

# Pensions Committee

## Agenda

**Monday, 11 November 2024 at 6.30 p.m.**  
**Committee Room - Tower Hamlets Town Hall,**  
**160 Whitechapel Road, London E1 1BJ**

### **Members:**

**Chair:** Councillor Ana Miah

**Vice Chair:** Councillor Jahed Choudhury

**\*\*Councillor Saied Ahmed, Councillor Kamrul Hussain, Councillor Faroque Ahmed, Councillor Maisha Begum and Councillor Abdal Ullah\*\***

**\*Membership subject to change**

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

Kehinde Akintunde (Trade Union Representative)

**Substitutes:** Councillor Asma Begum, Councillor Iqbal Hossain, Councillor Shahaveer Shubo Hussain, Councillor Maium Talukdar and Councillor Abdul Wahid

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

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

Farhana Zia, Democratic Services Officer,

farhana.zia@towerhamlets.gov.uk

020 7364 0842

2nd Floor, Town Hall, 160 Whitechapel Road, London, E1 1BJ

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



## Public Information

### Viewing or Participating in Committee Meetings

The meeting will be broadcast live on the Council's website. A link to the website is detailed below. The press and public are encouraged to watch this meeting online.

**Please note:** Whilst the meeting is open to the public, the public seating in the meeting room for observers may be limited due to health and safety measures. You are advised to contact the Democratic Services Officer to reserve a place.

### Meeting Webcast

The meeting is being webcast for viewing through the Council's webcast system.

<http://towerhamlets.public-i.tv/core/portal/home>

### Electronic agendas reports and minutes.

Copies of agendas, reports and minutes for council meetings can also be found on our website from day of publication.

To access this, click [www.towerhamlets.gov.uk/committee](http://www.towerhamlets.gov.uk/committee) and search for the relevant committee and meeting date.

Agendas are available on the Modern.Gov, Windows, iPad and Android apps



Scan this QR code to view the electronic agenda



## **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, 11 November 2024

6.30 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 - 18)**

To confirm as a correct record the unrestricted minutes of the meeting of the Committee held on 30<sup>th</sup> September 2024.

#### **3. PETITIONS**

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

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

#### **5. TRAINING EVENTS (PAGES 19 - 48)**

Schroders presentation.

#### **6. REPORTS FOR CONSIDERATION**

##### **6.1 Pensions Administration Report – September 2024 (Pages 49 - 56)**



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

**6 .2 Scheme Engagement and Communications Report (Pages 57 - 60)**

**6 .3 Pension Fund Risk Register (Pages 61 - 92)**

**6 .4 Pension Fund Liquidity and Cashflow Monitoring (Pages 93 - 98)**

**7. PENSION BOARD & PENSIONS COMMITTEE WORK PLANS**

**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(S) (Pages 119 - 130)**

To confirm as a correct record the unrestricted minutes of the meeting of the Committee held on 30<sup>th</sup> September 2024.

**9 .2 Governance Report (Pages 131 - 158)**

**9 .3 Presentation by London CIV**

**9 .4 Quarterly Investment Review**

‘To follow.’

**9 .5 Update on the Pensions Data Cleanse Project**

‘To follow.’



**Next Meeting of the Pensions Committee**

Monday, 10 March 2025 at 6.30 p.m. to be held in Committee Room - Tower Hamlets  
Town Hall, 160 Whitechapel Road, London E1 1BJ



The best of London in one borough

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

# 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.

## **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 6.31 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)
---------------------------	---

#### 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)
----------------	--

## **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 1<sup>st</sup> 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 16<sup>th</sup> 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 30<sup>th</sup> 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 17<sup>th</sup> 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 16<sup>th</sup> 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 1<sup>st</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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

This page is intentionally left blank

Schroders  
capital

***LONDON BOROUGH OF TOWER  
HAMLETS SUPERANNUATION  
FUND***

Schroders Capital Real Estate Solutions

**Lucinda Liss**  
Fund Manager

**Olivia Docker**  
Client Director

**11th November 2024**



# ***CONTENTS***

## **01**

---

**What is Real Estate and Why invest?**

## **02**

---

**Schroders Capital Real Estate Solutions approach /portfolio overview**

## **03**

---

**Sustainability**

## **04**

---

**Summary**

## **05**

---

**Appendix**

***WHAT IS REAL ESTATE AND WHY INVEST?***

# Why invest in real estate

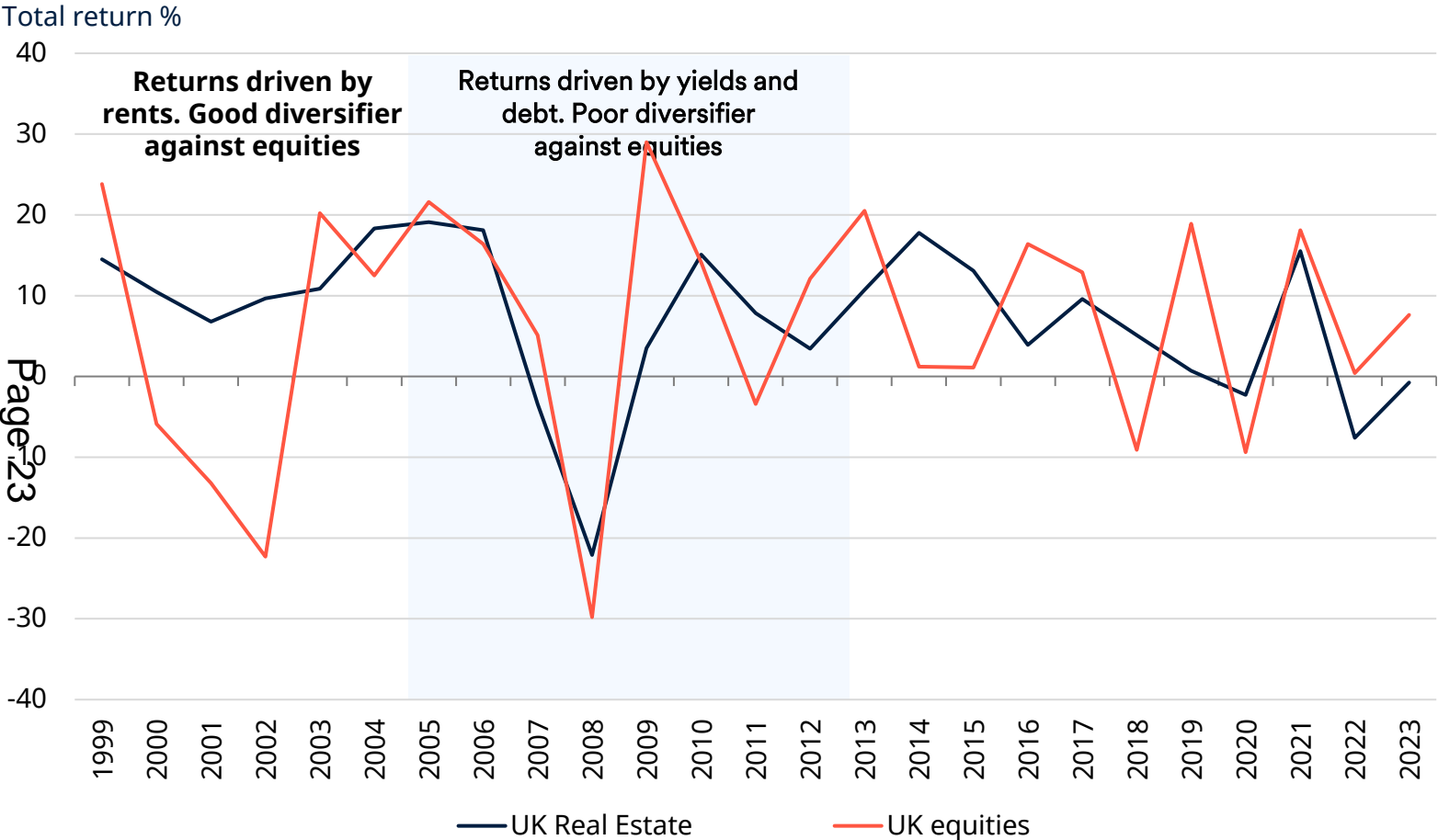
## Real Estate key attributes

- 1 Attractive long-term returns, composed mainly of income
- 2 Diversification (intermittent) against other assets
- 3 Low volatility compared with equities
- 4 Real asset – real estate is a store of value
- 5 Investors have control and can add value
- 6 Outperformance over gilts long term
- 7 Real estate is relatively illiquid – mitigated by SCRES indirect multi manager strategy

