

# Pensions Committee

## Agenda

**Monday, 25 March 2024 at 5.30 p.m.**  
**Committee Room - Tower Hamlets Town Hall,**  
**160 Whitechapel Road, London E1 1BJ**

### **Members:**

**Chair:** Councillor Ahmodul Kabir

**Vice Chair:** Councillor Iqbal Hossain

Councillor Bodrul Choudhury, Councillor Jahed Choudhury, Councillor Rachel Blake, Councillor Ayas Miah and Councillor Abdal Ullah

### **Co-opted Members:**

Kehinde Akintunde (Trade Union Representative)

**Substitutes:** Councillor Gulam Kibria Choudhury, Councillor Abdul Wahid, Councillor Kabir Hussain, Councillor Asma Islam, Councillor Sirajul Islam and Councillor Maisha Begum

[The quorum for the Pensions Committee is 3 voting Members]

### **Contact for further enquiries:**

Farhana Zia, Democratic Services Officer,

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



## Public Information

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## **A Guide to Pensions Committee**

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.

### **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



## Pensions Committee

Monday, 25 March 2024

5.30 p.m.

### **APOLOGIES FOR ABSENCE**

#### **1. DECLARATIONS OF INTERESTS (PAGES 7 - 8)**

Members are reminded to consider the categories of interest, identified in the Code of Conduct for Members to determine: whether they have an interest in any agenda item and any action they should take. For further details, see the attached note from the Monitoring Officer.

Members are also reminded to declare the nature of the interest at the earliest opportunity and the agenda item it relates to. Please note that ultimately it is the Members' responsibility to identify any interests and also update their register of interest form as required by the Code.

If in doubt as to the nature of an interest, you are advised to seek advice prior the meeting by contacting the Monitoring Officer or Democratic Services.

#### **2. MINUTES OF THE PREVIOUS MEETING(S) (PAGES 9 - 16)**

To confirm as a correct record the unrestricted minutes of the meeting of the Committee held on 11<sup>th</sup> December 2023.

#### **3. PETITIONS**

To receive any petitions relating to matters for which the Committee is responsible.

#### **4. SUBMISSIONS / REFERRALS FROM PENSION BOARD**

#### **5. REPORTS FOR CONSIDERATION**

##### **5.1 Local Government Pension Scheme Consultation: Next Steps on Investments (Pages 17 - 20)**

##### **5.2 Pensions Administration and LGPS Quarterly Update – December 2023 (Pages 21 - 28)**



**Tower Hamlets Council**  
Tower Hamlets Town Hall  
160 Whitechapel Road  
London E1 1BJ

- 6. TRAINING EVENTS**
- 7. PENSIONS COMMITTEE WORK PLAN**
- 8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT**
- 9. 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.

#### **9.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING (Pages 33 - 44)**

To confirm as a correct record the restricted minutes of the meeting of the Committee held on 11<sup>th</sup> December 2023.

#### **9.2 Revised Investment Business Plan 2023/24 (Pages 45 - 52)**

#### **9.3 Quarterly Investment Review - December 2023 (Pages 53 - 100)**

#### **9.4 ESG, Voting, Engagement and Stewardship Update (Pages 101 - 188)**

#### **9.5 Revised Investment Strategy Statement (ISS) (Pages 189 - 216)**

#### **9.6 Portfolio Rebalancing – Index-linked Gilts (Pages 217 - 220)**

#### **9.7 Risk Management Policy and Quarterly Review of Risk Register (Pages 221 - 230)**

#### **Next Meeting of the Pensions Committee**

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



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# Agenda Item 1

## **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: Linda Walker, Interim 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 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 25<sup>th</sup> 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 20<sup>th</sup> 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 31<sup>st</sup> 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 2<sup>nd</sup> 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 25<sup>th</sup> 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



<p>Non-Executive Report of the:</p> <p><b>Pension Committee</b></p> <p><b>Monday, 25<sup>th</sup> March 2024</b></p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Julie Lorraine, Corporate Director, Resources</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Local Government Pension Scheme Consultation: Next Steps on Investments</b></p>	

<b>Originating Officer(s)</b>	Paul Audu, Head of Pensions and Treasury (Interim)
<b>Wards affected</b>	All

## Executive Summary

This report provides an update to the Pension Board on the outcome of the consultation on the Local Government Pension Scheme entitled “Local Government Pension Scheme (England and Wales) Next Steps on Investments” which closed on 2 October 2023. Link to the Government’s response to the consultation is included in this report.

## Recommendations:

The Pension Board is recommended to:

1. Note the contents of this report; and
2. Note the Government’s response to the consultation (Link to the Government’s response to the consultation is included in this report).

