

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.31 P.M. ON MONDAY, 30 SEPTEMBER 2024

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

Members Present in Person:

Councillor Ana Miah	Chair
Councillor Maium Talukdar	(Deputy Mayor and Cabinet Member for Education, Youth and Lifelong Learning (Statutory Deputy Mayor))
Councillor Saied Ahmed	(Cabinet Member for Resources and the Cost of Living)
Councillor Faroque Ahmed	
Councillor Maisha Begum	
Councillor Abdal Ullah	
Kehinde Akintunde	GMB Union Representative

Members In Attendance Virtually:

Councillor Kamrul Hussain	(Cabinet Member for Culture and Recreation)
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Others Present in Person:

Sandeep Chandarana	Mercer
Tony English	Mercer
Barry Dodds	Actuary – Hymans Robertson
John Jones	Independent Chair, Pension Board
Colin Robertson	Independent Investment Advisor (Pensions Committee)

Officers Present in Person:

Paul Audu	(Interim Head of Pensions & Treasury)
Abdulrazak Kassim	(Director Finance, Procurement and Audit)
Ahsan Khan	(Chief Accountant)
Kerie Anne	UNISON Branch Secretary
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Carole S Bowes	(Employment Lawyer, Legal Services, Directorate Law, Probity and Governance)
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APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Jahed Choudhury. Councillor Maium Talukdar was substituting for him.

Apologies for lateness were received from Councillor Saied Ahmed.

Apologies were received from Mr Steve Turner of Mercer. Mr Tony English was substituting for him.

Apologies 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 members of the Committee.

2. UNRESTRICTED MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of 1st July 2024 were **AGREED** to be an accurate record of the meeting and were **APPROVED** by the Committee.

3. PETITIONS

The Committee heard from Kerie Anne, Tower Hamlets UNISON Branch Secretary. Ms Anne presented her statement in support of the Coalition for Ethical Investment and said the campaign's goal was to call for pension funds to divest and make ethical investments developed through a democratic process with the Union. She said this was an important matter for her members and she'd like to work with the Committee to achieve this goal. She said the Union would like to obtain a public commitment from the Pensions Committee to revise the Investment Strategy statement (ISS) to identify and problematic investments and produce a roadmap to divest from these companies.

- **ACTION:** Mr Paul Audu, Interim Head of Pensions and Treasury to respond to Ms Anne.

The Pensions Committee **RESOLVED** to:

1. Provide a written response to the Union once it had formed an opinion in relation to the request.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

Mr John Jones, Independent Chair of the Pensions Board presented his report. He informed the Committee the Board had met on the 16th September and had considered the reports being presented to the Committee.

He referred members to pages 17-18 of the agenda and summarised the findings of the Board. Mr Jones referred to paragraph 3 and said the Employer Forum was a welcomed development which the Board had been pursuing for some time.

In response to comments and questions the following was noted:

- Referring to paragraph 7 of the report, Mr Jones said the Board were of the opinion the Risk Register report ought to include more, in relation to the mitigation action taken to lower the risks. He said the Board would continue to monitor this.

The Pensions Committee **RESOLVED** to:

1. Note the report from the Independent Chair of the Pensions Board.

5. REPORTS FOR CONSIDERATION

5.1 Training by Hymans Robertson - Triennial Actuarial Valuation

Mr Barry Dodds, from Hymans Robertson gave a presentation to the Committee, 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 how 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 Triennial valuation.

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

- Referring to page 40 of the agenda, Mr Dodds explained that a reduction in future employer contributions was an option the Committee could consider however a combination of options were available.
- Referring to the investment outlook, page 28 of the agenda pack, Mr Dodds said performance of the markets was closely monitored and this is factored in when conducting the Actuarial Valuation.
- The diagram on page 30 showed that the expected future return for every asset class was higher at 30 June 2024 than at the date of the last valuation.

The Pensions Committee **RESOLVED** to:

1. Note the presentation and acknowledged there was a Part 2 report at item number 7.2 which the Committee needed to further consider.

5.2 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:

- In response to if the Unions were involved in the formulation of the Communications Strategy, Mr Audu said they would be involved.
- Members asked if the employers had been approached to provide sponsorship for the planned event in January 2025. Mr Audu said he intended to use the Internal Communications Team to disseminate information about the event but would look at sponsorship for future events.

The Pensions Committee **RESOLVED** 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.

5.3 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:

- Members had no questions for Mr Audu in relation to this report.

The Pensions Committee **RESOLVED** 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.