Source: Schroders. All statements are Schroders opinions

# Real Estate returns are less volatile than equities

## Real Estate may also offer intermittent diversification



**Correlations:  
UK Real Estate vs. UK equities**

1972–2005	0.18
2006–2023	0.57

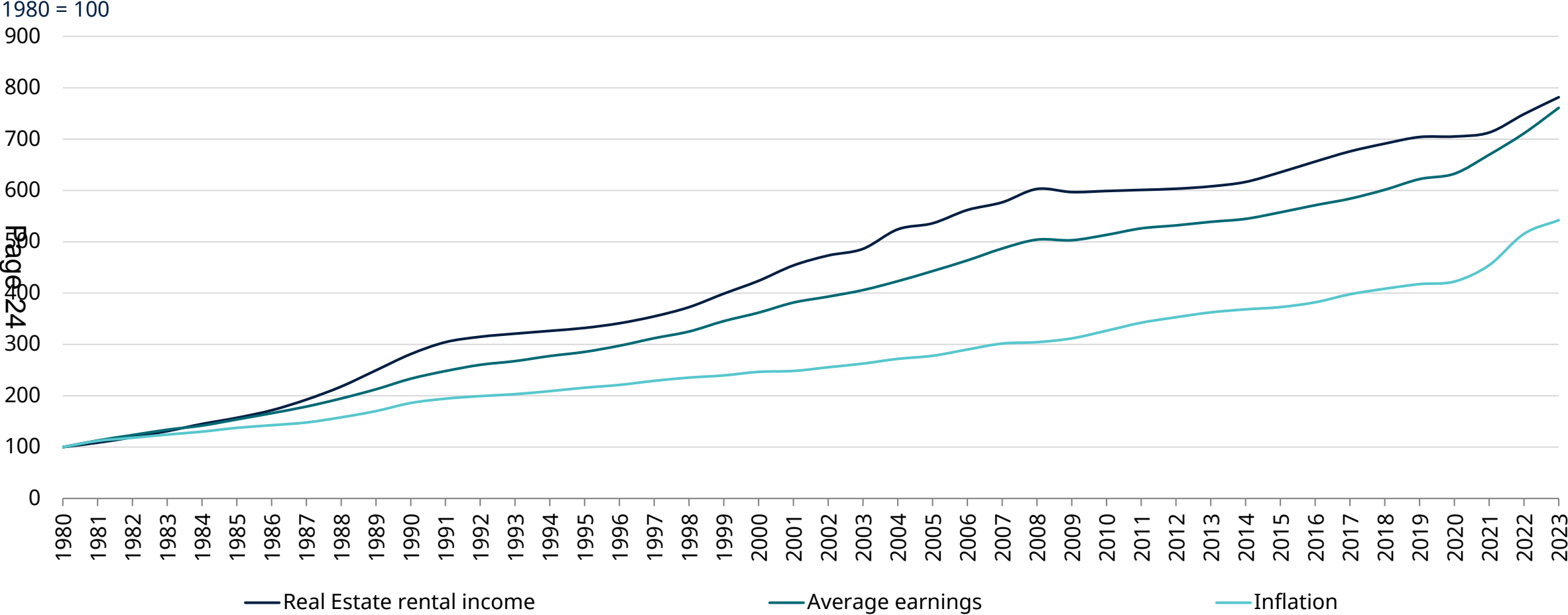
**Standard deviation in total returns 1970–2023**

UK Equities	27%
UK Real estate <sup>1</sup>	16%
UK Gilts	14%

Past performance is not a guide to future performance.  
Source: Barclays Capital, MSCI, Schroders. September 2024. <sup>1</sup>De-smoothed total returns. All statements are Schroders opinions

# Long term income growth

## Rental income has been fairly stable and matched inflation over the long term



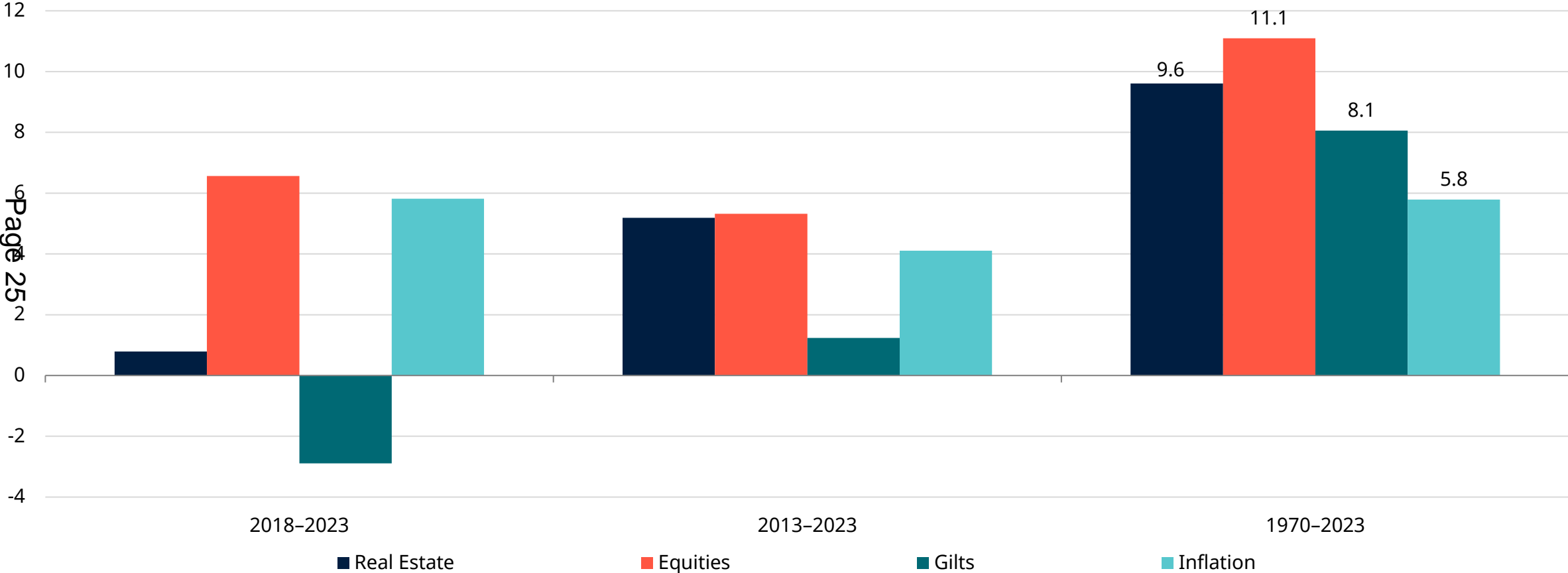
Past performance is not a guide to future performance.  
Source: Barclays Capital, MSCI, ONS, PMA, Schroders, September 2024. All statements are Schroders opinions



# Real Estate has out-performed gilts over the long term

## Respectable performance in keeping with relative level of risk

Total return % per year

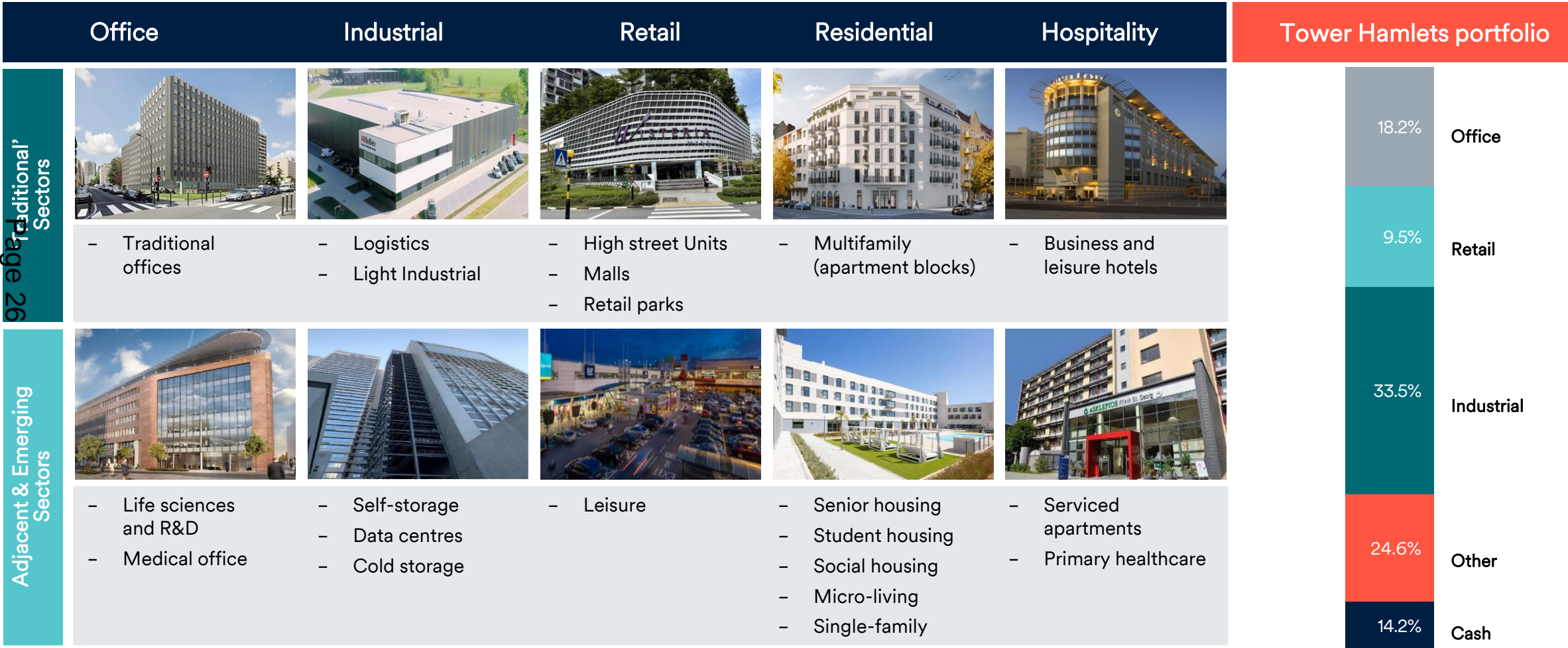


Past performance is not a guide to future performance.

Source: Barclays Capital, MSCI, ONS, Schroders. September 2024. All statements are Schroders opinions

# Real Estate Fundamentals: An Expanding Opportunity Set

## The built environment is at the centre of living, work and leisure



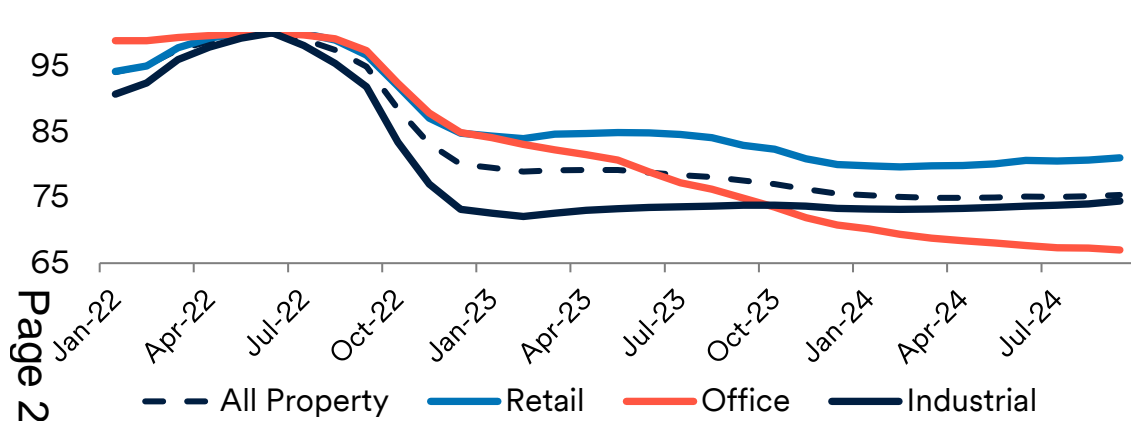
Source: Schroders, 30 September 2024. All statements are Schroders opinions

