

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.30 P.M. ON MONDAY, 11 DECEMBER 2023

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

Members Present in Person:

Councillor Ahmodul Kabir
Councillor Iqbal Hossain
Councillor Jahed Choudhury (Speaker of the Council)
Kehinde Akintunde GMB Union Representative

Members In Attendance Virtually:

Councillor Sirajul Islam Substituting for Councillor Rachel Blake

Apologies:

Councillor Rachel Blake
Councillor Bodrul Choudhury Scrutiny Lead for Children & Education
Councillor Ayas Miah
Councillor Abdal Ullah

Others Present in Person:

Sandeep Chandarana Mercer
Steve Turner Mercer
Colin Roberton Independent Adviser

Officers Present in Person:

Miriam Adams Interim Head of Pensions and Treasury
Julie Lorraine (Corporate Director Resources)
Farhana Zia (Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

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

Apologies for absence

Apologies for lateness were received from Ms Julie Lorraine, Corporate Director for Resources and Section 151 Officer.

1. DECLARATIONS OF INTERESTS

There were no Declarations of Pecuniary Interest declared by the members of the Committee.

2. UNRESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of 25th September 2023 were agreed to be an accurate record of the meeting and were approved by the Committee.

3. PETITIONS

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

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

Mr John Jones, Independent Chair of the Pensions Board presented his report on behalf of the Pensions Board. He informed the Committee the Board had met on the 20th November 2023.

Mr Jones highlighted the reports the Board had reviewed including the risk register as well as Pension Administration. Mr Jones said good progress had been made to improve the output of the pensions team and it was crucial the function was fully resourced to ensure the progress made. He referred members to paragraph 10 of his update and said the Board welcomed the work on Cost Transparency and the decision to authorise external benchmarking of the costs of investment management.

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

- Mr Jones stated there were a total of 8 red and 14 amber rated risks on the risk register and said Ms Adams was best placed to provide further details when item 5.4 was to be discussed by the Committee.

The Chair thanked Mr Jones for attending the meeting and presenting his report.

5. REPORTS FOR CONSIDERATION**5.1 Audited pension fund accounts and updated pension fund annual report 2018/19 and 2019/20**

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the audited Statement of Accounts and Annual Reports for the London Borough of Tower Hamlets Pension Fund for years ending 31st March 2019 and 2020 were appended at appendices 1 and 2. She said the Council had an obligation to publish its Pension Fund accounts as the administrative authority under the Local Government Pension Scheme (LGPS) regulations.

Ms Adams said the Pension Fund Annual Reports for 2018/19 and 2019/20 had now been published as final and had been submitted to the Pensions Regulator.

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

- Councillor Jahed Choudhury commented that whilst it was pleasing to note the accounts for the said years had been signed off, they were qualified due to the pension liability. He asked what had been done to improve this. Ms Lorraine, Corporate Director for Resources and Section 151 Officer stated these were historical records and a considerable amount of work had been done to improve the pensions service as well as tighten up administrative processes.
- Ms Adams explained in detail the sample data that the external auditors had reviewed and said within the sample they had found membership records of pensioners not as up to date as they should be. She said she had worked to put in checks and balances to ensure pensioner records were maintained correctly on their database. Ms Adams said team leaders cross-referenced and checked all calculations to ensure pensioners were not over or under paid.
- Ms Lorraine added the pensions team had made phenomenal progress, and said the error and qualification was not due to Ms Adams leadership.
- Ms Kehinde Akintunde said she was saddened to hear of Ms Adams imminent departure and said Ms Adams had worked tirelessly to improve the Pension Service and thanked her for her hard work. Members of the Pensions Committee concurred with Ms Akintunde's assessment and expressed equal sadness and admiration for Ms Adams.
- **ACTION:** The Chair requested officers to present at the next meeting a detailed plan on how the inconsistencies in historic pensioner records will be tackled. He said the Committee would also like to see some progress by March on the number of records which have been corrected.

