

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.35 P.M. ON MONDAY, 11 NOVEMBER 2024

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

Members Present in Person:

Councillor Ana Miah	
Councillor Saied Ahmed	(Cabinet Member for Resources and the Cost of Living)
Councillor Peter Golds	Chair of Licensing Committee
Councillor Kabir Hussain	
Councillor Kamrul Hussain	(Cabinet Member for Culture and Recreation)
Councillor Maisha Begum	
Kehinde Akintunde	GMB Union Representative

Apologies:

Councillor Abdal Ullah

Others Present in Person:

Sandeep Chandarana	Mercer
Colin Robertson	Independent Investment Advisor (Pensions Committee)
Steve Turner	Mercer - Senior Investment Consultant
Andrien Meyers	London CIV
Robert Treich	London CIV
Lucinda Liss	Schroders
Olivia Docker	Schroders

Officers Present in Person:

Paul Audu	(Interim Head of Pensions & Treasury)
Abdulrazak Kassim	(Director Finance, Procurement and Audit)
Ahsan Khan	(Chief Accountant)
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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AGENDA ORDER

During the meeting, Members agreed to change the order of business. To aid clarity the minutes are presented in the order items appear on the agenda. At the meeting Agenda Item 9.3 Presentation by London CIV, Item 9.4 Quarterly Investment Review and Item 9.5 Update on the Pension Data Cleanse Project were taken before Item 9.2 Governance Report.

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Abdal Ullah and Mr John Jones, Independent Chair of the Pensions Board.

1. DECLARATIONS OF INTERESTS

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

2. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of 30th September 2024 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 Paul Audu, Interim Head of Pensions and Treasury on behalf of Mr John Jones, the Independent Chair of the Pensions Board presented the update report from the Board meeting of 4th November 2024.

Mr Audu referred members to the report in the supplement pack and said the Board met informally due to it being inquorate. He said the Board discussed the reports on the agenda and had made useful comments and suggestions. He highlighted the comments made in relation to the Pension Administration report and the Pensions Dashboard. He said the Board recognised the challenges faced in recruiting staff and welcomed the idea of an apprenticeship scheme to recruit and retain staff. He said the Board was also supportive of the work being undertaken in respect to the Pension Dashboard, as well as the Pension Fund Information Forum due to take place in January 2025. He said they had discussed the Pension Risk register and had made suggestions on how information is presented.

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

- Mr Abdulrazak Kassim, Director for Finance, Procurement and Audit confirmed that they were looking at introducing apprenticeship

schemes, for service areas which were hard to recruit to. He said this was a priority for them.

The Pensions Committee **RESOLVED** to:

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

5. TRAINING EVENTS

Schroders – Tower Hamlets Superannuation Fund

The Pensions Committee received a presentation from Schroders relating to the Superannuation Fund. Ms Lucinda Liss and Ms Olivia Docker explained why the Fund should invest in real estate, the Schroders solutions approach and portfolio overview as well as their sustainability policy.

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

- Referring to slide 8, Ms Docker confirmed residential assets were categorised as 'other' as part of the Tower Hamlets portfolio. She said the portfolio did invest in social housing and care homes. They were reviewing their strategy in this regard and were assessing performance and risk to see where they can get better returns in the future.
- Mr Colin Robertson, Independent Adviser stated that the Fund was 5% invested in affordable housing via the London CIV and sought reassurance that Schroders would communicate with Tower Hamlets before investing in housing.
- Members asked if the investment in retail at 9.5% should be reduced further due to changing consumer shopping habits and if investment in logistics ought to be increased. Ms Liss responded stating that there still was a place for retail, in particular for the convenience retailing sub-sector. She said retail warehousing was still in demand as consumers depended on local retail only for their day-to-day shopping needs.
- Referring to slide 19, members asked what progress had been made to achieve the net zero target by 2050. Ms Docker said they worked with the underlying Fund Managers to ensure the underlying funds in which the Fund potentially invested had green credentials and were ESG compliant.
- Referring to the Portfolio Overview and Performance slide, page 15 of the presentation or page 33 of the agenda, Mr Abdulrazak Kassim asked why performance year-to-date for the portfolio of 4.9% was below the benchmark target of 5.2% stated in the past. Mr Colin Robertson explained the benchmark was not a fixed number but rather a measure of peer group performance which varied over time. The Fund had in fact beaten its peer group by a significant margin year-to-date. Mr Turner from Mercer said the performance per quarter on slide 14 was the best reflection of performance of the Fund.