# Compelling point in the cycle to invest in UK real estate

Valuations have stabilised following significant decline, but rental growth remained strong in contrast to past cycles due to structural factors, interest rates and gilt yields expected to continue decline from peak supporting future valuations but refinancings and open-end fund redemptions mean there will be motivated sellers

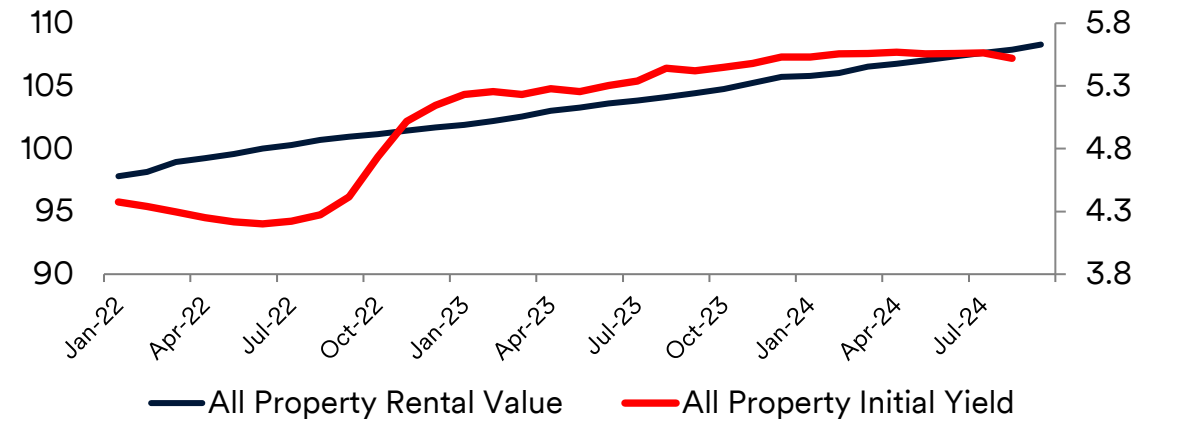
## Capital values by sector

June 2022 = 100

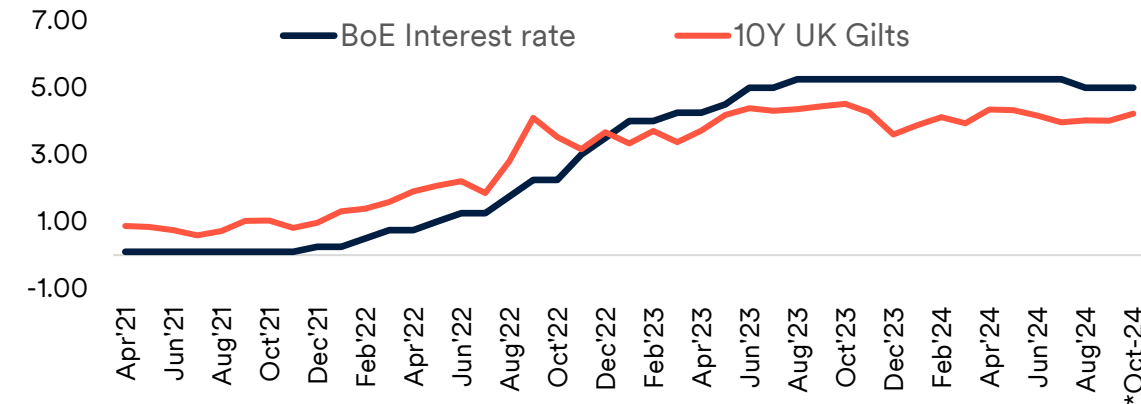


## Rental values and yields

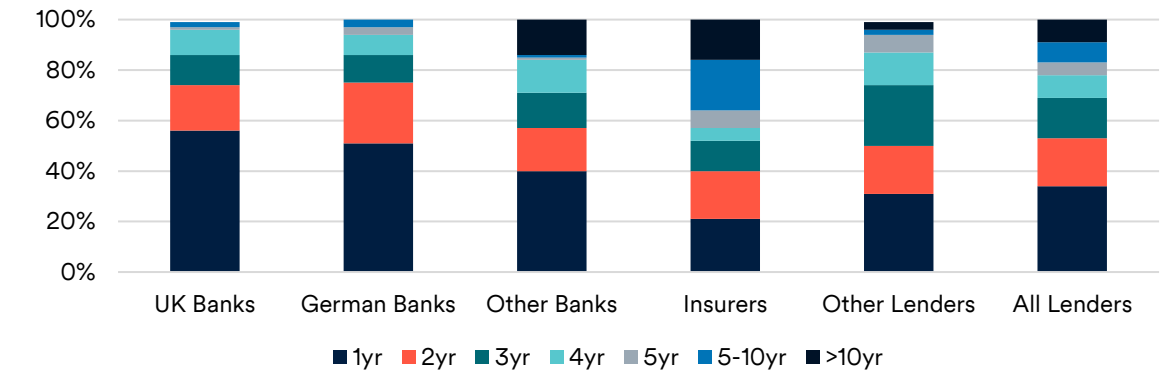
Rental Values, June 2022 = 100



## Interest rate and gilt yields\* (%)



## Maturity of £171 billion of outstanding UK commercial real estate loans at 31 Dec 23

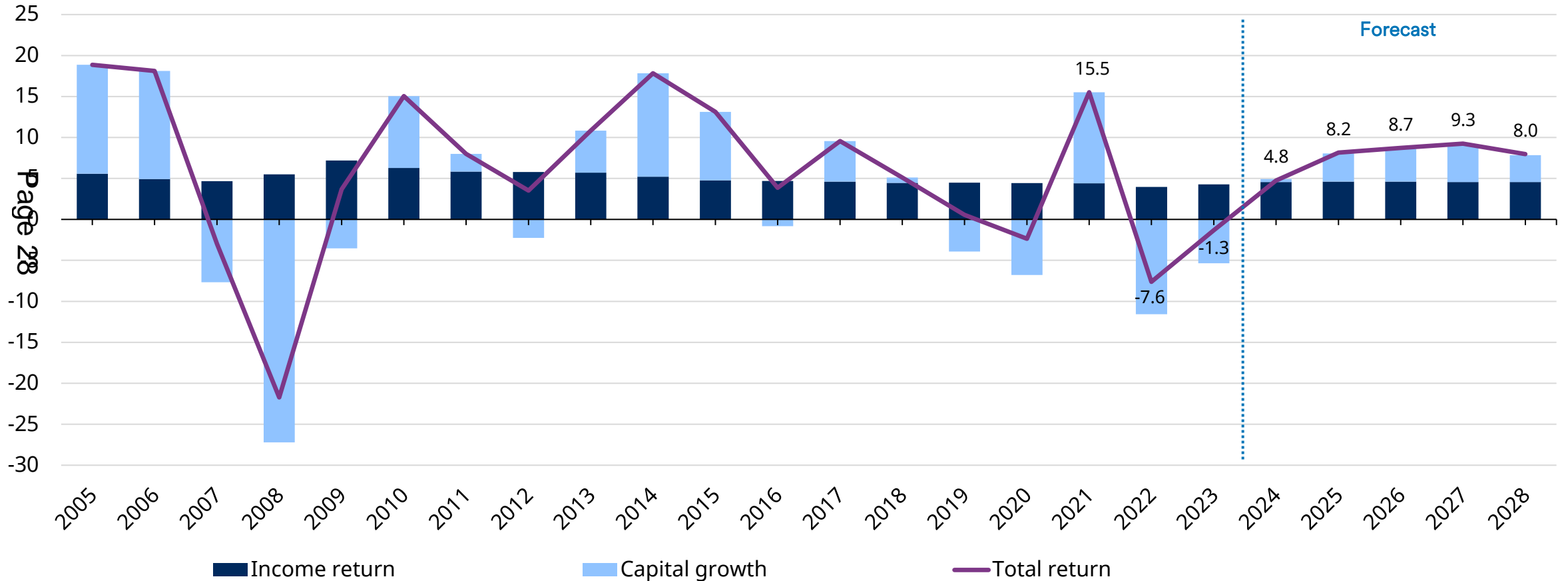


Source: Schroders Capital, MSCI UK Monthly Index, Schroders. September 2024. Bayes Business School Commercial Real Estate Lending Report as at 31 December 2023. LSEG, Schroders Economics, October 2024. \*As at end of the months. For Oct'24 as at Oct 8<sup>th</sup>. All statements are Schroders opinions

# UK real estate performance

Positive returns returning in 2024 with attractive & above recent average returns from 2025 onwards

Total return and components %



Source: MSCI, Schroders. January 2024. Note the forecasts are for average grade buildings, not prime. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts. The forecasts included are not guaranteed; they are provided only as at the date of issue and should not be relied upon. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors. All statements are Schroders opinions






***SCHRODERS CAPITAL REAL  
ESTATE SOLUTIONS APPROACH/  
PORTFOLIO OVERVIEW***

# Schroders Capital Real Estate Solutions approach

## Key benefits of our ‘indirect multi-manager’ approach

- Diversification
- Reduced volatility
- Lower transaction costs
- Ability to negotiate lower third party managers’ fees
- Exposure to specialist property managers / advisors
- Access to exclusive products
- Flexible approach to tailor portfolios to meet client risk/return requirements

Page 30

Circa £234 million buys:		Real Estate Exposure
	Wenlock Works, London	Circa £104 million
	11.7% of a large balanced pooled fund	£2.0 billion
	Segregated indirect portfolio	Over £13.4 billion

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

Source: Schroders, October 2024. All statements are Schroders opinions

# Portfolio overview and performance

Q3 2024 summary

Portfolio value

**£233.9 million**

Number of holdings

Page 7  
33

Undrawn commitments

**£2.1 million (0.9%)**

Look-through gearing (% GAV)

