuation to account for any possible McCloud impact 2.) Quarterly update to Pensions Committee and Pensions Board 3.) Officers to commence with McCloud project implementation 4.) On 4 February 2021 HM Treasury published its response to the consultation and sets out its preferred remedy choice. DLUHC have produced a document that gives general details as to how the remedy proposal would work for the LGPS. Further legislative changes are required before the remedy can be implemented, however due to the complexity of the proposed remedy pension administrators and pension systems providers have commenced development of systems and processes based on current understandings to enable the remedy to be implemented 5.) Employers have been notified of need to keep historic data 6.) Pensions Funds will need to understand what the impact of the remedy means, develop processes and calculations to apply the regulations or the amended schemes.	Moderate	Possible		1 - Continous monitoring in intervaluation updates (MA) 2 - Set up McCloud project set up and updates reported to Pensions Board and Committee quarterly 3 - communications with scheme members and employers commenced 4.) Possible inability to extract historic payroll data for affected scheme members remains a problem. Officers are working with LBTH payroll and other employers. 5.) Employer change of payroll provider and failure of employer to keep historic data 6.) Engage Heywood to undertake initial collection and bulk upload of scheme member data required from scheme employers. 7.) Officers should keep up to date of all relevant correspondence issued by DLUHC, LGA & HMRC and keep up to date with bulleting and guidance from the Home Office as well as regularly attend webinars, forums and seminars.	Apr-24	McCloud implementation service procured from Heywood. Officers will work along side Heywood to implement remedy. Communication issued to employers in August 21 informing them of need to keep historic data of employees. Heywood commenced contacting employers on behalf of the Fund to collect historic missing data. Employer responses have been poor.
FI 9	Climate Change Impact. Climate change risk can be grouped into two categories. Physical risks arising from changes in weather that impact on the economy and Transition risks arising from the transition to a low carbon economy.	Studies and evidence shows that Climate Change has the potential to materially impact financial returns based on current studies as well as societal and economic shifts towards a low-carbon future. Significant fall in equity valuations as a result of climate-related transition risk.	Moderate	Possible		Annual monitoring of Fund carbon footprint by Pensions Committee. Pensions Committee sign up to net zero carbon by 2040 in November 2021. Changes to investment strategy to reduce climate change risk. Annual TCFD disclosures. Well diversified equity strategic asset allocation. The LGIM Low Carbon mandate Hedged and unhedged, LCIV (BG) Paris Aligned fund and LCIV (RBC) Sustainable equity fund all incorporates ESG tilt, reduced carbon foot print, Paris Aligned principles and engagement on climate matters as applicable.	Moderate	Possible		increased monitoring of climate change risk, increased manager monitoring of climate change risk, Pensions Committee prepared TCFD report and Pensions Committee considering Decarbonisation target analysis as well as Net Zero strategy.	on going monitoring	Fund to continue reporting in line with Taskforce on Climate related Financial Disclosures (TCFD) and incorporate draft metrics included in the consultation paper. The aim is to improve assessment, management and disclosures of both climate-related financial risks and opportunities. Pensions Committee will be advised when the regulations and related guidance is releases and Committee will be informed as to how the Fund plans to meet any new requirements in addition to what is currently measured.

Administration & Communication Risks

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
AG 1	Unable to meet legal and performance expectations due to external factors	Big changes in employer or scheme member numbers or unexpected work increases (e.g. regulation changes such as increase in transfers out due to new pension freedoms)	Major	Possible		1 - Ongoing reporting to management/PC/PB to quickly identify issues (For example on transfers - Monitor numbers and values of transfers out being processed and report regularly) 2 - External consultants available to assist if required 3 - Recruitment to new posts	Minor	Unlikely		1 - Ongoing consideration of resource levels post recruitment of new posts (MA) 2 - Ongoing consideration of likely national changes and impact on resource (MA)	On going	This risk remains a possibility due to regulatory changes however officer will mitigate by procuring external consultancy expertise. Autoenrolment and subsequent opt out of hundreds of council employees has impacted the team's ability to process routine tasks while focusing on opt out form processing.

