

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.31 P.M. ON MONDAY, 3 JULY 2023

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

Members Present in Person:

Councillor Ahmodul Kabir

Councillor Bodrul Choudhury	Scrutiny Lead for Children & Education
Councillor Jahed Choudhury	(Speaker of the Council)
Councillor Iqbal Hossain	(Cabinet Member for Culture and Recreation)
Councillor Rachel Blake	
Councillor Abdal Ullah	
Kehinde Akintunde	GMB Union Representative

Others Present in Person:

Steve Turner	Mercer
Sandeep Chandarana	Mercer
Colin Robertson	Independent Advisor

Others In Attendance Virtually:

John Jones	Independent Chair, Pensions Board
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Officers Present in Person:

Miriam Adams	Interim Head of Pensions and Treasury
Lilian Ajose	(Senior Lawyer)
Matthew Mannion	(Head of Democratic Services)

Officers In Attendance Virtually:

Caroline Holland	(Interim Corporate Director, Resources)
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1. DECLARATIONS OF INTERESTS

There were no Declarations of Disclosable Pecuniary Interests.

2. APPOINTMENT OF VICE-CHAIR

Councillor Bodrul Choudhury Proposed, and Councillor Jahed Choudhury Seconded, that Councillor Iqbal Hossain be appointed as the Vice-Chair of the Committee.

There were no other nominations. The proposal was put to the vote and was agreed, and it was:

RESOLVED

1. That Councillor Iqbal Hossain be appointed Vice-Chair of the Committee for the 2023/24 Municipal Year.

3. MINUTES OF THE PREVIOUS MEETING(S)

It was noted that there were a couple of amendments that needed to be incorporated into the minutes of the previous meetings (13th and 22nd March) and so consideration was deferred to the next meeting.

4. PETITIONS

There were no petitions for consideration.

5. SUBMISSIONS / REFERRALS FROM PENSION BOARD

John Jones, Chair of the Pensions Board, provided feedback from the Board's recent meeting where they had considered the same reports as on tonight's agenda. His report was included in the agenda papers, but he highlighted a number of particular points and issues including:

Governance Compliance Policy and Statement

- The Board supported the statement.
- The proposal for an annual meeting to raise awareness was particularly welcomed and was being explored by officers.
- The delay to publication of the annual report being caused by the delayed final audit of accounts.

Risk Register

- There were too many red risks, and more detail was needed on how these were being addressed. Overall performance was a concern.

Data Quality and Staffing

- This remains a concern although we have seen a noticeable improvement following recent increases in staffing levels but more work needs to be done.
- Onboarding staff from services being brought in-house at the Council may also require additional resources.

Deferred Pensioners

- The numbers were too high and more work was needed from officers and unions to highlight the benefits of the Local Government Pension Scheme to staff.

London CIV and voting alerts

- The Committee's attention was drawn to Paragraph 8 of the report in relation to the need for the London CIV to set out how they follow LAPFF guidelines on voting.

The Committee thanked John Jones for his update. Members discussed the report and in particular concerns on deferred pensioners. It was noted that unions do encourage staff to join the scheme but that many people were struggling to afford the payments in the current environment. It was noted that the scheme provided other benefits such as death in service payments which it was useful to highlight to staff.

RESOLVED

1. That the update be noted.

6. REPORTS FOR CONSIDERATION

6.1 Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings 2023-24

Matthew Mannion, Head of Democratic Services, introduced the report setting out the Committee's Terms of Reference, Membership, Quorum and meeting dates for 2023/24. He explained that this was an annual noting report that all Committees received to ensure they were aware of their responsibilities and areas of work. The Committee agreed to note the report and it was:

RESOLVED

1. That the report be noted.

6.2 Training Events

Miriam Adams, Interim Head of Pensions and Treasury, introduced the update on training for Pension Committee Members. She highlighted that a number of training sessions had been scheduled into the Committee programme, including one at this meeting, but that there was also an online training portal that Members were required to log into and listen to bite sized sessions on various relevant topics.

New Committee Members were also asked to ensure they had completed their induction form as this would help guide training provision.

It was noted that investment managers required proof that Members had undergone training and failure to comply could result in them not allowing the Council to invest in their products.

RESOLVED

1. That the update be noted.

6.3 Pensions Committee Work Plan

Miriam Adams, Interim Head of Pensions and Treasury, introduced the Committee's workplan. She explained that this was a rolling document that would be updated for each meeting of the Committee taking into account any changes or issues that arose during the year such as changes to legislation.

