

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.00 A.M. ON MONDAY, 16 SEPTEMBER 2024

**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)
Councillor Musthak Ahmed	(Cabinet Member for Jobs, Enterprise, Skills and Growth)

Members In Attendance Virtually:

John Gray	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Chris Boylett	(Interim Head of Revenue and Benefits)
Annette McKenna	Representing Admitted Bodies Employers

Apologies:

Nneka Oroge	Active Fund Members Representative
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Others Present in Person:

Barry Dodds	Actuary
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Officers Present in Person:

Paul Audu	(Interim Head of Pensions & Treasury)
Abdulrazak Kassim	(Director Finance, Procurement and Audit)
Julie Lorraine	(Corporate Director Resources)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Carole Bowes	(Employment lawyer, Legal Services, Directorate Law, Probity and Governance)
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VARIATION IN THE ORDER OF BUSINESS

The Chair, Mr John Jones stated item 9.2, Triennial Actuarial Valuation 2025 and Funding Update did not need to be part of the restricted agenda and as such the training by Hymans Robertson would be presented first.

Thereafter the Board would consider the reports that were part of the 'open' agenda before taking item 9.4 first and then the remainder of the restricted agenda.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Nneka Oroge, Active Fund Members' representative.

2. DECLARATIONS OF INTERESTS

There were no declarations of pecuniary interest made by Board members.

3. UNRESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of 8th July 2024 were **AGREED** and **APPROVED** as an accurate record of the meeting.

Matters arising

Mr Thompson asked for further information in relation to some of the action points in the minutes. He asked:

- If the Pension Fund accounts had met the deadline for submission;
- If the 10 outstanding cases referred to under item 7.4 had been resolved; and
- Confirmation that the compliance statement had been completed.

Ms Julie Lorraine, Corporate Director for Resources and Section 151 Officer and Mr Paul Audu, Interim Head of Pensions and Treasury responded to the questions raised.

- The accounts were on course to meet the submission deadline for Deloitte's to 22/23 but there remained a risk to 23/24 with the EY timetable.
- The 10 outstanding cases were being worked on, with help from legal colleagues.
- The compliance statement was being worked on.

4. SUBMISSIONS FROM FUND MEMBERS

There were no submissions from fund members.

5. SUBMISSIONS / RESPONSES FROM PENSIONS COMMITTEE

There were no submissions/responses from the Pensions Committee.

6. REPORTS FOR CONSIDERATION

6.1 Employer Engagement and Communications Report

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report provided members with an update on the Employer engagement and communications policy of the Fund. Mr Audu referred to the bullet points stated at paragraph 3.2 and said these were the current issues the LGPS had to engage with employers about, who are part of the scheme. Mr Audu said an Employers Information Forum was planned for January 2025 to engage with employers.

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

- The Board welcomed the idea of holding a Pension Fund Information Forum in January 2025. The Board stated they had been asking for this for some time now.
- Referring to the bullet points at paragraph 3.2, Mr Thompson said the items listed were strategic heavy subjects and perhaps the better approach would be to promote the benefits of the LGPS, the options available and demystify some of the myths, about investing in a pension. Mr Audu responded stating that the agenda for the AGM would be brought back to the November meeting of the Board and Committee for approval.
- Ms Lorraine concurred with the approach outlined and said it should be simpler. She said whilst it was important to engage with current employers, it was equally important to promote the scheme to prospective employers who are not in the scheme. This was key to the longer-term sustainability of the fund given the demographic younger aged profile of those not joining.

The Pension Board **RESOLVED** to **NOTE** and **AGREE** the recommendations being made to the Pensions Committee, for its meeting of 30th September 2024 that:

The Pensions Committee is recommended to:

1. Note the content of this report.
2. Agree officers' proposal to hold a Pension Fund Information Forum for scheme employers and members in January 2025, at TH Town Hall, date and the event agenda to be agreed with the Fund Actuary and Investment Consultant.
3. Note that officers will provide an update on the proposed Forum planning including a draft agenda to the Committee in November for consideration and, if satisfied, approval.

6.2 Governance Report

Mr Paul Audu, Interim Head of Pensions and Treasury presented the report and said the report updated members in relation to the governance and legislative issues affecting the Fund. He said it informed members of the

developments in the LGPS and regulatory environment, policy changes and pooling.

In response to comments and questions the following was noted:

- Referring to appendix 2 of the report, Mr Jones the Independent Chair asked how the Government Actuary tracked the progress of funds. Mr Audu responded stating that the LBTH LGPS was not on the list referred to on page 123 of the agenda as there were no red flags, and the Fund was in surplus.