AG2	High administration costs and/or errors (including rectification costs and IDR costs or fraud) and reputational damage if Ombudsman rules against the Fund	Systems or are not kept up to date or not utilised appropriately, or complaints are not dealt with appropriately or other processes inefficient	Major	Likely	1- Business plan has number of forthcoming improvements (i-connect/MSS etc) 2 - Use of Altair which is a nationally recognised software with plentiful guidance / support 3 - Ongoing training on how to use systems within the Administration team 4 - Fund has (PC approved) Internal Dispute Resolution Policy (IDRP) 5 - Robust checks / adherence with best practice including undertaking regular reconciliation of payments	Minor	Unlikely	1 - Ongoing roll out of iConnect and MSS (MA) 2 - Assessment of Team skills / capabilities once restructure is complete (MA)	Sep-23	
AG 3	Scheme members do not understand or appreciate their benefits and cannot make informed decisions	Newsletters and letters are inaccurate, poorly drafted, overly complicated, irrelevant, too technical or insufficient in some other manner	Moderate	Unlikely	1 - Communications Strategy reviewed and updated 2 - Members provided with explanatory notes and guidance and given access to further pension support 3 - Website provides information on the Scheme and on Members' benefits 4 - Member self service to be launched in 2020	Insignificant	Unlikely	1 - Implementation of member self service to progress to deferred members (MA) 2 - Ensure all communication and literature is up to date / relevant (MA) 3 - Revise / update Admin / Comms Strategies every 3 years or as required (MA) 4 - Consider annual communications survey (MA)	on going monitoring	Communication with scheme members continue to improve. Employers forum is scheduled annually. Members who require pensions savings statement receive statements annually, Member self service roll out continues although take up has been low. Fund website now up and scope to include pensioner members on MSS explored with software provider.
AG 4	Service provision is interrupted or incorrect benefits paid and/or records are lost, including data breaches	System failure or unavailability, including as a result of cybercrime or fraud / misappropriation by officers	Major	Rare	1 - Disaster recovery plan in place and allows the pension administration system to be run from an alternative site 2 - Altair administration system is subject to daily software backups and off-site duplication of records 3 - Pensioner payroll system is subject to daily software backups and off-site duplication of records 4 - Robust checks / adherence with best practice including undertaking regular reconciliation of payments 5 - Internal Audit plan includes dedicated hours for review of internal controls in relation to the management and accounting of the Pension Fund. The plan is designed on a risk basis, so that areas of high risk will be subject to more frequent internal audits 6 - Recommendations from internal audits of processes and controls are implemented in a timely manner	Moderate	Rare	1 - Ongoing checks relating to suitability of disaster recovery plan (MA) 2 - Review of cybercrime risk controls (MA) 3. continuous monitoring of business continuity plans for pensions	Mar-23	Cyber risk introduced. Fund provided with details of Heywood's own disaster recovery. Plans in progress to secure access to pension admin records should council's network be temporarily down
AG 5	Guaranteed Minimum Pension (GMP) reconciliation. In accurate record keeping	From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS. GMP's no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund. High Court ruling determination that UK defined pension schemes must compensate members for differences attributable to GMP. Impact of the potential adjustments to be made to members' pensions as a result of the GMP reconciliation exercise.	Major	Likely	1.) Establish internal controls 2.) resolve contract with ITM. 3.) Identify terms of LBTH IT procurement of GMP reconciliation in Aquila Heywood contract 3.) Possible impact on pensions team resources	Minor	Unlikely	1 - Data analysis carried out and action taken to reconcile and adjust paid pension paid to retired members. 2. to review GMP amounts allocated to active and deferred members 3. Internal Audit	March 2024 or once impact of final legislation is known	