The Committee noted the workplan and it was:

RESOLVED

1. That the workplan be noted.

6.4 Pensions Administration and LGPS Quarterly Update

Miriam Adams, Interim Head of Pensions and Treasury, introduced the regular quarterly update on the pensions scheme. In particular she drew Members' attention to the requirement to agree membership changes (Riverside Housing Association, formerly known as One Housing, and Cannon Barnet LEA becoming an Academy) as well as the proposal to extend the annual overseas existence checks to include additional checks every three years via Convera.

The Committee discussed the report and agreed the proposals and it was:

RESOLVED

1. To note contents of the report.
2. To agree the admission of Riverside Housing Association previously known as One Housing.
3. To note the conversion of Cannon Barnet LEA maintained school to academy status.
4. To agree to extend the annual overseas checks to include a once every 3 years additional check via Convera (previously known as Western Union).

6.5 Governance Compliance Policy and Statement

Miriam Adams, Interim Head of Pensions and Treasury, introduced the report setting out the Pension Fund Governance Compliance Policy and Statement. She took Members through the structures set out in the report including how Full Council delegates responsibility to the Pensions Committee which in turn delegates many powers to the Corporate Director, Resources. The Pensions Board had also been established as a quasi-scrutiny body to monitor and feed into the work of the Committee.

The report also set out the link to the London CIV which invested much of the fund's assets. The report also detailed the relevant policies, reports and plans as set out.

Finally, the report set out the compliance statement which highlights where the Council meets (or doesn't) relevant compliance requirements. In relation to the point about organising an AGM, this was in progress.

Members received the report and agreed the policy and statement, it was:

RESOLVED

1. To agree the Governance Compliance Policy and the Compliance Statement (as set out in Appendix 1).

6.6 Administering Authority Discretions

Miriam Adams, Interim Head of Pensions and Treasury, presented the report seeking agreement to maintain the list of Administering Authority discretions and policies set out. It was explained that many were longstanding and had developed over the years as the pension scheme regulations changed over time.

The Committee were asked to review the appendix setting these out and highlight any questions. Specific policy documents on death grants and child pension policy were also set out.

The Committee considered the report and agreed to the discretions and the recommendations as set out. It was:

RESOLVED

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

6.7 ESG, Voting, Engagement and Stewardship Update

Miriam Adams, Interim Head of Pensions and Treasury, introduced the report setting out an update on the stewardship activity carried out by Tower Hamlets Pension Fund's investment managers (and on its behalf by Local

Authority Pensions Fund Forum (LAPFF). It was noted that as a long-term steward of assets, ensuring good governance and sustainable business models was important in securing better returns to the Fund.

The Committee had a responsibility to take into account where the Fund was investing, how investments were performing and how companies were treating suppliers, staff, the environment and so on. Sometimes the Fund could vote directly with its shares but often this would be through the London CIV/Fund Manager etc.

In discussing the report, the Committee noted a number of points, including:

- It had been a quiet quarter in terms of AGMs with only two taking place.
- The Fund was at the forefront of looking to tackle climate issues. The Fund had a Net Zero commitment and a net zero plan.
- A number of environment related reports would be coming to Committee later in the year including on Net Zero and the Fund's Carbon Footprint.

The Committee agreed to note the report and it was:

RESOLVED

1. To note the report.

6.8 Review of Internal Controls at Investment Managers and Custodian

Miriam Adams, Interim Head of Pensions and Treasury, introduced the report on a review of internal control measures put in place by the fund managers that manage the Fund's assets. The audit identified no significant changes in risk in the year to 31 March 2023 and the controls were approved by the external auditors.

The report sets out more details in relation to each of the fund managers and the controls they reported. A report from the London CIV in their capacity as investment manager which complies to the Standard is currently awaited.

One specific point that was examined was whether the Council's ICT safeguards were appropriate. On current evidence there was no reason to conclude that the Council's controls weren't adequate in this regard.

During discussion Members asked about data management controls and were advised that all new team members must undergo relevant GDPR and similar training and their access must be signed off by the Head of Service. Access to third party systems was on a need-to-know basis.

In relation to how the Council could be confident in the monitoring data that was provided, it was explained that the Council had regular meetings to check and challenge and it was also possible to access systems to check the information that was provided was accurate.

RESOLVED

1. To note the report.
2. To note the current position for London CIV.

6.9 Pension Fund Accounts Update (Verbal)

Miriam Adams, Interim Head of Pensions and Treasury, provided an update on the delay to the sign-off of the Pension Fund Accounts.