### 1. REASONS FOR THE DECISIONS

- 1.1 To inform the Pension Board about the Government’s response to the consultation and next steps.

### 2. ALTERNATIVE OPTIONS

- 2.1 There is no alternative to this report.

### 3. DETAILS OF THE REPORT

- 3.1 The aim of the consultation was to seek views on how to accelerate the pace of delivery of the benefits of pooling, with particular focus on pension fund investment strategy, allocation to the UK market to support high growth sectors and levelling up, and use of (and objective setting for) investment consultants.

- 3.2 The consultation also sought views on the proposed deadline for the transition of assets to the pools by March 2025 and the move to consolidate pools with a threshold £50 billion assets under management per pool.
- 3.3 The government has announced that it is minded to publishing amendment regulations and revised Investment Strategy Statement (ISS) guidance, in collaboration with the Scheme Advisory Board (SAB). Pension funds are urged to transfer all assets to the pool by the end of March 2025 or otherwise set out the rationale and value for money and the review date.
- 3.4 A preferred model of pooling to be set out in a revised pooling guidance clarifying the delegation of strategy implementation and selection of fund managers. The government supports inter-pool initiatives.
- 3.5 A specific requirement for administering authorities to publish their training policy for the Pensions Committee and report against it.
- 3.6 A requirement to provide comprehensive analysis of asset allocation, savings from pooling and asset class return relative to the benchmark in annual reports.
- 3.7 Expansion of data collection on pension funds to include asset allocation, percentage of total assets pooled and the net savings of pooling.
- 3.8 A requirement for pension funds to develop and maintain a plan to target up to 5% allocation to support levelling up and monitor and report on the effectiveness of the plan. The revised ISS will also require pension funds to commit up to 10% to private equity.
- 3.9 Tower Hamlets Pension Fund has pooled 61% of its strategic asset allocation through London CIV, while 20% of its assets is pooled under a fee arrangement via the Pool.
- 3.10 The Fund has benefited from the availability of Private Markets investments like Renewable Energy Infrastructure fund and UK Housing fund via the pool. To date, the Fund has pooled all the liquid assets in its investment strategy bar Index Linked Gilts.
- 3.11 Officers will provide updates to future Boards.

#### **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 There are no 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.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 The Local Government Pension Scheme (LGPS) is a national pension scheme administered locally. Tower Hamlets Council is the administering authority for the LGPS which provides pensions and other benefits for employees of the Council, Tower Hamlets Homes, Academies, various catering and cleaning contractors and a range of employers within the Fund.
- 6.2 The LGPS is a 'defined benefit' scheme which means that members benefits are not calculated based on investment performance. Contribution levels for scheme members are set nationally, and contribution levels for scheme employers including the council are set locally by the scheme actuary.
- 6.3 Increasing the level of investments in the UK and in private equity may increase fees because the nature of investments means they are more expensive to manage than for example listed passively managed equity tracking funds. However, different types of funds provide diversification may enable the Fund to adopt the correct risk/return profile to meet its liabilities and for this reason a mix of investments that includes some asset types with higher costs may be appropriate.

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 There are no direct legal implications arising from this report.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE

#### **Appendices**

- Appendix 1 – Link to Government response to consultation is provide below.

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

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

- Consultation outcome: Local Government Pension Scheme (England and Wales): Next Steps on Investments – government response' available online at: [Local Government Pension Scheme \(England and Wales\): Next steps on investments - government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-next-steps-on-investments-gov-uk)


#### **Officer contact details for documents:**

Paul Audu – Head of Pensions and Treasury Tel: 020 7364 4248 (Ext. 4248)

3<sup>rd</sup> Floor, Town Hall, 160 Whitechapel Road, London E1 1BJ

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Non-Executive Report of the:  <b>Pension Committee</b>  <b>Monday, 25th March 2024</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Pensions Administration and LGPS Quarterly Update – December 2023</b>	

<b>Originating Officer(s)</b>	Paul Audu, Head of Pensions and Treasury (Interim)
<b>Wards affected</b>	All

**Executive Summary**

This report provides Board members with information on the administration and performance of the Scheme and update on key developments in the LGPS for the quarter to December 2023.

**Recommendations:**

The Pension Board is recommended to:

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

**1. REASONS FOR THE DECISIONS**

- 1.1 The Board receives this report on a quarterly basis in the discharge of its duty.

**2. ALTERNATIVE OPTIONS**

- 2.1 There are no alternative options to this report.

