

Pension Board

Agenda

Monday, 11 March 2024 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: David Stephen Thompson (Representing Retired/Deferred Pension Fund Members)

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

Chris Boylett, (Interim Head of Revenue and Benefits)

Nneka Oroge, Trade Union Representative

Councillor Abdul Mannan, Scrutiny Lead for Housing and Regeneration

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:

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



Public Information

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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, 11 March 2024

10.00 a.m.

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTERESTS**
3. **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 20th November 2023.

4. **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.)

5. **SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE**
6. **TRAINING BY HYMANS ROBERTSON**
7. **REPORTS FOR CONSIDERATION**
 - 7.1 **Pensions Administration and LGPS Quarterly Update – December 2023 (To Follow)**
 - 7.2 **Training Plan – 2024-25 (To Follow)**
 - 7.3 **Pension Board Work Programme – 2024-25 (To Follow)**
 - 7.4 **Local Government Pension Scheme Consultation: Next Steps on Investments (To Follow)**
8. **PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING**
9. **ANY OTHER BUSINESS**



10. 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.

10 .1 RESTRICTED MINUTES OF THE PREVIOUS MEETING (Pages 17 - 26)

10 .2 ESG, Voting, Engagement and Stewardship Update (To Follow)

10 .3 Risk Management Policy and Quarterly Review of Risk Register (To Follow)

Next Meeting of the Pension Board

The date of the next meeting is to be determined by Council on the 20th March 2024.



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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 10.00 A.M. ON MONDAY, 20 NOVEMBER 2023

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

Members Present in Person:

John Jones	Independent Chair
David Stephen Thompson	(Representing Retired/Deferred Pension Fund Members)
John Gray	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Annette McKenna	Representing Admitted Bodies Employers

Members In Attendance Virtually:

Chris Boylett	(Interim Head of Revenue and Benefits)
Nneka Oroge	(Trade Union Representative)

Apologies:

Councillor Abdul Mannan	Scrutiny Lead for Housing and Regeneration
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Officers Present in Person:

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

Officers In Attendance Virtually:

Carole S Bowes	(Employment Lawyer, Legal Services, Directorate Law, Probity and Governance)
John Harrison	Interim Director of Finance, Procurement and Audit

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Abdul Mannan (Pension Fund Employers representative) and Ms Julie Lorraine (Corporate Director for Resources and Section 151 Officer)

2. DECLARATIONS OF INTERESTS

John Gary (Representing Active Admitted/Statutory Bodies Fund Members) declared he was vice-chair of the Local Authority Pensions Fund Forum) and a trade union member.

3. UNRESTRICTED MINUTES

The unrestricted minutes of 26th June 2023 were **AGREED** and **APPROVED** as an accurate record of the meeting.

Matters arising

In reference to the minute at 8.2. Mr Thompson asked for an update on the proposed AGM with stakeholders. Ms Adams responded stating there was a delay in securing an appropriate venue for the event, but she was liaising with Facilities Management to resolve this.

4. SUBMISSIONS FROM FUND MEMBERS

There were no submissions for fund members.

5. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

There were no submissions/responses from the Pensions Committee.

6. REPORTS FOR CONSIDERATION

6.1 Funding Strategy Statement Update

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report stating that the report covered the updates to the Funding Strategy Statement and the Academy Funding policy, taking into consideration the recent policy issued by the Education and Skills Funding Agency (ESFA). Ms Adams said the ESFA policy update related to the DfE Academy Guarantee and its application to academy outsourcing issued in May 2023. She stated that the Pensions Board had received the Funding Strategy statement at its September 2022 meeting and the final post employer consultation in March 2023, following the triennial valuation.

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

- The proposed policy change issued by EFSA has been scrutinised by the Pension scheme actuary, how have advised these changes should be made. The Funding Strategy statement and other documents need to be amended.
- In reference to paragraph 3.4 of the report, the Chair Mr John Jones asked if the meeting with the academies had taken place. Ms Adams stated that this had happened, and the changes were welcomed by the academies.

The Pensions Board **RESOLVED** to:

1. Note the content of this report; and

2. Note the revised Funding Strategy Statement as asset out in Appendix A which includes the updates to Academies; and
3. Note the revised policy on Academy Funding Appendix B.

6.2 Funding Update 21 June 2023

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the funding update and said this provided a snapshot of the funding position from 31st March 2022 to 21st June 2023. She said the triennial results had been presented to the Board and Committee and overall, the estimated growth was very good. Ms Adams referred Board members to the table at paragraph 3.2, which showed the current returns of the Fund.