As had been noted previously, there had been delays to the sign-off of the Council's accounts for the last few years by the external auditors. As part of the work undertaken, data had been requested to show liabilities and assets in relation to the pension fund. These figures produced a balancing value which had varied significantly between years and so Deloitte as auditors have asked for more information about that variation.

The Council was struggling to satisfy the auditors as to the data and it was possible that a qualification would be placed on the Council's accounts as a result of this if it could not be satisfactorily concluded. The Council was pursuing a quick conclusion so that its accounts for 2018/19 and 19/20 could be signed off in time for the next Audit Committee meeting.

It was explained that this issue did not have a direct impact on the pension fund's accounts which had been audited and had no issues outstanding.

The Committee noted the update and also asked that in future they would like these updates to be presented as written reports.

RESOLVED

1. That the report be noted.

6.10 Quarterly Update Risk Register and Risk Policy

Miriam Adams, Interim Head of Pensions and Treasury, introduced the regular update report on the Fund's Risk Register and Risk Policy. She explained that these were an important policy and register and so they were regularly presented to the Board and Committee for review.

She asked the Committee to note a number of points including that:

- There was a specific risk register item on climate change. It was not yet mandatory to provide this but it was good practice and showed the steps already being taken to address the issue.
- The recent increase in inflation had an impact on both liabilities and investments. Diversification of assets help mitigate any impact of inflation.
- Risk G5 was rated Red due to the possibly qualified audit opinion discussed under the earlier report on the agenda.
- There was a new section on employer related risks.

During discussion the Committee noted a number of points, including:

- That there will always be some risks that you cannot avoid (you can only mitigate) and so a Green rating may not be achievable.
- The risks around inflation and interest rates needed monitoring, in particular the relationship between the two. The Independent Adviser offered to rephrase risk F3 to clarify the issues
- It was important to consider the risks in relation to performance of the London CIV as they were not performing well currently (although they had been an improvement). The Committee agreed this was an issue and asked officers to review the related risks in the register. Officers confirmed that they were in contact with London CIV and would report back. The Independent Adviser informed the meeting that he was in regular contact with the London CIV.
- There was a suggestion that risk G4 (inappropriate or no decisions are made) was too low as 'minor' and should be updated to moderate and amber.

The Committee asked officers to consider the above points and agreed to note the report.

RESOLVED

1. That the report be noted.

6.11 Quarterly Investment Performance Review

Miriam Adams, Interim Head of Pensions and Treasury, introduced the quarterly performance report and Steve Turner, Senior Investment Consultant, took Members through the key points in the report.

The Committee considered a number of issues including:

- That overall performance had been quite mixed although this was expected as not all asset types perform well at the same time.
- The percentage of assets held in property was being increased towards the target weighting.
- Cash assets were more attractive following the rise in interest rates.
- The proceeds of the sales of the Absolute Bond Funds would be used to finance drawdowns by the renewable energy fund.
- The Fund has now committed to investment in the London CIV Affordable Housing Fund.

During discussion of affordable housing, Members suggested further offline discussions could be useful about seed investment in Tower Hamlets and it was indicated that these should be with the London CIV.

RESOLVED

1. That the report be noted.

7. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

It was noted that an update would be provided at a future meeting on the setting up of a Pensions Dashboard.

8. EXCLUSION OF PRESS AND PUBLIC

RESOLVED

1. In view of the contents of the remaining items on the agenda to agree: 'That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act 1972'.

8.1 Quarterly Investment Performance Review

The Committee received an update from Colin Robertson, Independent Investment Advisor on investment performance.

RESOLVED

1. That the update be noted.

8.2 Member Training

Colin Robertson, Independent Investment Advisor, and Steve Turner, Senior Investment Consultant, proceeded to provide the Committee with training on the subjects of inflation and interest rates.

The training covered many issues including, for example:

- Different measures of inflation and types of inflation such as consumer prices and asset price Inflation.
- The importance of considering interest rates and gilt yields after deducting inflation and how long-term inflation can be forecast.
- Long term interest rates / bonds and credit spreads.
- Different types of asset classes and their characteristics including levels of liquidity.

8.3 Restricted Minutes from the Previous Meetings

Consideration of the restricted minutes of the meetings held on 13th and 22nd of March were deferred to the next meeting.

The meeting ended at 8.53 p.m.

Chair, Councillor Ahmodul Kabir
Pensions Committee