- In explanation of the pie-charts shown on page 13 of the presentation, Ms Liss explained the style breakdown pie-chart. She said the 'core balanced' and 'core specialist' categories referred to investments with low or no gearing, they were high quality liquid assets. The value-add investments had some gearing and were slightly riskier but should produce better performance. In respect to the Cash category, they had accumulated more cash however this was deliberate as they were looking to reinvest this into self-storage and hotel funds.

The Pensions Committee **RESOLVED** to:

2. Note the presentation given by Schroders and thanked Ms Liss and Ms Docker for attending the meeting.

6. REPORTS FOR CONSIDERATION

6.1 Pensions Administration Report – September 2024

Mr Paul Audu, Interim Head of Pensions and Treasury presented the Pensions Administration report and said it detailed how the team was performing for the quarter to September 2024.

He referred to the tables at paragraph 3.1, tables 1A and 1B which showed the current membership of the Fund, the number of active, deferred and undecided members. He referred to the table at paragraph 3.2 as well as the CIPFA performance targets and said performance was mixed with the team achieving some objectives more than others.

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

- Referring to table 1B, Members asked if the table referred to all potential employees who could be members? Mr Audu responded that the table referred to those who were part of the scheme and not non-members of the scheme.
 - In response to what the take-up rate was for employees joining the scheme, Mr Audu said further research in conjunction with HR would be required.
3. **ACTION:** Members requested Mr Audu to work with HR to provide statistical information to the Committee and Board on the number of potential employees who were eligible to join the scheme but chose not to do so. Members said this would be a helpful comparison.

The Pensions Committee **RESOLVED** to:

1. Note the contents of this report;
2. Note the employer admissions in the pipeline;
3. Note the Scheme and legislative update; and

4. Note the progress on the data cleanse project to improve the quality of the pensions data.

6.2 Scheme Engagement and Communications Report

Mr Paul Audu, Interim Head of Pensions and Treasury introduced the report and stated the Tower Hamlets LGPS scheme intended to hold an employers and member Information Forum in January 2025. Mr Audu said the advisors to the Committee had been consulted and a draft agenda had been formulated. He referred members to appendix 1 and asked for feedback from members of the Committee. He said the Forum would be promoted to potential new Fund members via various channels ahead of the event.

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

- Members of the Committee had no questions for Mr Audu regarding this item.

The Pensions Committee **RESOLVED** to:

4. Note the content of this report.
5. Consider the draft Agenda for the Proposed Pension Fund Information Forum in January 2025.
6. Note that officers are acting in consultation with internal stakeholders and external service partners.

6.3 Pension Fund Risk Register

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report updated members on the Pension Fund risk register during the quarter to September 2024. He referred to the risks under review, from paragraph 3.3 onwards and said considerable work was being undertaken to improve the quality of the pensions data with the help of an external data management company ITM.

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

- Referring to the risk register appended at appendix 1, and the current risk ratings and the target risk ratings, Members asked what steps had been taken to mitigate against the risk and reduce the risk to the target rating. Mr Audu responded saying some risks could not be eliminated wholly, but efforts were made to minimise the risk.
- In response to how this would impact the opinion of the external auditors, where risks have not been reduced to the target lev, Mr Abdulrazak Kassim said this would be a consideration for the external auditors. However, if the Council would demonstrate through evidence the steps it had taken to mitigate the risk that would be sufficient. Mr Ahsan Khan, Head of Strategic Finance and Chief Accountant added it

needed to demonstrate through the reconciliation process, that the internal control environment was robust.