5.4 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. He said the Annual Benefit Statements had been despatched a few days later than the deadline due to a technical issue. He said the data cleanse was on-going, and an updated report would be presented to the Board and Committee in November 2024.

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

- Members of the Committee had no questions for Mr Audu in relation to this report.

The Pensions Committee **RESOLVED** 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.

5.5 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 them.

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

- Referring to the table commencing on page 211, Members asked why some of the risks showed zero in terms of progress made. Mr Audu responded stating that the risks were being monitored and he hoped with the 'data cleanse' exercise, referred to earlier and the recruit of new staff, he'd be able to show the progress made in the next report to the Committee.
- Referring to risk HRP0021, members asked how the risk was measured. Mr Audu said there was dialogue between the LCIV and Officers as well as by other means. They continued to engage with the LCIV in relation to underperformance. Mr Colin Robertson, Independent Adviser, referred to his comments on the LCIV in his report and suggested that it would be beneficial for Officers to meet

with external advisers in preparing proposals for changes to the Risk Register.

- Mr Audu explained the risk register was formulated using JCAD software and said they were continuing to look to improve the information obtained from it.
- **ACTION:** Mr Abdulrazak Kassim, Director of Finance, Procurement and Audit said the reports on the performance of the investment managers prepared by Mercer and the Independent Adviser should accompany the Risk Register.

The Pensions Committee **RESOLVED** to

1. Note the detailed Risk Register appended to this report (Appendix 1) and request that future reports on the Risk Register be accompanied by the reports on the performance of the investment managers prepared by Mercer and the Independent Adviser.

5.6 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 Committee and Board 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:

- Members of the Committee had no questions for Mr Audu in relation to this report.

The Pensions Committee **RESOLVED** 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.

5.7 Work Programme

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:

- Members of the Committee had no questions for Mr Audu in relation to this report.

The Pensions Committee **RESOLVED** 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. Note 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 the training on actuarial valuation provided by Hymans at this meeting and, prior, to the Board on 16th September 2024.
5. Advise officers of any training completed and event(s) attended not recorded in the training log.

6. **ANY OTHER BUSINESS CONSIDERED TO BE URGENT**

No other business was discussed by Committee members.

7. **EXCLUSION OF PRESS AND PUBLIC**

The Chair, Councillor Ana Miah **MOVED** the motion to exclude members of the press and public for the restricted (part 2) of the agenda. This was **SECONDED** by Councillor Maium Talukdar.

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."

7.1 **RESTRICTED MINUTES OF THE PREVIOUS MEETING(S)**

The restricted minutes of 1st July 2024 were **AGREED** and **APPROVED** as an accurate record of the meeting.

7.2 **Triennial Actuarial Valuation 2025 and Funding Update**

Mr Barry Dodds, from Hymans Robertson said the attached Valuation Plan set out the timeline for the 2025 actuarial valuation. He asked members if they had any further questions in relation to the actuarial valuation.

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

- Members of the Committee had no further questions for Mr Dodds, in relation to this report.

The Pensions Committee **RESOLVED** 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**).

7.3 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 Committee **RESOLVED** 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**).

7.4 Changing Membership and Sustainability of the Pension Fund

The minute to this item is restricted.

7.5 Liquidity and Cashflow Monitoring - 30 June 2024

Mr Paul 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 Committee **RESOLVED** to:

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

7.6 Quarterly Investment Review - June 2024

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report provided the Committee with an update on the activity and performance of the Pension Fund for the quarter to 30th June 2024.

The Pensions Committee **RESOLVED** to:

1. Note the content of this report;
2. Note the attached Monitoring report – Quarter to 30 June 2024 from Mercer (**Appendix 1**);
3. Agree the updated ISS. ;
4. Note the Update from the Independent Adviser, Colin Robertson for Quarter to 30 June 2024 (**Appendix 3**); and
5. Note the LCIV approach to improving carbon metrics data quality.
6. Note that LCIV representatives could not attend this Committee to give a presentation.
7. Note the CMA assessment report from Mercer (**Appendix 4**), including Mercer’s self-assessment against the objectives set by the Committee in January 2023.
8. Ask Mr Paul Audu to arrange for the Committee to review the CMA objectives, consider Mercer’s self-assessment against each objective, and determine Mercer’s performance and rating against each objective in the balanced scorecard.
9. Note that the Fund is required to report compliance with the CMA Order annually in January, and a review of the CMA objectives will be carried out by the Committee in December 2025 or following any major change to the Fund’s investment strategy.

The meeting ended at 9.04 p.m.

Chair, Councillor Ana Miah
Pensions Committee