**9.3%**

Underlying exposure

**£13.4 billion**

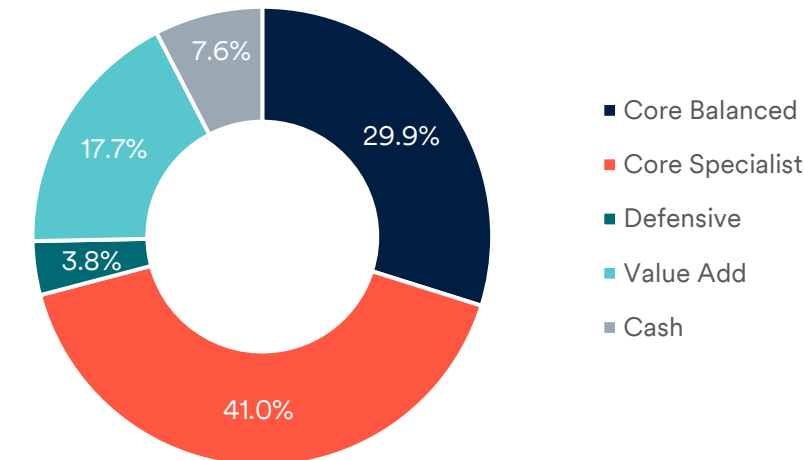
Open-ended / Closed-ended

**65.8% / 26.6%**

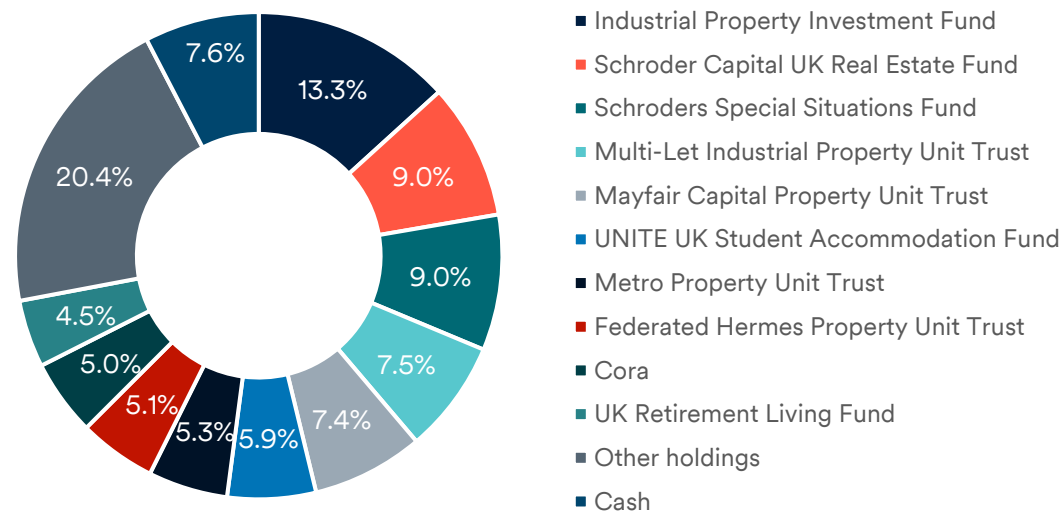
Estimated distribution yield

**3.3%**

Style breakdown (%)



% of total FUM

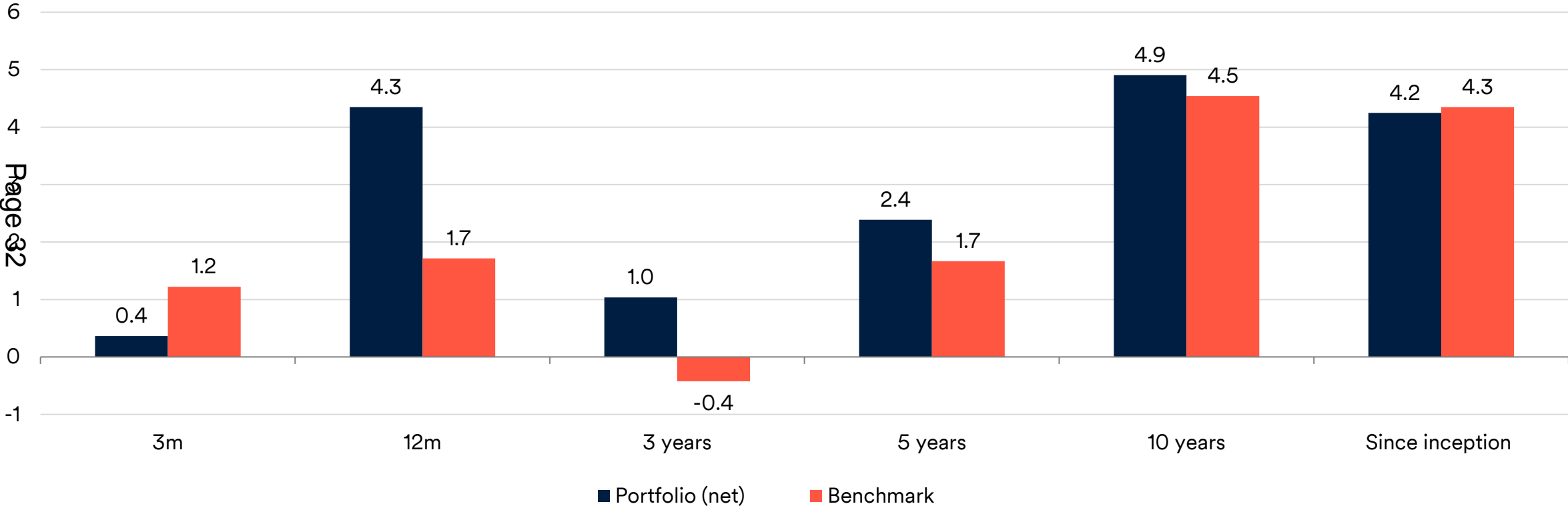


Source: Schroders, 30 September 2024

# Portfolio overview and performance

## Portfolio total returns versus benchmark, Q3 2024

### Total returns % p.a.



Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Source: Schroders and MSCI/AREF UK Quarterly Property Fund Indices, 30 September 2024. The portfolio's returns are calculated on the basis that units in open-ended funds are valued at their mid price and closed-ended funds at their NAV price. Benchmark is the MSCI/AREF UK Quarterly Property Fund Index – All Balanced Open-Ended Funds Weighted Average. The performance objective to outperform the MSCI/AREF UK Quarterly Property Fund Index – All Balanced Open-Ended Funds Weighted Average by 0.75% pa on a three year rolling basis (net of fees). Please refer to the Important Information at the back of this document regarding past performance. Exchange rate changes may cause the value of investments to fall as well as rise.



# Portfolio overview and performance

## Discrete annual performance

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested.

Performance (%)	YTD	Q4 22 to Q4 23	Q4 21 to Q4 22	Q4 20 to Q4 21	Q4 19 to Q4 20	Q4 18 to Q4 19
Portfolio (net)	4.9	0.4	-7.7	17.8	-1.8	1.5
Benchmark	2.9	-1.4	-9.5	19.1	-1.0	1.6

### London Borough of Tower Hamlets Superannuation Fund : Risk Considerations

- No warranty is given, in whole or in part, regarding the performance of the underlying holdings and there is no guarantee that the investment objectives of individual investments will be achieved
- The price of units and the income from them may fluctuate upwards or downwards and cannot be guaranteed
- Property-based pooled vehicles invest in real property, the value of which is generally a matter of a valuer's opinion
- It may be difficult to deal in the units of the underlying holdings, or to sell them at a reasonable price, because the underlying property assets may not be readily saleable, thus creating liquidity risk.

Source: Schroders and MSCI/AREF UK Quarterly Property Fund Indices, 30 September 2024. The portfolio's returns are calculated on the basis that units in open-ended funds are valued at their mid price and closed-ended funds at their NAV price. Benchmark is the MSCI/AREF UK Quarterly Property Fund Index – All Balanced Open-Ended Funds Weighted Average. The performance objective to outperform the MSCI/AREF UK Quarterly Property Fund Index – All Balanced Open-Ended Funds Weighted Average by 0.75% pa on a three year rolling basis (net of fees). Please refer to the Important Information at the back of this document regarding past performance. Exchange rate changes may cause the value of investments to fall as well as rise.

# Tower Hamlets – example of current investments



## People & Places

**Waypoint**

**Local Retail Fund**  
(a Schroders Partnership Fund)

	Sector investment	<b>Convenience Retail - Defensive income</b>
	Investment strategy	<b>Convenience and neighbourhood retail assets across the UK</b>
	Performance objective	<b>7% TR pa - Distribution yield of 5% pa</b>
	Relationship	<b>+10 years</b>



## Individualism & Supply Chains

**Schroders capital**

**UK Operating Hotels Fund**

	Sector investment	<b>Owner Operated Hotels</b>
	Investment strategy	<b>Sourced from non-specialist owners and reposition to create value at exit</b>
	Performance objective	<b>12% IRR</b>
	Relationship	<b>Since 2002</b>



## Demographic Shifts

**octopus real estate**

**UK Retirement Living Fund**  
(a Schroders Partnership Fund)

	Sector investment	<b>Retirement Living</b>
	Investment strategy	<b>Construction and sale of mid to high-end retirement developments</b>
	Performance objective	<b>15% IRR</b>
	Relationship	<b>+10 years</b>



Source: Schroders Capital, 2024. All performance targets are net of fees and costs. References to these assets are for illustrative purposes only and are not a recommendation to buy and/or sell. Past performance is not a guide to future performance and may not be repeated. These forecasts are targets only and not profit expectations. There can be no guarantee these targets can be met. Logos are the property of their respective entities.