The Pensions Committee **RESOLVED** to:

1. Note the audited accounts and final pension fund annual reports for 2018/19 and 2019/20.

5.2 LGPS (England and Wales): Next steps on investments consultation response

Ms Adams, Interim Head of Pensions and Treasury stated the Government had published the results of the consultation on LGPS Next Steps on Investment consultation which closed on 2nd October 2023. Ms Adams said the report summarised the key points from the consultation response and confirmed the Government's vision for the future of LGPS investments.

Ms Adams provided a detailed explanation of the findings, going through the report and said 152 responses had been received to the consultation, with 82 out of 86 LGPS's responding to the consultation. Ms Adams referred to paragraph 3.1 and said the LGPS funds would be required to formally publish a training policy and report on the training members of the Committee had undertaken.

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

- With reference to paragraph 3.5, Ms Akintunde asked if the March 2025 deadline for the pooling of funds would be realised. Ms Adams responded stating that the Government had responded quickly to the consultation and LGPS's were required to 'comply or explain' why the transition to pooling had not been conformed with.
- Mr Robertson, Independent Adviser to the Committee, added that the current government may not have time to enact this consultation into legislation and the Committee would need to wait and see how this developed.
- Mr Steve Turner from Mercer said the Committee had spent considerable time looking at private equity and the moving of assets to pooled funding. He said it was important not to make pre-determined decisions.
- The Chair encouraged members of the Committee to complete the online training modules, especially as this would be reported on as part of the annual report.
 - **ACTION:** Members of the Committee asked if the existing training records could be circulated to them.

The Pensions Committee **RESOLVED** to:

1. Note the Government's response to the consultation.
2. Note the Tower Hamlets Pension Fund position as applicable.

5.3 Review of Communications Strategy

Ms Miriam Adams, Interim Head of Pensions and Treasury presented the communication strategy and policy statement. She said that as the administering authority, the Pensions Fund was required to have a policy which set out how it communicates with key stakeholders. She said the Committee approved the Communication Strategy and Policy Statement in September 2021 however the policy had been reviewed and revised. She referred members to the policy appended at appendix 1. Ms Adams said the Pensions service had their own website where all policies were available including the CIPFA guidelines and target dates.

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

- Members had no questions for Ms Adams on this report.

The Pensions Committee **RESOLVED** to:

1. Consider and approve the revised Communication Strategy and Policy Statement.

5.4 Risk Management Policy and Quarterly Review of Risk Register

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report updated members of the Board and Committee on the changes made to the Fund's Risk Register during the quarter. Ms Adams said not all risks could be eliminated but they could be managed. She referred the members to paragraph 3.3 onwards which listed the risks and what had been done to mitigate against those risks. She drew attention to the table at paragraph 3.11, which summarised the total number of risks and their RAG ratings.

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

- Ms Lorriane, Corporate Director for Resources and Section 151 Officer commented that she would expect risk owners to be identified in the risk register. She also said the reporting was a little out of date as it referred to September, even though it was now December. She said the risk register should reflect more up to date information the next time when the Committee reviewed the register.
- Ms Adams clarified the report was reporting on risks for the September quarter and that the Committee and Board received quarterly updates on the outstanding risks.
- In reference to Risk G2 – Ms Akintunde said over many years the pensions function at LBTH had seen a high turnover of staff, however the appointment of Ms Adams had stabilised the situation and had led to great improvements in this area. She asked how the Council was going to ensure that leadership and oversight of the pensions function continued to be a priority for the Council. Ms Lorraine responded stating this was of concern for her too and that she had instigated a recruitment drive to actively recruit a replacement, which she hoped would be in place by the 2nd January 2024.

The Pensions Committee **RESOLVED** to:

1. Note the detailed Risk Register appended at Appendix 1.

5.5 Pensions Administration and LGPS Quarterly Update – Sept 2023

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided members with information relating to the administration and performance of the Fund over the last quarter to 30 September 2023, as well as an update on key LGPS issues and initiatives which impact the Fund. Ms Adams referred to the table at paragraph 3.1 and said the membership

numbers fluctuate. She referred to the tables at paragraph 3.3, which showed the number of completed and outstanding tasks for the quarter, and performance of the team against CIPFA targets, as per table 3A. Ms Adams referred to paragraph 3.11 and said whilst some progress had been made regarding employer data, there was still work to do to get employers uploading data onto the payroll system.