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

- Referring to the table at paragraph 3.2, the Chair asked Ms Adams to explain the figures, which Ms Adams did. She said the growth of the fund from April 2022 to March 2023 had been 4.46%. The figure below showing the growth of 1.63% referred to the first quarter of April 2023 to 21st June 2023.
- Mr Thompson commented that overall, the report was good news for the fund and this ought to be acknowledged.

The Pensions Board **RESOLVED** to:

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

6.3 Report on 2023/24 Fund Liquidity and Cash Flow Forecast

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and said the Pension Fund was open to new entrants, and with several council insourcing expected in 2033/24 and 2024/25, the fund was maturing fast. She said the report provided an update on the projected cashflow forecast for 2023/24 to 2025/26. She said the Fund was projecting a £8.4m positive net cash flow by 2025/26 without any cash draw down from investments.

In response to comments and questions the following was noted:

- The Chair, Mr Jones commented that the LBTH Pension fund was bucking the trend of other Pension Funds, with a positive cashflow. Ms Adams added that the Fund had benefitted from the equity protection it had taken. She said the £20m had not been invested. She said the investment strategy was constantly reviewed.
- Ms Adams explained the LGPS cashflow was ringfenced and could not be used to offer up efficiency savings, for the Council's overall financial

position. She continued stating investments had done well and therefore there was no need to draw down cash from investments.

- Ms Adams explained the cashflow was reviewed and the triennial valuation which is undertaken every three years helped the Pensions Committee decide where to make further investments.
- In response to the impact on the Fund, on those insourcing, Ms Adams said this could have a potential impact and as such the Pensions team kept abreast of the potential increases in the number of members of the fund. She said there were 5 members joining with Leisure Services were insourced.

The Pensions Board **RESOVLED** to:

1. Note the cash flow forecast from operational activities (Appendix A)

6.4 Administering Authority Discretions – Overpayment of Pensions Policy

Ms Miriam Adams, Interim Head of Pensions and Treasury said the proposed Pensions Overpayments Policy was appended at Appendix 1. She said it set out the steps the LBTH Pension Fund would take on the discovery of an overpayment of pension made to a retired member of the LGPS, a beneficiary or estate of a retired member of the LGPS. Ms Adams referred members of the Board to page 78 of the agenda, which set out the policy.

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

- Mr Thompson commented that it would have been helpful to see the number of overpayments for each category as well as the amounts. Ms Adams responded saying her team was working on the NFI (National Fraud Initiative) data. It was being worked on and being cross-referenced with death certifications and who reported the death. She said it was a lengthy process which required them to work with the income team.
- In reference to 'underpayments' paragraph 14.1, Mr Thompson asked if a pensioner is underpaid for more than a year, how the pensioner is compensated? Ms Adams responded stating the policy was aiming to cover all types of scenarios. She said they had controls in place, where each pension statement must be checked by a senior pension officer. It was rare for underpayments to happen, but controls are in place to cover all eventualities.
- **ACTION:** Ms Adams agreed to re-word the paragraph at 14.1 to make clear how the interest paid to underpayments applied.
- In reference to paragraph 10.3, the Chair asked which officer was responsible for the threshold of £150 -200. He asked this to be amended in the policy.
- **ACTION:** Ms Adams to amend the policy at paragraph 10.3 to include the overpayment value of £150-200 and the officer responsible.

The Pensions Board **RESOLVED** to:

1. Note the Policy on Pension Overpayments (the Pension Overpayments Policy)
2. Note that the Committee delegates to the Corporate Director Resources the authority to update the Pension Overpayment policy as required from time to time to reflect changes in working practices and/or the law.
3. Note that the Pensions Committee approved publication on the Pension Fund website.
4. Note that the requirement to review every three years.

6.5 Report of Internal Controls London CIV and underlying Investment Managers

Ms Miriam Adams, Interim Head of Pensions and Treasury said the report presented the findings of the review looking at the adequacy of internal control measures put in place by the London CIV and their underlying fund managers controls. She said Officers had reviewed the available AAF 01/06 and SSAE3402 controls for investment managers, for whom the Fund had a direct relationship with. Ms Adams said the internal control reports signified that a service organisation had its control objectives and control activities 0065amined by an independent account and auditing firm. Ms Adams referred member of the Board to page 95, the control summary, paragraph 3.7 and 3.8 in the main report.

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

- Ms Adams confirmed the report would be presented to the Board and Committee annually.

The Pensions Board **RESOVLED** to;

1. Note the report contents; and
2. Note that the London CIV Third Party Controls and Oversight Summary report at 31 March 2023 (Appendix 1).