# Recent allocation of additional capital

Fund	Purchase Price	Discount to NAV (%)	30 September 2024 NAV Value*	Difference (£/%)
<b>60% allocated to discounted secondary market trades</b>				
Industrial Property Investment Fund	£6.0m	-2.25	£6.5m	£0.5m
Schroder Capital UK Real Estate Fund	£7.0m	-6.0	£6.8m	-£0.2m
Unite Student Accommodation Fund	£6.0m	-3.0	£6.7m	£0.7m
Special Situations Fund	£6.2m	-25.0	£8.6m	£2.5m
UK Retirement Living Fund	£2.0m	-32.8	£3.3m	£1.3m
UK Retirement Living Fund (commitments)	£0.7m	0	£0.7m	-
<b>25% allocated to 'Best Ideas'</b>				
Reform	£11.5m	Primary (at NAV)	£11.6m	£0.1m
<b>15% allocated to added value</b>				
Schroder Capital UK Operating Hotels Fund	£6.9m	Primary (at NAV)	£6.9m	£0.0m
<b>TOTAL</b>	<b>£46.3m</b>		<b>£51.1m</b>	<b>£4.9m / 10.5%</b>

\* Schroders Capital UK Real Estate Fund is valued at Mid-Price for London Borough of Tower Hamlets Superannuation Fund

- Additional allocations made to preferred funds at discounts to NAV and to added value strategies to take advantage of repriced assets to deliver strong outperformance over benchmark over the next few years.
- Current value +10.0% increase from purchase price

# ***SUSTAINABILITY***

# Transforming the built environment – contributing to real estate decarbonisation and resilience



In June 2019, the UK became the first major economy to commit and set a legally binding target for net zero carbon ('NZC') emissions by 2050.<sup>1</sup>



The built environment accounts for approximately 25%<sup>2</sup> of the UK's greenhouse gas emissions, therefore decarbonising the real estate sector will be a key contributor to aligning with the UK's Net Zero 2050 target and reducing global warming.



Given the majority of today's stock will still be in use in 2050<sup>3</sup>, it is only by transforming less sustainable buildings into modern, fit for purpose assets, that the sector will reach Net Zero Carbon.

Source: <sup>1</sup>Gov.uk. <sup>2</sup>UK Green Building Council – Whole Life Carbon Roadmap, 2021. <sup>3</sup>C40 Cities Climate Leadership Group.



# Responding to the evolving needs of both tenants and investors



Page 38



Tenants are increasingly demanding more sustainable buildings to operate in and are prepared to pay higher rents to do so, to meet their own sustainability targets, attract and retain staff, cut building operating costs and improve their contribution to the areas where they are based.

Internationally, over 8,000 companies and nearly 600 financial institutions have signed the UN's Race to Zero to halve greenhouse emissions by 2030.<sup>1</sup>

Investors are more focused on the sustainability credentials of assets to secure long term investment performance and as a result, are prepared to pay higher prices for these buildings.



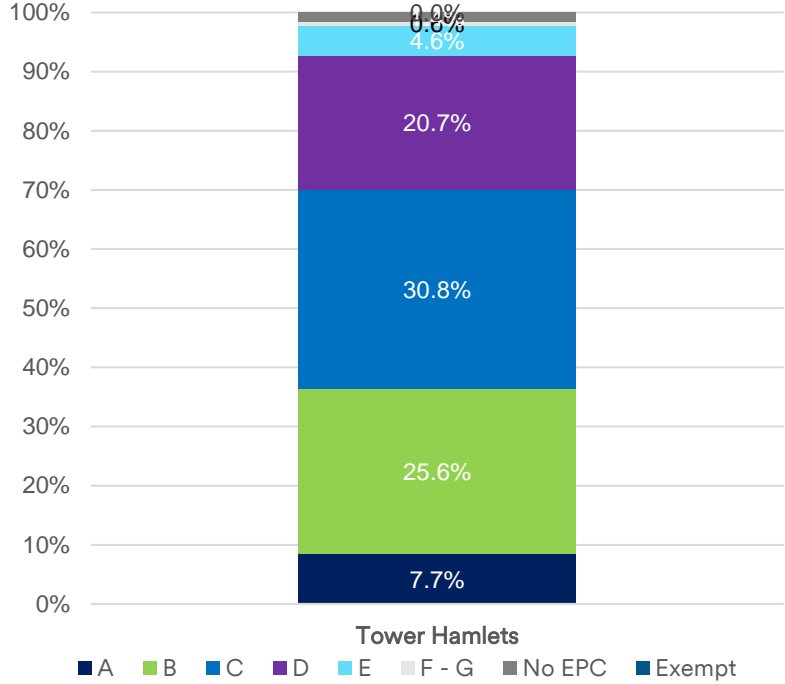
Source: 'United Nations Framework Convention on Climate Change. All statements are Schroders opinions

# Carbon and Energy performance

## Tower Hamlets portfolio

Carbon Emissions Profile - year to 30th September 2024			
Portfolio Value Q3 2024	£233,866,936		
Cash	£17,808,271		
Portfolio Value excluding Cash Q3 2024 <sup>1</sup>	£216,058,665		
Actual Emissions <sup>2</sup>		Actual & Estimated Emissions <sup>3</sup>	
% of portfolio where emissions have been reported	52.7%	% of portfolio covered via extrapolation	77.7%
£ of portfolio where emissions have been reported	£113,847,655	£ of portfolio where emissions have been reported	£167,771,966
Scope1 GHG emissions (tCO <sub>2</sub> e)	104	Scope1 GHG emissions (tCO <sub>2</sub> e)	132
Scope2 GHG emissions (tCO <sub>2</sub> e)	256	Scope2 GHG emissions (tCO <sub>2</sub> e)	326
Scope3 GHG emissions (tCO <sub>2</sub> e)	1114	Scope3 GHG emissions (tCO <sub>2</sub> e)	1832
Total GHG emissions (tCO <sub>2</sub> e)	1474	Total GHG emissions (tCO <sub>2</sub> e)	2290
Carbon Footprint (tCO <sub>2</sub> e/£m)	13.0	Carbon Footprint (tCO <sub>2</sub> e/£m)	13.6
Emissions not reported <sup>4</sup>			
% of portfolio not covered	22.3%		
£ of portfolio where emissions have not been reported	£48,286,699		

Portfolio EPC Ratings<sup>5</sup>



Please note that our analysis relies on data reported to us by third parties and has not been audited. All emissions data reported from GRESB 2023 fund submissions and represents the latest available annual data set.

1 All calculations are based off portfolio value excluding cash.

2 We multiply the percentage ownership of the client in each of their underlying fund investments by the respective fund's carbon emissions output in tonnes as reported by each Fund Manager. The output of each fund is summed to create an emissions total.

3 Where we do not have 100% data coverage in any one fund we have extrapolated the data up to 100% coverage by assuming those assets with missing data produce the same emissions as the average of all assets where data has been reported.

4 These are funds where we have no GHG data

5 Aggregated portfolio EPC rating calculation is formulated by taking the EPC ratings of each underlying fund and multiplying it by the percentage share of the portfolio allocated towards each fund. The Minimum Energy Efficiency Standards apply in England and Wales and require landlords to obtain a minimum EPC E rating for the grant of a new tenancy, extension or renewal of an existing tenancy, unless a valid exemption is registered.

Source: Schroders, GRESB, 30 September 2024

# Real Estate Solutions: Sustainability Policy

Outlines the requirements we expect from the managers of our fund investments

## Manager requirements

- Fund specific ESG policy
- Fund specific sustainability business plan
- EPC certificates / flood risk ratings / compliance with MEES
- Disclosure of operational environment data (energy, GHG emissions, water, waste)
- Evidence of improvements of data coverage
- Green lease clauses
- Net zero carbon pathways including setting of milestones
- Reduction of fossil fuel dependence
- 100% renewable electricity by 2023
- Provision of social data so we can measure diversity, inclusion etc.
- Good governance evidenced by compliance with industry bodies
- Progression in dealing with climate related risks
- Supplier practices to align with Schroders Supplier Code of Conduct

Page 40

---

*The Schroders Capital Real Estate Solutions Team recognises that we need to express our commitment to sustainable investing through our investment behaviour. We will only invest into funds that meet the criteria set out in our Policy.*

---



# Sustainability in practice: 8 Bloomsbury Street, London, WC1

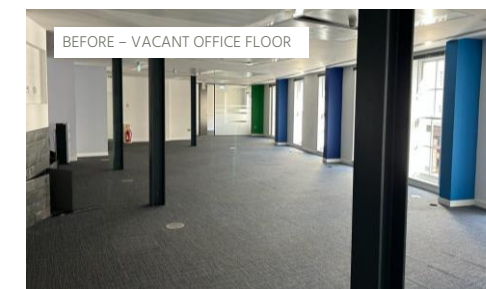
## Asset profile

<b>Fund</b>	ReForm
<b>Sector</b>	Office
<b>Acquisition date</b>	December 2023
<b>Occupier</b>	Various
<b>Area</b>	33,448 sq. ft

## ESG Initiative

The first acquisition for the ReForm Fund is a significantly under-managed, multi-let central London office building located 3 mins from Tottenham Court Road Station. This investment is a 33,000 sq. ft. office and retail building arranged over lower ground, ground and five upper floors, which includes a communal roof terrace and end-of-journey facilities.

The building currently has in-place ESG credentials including BREEAM Refurbishment and Fit Out 'Very Good' and an EPC rating of B, however, there are opportunities to enhance the value of the asset. The Feldberg team plan to carry out rolling refurbishments across circa 75% of the office accommodation and implement their ESG strategy which has guiding principles that include, climate & environment, natural capital, connectivity & technology and local community.