The Pensions Committee **RESOLVED** to:

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

6.4 Pension Fund Liquidity and Cashflow Monitoring

Mr Paul Audu, Interim Head of Pensions and Treasury said the report informed members of the Pension Fund liquidity and cashflow forecast for 2024/25 and 2025/26. He said the cashflow forecast covers a two-year cycle from 2024 to 2026, with a focus on 2024/25. He said the forecast predicted a £10.6M positive net cashflow by 2025/26 without divesting from investments. He said the forecast position for 2024-2025 was reporting a £2.5M surplus, assuming the remaining 6 months there were no divestment or capital calls.

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

- Referring to paragraph 3.13 of the report, members asked if movement in forecast from £1.3M to £10.6M was normal. Mr Audu responded stating the forecast was based on analysis done by the Actuary. He said the triennial actuarial valuation was due to take place as at 31 March 2025, so the assumptions made were subject to change.
 - In reference to the 'other miscellaneous payments' of £37.2M members asked what this referred to. Mr Audu explained this was an aggregate of various elements, which required further investigation. He said there was a large body of data which required analysis and once it was complete, payments from this category would be moved to their own standing.
8. **ACTION:** Mr Audu said he would provide a further update at the next meeting of the Board and Committee.

The Pensions Committee **RESOLVED** to:

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

7. PENSION BOARD & PENSIONS COMMITTEE WORK PLANS

Mr Paul Audu, Interim Head of Pensions and Treasury asked members to note the work programme for the Board and Committee.

Mr Audu stressed the importance of Members completing the National Knowledge Assessment. He said whilst the deadline for this had passed, he was negotiating an extension so members could complete the assessment.

He said he would re-send the link to members of the Board and Committee. He also encouraged members to complete the training modules on LOLA.

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

- Members of the Committee had no questions for Mr Audu regarding this item.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report.
2. Consider the Work Programme for the Committee and Board included in this report (**Appendix 1**) and (**Appendix 2**) respectively.
3. Note the Schrodgers training on Property, provided at this meeting.
4. Participate in the National Knowledge Assessment (NKA).
5. Advise officers of any training completed and event(s) attended not recorded in the training log.

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

No other business was discussed by Committee members.

9. 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 Kamrul Hussain.

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 the 30th September 2024 were **AGREED** and **APPROVED** as an accurate record of the meeting.

9.2 Governance Report

Mr Paul Audu, Interim Head of Pensions and Treasury said the Governance report provided an update on the legislative issues affecting the Fund, the developments in the LGPS and regulatory environment as well as policy changes and pooling.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report;
2. Note the LGA **privileged and confidential** advice on payment of LGPS death grants to genealogy companies (**Appendix 3**); and
3. Note that the Pensions Committee Chairs discussion with the Chair of the Scheme Advisory Board, the Local Government Minister and the Pensions Minister has been postponed to Tuesday 26th November 2024.

9.3 Presentation by London CIV

The minute for this item is restricted.

9.4 Quarterly Investment Review

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report provided information on the activity and performance of the Pension Fund for the quarter to 30th September 2024 and other related investment matters.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report;
2. Note the confidential Paper titled "LGPS Investment Current Topics" from Mercer (**Appendix 1**);
3. Note the confidential Paper titled "2024 US election: Potential implications for portfolios" from Mercer (**Appendix 2**);
4. Note the Update from the Independent Adviser, Colin Robertson for Quarter to 30 September 2024 (**Appendix 3**); and
5. Note Mercer's and the Independent Adviser's reports and presentations at this meeting.
6. Note LCIV's presentation at this meeting.
7. Consider the CMA objectives for the Independent Investment Adviser (**Appendix 4**), and assess the Adviser's performance against each objective, to inform a refresh of the CMA objectives by Officers.
8. Note that the Fund is required to report compliance with the CMA Order annually in January.
9. **ACTION:** Officers to report compliance with the CMA Order in January 2025.

9.5 Update on the Pensions Data Cleanse Project

Mr Paul Audu, Interim Head of Pensions and Treasury provided an update on the Pensions Data Cleanse project. He said they had been working an external data management company ITM to progress this work.

The Pensions Committee **RESOLVED** to:

1. Invite the external data management company ITM to present at the next meeting of the Pensions Committee.

The meeting ended at 9.23 p.m.

Chair, Councillor Ana Miah
Pensions Committee