The Pensions Board **RESOLVED** to **NOTE** and **AGREE** the recommendation being made to the Pensions Committee for its meeting of 30th September that:

The Pensions Committee is recommended to:

1. Note the Government Actuary's Department (GAD) 2022 Section 13 Report published on 14 August 2024 (**Appendix 1**);
2. Note the Government Actuary's Department (GAD) 2022 Section 13 Report published on 14 August 2024 – separate appendices (**Appendix 2**);
3. Note the TH Pension Fund's 2022 Section 13 results;
4. Note the implications of the GAD 2022 Section 13 report on the 2025 actuarial valuation;
5. Note the exit credit cases currently under consideration; and
6. Note the current government action to pursue efficiencies in the LGPS including a Pensions Investment Review and a Call for Evidence.

6.3 Pensions Administration Report - June 2024

Mr Paul Audu, Interim Head of Pensions and Treasury said the report provided an update on Pension Administration and the performance of the scheme for the quarter up to June 2024.

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

- Referring to the table at paragraph 3.1 of the report, Mr Thompson asked what action had been taken in relation to 'frozen' members and the 30% of undecided members? Mr Audu said 'frozen' members, had to decide whether they wanted to leave their pension with LBTH LGPS or move it elsewhere. In respect to the undecided members, efforts are made by officers to encourage them to become full members.
- In reference to paragraph 3.2, and the delay in despatching the Annual Benefit Statements on time, the Board asked if the delay affected those who receive their statements via post, online or both? Mr Audu said there had been a technical hitch, whereby the system was locked. However, he worked with IT Officers to resolve this as soon as possible. There had been a delay of 2 days.
- The Board asked for an update in respect to staffing numbers and the number of vacancies in the team. Mr Audu informed members a new

team member had joined and another was expected to join by the end of the week. He said he would continue to make efforts to recruit to the other unfilled positions by the end of the year.

The Pensions Board **RESOLVED** to **NOTE** and **AGREE** the recommendations being made to the Pensions Committee for its meeting on 30th September that:

The Pensions Committee is recommended to:

1. Note the contents of this report;
2. Note the employer admissions in the pipeline;
3. Note the late despatch of Annual Benefit Statements due to a technical hitch; and
4. Note the progress and ongoing effort to improve the quality of the pensions data.

6.4 Training

Mr Paul Audu, Interim Head of Pensions and Treasury said the report updated members in relation to the training arrangements for the Committee and Board. He said members of both the Board and Committee were required to complete training via the training portal and reminders had been sent to members. He said the National Knowledge Assessment was being launched on the 17th September and required completion as soon as possible.

In response to comments and questions the following was noted:

- The Hymans portal and the LGPS Online Learning Academy (LOLA) were one of the same thing. There were new modules on the online portal that members needed to complete.
- It was suggested that instead of asking members to complete the modules as soon as possible, to set a target date for completion as each module took considerable time to understand and complete to a satisfactory level.
- **ACTION:** Hymans Robertson to send a refreshed email to all members with a link to the online training, so members can access the new modules of training for completion.

The Pensions Board **RESOLVED** to **NOTE** and **AGREE** the recommendation being made to the Pensions Committee for its meeting of 30th September that:

The Pensions Committee is recommended to:

1. Note the content of this report.
2. Note that Committee and Board members have been enrolled on the LGPS Online Learning Academy (LOLA) and will have received individual email confirmation of enrolment.
3. Note that Committee and Board members can now access the LOLA portal to review the modules they have been enrolled to complete the learning at their own pace.
4. Note that Hymans will be launching the 2024 National Knowledge Assessment (NKA) on 17 September 2024.

5. Note that it is recommended that Committee and Board members commence the assessment as soon as possible after the launch date.
6. Note that Committee and Board members will be provided with a link to the assessment prior to the launch of the NKA.
7. Advise officers of any training completed and event(s) attended not recorded in the training log.

6.5 Tower Hamlets Pension Board Annual Report 2023-24

Mr John Jones, Independent Chair of the Board presented his annual report, which set out the work carried out by the Board for the financial year 2023-24.

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

- Members of the Board did not have any questions in relation to the annual report.

The Pensions Board **RESOLVED** to **NOTE** and **AGREE** to Annual report of the Pensions Board for 2023-24.

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Mr Paul Audu, Interim Head of Pensions and Treasury said the work programmes of both the Committee and the Board for 2024/25 were appended to the report. He said many of the reports mirrored each other on both work programmes, to allow both the Board and the Committee to properly scrutinise and comment on the activities of the LGPS.

In response to comments and questions the following was noted:

- Mr Thompson enquired if the Annual Funding and Investment Strategy would be coming to the Board and Committee? Mr Audu responded saying this would be added once the triennial valuation had been completed.
- In respect to training, Mr Audu confirmed the training received by the Board today, on the Triennial valuation would be added to the log.