## ESG Strategy

- **Climate & Environment:**
  - Net Zero pathway targeting 90% reduction in scope 1 and 2 emissions by 2030 and 90% reduction in scope 1, 2 and 3 by 2040
  - Undertake Whole Life Carbon Assessment
  - Target EPC 'A'
- **Natural Capital:**
  - Achieve net biodiversity gain, making use of roof terrace and outdoor areas
- **Connectivity & Technology:**
  - Target WiredScore 'Platinum', implement landlord fibre Backbone Connect and tenant app Smart Spaces
- **Social Value:**
  - 1) Local needs analysis commissioned to get a comprehensive understanding of the community statistics/needs
  - 2) Shortlist up to three of the areas of need
  - 3) Select partners in the area who work in these fields
  - 4) Agree a delivery strategy with each partner
  - 5) At year end, collect data and submit to social value portal who put a value on the work done
  - 6) Review targets for following years, then repeat the process

Source: Feldberg Capital, May 2024. References to these assets are for illustrative purposes only and are not a recommendation to buy and/or sell. Past performance is not a guide to future performance and may not be repeated. The BREEAM Refurbishment and Fit Out Standards provide a framework to deliver projects to a high performing and sustainable standard, support commercial success and create positive environmental and social impact. [BREEAM | Sustainable Building Certification](https://www.breeam.com/)

# ***SUMMARY***

# Summary

- The Tower Hamlets portfolio continues to outperform the benchmark over the medium to long term time periods and has outperformed its performance target of benchmark plus 0.75% per annum over a three-year rolling basis
- The portfolio is well positioned to continue to deliver out-performance
- We will use cash to target sector specialist funds, added value and mispriced opportunities in 2024/2025

# ***APPENDIX***

# Business overview and Schroders Capital Real Estate Solutions value add

## Schroders Capital Real Estate Solutions (SCRES)

Experienced Manager with strong governance and investment process



### Experienced manager

Page 45

- Established 1997
- £3.9bn under management
- 17 separate accounts
- Investment team has an average of 22 years' real estate experience
- Strong support from the wider Schroders Group



### Strong governance practices and fiduciary oversight

- Robust, transparent and clearly defined risk and governance practices
- Real Estate Indirect Investment Committee oversight
- Environmental, Social, Governance is integrated in the investment process <sup>1</sup>
- Schroders Real Estate Investment Risk Framework application



### Insightful research and unique strategies

- Research-led investment approach underpins investment strategy
- Research capability of Schroders Capital and Schroders Group
- Ten Partnership strategies providing SCRES clients with exposure to niche opportunities and market-leading Real Estate advisors
- Top down research drawing on the experience of Schroder Investment Outlook



### Proven and repeatable investment process

- Strong fund underwriting and negotiation of terms
- Active and frequent fund monitoring
- Detailed portfolio analysis using bespoke modelling and analytical tools
- Creation of Partnership strategies to access niche and emerging opportunities

Past performance is not a guide to future performance and may not be repeated.

Source: Schroders, 30 June 2024. <sup>1</sup>We integrate ESG considerations into our research and investment decisions across Investment teams and asset classes with the aim of maximising risk-adjusted returns for our clients. We confirm the adoption of ESG integration by our Investment teams using an internal accreditation framework. The SCRES team holds Schroders ESG Integrated accreditation. Please refer to [Schroders-Group-Sustainable-Investment-Policy.pdf](#) for more information

# Important information



Participation in the Schroders Capital Real Estate service may involve investment in various asset classes including property equity and collective investment schemes ('Funds') within the meaning of Section 235 of the Financial Services and Markets Act 2000 ('FSMA'). Most of these Funds are not authorised unit trust schemes, OEICs or recognised schemes within the meaning of the FSMA and therefore constitute unregulated collective investment schemes. The Schroder UK Real Estate Fund is authorised by the Financial Conduct Authority (the 'FCA') as a Qualified Investor Scheme ('QIS').

Investors and potential investors should be aware that past performance is not a guide to future returns. No warranty is given, in whole or in part, regarding performance of the portfolio and there is no guarantee that the investment objectives will be achieved. The value of units and other investments and the income from them may fluctuate upwards or downwards and cannot be guaranteed. Property-based pooled vehicles such as property unit trusts, invest in real property, the value of which is generally a matter of a valuer's opinion. It may be difficult to deal in the units or to sell them at a reasonable price, thus creating a liquidity risk. There may be no recognised market for units in the Funds and, as a result, reliable information about the value of units in the Funds or the extent of the risks to which they are exposed may not be readily available. A potential conflict with the Manager's duty to the client may arise where the Manager invests in units in a Fund(s) managed by itself or an Associate. However the Manager will ensure that such transactions are effected on terms which are not materially less favourable than if the potential conflict had not existed.

This document is intended for the use of the addressee or recipient only and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purpose, without the prior written consent of Schroders Capital Real Estate. This document is not an offer or a solicitation to acquire or dispose of an interest in any investment instruments described herein. Any terms contained in this document are indicative terms for discussion purposes only and are not intended to provide the sole basis for evaluation of any instruments described. Neither this document nor any other statement (oral or otherwise) made at any time in connection herewith is an offer, invitation or recommendation to acquire or dispose of any investment or to enter into any transaction.

Use of MSCI data and indices : © and database right MSCI Inc. and its Licensors 2024. All rights reserved. MSCI has no liability to any person for any losses, damages, costs or expenses suffered as a result of any use of or reliance on any of the information which may be attributed to it.

GRESB 2023, All intellectual property rights to this data belong exclusively to GRESB B.V. All rights reserved. GRESB B.V. has no liability to any person (including a natural person, corporate or unincorporated body) for any losses, damages, costs, expenses or other liabilities suffered as a result of any use of or reliance on any of the information which may be attributed to it.

Refinitiv Third-party provider additional terms | LSEG Third-party providers do not warrant that the provision of their data, software or services will be uninterrupted, error free, timely, complete, or accurate, nor do any of them make any warranties as to the results to be obtained from use of the same. You acknowledge that third-party data, software, or services do not constitute a recommendation of any kind and is provided for informational purposes only. You expressly agree that your use of third-party data, software, or services is at your own risk. Accordingly, the third-party providers will not in any way be liable to you or any other entity for any inaccuracies, errors, omissions, delays, damages, claims, liabilities, or losses, regardless of cause, in or arising from the use of the third-party data contained in Refinitiv's services. All warranties, conditions and other terms implied by statute or common law including, without limitation, warranties or other terms as to merchantability, satisfactory quality and fitness for a particular purpose, are excluded. TR does not warrant that the Services (or services, information or material supplied to TR on which all or part of a Service depends) will be delivered free of any interruptions, delays, omissions or errors ("Faults") or that all Faults will be corrected.

Schroder Real Estate Investment Management Limited  
One London Wall Place  
London  
EC2Y 5AU

Registration No 1188240 England.

# Important information



## Important Information:

All terms described herein are subject to change. This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy. We do not make a warranty or representation as to the completeness or accuracy of the information contained herein.

Any reference to sectors/countries/stocks/securities are for illustrative purposes only and not a recommendation to buy or sell any financial instrument/securities or adopt any investment strategy. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations.

The forecasts included in this presentation should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions.

This document is intended to be for information purposes only. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. No responsibility can be accepted for errors of fact or opinion. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions. Any fees referenced are indicative, and are non-binding and subject to change.

Past performance is not a reliable indicator of future results, prices of shares and the income from them may fall as well as rise and investors may not get back the amount originally invested. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Schroders has expressed its own views and opinions in this presentation and these may change. Information herein is believed to be reliable but Schroders does not warrant its completeness or accuracy. The views and opinions contained herein are those of the author's, or the individual to whom they are attributed, and may not necessarily represent views expressed or reflected in other communications, strategies or funds.

Insofar as liability under relevant laws cannot be excluded, no Schroders entity accepts any liability for any error or omission in this material or for any resulting loss or damage (whether direct, indirect, consequential or otherwise). This presentation may contain "forward-looking" information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised. Forecasts and assumptions may be affected by external economic or other factors.

Third party data is owned or licensed by the data provider and may not be reproduced or extracted and used for any other purpose without the data provider's consent. Third party data is provided without any warranties of any kind. The data provider and issuer of the document shall have no liability in connection with the third party data. The terms of the third party's specific disclaimers, if any, are set forth in the Important Information section at [www.schroders.com](http://www.schroders.com).

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at [www.schroders.com/en/privacy-policy](http://www.schroders.com/en/privacy-policy) or on request should you not have access to this webpage.

This material has not been reviewed by any regulator. Not all strategies are available in all jurisdictions.

For your security, communications may be recorded or monitored.

Issued by Schroder Real Estate Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registration No 1188240 England. Authorised and regulated by the Financial Conduct Authority.

# CONTACT

**Lucinda Liss**

Fund Manager

T 020 7658 300

[Lucinda.liss@schroders.com](mailto:Lucinda.liss@schroders.com)

**Olivia Docker**

Client Director

T 020 7658 3552

[Olivia.docker@schroders.com](mailto:Olivia.docker@schroders.com)

Page 48

**Sarah Cockburn**

Head of Solutions (UK)

T 020 7658 7855

[Sarah.cockburn@schroders.com](mailto:Sarah.cockburn@schroders.com)

**BUILDING  
CHANGE**

**Schroders**  
capital



<p>Non-Executive Report of the:</p> <p><b>Pensions Committee</b></p> <p><b>Monday, 11 November 2024</b></p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Julie Lorraine, Corporate Director, Resources</p>	<p><b>Classification:</b> Open (Unrestricted)</p>
<p><b>Pensions Administration Report – September 2024</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 Committee members with information on the administration and performance of the Scheme for the quarter to September 2024.

## Recommendations:

The Pensions Committee is recommended 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.

## 1. REASONS FOR THE DECISIONS

- 1.1 The Committee 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 30 September 2024.

Table 1A: Analysis of Membership at 30 September 2024

Membership	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	7,896	8,462	344	7,468	2,515
% of Membership	29.59	31.71	1.29	27.99	9.42
Change from last quarter	118	6	74	53	20

Table 1B: Change in Membership – Quarter to 30 September 2024

Membership	30 Sep 2024	30 Jun 2024	Change (%)
Active	7,896	7,778	1.5
Deferred	8,462	8,456	0.1
Undecided	344	270	27.4
Pensioner (incl. spouse & dependant members)	7,468	7,415	0.7
Frozen	2,515	2,495	0.8
<b>Total</b>	<b>26,685</b>	<b>26,414</b>	<b>1.0</b>

- 3.2 The table below shows the tasks completed and outstanding during the quarter to 30 September 2024.