**3. DETAILS OF THE REPORT**

**ADMINISTRATION UPDATE**

- 3.1 The administration of the Scheme is carried out in-house by the pensions team. It involves maintenance of accurate Scheme records to enable Scheme benefits to be calculated correctly, effective processing of members joining and leaving the Scheme, and employer-related issues including new employer

admissions and cessations. The table below shows the Scheme membership at 31 December 2023.

Table 1A: Analysis of Membership at 31 December 2023

Membership	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,934	8,425	102	7,292	2,355
% of Membership	30.39	32.27	0.39	27.93	9.02
Change from last quarter	10	-5	-65	63	-808

Table 1B: Change in Membership – Quarter to 31 December 2023

Membership	31 Dec 2023	30 Sep 2023	Change (%)
Active	7,934	7,924	0.13
Deferred	8,425	8,430	-0.06
Undecided	102	167	-38.92
Pensioner (incl. spouse & dependant members)	7,292	7,229	0.87
Frozen	2,355	3,163	-25.55
<b>Total</b>	<b>26,108</b>	<b>26,913</b>	<b>-2.99</b>

- 3.2 The table below shows the tasks completed and outstanding during the quarter to 31 December 2023.

Table1C: Analysis of Case types – Quarter to 31 December 2023

	Albair Workflow	Target days	Oct-23				Nov-23				Dec-23			
			Cases at Start	New Cases	Cases Processed	Cases Outstanding	Cases at Start	New Cases	Cases Processed	Cases Outstanding	Cases at Start	New Cases	Cases Processed	Cases Outstanding
<b>Retirements</b>	<b>Albair Workflow</b>													
Voluntary	AHEARYA	25	9	16	25	8	8	7	10	5	5	4	8	1
Redundancy	AHRIDUNA	25	2	0	1	1	1	1	1	1	1	2	3	0
Medical	AHHRETR	25	0	1	1	0	0	2	2	0	0	3	2	1
Late	AHLATERA	25	2	4	3	3	3	9	8	4	4	9	5	8
Resible	AHFLDRA	25	0	1	0	1	1	0	0	1	1	1	0	2
Deferred into Payment	AHDOPAVA	25	25	20	30	17	17	21	28	30	10	21	30	12
			<b>38</b>	<b>42</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>40</b>	<b>49</b>	<b>28</b>	<b>21</b>	<b>40</b>	<b>37</b>	<b>24</b>
<b>Transfers</b>														
Transfer In - Quotes	AHTVIQ	30	8	9	11	6	6	7	4	9	9	6	7	8
Transfer Out - Quotes	AHTVQD	30	7	2	5	4	4	5	7	2	2	5	2	5
Transfer In - Actual	IFAND3 & TVIN03		9	5	7	7	7	11	8	30	10	4	4	10
Transfer Out - Actual	IFACOUT2 & TVOUT02		30	36	36	30	10	18	18	30	10	8	6	12
			<b>36</b>	<b>30</b>	<b>37</b>	<b>27</b>	<b>27</b>	<b>41</b>	<b>37</b>	<b>34</b>	<b>31</b>	<b>23</b>	<b>39</b>	<b>35</b>
<b>Refunds</b>														
Refund Calculations	AHRINDF	30	32	45	69	8	8	33	35	6	6	24	23	17
Refund Payments	AHRINDA	30	13	23	27	9	9	15	19	5	5	13	13	5
			<b>45</b>	<b>68</b>	<b>96</b>	<b>17</b>	<b>17</b>	<b>48</b>	<b>54</b>	<b>11</b>	<b>11</b>	<b>37</b>	<b>36</b>	<b>22</b>
<b>Estimates</b>														
Voluntary	AHDNEST & AHCARLYQ	25	9	46	38	20	22	21	32	11	11	41	37	15
Redundancy	AHRIDUNQ	25	4	2	5	1	1	5	4	2	2	38	30	7
Medical	AHHIREQ	25	3	1	3	1	1	3	3	1	1	3	1	3
Late	AHLATERQ	25	2	36	11	5	5	10	11	4	4	4	4	4
Resible	AHFLDRQ	25	4	3	6	1	1	6	5	2	2	6	7	1
Deferred into Payment	AHDOPAVQ	25	8	25	21	12	12	18	25	5	5	5	5	5
			<b>30</b>	<b>39</b>	<b>77</b>	<b>40</b>	<b>42</b>	<b>63</b>	<b>80</b>	<b>25</b>	<b>25</b>	<b>97</b>	<b>87</b>	<b>35</b>
<b>Deferred</b>														
Deferred Calculations	AHDERLV	30	66	46	59	46	49	27	49	27	27	37	20	41
Opt Out														
Opt Out	OPTOPRT2	2	36	57	42	29	29	64	55	38	38	40	40	35
<b>New Starters</b>														
New Starters	AHNEWST	40	1	140	65	35	76	182	206	52	52	26	58	20
<b>Nominations</b>														
Nomination Changes	AHNOMIN	30	6	7	9	4	4	9	9	4	4	1	4	1
<b>Address</b>														
Address Changes	AHWDDRES	25	17	29	30	35	16	30	30	35	16	10	17	9
<b>Bank Account</b>														
Bank Account Change	BANKOIGE	0	13	8	9	12	12	19	14	17	17	2	25	4
<b>General Enquiry</b>														
General Enquiry	AHMEMBER	30	111	130	167	77	77	132	157	52	52	113	114	51
<b>Deaths</b>														
Death Cases - General	AHDCATH	25	86	29	40	20	72	33	29	35	76	22	20	75
<b>TOTAL</b>			<b>439</b>	<b>676</b>	<b>698</b>	<b>412</b>	<b>451</b>	<b>688</b>	<b>769</b>	<b>370</b>	<b>370</b>	<b>648</b>	<b>666</b>	<b>352</b>