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

- Referring to paragraph 3.10, Ms Kehinde Akintunde asked if the academies had given notification of converting to academies. Ms Adams responded stating this was on-going and the schools were in the early stages of conversion. She said the DfE website had further information on this.
- **ACTION:** Referring to paragraph 3.11, the Chair requested officers to provide a list of the types of long-standing errors relating to council employee payroll data which affected the administration of the Pension Fund, information on how many cases there are and what is being done to mitigate against the errors.

The Pensions Committee **RESOLVED** to:

1. Note and comment on the contents of the report and appendices;
2. Note the insourcing of Tower Hamlets Homes;
3. Note the academy conversions in the pipeline.

6. TRAINING EVENTS

Ms Miriam Adams, Interim Head of Pensions and Treasury said this was a standing item on the agenda. She reminded members to complete the bitesize training modules on the Hymans portal and said it was vital the portal was utilised. She said members could listen to the recordings on various LGPS topics to gain a better understanding of pension related matters.

The Pensions Committee **RESOLVED** to:

1. Note the advice of Ms Adams and make efforts to complete the training modules.

7. PENSIONS COMMITTEE WORK PLAN

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the work plan for the committee showed the reports that were coming to the Committee. She said the plan listed the reports that were coming to the March meeting of the Committee and asked members take a note of it.

The Pensions Committee **RESOLVED** to:

1. Note the Committee's work plan.

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

There was no other business to be discussed.

Note of thanks

Mr John Jones, Independent Chair of the Pensions Board expressed his thanks on behalf of the Board and himself to Ms Adams for her dedication to the Pensions Board and said she will be sorely missed.

Councillor Ahmodur Kabir on behalf of the Pensions Committee echoed his thanks to Ms Adams and said she had been a valuable officer who had provided advice and support to the Committee.

Reports to Committee and Board

- **ACTION:** Members of the Committee raised as a point for senior officers to note, the late receipt of agenda papers and requested reports for the Board and Committee be released in sufficient time for members to peruse them. The agenda papers for the Committee had been released late owing to report clearances not being provided in enough time.

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.

9.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING

The restricted minutes of the meeting of 25th September 2023 were agreed to be an accurate record of the meeting and were approved by the Committee.

9.2 ESG, Voting, Engagement and Stewardship Update September 23

Ms Miriam Adams, Interim Head of Pensions and Treasury presented the report which provided an update on the stewardship activities carried out by the Tower Hamlets Pensions Fund's investment managers and on its behalf by the Local Authority Pension Forum (LAPFF) in the quarter ending September 2023.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report and appendices;

2. Note the engagement activities of LAPFF; and
3. Note the manager engagement and voting activities during the quarter.

9.3 Quarterly Investment Performance Review

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report informed members of the performance of the Pension Fund investments and its investment managers for the quarter ending September 2023.

The Pensions Committee **RESOVLED** to:

1. Note the performance for September 2023 quarter;
2. Note the Baillie Gifford equity fund is being carefully monitored; and
3. Note the Independent Adviser's quarterly commentary appended at Appendix 1.

9.4 Considering Alternatives to the LCIV (BG) Diversified Growth Fund

Ms Miriam Adams, Interim Head of Pensions and Treasury informed the Committee that the report set out the alternative investment strategy options to replace the current 5% allocation to the LCIV (Baillie Gifford) Diversified Growth Fund.

The Pensions Committee **RESOLVED**:

1. How to allocate the funds.

9.5 2022 TCFD report and Climate Risk Register (Verbal Update)

Mr Sandeep Chandarana, from Mercer provided a verbal update on the progress made with the TCFD agenda and the Climate Risk Register.

The Pensions Committee **RESOLVED** to:

1. Note the verbal update provided in relation to TCFD and Climate Change risks.

The meeting ended at 9.15 p.m.

Chair, Councillor Ahmodul Kabir
Pensions Committee