6.6 Pensions Administration and LGPS Quarterly Update – June 2023

Ms Miriam Adams, Interim Head of Pensions and Treasury said this was a regular report received by the Board, which set out the information relating to the administration and performance of the Fund over the last quarter as well as key LGPS updates, issues and activities which impact the Fund.

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

- Referring to the table at paragraph 3.2, Ms Adams confirmed the figure of 7,139 was referring to individual members. The figure of 7,775 referred to all employers.
- **ACTION:** Mr Jones said it would be useful to have up-to-date figures at the proposed AGM with employers.
- In reference to paragraph 3.10 and data quality issues, Mr Jones asked what steps had been taken to resolve this issue. Mr John Harrison, Interim Director of Finance, Procurement and Audit, stated they had met with the payroll software providers – Zellis, as well as user groups. The company was not going to charge the Local Authority for the additional work to resolve the glitches in the payroll system. He said he hoped data quality would improve once the work was complete.
- **ACTION:** Mr Thompson said it would be useful to have a series of answers to the questions posed at paragraph 3.14 of the report, at a future meeting of the Board.
- In reference to paragraph 3.18 Ms Adams clarified the proposed bill did not affect decisions relating to ESG (Economic, Social and Governance).
- In response to the current staffing position for the Pensions Team, Ms Adams confirmed there were 2 vacancies. She said they were supporting a member of staff to fill one role and the other would need to go out to recruitment. Mr Jones expressed his desire to fill the second role, stating that it was imperative to support the pension administration team, with its work.
- In reference to paragraph 3.19 and McCloud, Ms Adams said the legislation had received royal assent, however they were awaiting further guidance. She said they were aware of the underpins and the groups affected. They were working with the Actuary on McCloud calculations. She said work was still in progress in regard to McCloud.

The Pensions Board **RESOLVED** to:

1. Note and comment on the contents of this report and appendix; and
2. Note the admission of Nourish Catering limited.

6.7 Local Government Pension Scheme Consultation: Next Steps on Investments

Ms Miriam Adams, Interim Head of Pensions and Treasury said the Department for Levelling Up, Housing and Communities (DLUHC) had on the 11th July 2023 issued a consultation paper relating to Local Government Pension Fund Scheme. She said the consultation ran until the 2nd October and attached at appendix 1 was the response submitted which had been approved by the Pensions Committee.

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

- Mr Jones commented that the appendix at Appendix 1, was clear and helpful.
- Mr Thompson commented that the answer to question 11, relating to private equity was an excellent answer.
- Referring to question 4, Ms Adams said training was provided to members of the Board and the Committee. She reminded members to use the Hymans Portal and complete the bitesize training modules.

The Pensions Board **RESOLVED** to:

1. Note the Fund's consultation response (Appendix 1).
2. Note the summary report by Mercer (Appendix 3).

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Ms Miriam Adams, Interim Head of Pensions and Treasury said several of the reports presented at the meeting today, had already been considered by the Pensions Committee at its meeting of 25th September 2023. She said the next meeting of the Pensions Committee was scheduled for the 11th December and the agenda would be published in accordance with the statutory guidelines.

8. ANY OTHER BUSINESS

No other business was discussed by Board members.

9. EXCLUSION OF PRESS AND PUBLIC

The Chair **MOVED** and

It was **RESOVLED**:

"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."

9.1 ESG, Voting, Engagement and Stewardship Update

Ms Miriam Adams, Interim Head of Pensions and Treasury sated this was a regular report to the Board and Committee outlining the stewardship activity carried out by the Tower Hamlets Pensions Fund's investment managers and on its behalf by the Local Authority Pensions Forum (LAPFF) in the quarter ending June 2023.

The Pensions Board **RESOVLED** to:

1. Note content of this report and appendices.

9.2 Risk Management Policy and Quarterly Review of Risk Register

Ms Miriam Adams, Interim Head of Pensions and Treasury said the report updated the Board and Committee on the changes made to the Fund's Risk Register during the last quarter.

The Pensions Board **RESOVLED** to:

1. Note the detailed Risk Register (Appendix 1)

9.3 Cost Transparency – Investment Management and Pooling Costs 2022/23

Ms Miriam Adams, Interim Head of Pensions and Treasury said the LGPS Code of Transparency (set up by SAB) helped LGPS clients to gather cost information in a consistent format.

The Pensions Board **RESOLVED** to:

1. Note and consider the report and appendices;
2. Note that the London CIV is working on reducing investment management fees where possible for under-performing managers or better and efficient fund structures; and
3. Note that investment management fee rates may be fixed however these are calculated based on value of assets during that period.
4. Note the recommendation to appoint investment cost benchmarking supplier.

The meeting ended at 12.05 p.m.

Chair, John Jones
Pension Board

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

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