3.3 The above table excludes tasks received via the pension team inbox and telephone queries. Currently, most queries are actioned immediately without logging them to avoid further delay to existing backlog. However, some queries such as refunds, opt outs, death notifications, leavers and retirement quotes are logged as tasks and allocated to members of the pensions team to action.

### Life Certificates 2024

3.4 Overseas pensioners and dependants are required to complete a Life Certificate each year to check their existence. The 2024 Life Certification process commenced in February. Those who do not return Life Certificates after 2 reminders will have their benefits suspended. The first reminders were sent on 1<sup>st</sup> March 2024.

### Workflows

- 3.5 During the quarter to 31 December 2023, a total of 2302 workflows were produced.
- 3.6 The table below shows the performance relative to the CIPFA benchmark. Some tasks such as transfers in, transfers out, processing of deaths and retirements are contingent upon initial responses from third parties, other pension funds, lawyers or scheme members.

Table 3A: Performance against CIPFA suggested timelines (October – December 2023)

			October	November	December
			% Within Target	% Within Target	% Within Target
Retirements	Altair Workflow	Target Days			
Voluntary	AHEARLYA	15	35.71	40	87.5
Redundancy	AHREDUNA	15	100	0	100
Medical	AHIHRETA	15	100	100	100
Late	AHLATERA	15	66.67	87.5	100
Flexible	AHFLEXRA	15	-	-	-
Deferred into Payment	AHDBPAYA	15	43.33	71.43	63.16
<b>Transfers</b>					
Transfer In - Quotes	AHTVIQ	10	63.64	100	57.14
Transfer Out - Quotes	AHTVOQ	10	0	66.67	50
Transfer In - Actual	IFAIN03 & TVIN03	0			
Transfer Out - Actual	IFAOUT02 & TVOUT02	0			
<b>Refunds</b>					
Refund Calculations	AHRFNDF	10	24.24	81.82	76.92
Refund Payments	AHRFNDA	10	34.78	57.89	83.33
<b>Estimates</b>					
Voluntary	AHBENEST & AHEARLYQ	15	86.67	87.1	94.44
Redundancy	AHREDUNQ	15	25	100	96.97
Medical	AHIHRETQ	15	50	66.67	100
Late	AHLATERQ	15	72.73	63.64	50
Flexible	AHFLEXRQ	15	66.67	100	85.71
Deferred into Payment	AHDBPAYQ	15	90.48	92	80
<b>Deferred</b>					



<b>Deferred Calculations</b>	AHDEFLV	30	91.07	93.62	86.36
<b>Opt Out</b>					
Opt Out	OPTOPRT2	2	64.29	60	48.84
<b>New Starters</b>					
New Starters	AHNEWST	40	100	100	100
<b>Nominations</b>					
Nomination Changes	AHNOMIN	10	55.56	55.56	25
<b>Address</b>					
Address Changes	AHADDRES	15	72.41	90	87.5
<b>Bank Account</b>					
Bank Account Change	BANKCHGE	0	37.5	50	80
<b>General Enquiry</b>					
General Enquiry	AHMEMBER	10	64.02	69.23	85.59
<b>Deaths</b>					
Death Cases - General	AHDEATH	15	61.54	78.57	73.91
			<b>61.14</b>	<b>74.42</b>	<b>78.80</b>

## EMPLOYER UPDATE

- 3.8 The table below shows the employers with active members in the Scheme on 31 December 2023.