AG 6	Data Quality Issues	The Fund produced a remediation plan which is expected to put in place improvements for pension fund administration and governance over a 2 to 3 year period. Data quality is a key issue and it is necessary to nip in the bud from the onset which is at the point when the initial data is received from the employer.	Major	Likely	1.) Liaise with pensions admin software provider to produce annual data reviews. 2.) Set initial targets which are achievable then raise with time. 3.) Upload member data to actuary data portal to identify errors annually	Minor	Unlikely	1 - Take steps to address issues with employers directly 2. Escalate to senior officers for each employer. 3. Report to internal audit and Pensions Regulator as last resort 4. Liaise with actuary and action data quality report recommendations issued during triennial valuations	On-going monitoring	
AG 7	Scam detection and Prevention	There is a risk that a Scheme Member could be the victim of fraud. This could be caused by the Scheme Member being exploited into transferring their pension from the LGPS to a bogus or unsuitable pension scheme. This could result in the Scheme Member losing their pension or being at financial loss. This could also result in the Regulator finding against the Fund and requiring it to make good the losses experienced by the Scheme Member.	Minor	Unlikely	The Fund complies with the Code of Good Practice and the Pensions Regulator's guidance and check list. Pension officer notify team leaders and managers if transfer is to a scheme which is perceived as a "scam". Scheme members are required to sign against the TPR check list to ensure they are aware and have taken adequate financial advice. Companies House, HMRC and FCA register is checked to ensure legitimacy.	Minor	Unlikely	Electronic news letters to scheme members via MSS to continue to make members aware of pension scam awareness and cyber security risks	On going monitoring	
AG 8	Financial Irregularity	There is a risk of unintentional overpayments. Failure to address financial irregularity may result in a financial loss to the Fund and scheme employers, as well as reputational damage to the Council	Minor	Unlikely	Unintentional overpayments – The NFI activity may identify overpayments where no fraudulent activity has arisen, but a beneficiary has unintentionally benefited from the Fund, e.g. payments continuing to be made to a widow(er) following the death of their partner. In such instances, officers act compassionately whilst still protecting the assets of the Fund.	Minor	Unlikely	Reconciliation of scheme data (pensioners and deferred members) against NFI is procured half yearly.	Sep-23	Note: cases do not necessarily constitute a fraud, but do represent areas where there is a discrepancy between the Fund's information and data from the government agencies. Half yearly comparison eliminates risks of over payment. NFI data matching costs is met by the Fund. Overpayment policy
AG9	Delay in Transfer in processing time	Timely processing of Transfer in cases is reliant on members previous pension scheme/Fund providing transfer quote or payments promptly.	Major	Possible	Pension Officer case review meetings identifies transfer in cases which require escalation. Officers send 2 remainder letters to schemes in question and notify member of delay	Moderate	Possible	Escalation process involves notifying member of delay experienced by fund. Remainder letter to schemes include deadlines to respond	Ongoing monitoring	