The Board **RESOLVED** to **NOTE** and **AGREE** the recommendations being made to the Pensions Committee for its meeting of 30th September that:

The Pensions Committee is recommended to:

1. Note the content of this report.
2. Consider the Work Programme for the Committee and Board included in this report (**Appendix 1**) and (**Appendix 2**) respectively.
3. Read this report in conjunction with the separate report titled "Training" to this Committee, and that Committee and Board members have been enrolled on the LGPS Online Learning Academy (LOLA) and will have received individual email confirmation of enrolment.

4. Note that Hymans will be attending this meeting and the Board to provide training on actuarial valuation.
5. Advise officers of any training completed and event(s) attended not recorded in the training log.

8. ANY OTHER BUSINESS

No other business was discussed by Board members.

9. EXCLUSION OF PRESS AND PUBLIC

The Chair **MOVED** the motion to exclude members of the press and public for the restricted (part 2) of the agenda. This was **SECONDED** by Mr Thompson, vice-chair of the Board.

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(S)

The restricted minutes of 8th July 2024 were **AGREED** and **APPROVED** as an accurate record of the meeting.

9.2 Triennial Actuarial Valuation 2025 and Funding Update

Mr Barry Dodds, from Hymans Robertson gave a presentation to the Board, which highlighted how the Actuarial Valuation is undertaken. He explained how the fund works, how the strategy is set, the current funding status of the LGPS Fund and the change in environment such as high inflation and investment outlook affect the performance of the fund. Mr Dodds outlined the main funding risks and valuation considerations for the 2025 Triannual valuation.

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

- **ACTION:** Referring to the heatmap, the Corporate Director for Resources Ms Lorraine asked if details could be provided from Club Vita of where Tower Hamlets members of the LGPS reside as the wider UK figures may not be representative of the makeup of the council's workforce and noted that much of the valuation would focus on life expectancy and longevity.
- Referring to the options slide and retaining the surplus, Mr Thompson asked how the investment strategy would change to deal with volatility.

He asked if the option was to invest in more liquid assets. Mr Dodds confirmed it was.

- In response to how government policy, impacts on projected assumptions made, Mr Dodds said modelling was used to consider these factors. For example, if a considerable amount of redundancies were projected this would impact the profile of the LGPS membership.

The Pensions Board **RESOLVED** to **NOTE** and **AGREE** the recommendations being made to the Pensions Committee for its meeting of 30th September that:

The Pensions Committee is recommended to:

1. Note the content of this report.
2. Note that the estimated funding level of the pension fund was 163% at 30 June 2024.
3. Note that Pension Fund returns resulting from the Committee's investment decisions impact the estimated funding levels.
4. Note that the Fund Actuary, Hymans will be attending this meeting to discuss their approach to the upcoming 2025 actuarial valuation and provide training. The training material is at **Appendix 1**.
5. Note the 2025 actuarial valuation planning presentation appended to this report (**Appendix 2**).

9.3 Draft Annual Report and Accounts 2023-24 - Update

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report updated members on the 2023/24 Tower Hamlets Pension Fund year-end closing, the preparation of the Draft Pensions Fund Annual Report and Accounts and the ongoing work by EY LLP.

The Pensions Board **RESOLVED** to **NOTE** and **AGREE** the recommendations to the Pensions Committee for its meeting of 30th September that:

The Pensions Committee is recommended to:

1. Note this report and progress with respect to the ongoing external audit work by EY LLP; and
2. Note the Guidance for LGPS Funds published by DLUHC in April 2024 appended to this report (**Appendix 1**).

9.4 Israel/Middle East Exposure Report

The minute for this item is restricted.

9.5 Pension Fund Risk Register - 30 June 2024

Mr Paul Audu, Interim Head of Pensions and Treasury presented the Pension Fund Risk Register as at 30th June 2024 report. He referred to the risks listed at paragraph 3.3 onwards and explained what action had been taken to mitigate against them.

The Pension Board **RESOLVED** to **NOTE** and **AGREE** the recommendations being made to the Pensions Committee for its meeting of 30th September that:

The Pensions Committee is recommended to:

1. Note the detailed Risk Register appended to this report (Appendix 1).

9.6 Liquidity and Cashflow Monitoring - 30 June 2024

Mr Pau Audu, Interim Head of Pensions and Treasury presented the Liquidity and Cashflow monitoring report as at 30th June 2024. He said the report showed the cashflow forecast for 2024/25 and 2025/26. He said the forecast covers a two-year cycle, with a projected forecast of £11.6m positive net cashflow by 2025/26 without divesting from investments.

The Pension Board **RESOLVED** to **NOTE** and **AGREE** the recommendations being made to the Pensions Committee for its meeting of 30th September that:

The Pension Committee is recommended to:

1. Note the Pension Fund liquidity and cashflow forecast 2024/25 to 2025/26 appended to this report (**Appendix 1**).

9.7 Quarterly Investment Review - June 2024

This report did not make the Pension Board agenda and therefore was not considered.

The meeting ended at 12.21 p.m.

Chair, John Jones
Pension Board