Administering Authority	Scheduled Bodies
London Borough of Tower Hamlets	Attwood Academy (Ian Mikardo School)
	Boleyn Multi-Academy Trust
<b>Admitted Bodies</b>	Bishop Challoner
Age UK East London	Canary Wharf College

Atlantic Cleaning Services	
Compass Contract Services Limited	Cyril Jackson Academy
East End Homes	East London Arts & Music
Greenwich Leisure Limited	Gateway (Bethnal Green & Vic)
Juniper Ventures Ltd	Letta Trust (Stebon and Bygrove Schools)
Mediquip	London Enterprise Academy
Olive Dining	Mulberry Academy
One Housing Group (formerly Island Homes)	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
Phoenix Trust – closed scheme	Sir William Burrough
Purgo Supplies Services Ltd	St. Pauls Way Community School
Tower Hamlets Community Housing Limited	Wapping High School
Taylor Shaw	
Vibrance (formerly Redbridge Community Housing Limited)	
Wettons Cleaning Limited	
Nourish Catering	

### **Data Quality**

- 3.9 During the quarter efforts were made to improve the quality of pensions data because of queries raised by the external auditor. Work is continuing in this regard to ensure accurate data.

### **Employer Insourcing**

- 3.10 The following insourcing arrangements is ongoing: Leisure services insourcing - Tower Hamlets Council Tower Homes (THH) - Tower Hamlets Council 1 November 2023.

### **Employer Admissions**

- 3.11 Employer admissions in the pipeline include Nourish Catering Ltd in respect of contracts with Thomas Baxter and John Scarr schools and Chisenhale and Old Palace.

### **Employer Cessations**

- 3.12 During the quarter, there was one employer cessation involving Tower Hamlet Homes which ceased on the 31/10/2023.

### **SCHEME and LEGISLATIVE UPDATE**

### **McCloud legislative Update**

- 3.13 The process of data collection from employers is ongoing and templates were issued to employers. About 30% of employers have provided data. Additional resources will be required for the McCloud exercise.

### **Member Self Service (MSS) Roll Out**

- 3.14 The roll out of Member Self Service (MSS) continues. Take-up is low. Officers will be visiting schools over the next few months to register LGPS members.

### **OUTSTANDING WORK**

- 3.14 In total there are currently 119 cases classified as 'Undecided Leavers' i.e. members that have left employment or opted out of the pension scheme and have yet to be processed as refunds, deferred beneficiaries, pensioners or transfers out.
- 3.15 Possible incoming transfer currently being processed – 261. In these cases, we are either waiting for a response from the transferring scheme, waiting for a response from the member, or waiting for payment of the transfer.

## **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 There are no 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.

## **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 Pension Board 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 Board to receive information from the Pensions Administration team about the performance of the administration function of the pension fund.

- 7.2 When carrying out its functions as the administering authority of its 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).

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

### **Appendices**

- NONE

### **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:**

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# PENSIONS COMMITTEE

## Work Plan

2023/24 March 24

25 March 2024		
	1	Member Training – Climate Change Scenario Analysis
	2	Quarterly Risk Register Update and review of breaches
	3	Quarterly Administrative Monitoring, Performance and LGPS Update
	4	Quarterly Corporate Governance, ESG, Stewardship, Engagement & Share Voting
	5	Accounts and Audit Update
	6	Governance Compliance and TPR Code of Practice Checklist
	8	Review of Service Provider Contracts
	9	Strategy Review Admin Strategy, Cyber Risk
	11	<p>Quarterly Investment Performance Reporting and update on emerging /current issues</p> <ul style="list-style-type: none"> <li>• Report of Independent Adviser market and manager update</li> <li>• Whole Fund and manager quarterly performance</li> <li>• Manager presentations</li> </ul>
	12	Equity Portfolio Diversification
	13	Draft Investment Strategy Statement (ISS) 2024/25
	14	Preparation for 2023 TCFD report (Climate change scenario analysis and Annual carbon foot-printing analysis)
	15	Pensions Committee Terms of Reference, training and work plan

**Note:** Officers are devising a Work Plan for the Pensions Committee for 2024/25 to be presented to the Committee at the next meeting.

**2023/24 TRAINING**

<b>Title of Training / Presentation</b>			<b>Time</b>
18 September 23			
	1	Member Training – Strategic Asset Allocation	7.15pm to 8.15pm
October 23			
	1	Member Training – Strategic Asset Allocation options – ILG and IGC	6.30pm to 7.30pm
November 23			
	1	Member Training – Asset Allocation – ILG and IGC – meet potential managers	6.30pm to 7.30pm
March 24			
		Member Training – Climate Change Scenario Analysis	

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# Agenda Item 9.3

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# Agenda Item 9.6

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