Employer Risk

Risk no:	Risk Overview (this will happen)	Risk Description (if this happens)	Current impact (see key)	Current likelihood (see key)	Current Risk Status	Internal controls in place	Target Impact (see key)	Target Likelihood (see key)	Target Risk Status	Further Action and Owner	Indicative Time Frame	Comments and update December 2021
ER 1	Inability to meet legal and performance expectations (including inaccuracies and delays and potential legal breaches) due to lack of or poor quality data from the council and other employers.	Employers: -don't understand or meet their responsibilities -don't allocate sufficient resources to pension matters - don't engage with the Administering Authority the council is the main employer in the scheme and accounts for over 85% of income to the pension fund. Payroll reports and data information received from the council do not agree to amounts paid to the scheme.	Major	Likely		1 - Administration strategy updated and consulted upon 2 - Communications Strategy (to be reviewed) sets out how Fund will engage with all Stakeholders 3 - Ensure information communicated to Employers is clear, concise and relevant 4 - Where available use standard templates/information from the LGPS employers association 5 - Provide training to employers that is specific to their roles and responsibilities in the LGPS 6 - Employer access to the i-Connect portal (roll-out in progress), and forms available on website 7 - Employers can access specialist support from Fund Officers 8 - Engage with relevant council team on employee data quality	Moderate	Possible		1 - Continue to work with identified employer to ensure issues are resolved 2 - Revise / update Admin / Comms Strategies 3 - Identify other employer data issues and engage with employers on these 4. Update Board on progress with LBTH payroll	On going monitoring	Data remains an issue with council
ER 2	Failure to provide an Annual Benefit Statement to 100% of active members due to incorrect data provided by employers in the scheme	Historic issues around data provision by council and other employers in the scheme remain. Where scheme employers are unable to provide correct and timely data on their employees this has a direct impact on the Fund's ability to provide correct Annual Benefit Statements to all its scheme members especially active members. Incorrect salary data means pension estimates are also incorrect when provided to members.	Major	Likely		1.) Establish data portal for employers to upload data 2.) Enforce data submission by employers 3.) Review and identify data errors within days of employer upload 4.) Contact employers immediately to rectify data errors on portal 5.) Provide training to employers on how to use data portal and recognising data errors 6.) Reconcile monthly contributions paid by employers against data uploaded to portal and contact employers within reasonable time frame 7.) Ensure employers provide end of year payroll reports.	Minor	Unlikely		1 - Take steps to address issues with employers directly 2. Escalate to senior officers for each employer. 3. Report to internal audit and Pensions Regulator as last resort. All employers apart from LBTH council, East End Homes, Tower Hamlets Homes, Mulberry Academy, ITRES and Cayley. 4.) Reconciliations of payroll spreadsheet compared with payroll data extraction report shows employees with differences in employer and employee contributions. Continue to liaise with LBTH payroll to resolve.	On going monitoring	Review date extended to March 2023 pending council resolution of employee payroll data in accuracies and upload of employee payroll data to pensions portal
ER 3	Employer unable to pay cessation deficits leading to other employers becoming liable for such deficits	Employer ceasing to exist or otherwise exiting (e.g. when contract ends) with insufficient funding (bond or guarantee).	Moderate	Unlikely		1 - Employer monitoring database developed and updated quarterly to capture key metrics that drive an employers' liabilities and status within the Fund. 2 - Contract dates for admitted bodies are monitored, so that officers are aware and able to identify employers that are due to leave the Scheme. 3 - Fund Actuary is notified of the need to calculate a cessation valuation 3 months before an employer is due to leave the Fund. 4 - Admission agreements policy requires a guarantee or bond. 5 - Fund Actuary undertakes periodic review of employer profiles which are factored into employer contribution rates.	Minor	Unlikely		1 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-24	1.) Periodic review of employer financial standing 2.) Update FSS as and when necessary

ER 4	Employer contributions are insufficient and/or inappropriate relative to the employer's risk profile, potentially leading to other employers having to meet their liabilities	- Funding and/or investment strategy doesn't take into account changes to employer risk characteristics or the strength of employers' covenant. - Employer contributions not in line with Rates and Adjustments Certificate from actuarial valuation - Fund fails to recover other Employer income adding to the deficit.	Major	Unlikely	1 - Ensuring appropriately prudent assumptions on ongoing basis 2 - Employer covenant analyses undertaken by the actuary, along with employer profiling to help understand employer specifics. This is carried out on admission and periodically and the actuary uses this information when contribution rates are being set triennially. 3 - Employer monitoring database developed / updated quarterly to capture key metrics that drive an employer's liabilities. 4 - Regular profiling of employers' characteristics to ensure that assumptions are still relevant and the FSS is fit for purpose. 5 - Employer contribution payment is monitored against expected payment quarterly and late payers reported to PC. 6 - All employer expenditure incurred by the fund is recharged to the relevant employer via itemised invoices. All income recoverable is itemised in the custodian reports. 7 - Recovery / timing of invoices is regularly monitored. 8 - Actuarial / Investment advice provided by qualified professionals and subject to peer review to ensure that it is fit for purpose.	Moderate	Unlikely	1 - Ensure employer covenant monitoring remains fit for purpose (MA) 2 - Consider whether any controls set out in this point are not currently done, and consider implementing (MA)	Mar-25	Risk was evaluated during 2022 valuation. Housing Association employer risk profile increased by actuary due to reduced active membership numbers
ER 5	McCloud	Inability of scheme employers to provide required data	Major	Likely	Perfrom data review exercise in bulk and individually to identify scheme members who may qualify and / or identify missing data	Moderate	Possible	1.) Software provider currently developing calculations and recalculations of deferred benefits and those already in receipt of pension to identify incorrect values and any over/underpayments. 2.) The ABS will need to be amended following implementation of the amended remedy regulations as it is anticipated McCloud data will be included for each scheme member. 3.) ABS contain a statement on McCloud provided by the LGA. 4.) Changes by software provider should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable.	Sep-23	

SUMMARY

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank