

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.32 P.M. ON MONDAY, 1 JULY 2024

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

Members Present in Person:

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| Councillor Ana Miah | Chair |
| Councillor Jahed Choudhury | Vice-Chair |
| Councillor Saied Ahmed | (Cabinet Member for Resources and the Cost of Living) |
| Councillor Kamrul Hussain | (Cabinet Member for Culture and Recreation) |
| Councillor Faroque Ahmed | |
| Councillor Maisha Begum* | |
| Kehinde Akintunde | GMB Union Representative |

Members In Attendance Virtually:

Councillor Abdal Ullah

Apologies:

Others Present in Person:

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| Steve Turner | Mercer |
| Sandeep Chandarana | Mercer |
| Colin Robertson | Independent Adviser |

Officers Present in Person:

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

Officers In Attendance Virtually:

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| Carole S Bowes | (Employment Lawyer, Legal Services, Directorate Law, Probity and Governance) |
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*Councillor Maisha Begum arrived late for the meeting.

1. DECLARATIONS OF INTERESTS

There were no declarations of pecuniary interest declared by members of the Committee.

Mr Colin Roberston, independent adviser to the Committee, declared a non-pecuniary interest and said he was about to commence work for a Fund Manager who might be a sub-manager for a London CIV fund in which the Tower Hamlets fund might invest. He thought this should not have an impact on his ability to advise the Committee.

2. APPOINTMENT OF VICE-CHAIR

Councillor Saied Ahmed moved, and Councillor Kamrul Hussain seconded, that Councillor Jahed Choudhury be appointed as the Vice-Chair of the Pensions Committee for the 2024-25 municipal year.

This was put to the vote and was agreed:

The Pensions Committee **RESOLVED**:

1. That Councillor Jahed Choudhury be appointed Vice-Chair of the Audit Committee for the 2024-25 municipal year.

3. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of 25th March 2024 were **AGREED** to be an accurate record of the meeting and were **APPROVED** by the Committee.

4. PETITIONS

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

5. SUBMISSIONS / REFERRALS FROM PENSION BOARD

There were no submissions from the Pension Board. The Board meets after the Committee on this occasion on the 8th July 2024. The Independent Chair, Mr John Jones will submit a report for the next meeting of the Committee.

6. REPORTS FOR CONSIDERATION

6.1 Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings 2024-25

Ms Farhana Zia, Democratic Services Officer introduced the standard Terms of Reference report. She explained that each Committee is presented with its Terms of Reference and related information for noting.

The Pensions Committee **RESOLVED** to:

1. Note the Terms of Reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1,2, and 3 of the report.
2. Determined the preferred time at which to schedule meetings will be 6:30 p.m.

6.2 Tower Hamlets Pension Fund Closing 2023/24 and External Audit

Mr Paul Audu, Interim Head of Pensions and Treasury presented the Pension Fund year-end closing for the 2023/24 accounts and provided an update on the external audit work.

He said EY were preparing to audit the accounts which were appended to the report at appendix 1. The Committee would have a further opportunity to approve the accounts once they had been audited.

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

- Members asked if there were any queries that had been raised by the external auditors. Mr Audu said EY were in the preliminary stages of preparing to audit the Pension Fund accounts and said this would be addressed by the time the accounts are ready for sign off.

The Pensions Committee **RESOLVED** to:

1. Note the report and the draft unaudited Tower Hamlets Pension Fund Statement of Accounts, included in the Council's draft Annual Financial report 2023/24 as appended to the report at appendix 1.

6.3 Governance and Compliance Statement

Mr Paul Audu, Interim Head of Pensions and Treasury introduced the report stating the Pension Fund was required to have an updated Governance Compliance Statement. He said officers were developing the Statement which would be presented to the Board and the Committee in September 2024.

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

- Referring to paragraph 3.5 of the report, members asked why the Statement had not been updated previously. Mr Audu responded saying there was nothing controversial about updating the statement, as it was considered good practice to regularly review and update the Compliance statement, so changes made to the LGPS environment are picked up and refined. He said this was needed so to ensure the document was up to date.

The Pensions Committee **RESOLVED** to:

1. Note the report and the current TH Pension Fund Governance Compliance Policy including the compliance statement appended at appendix 1, which requires updating.

6.4 Admissions Policy

Mr Paul Audu, Interim Head of Pensions and Treasury presented the Admissions policy report. He said the LGPS regulations set out the types of employers that can join the Fund and this was set out in paragraph 3.1 of the report. He said it was recommended the admission policy be reviewed once every three years and as such officers would be reviewing the policy in consultation with the Fund Actuary. He said that the updated policy would be presented to the Committee and Board in September 2024.

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

- Referring to paragraph 3.11 of the report and the 10 outstanding legacy cases of unfinished employer admissions, members asked what had been done to resolve this. Mr Audu stated active steps were being taken to rectify this, by engaging with stakeholders and prospective external employers who wanted to join the scheme.
- Mr Audu clarified that the admissions policy would come into effect once this had been approved by the Board and Committee.
- In answer to what had been done to mitigate risk so new employers joining the scheme were not a liability to the scheme, Mr Audu said any prospective employer needed to apply to the scheme and were required to meet the criteria. He said the Actuary and Council lawyers were involved in the process and would provide the advice needed before an employer is admitted into the scheme.

The Pensions Committee **RESOLVED** to:

1. Note the current TH Pension Fund Admissions Policy included in the report at Appendix 1;
2. Note the current TH Pension Fund's standard Admission Agreement template included in the report at Appendix 2; and
3. Note that officers have identified 10 outstanding legacy Admission Agreements with employers and are working in collaboration with the employers, TH legal and procurement services, and the Fund Actuary to resolve any issues and complete them if possible.

6.5 Training Strategy

Mr Paul Audu, Interim Head of Pensions and Treasury introduced the report stating the Pensions training strategy set out the expectations for Board and Committee training considering their responsibility and remit.

He said members needed to be knowledgeable and skilled in the work of the Pensions Committee and Board and said training was an essential part of this. He referred to paragraph 3.1 in the report which listed the governance

structure and framework for training. He said the Committee and the Board would be provided with a refreshed training strategy to consider at its next meeting in September 2024.

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

- Councillor Choudhury commented that the Pensions Committee had at its last meeting requested to meet with Fund Managers at their place of business and asked if this had been organised? He said this would provide members with useful insight and give them a better understanding of how investments are made. Mr Audu said this had not been done but he would try to organise this.
- **ACTION:** Mr Audu to arrange a visit to a Fund Manager's place of business for Pension Committee members.
- Mr Audu proceeded to inform members of the various types of training available to them, from attending conferences and seminars to accessing online training programmes.

The Pensions Committee **RESOLVED** to:

1. Note the report and the scope of the proposed draft training strategy to be provided to the Pensions Board on the 16th September and Pensions Committee on 30th September 2024 for consideration and approval respectively.
2. Note the current TH Pension Fund Training and Development Policy.

6.6 Annual Benefits Statements (ABS) 2024

Mr Paul Audu, Interim Head of Pensions and Treasury stated the Annual Benefit Statements for active and deferred members of the scheme had to be produced by the 31st August 2024. He said work was underway to meet this deadline. He referred to paragraph 3.3 onwards which set out the changes that had been applied. Referring to paragraph 3.6, he said data quality was paramount and his team was working with third party providers to ensure the information it had was correct and complete.

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

- Mr Audu said he was hoping to achieve a 99% success rate in the production of the Annual Benefits Statements. He said the process outlined at paragraph 3.5 would benefit from the data cleanse.
- In response to anomalies in data, with some pensioners over or under paid, Mr Audu said officers were working with third party providers such as Zellis and Heywood to ensure information was correct on both the payroll and pensions systems respectively. He said historical errors were being investigated to see how overpayments could be recouped and underpayments rectified.

- In response to what contingency plans were in place, for data sharing with third parties, Mr Audu said a clear process was in place. There was a secure system in exchanging data.

The Pensions Committee **RESOLVED** to:

1. Note the report and work being carried out by the Pension Administration Team to ensure the timely provision of the 2024 Annual Benefit Statements.

7. TRAINING EVENTS

Mr Audu, Interim Head of Pensions and Treasury stated that this was a standing item on the agenda, used to report on training undertaken by members. He said he had earlier in the meeting spoken about training and said relevant training would be provided to members.

The Pensions Committee **RESOLVED** to:

1. Note the comments of Mr Audu and welcomed the opportunity of participating in upcoming training events.

8. PENSIONS COMMITTEE WORK PLAN

Mr Audu, Interim Head of Pensions and Treasury said the workplan set out the reports coming the Committee for the year ahead – municipal year 2024/25. He said that he would try to adhere to the workplan however it was subject to change when required. He said the policies he had spoken about would be brought back to the Committee for consideration.

The Pensions Committee **RESOLVED** to:

1. Note the work plan for the Committee.

9. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

There was no other business to be discussed.

10. 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.

10.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The restricted minutes of the meeting of 25th March 2024 were agreed to be an accurate record of the meeting and were approved by the Committee.

10.2 City Gateway Cessation report for South Quay College

Mr Paul Audu, Interim Head of Pensions and Treasury presented his report, stating the Committee was being asked to consider the City Gateway Cessation report for South Quay College.

Following discussion Committee members did not agree with the recommendations within the report.

The Pensions Committee **RESOLVED** to:

1. Receive a further report once Officers had done further work on the report.

10.3 Quarterly Investment Review – March 2024

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report informed members of the performance of the Pension Fund investments and its investments managers for the quarter ending March 2024.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report;
2. Note the monitoring report for Quarter to 31st March 2024 from Mercer (Appendix 1)
3. Note the advice from Mercer, supported by the Independent Advisor, and agreed to rebalance the Fund's index-linked gilt allocation back to its target, with this increase in allocation being funded from a commensurate reduction in the allocation to LGIM Passive Low Carbon equities. The rebalancing action was delegated to Officers. (Appendix 2)
4. Note the update from the independent adviser for Quarter to 31st March 2024 (Appendix 3)
5. Instruct Mercer to prepare a paper for the September Pensions Committee meeting summarising the extent of any exposure to Israel and the Middle East within the Fund's invested assets. The paper should also discuss the course of action the Committee could take should it consider reducing this exposure.

10.4 Carbon Metrics Review

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report informed members of the progress made by the Fund in relation to the Weighted Average Carbon Intensity (WACI), over the year to 31st March 2023. Mr Sandeep Chandarana from Mercer referred to the key highlights and

summary in the appended report and explained the progress made by the Fund.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report; and
2. Note the Mercer LBTH Carbon Metrics Report 2023 appended at Appendix 1, in particular the proposed actions stated on page 2 of the report.

10.5 Draft Updated Investment Strategy Statement

Mr Paul Audu, Interim Head of Pensions and Treasury stated the Investment Strategy appended to the report had been revised and updated. Mr Steve Turner from Mercer explained the changes made to the strategy referring to the tables within the report.

Following discussion, the Committee partially agreed with the report.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report; and
2. Asked for further clarity to be provided in relation to Affordable Housing and Renewable Energy in the ISS.

10.6 Independent Adviser Report – Q1, 2024

Mr Paul Audu, Interim Head of Pensions and Treasury clarified the additional item. He explained the Independent Adviser report formed part of item 10.3 as appendix 3 and was not intended to be presented to the Committee separately.

The meeting ended at 9.03 p.m.

Chair, Councillor Ana Miah
Pensions Committee