Table1C: Analysis of Case types – Quarter to 30 September 2024

	Altair Workflow	Jul-24				Aug-24				Sep-24			
		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>													
Voluntary	AHEARLYA	5	16	10	11	11	19	15	15	15	10	16	9
Redundancy	AHREDUNA	3	12	9	6	6	2	2	6	6	1	4	3
Medical	AHIRETA	0	0	0	0	0	1	0	1	1	0	1	0
Late	AHLATERA	2	6	5	3	3	7	6	4	4	5	4	5
Flexible	AHFLEXRA	2	1	3	0	0	1	1	0	0	3	2	1
Deferred into Payment	AHDBPAYA	14	11	18	7	7	16	11	12	12	21	15	18
		26	46	45	27	27	46	35	38	38	40	42	36
<b>Transfers</b>													
Transfer In - Quotes	AHTVIQ	11	12	9	14	14	3	6	11	11	9	7	13
Transfer Out - Quotes	AHTVOQ	6	11	8	9	9	3	5	7	7	7	6	8
Transfer In - Actual	IFAINO3 & TVIN03	13	11	4	20	20	9	8	21	21	16	11	23
Transfer Out - Actual	IFAGUT02 & TVOUT02	16	27	9	34	34	16	29	21	21	16	19	18
		46	61	30	77	77	31	48	60	60	48	43	62
<b>Refunds</b>													
Refund Calculations	AHRFNDP	15	55	54	16	16	42	33	25	25	61	50	36
Refund Payments	AHRFNDA	12	22	18	16	16	9	10	15	15	12	17	10
		27	77	72	32	32	51	43	40	40	73	67	46
<b>Estimates</b>													
Voluntary	AHBENEST & AHEARLYQ	22	44	35	31	31	41	39	33	33	47	47	33
Redundancy	AHREDUNQ	2	4	6	0	0	3	1	2	2	3	4	1
Medical	AHIRETQ	4	1	3	2	2	2	1	3	3	1	1	3
Late	AHLATERQ	7	6	8	5	5	8	6	7	7	5	6	6
Flexible	AHFLEXRQ	3	3	5	1	1	0	0	1	1	7	3	5
Deferred into Payment	AHDBPAYQ	7	9	13	3	3	61	27	37	37	31	51	17
		45	67	70	42	42	115	74	83	83	94	112	65
<b>Deferred</b>													
Deferred Calculations	AHDEFLV	60	58	72	46	46	42	27	61	61	74	55	80
<b>Opt Out</b>													
Opt Out	OPTOPRT2	23	40	39	24	24	16	14	26	26	28	28	26
<b>New Starters</b>													
New Starters	AHNEWST	14	61	69	6	6	145	92	59	59	39	65	33
<b>Nominations</b>													
Nomination Changes	AHNOMIN	5	9	10	4	4	7	3	8	8	9	7	10
<b>Address</b>													
Address Changes	AHADDRES	24	36	44	16	16	19	18	17	17	28	24	21
<b>Bank Account</b>													
Bank Account Change	BANKCHGE	6	6	5	7	7	4	3	8	8	6	6	8
<b>General Enquiry</b>													
General Enquiry	AHMEMBER	107	173	157	123	123	114	136	101	101	261	214	148
<b>Deaths</b>													
Death Cases - General	AHDEATH	20	39	40	19	19	45	36	28	28	32	42	18

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.

### Workflows

3.4 During the quarter to 30 September 2024, a total of 2427 workflows were produced.

3.5 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 (June – September 2024)

			July	August	September
	Altair Workflow	Target Days	% Within Target	% Within Target	% Within Target
<b>Retirements</b>					
Voluntary	AHEARLYA	15	77.78	75	37.5
Redundancy	AHREDUNA	15	88.89	0	0
Medical	AHIHRETA	15	-	-	0
Late	AHLATERA	15	80	80	75
Flexible	AHFLEXRA	15	66.67	100	100
Deferred into Payment	AHDBPAYA	15	52.94	54.55	53.33
<b>Transfers</b>					
Transfer In - Quotes	AHTVIQ	10	62.5	50	66.67
Transfer Out - Quotes	AHTVOQ	10	62.5	33.33	60
Transfer In - Actual	IFAIN03 & TVIN03	0			
Transfer Out - Actual	IFAOUT02 & TVOUT02	0			
<b>Refunds</b>					
Refund Calculations	AHRFNDF	10	67.31	84.85	68.75
Refund Payments	AHRFNDA	10	75	66.67	56.25
<b>Estimates</b>					
Voluntary	AHBENEST & AHEARLYQ	15	88.24	71.05	89.13
Redundancy	AHREDUNQ	15	80	100	75
Medical	AHIHRETQ	15	33.33	100	0
Late	AHLATERQ	15	62.5	50	33.33
Flexible	AHFLEXRQ	15	60	-	100
Deferred into Payment	AHDBPAYQ	15	84.62	100	45.1
<b>Deferred</b>					
Deferred Calculations	AHDEFLV	30	77.78	76.92	90.74
<b>Opt Out</b>					
Opt Out	OPTOPRT2	2	53.85	38.46	37.04
<b>New Starters</b>					
New Starters	AHNEWST	40	97.01	100	91.23
<b>Nominations</b>					
Nomination Changes	AHNOMIN	10	60	66.67	42.86
<b>Address</b>					
Address Changes	AHADDRES	15	68.18	50	70.83
<b>Bank Account</b>					
Bank Accoun Change	BANKCHGE	0	80	66.67	50
<b>General Enquiry</b>					
General Enquiry	AHMEMBER	10	67.33	60.45	77.46
<b>Deaths</b>					
Death Cases - General	AHDEATH	15	60	77.78	42.86

## EMPLOYER UPDATE

3.6 The table below shows the employers with active members in the Scheme on 30 September 2024.

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	
Juniper Cleaning St Saviours	Letta Trust (Stebon and Bygrove Schools)
Mediquip	London Enterprise Academy
Olive Dining	Mulberry Academy
	Paradigm Trust (Culloden, Old Ford and Solebay Primary Schools)
	Sir William Burrough
Purgo Supplies Services Ltd	St. Pauls Way Community School
Tower Hamlets Community Housing Limited	Wapping High School
Vibrance (formerly Redbridge Community Housing Limited)	Stepney Green (Mulberry Trust)
Wettons Cleaning Limited	Taylor Shaw (Stepney Green)
Nourish Catering	Phoenix Trust (Open Scheme)
Ridgecrest	Phoenix Trust – Closed Scheme
East London Arts & Music	Canon Barnett Academy
Swan Housing Association	

### Data Quality

3.7 Officers are continuing to work with ITM on the data cleanse project. The current actions include:

- GMP Reconciliation
  - ITM are carrying out sample file reviews for the following two categories. A list of member names/ references have been provided so that the LBTH team can extract the relevant image files.
    - Dependant Linking
    - GMP Value Reconciliation
- Data Audit
  - Electronic address tracing
  - Review of Issues Log to determine the items to be resolved by ITM.
- Payroll Reconciliation
  - ITM provided the LBTH team with a list of cases categorised as 'Accept Admin' or 'Accept Payroll' to be reviewed before ITM finalise the payroll reconciliation.
- GMP and Payroll Rectification Project
  - Officers and ITM have agreed to commence this project in November. It is anticipated that the project will take about 3 months to complete.

Officers and ITM anticipate completion of the entire project by the end of February 2025.

### Employer Insourcing

3.8 There were no employer insourcing during the period.

## **Employer Admissions**

- 3.9 Employer admissions in the pipeline include Mulberry London Dock Academy, Caterlink and Atlas FM Payroll Ltd.

## **Employer Cessations**

- 3.10 There were no employer cessations during the quarter.

## **SCHEME and LEGISLATIVE UPDATE**

### **Pensions Dashboards**

- 3.11 Officers are preparing for pensions dashboards. Tower Hamlets Pension Fund's 'connect by' date is 31<sup>st</sup> October 2025. This means that the Fund has less than one year until the Fund is expected to go live on Pensions Dashboards. The Fund's preferred route to connection is to use a third-party (Heywood) solution. Officers are in the process of initiating discussions with Heywood to develop a plan and agree a collaborative approach to help the Fund to comply with the regulatory requirement.

### **Transition of 'Member Self Service' (MSS) to 'Engage'**

- 3.12 The Member Self Service (MSS) is being phased out by Heywood. Officers are working with Heywood on the proposed introduction of 'Engage' to replace MSS and transfer of MSS users to 'Engage' from January 2025.

## **OUTSTANDING WORK**

- 3.13 In total there are currently 357 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 of transfers out.
- 3.14 Possible incoming transfer currently being processed – 242. 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 Pensions Committee 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 Committee 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).

---

## **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.**

- NONE

### **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

Email: [paul.audu@towerhamlets.gov.uk](mailto:paul.audu@towerhamlets.gov.uk)

This page is intentionally left blank



Non-Executive Report of the:  <b>Pensions Committee</b>  Monday, 11 November 2024	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Scheme Engagement and Communications Report</b>	

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

**Executive Summary**

This report updates the Pensions Committee on employer and member engagement and communications. It provides details on the planning of the proposed Pension Fund Information Forum in January 2025.

**Recommendations:**

The Pensions Committee is recommended to:

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

**1. REASONS FOR THE DECISIONS**

- 1.1 Formal communication and engagement with stakeholders is central to the Pension Fund’s success. An annual Forum is also a means of consultation with stakeholders.

**2. ALTERNATIVE OPTIONS**

- 2.1 None.

**3. DETAILS OF THE REPORT**

- 3.1 The Pension Fund Information Forum provides a formal means for communication and consultation about the activities and governance of Tower Hamlets Pension Fund. The Forum was last held in 2016.

### **Pension Fund Information Forum 2025**

- 3.2 The Pensions Committee at its meeting on 30 September 2024 agreed officers' proposal to hold a Pension Fund Information Forum in January 2025 at Tower Hamlets Town Hall. Officers were requested to bring a further report on the timing, structure and content of the proposed event to this Committee for consideration.
- 3.3 Officers are proposing to hold the Pension Fund Information Forum twice on Thursday 9<sup>th</sup> and Friday 24<sup>th</sup> January 2025, to give as many current and prospective scheme employers and members as possible the opportunity to attend, learn about the LGPS, the Pension Fund and ask questions.
- 3.4 The proposed draft Agenda is included in this report (**Appendix 1**) for consideration and, if satisfied, approval. The proposed event would enable the Fund to share information with its stakeholders and allow stakeholders' views to be captured and reflected in the development of the Fund's policies and strategies, and routine pensions administration service.
- 3.5 Officers are actively consulting with the Fund's service providers on the structure and content of the Agenda, including the scope of the event material covering amongst other areas:
- Summary of the Pension Fund annual report;
  - Scheme membership and benefits;
  - Investment arrangements of the Fund;
  - Funding and solvency of the Fund (assets relative to liabilities);
  - Investment performance; and
  - Interaction between the administering authority and participating employers
- 3.6 Officers are planning to work collaboratively with various internal and external stakeholders, including trade unions, to ensure that the event is well-attended and that the presentations and other information provided are relevant. The event will include workshops/break-out sessions to provide choice to those with specific interests.
- 3.7 At the event, attendees will be asked to provide simple evaluation and feedback on a form. The responses will inform officers about delegates' experience and be used to improve future events.
- 3.8 Officers will liaise with the Committee Chair and provide further updates on the preparation ahead of the event.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no direct equalities implications on the content of this report.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 Tower Hamlets Pension Fund Communications Policy is maintained in accordance with regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. It outlines the approach to communicating with its diverse stakeholders including:
- Scheme members (active, deferred, retired and dependant);
  - representatives of scheme members;
  - prospective scheme members;
  - scheme employers; and
  - various external bodies

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

- 6.1 Officers are in discussion with fund managers and other service partners regarding sponsorship. However, there might be some direct financial implications for the Pension Fund.

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

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

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

### **Linked Report**

- None

### **Appendices**

- Proposed Tower Hamlets Pension Fund Information Forum 2025 – Draft Agenda

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

#### **List of “Background Papers” used in the preparation of this report**

- None

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

Paul Audu, Head of Pensions & Treasury Tel: 020 7364 4248 (Ext. 4248)  
3rd Floor, Town Hall, 160 Whitechapel Road, London E1 1BJ

Email: [paul.audu@towerhamlets.gov.uk](mailto:paul.audu@towerhamlets.gov.uk)

## **APPENDIX 1**

Tower Hamlets Pension Fund Information Forum  
Thursday 9<sup>th</sup> and Friday 24<sup>th</sup> January 2025  
TOWER HAMLETS TOWN HALL

### **DRAFT AGENDA**

1. Welcome
2. Local Government Pension Scheme – membership and benefits
3. Governance of Tower Hamlets Pension Fund
4. Tower Hamlets Pension Fund Annual Report and Accounts 2023-24
5. Scheme Administration
6. Pension Fund Investment and Performance
7. 2025 Actuarial Valuation
8. London CIV Pool Update
9. Regulatory Update
10. Closing remarks

### **Workshops**

1. Additional Voluntary Contribution (AVC)
2. Retirement planning
3. Responsible Investment and Stewardship
4. Auto Enrolment

### Notes:

- Timeslots to be agreed
- Comfort breaks to be agreed
- Speakers/presenters to be agreed
- Workshops are optional

Non-Executive Report of the:  <b>Pensions Committee</b>  <b>Monday, 11 November 2024</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director, Resources	<b>Classification:</b> Open
<b>Pension Fund Risk Register – 30 September 2024</b>	

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

### Executive Summary

This report updates the Pensions Committee on changes to the Pension Fund’s Risk Register during the quarter to 30 September 2024. Risk Management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the London Borough of Tower Hamlets Pension Fund (“the Fund”). A certain level of risk is inevitable in achieving the Fund objectives, but it must be controlled.

### Recommendations:

The Pensions Committee is recommended to:

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

### 1. REASONS FOR THE DECISIONS

- 1.1 Tower Hamlets Council as the administering authority of Tower Hamlets Pension Fund recognises that effective risk management is an essential part of good governance.
- 1.2 The Terms of Reference of the Pensions Committee sets out its responsibilities regarding risk management, namely:
  - *To review the risks inherent in the management of the Pension Fund.*
- 1.3 The Board is established by Public Sector Pensions Act 2013 and the first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme.

- 1.4 The consideration of the risks associated with administering the Pension Fund properly falls within the Terms of Reference of the Committee. Setting out a policy recognises the importance that is placed in this area in accordance with the CIPFA guidance and recognise the increased role of the Pensions Regulator following the Public Service pensions Act 2013.
- 1.5 The Risk Register is presented in Appendix 1 for the Committee to review to demonstrate compliance with both guidance and regulations provided by CIPFA and TPR.
- 1.6 Not all risks can be eliminated, however with proper management and monitoring the impact to the Fund will be minimised.

## **2. ALTERNATIVE OPTIONS**

- 2.1 Not reviewing the Risk Register for the Pension Fund potentially exposes the Fund and Council to action by the Pensions Regulator.

## **3. DETAILS OF THE REPORT**

- 3.1 The Pensions Regulator's Code of Practice recommends that a Pension Fund has a Risk Management Policy in place and reviewed periodically. The Risk Management Policy covers key areas such as:
  - The Fund's attitude to, and appetite for risk
  - Aims
  - Risk measurement and management
  - Responsibility
- 3.2 The Pension Board undertakes quarterly detailed review of the identified risks and the process for maintaining the Risk Register and report back to the Pensions Committee on any areas of concern. The Pensions Committee carries out an annual review of the high-level and emerging risks identified from the Fund's Risk Register. The Fund's Risk Register is included in Appendix 1. The Register is currently being reviewed by officers in detail based on previous feedback provided by the Committee. The risk register has been updated to take feedback into consideration, with risk mitigations, control measures and indicative target dates now included for all the risks. Work continues on updating the risk register, control measures, mitigating actions and target dates will need to be continually monitored and updated to ensure they remain relevant and fit for purpose.

## **Risks under review**

- 3.3 The report discusses the risks with severe (or 16) risk rating. Officers are taking the required actions to control these risks and consider the risks to be moderating for the reasons explained in the report.

**Risk HRP0009** – There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure and qualification of the Council's Statement of Accounts and Pension Fund Accounts.

- 3.4 ITM, a reputable firm experienced in pensions data investigations has performed a review of the Pension Scheme membership data. They have issued their draft report which has revealed that there are much fewer gaps in the data than previously thought, details of which have been included within the 'Pensions Administration Report – September 2024'.

**Risk HRP0035** – Inability to meet legal and performance expectations (including inaccuracies and delays and potential legal breaches) due to lack of or poor-quality data from the council and other Employers.

- 3.5 The following procedures have been or are being put in place:

1. Training for employers' officers to ensure they are aware of their responsibilities;
2. Updating of communication strategy to ensure information provided to employers is clear, concise and relevant;
3. Providing employers with access to the i-connect portal to submit returns using standard templates which are LGPS aligned, reducing scope for errors;
4. Working with identified employers to ensure issues are resolved.

**Risk HRP0039** – McCloud implementation.

- 3.6 Officers will again be seeking to obtain data to establish the potential scheme members in scope for the McCloud remedy. There are about 31 employers with active members in the scheme, and few have provided data to the Heywood data validation portal. The LGA has published its suggested approach to McCloud calculations in the absence of member data. Also, Heywood's McCloud calculation functionality is expected to be operational at the end of this calendar year.
- 3.7 The Department for Levelling Up, Housing and Communities conducted a closed consultation regarding scheme Guidance to support the McCloud legislation. TH Pension was not involved in the consultation but will liaise with Heywood and/or LGA who participated in the consultation. Officers will obtain the Guidance when published to determine the required actions.

#### **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.

#### **Risk Management**

- 5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
- (a) in accordance with the scheme rules
  - (b) in accordance with the requirements of the law.

The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

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

- 6.1 There are no direct financial implications arising because of this report, other than that by regularly reviewing the Risk Register, the Fund is trying to minimise the chance of financial and reputational loss occurring.
- 6.2 There are clearly some risks which would be difficult to transfer or manage, such as the impact that increased longevity will have on the liabilities of the Pension Fund, but the understanding of such risks could well impact on the other aspects of the decision-making process to lower risks elsewhere.

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

- 7.1 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
- (a) in accordance with the scheme rules
  - (b) in accordance with the requirements of the law
- 7.2 The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.



---

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

### **Linked Report**

- NONE

### **Appendices**

- Appendix 1 – Risk Register (30 September 2024)

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

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

- NONE

### **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

Email: [paul.audu@towerhamlets.gov.uk](mailto:paul.audu@towerhamlets.gov.uk)

This page is intentionally left blank

## Tower Hamlets Pension Fund Risk Register

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0009	There is a risk that historical errors in Pension Scheme member data will lead to materially incorrect calculation of the Pension's liability figure and qualification of the Council's Statement of Accounts and Pension Fund Accounts.	<p>External Audit review of IAS 19 (Employee Benefit) reports leading to discovery of unremediated errors in the underlying records.</p> <p>Triennial valuation to scheme actuary</p> <p>Valuation extracts to scheme actuary</p>	Material error in calculation of the Pension's Liability figure leading to qualification of the Council's Statement of Accounts.	4	4	16	<p>Initial one-off reconciliation of pensioner records in altair and payroll to identify records which require amending or updating</p> <p>1) Reconciliation of pensioner Altair records 2) Reconciliation of payroll pensioner records 3) Identification of inconsistent errors 4) Amend records 5) Sign off 6) Provide error list to scheme actuary for estimation of liability</p> <p>Costs cannot be estimated at this Time <b>Abdulrazak Kassim</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: 28/02/2025</u></b></p>	3	3	9	Abdulrazak Kassim	
HRP0035	Inability to meet legal and performance expectations (including inaccuracies and delays and potential legal breaches) due to lack of or poor-quality data from the council and other employers	<p>Employers:</p> <ul style="list-style-type: none"> <li>-don't understand or meet their responsibilities</li> <li>-don't allocate sufficient resources to pension matters</li> <li>- don't engage with the Administering Authority</li> <li>- the council is the main employer in the scheme and accounts for over 85% of income to the pension fund. Payroll reports and data information received</li> </ul>		4	4	16	<p>Continue to work with identified employer to ensure issues are resolved <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing with breaches to be resolved by 31 January 2025</u></b></p> <p>Revise / update Admin / Comms Strategies <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: 31 March 2025</u></b></p>	3	3	9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
		from the council do not agree to amounts paid to the scheme.			<p>Identify other employer data issues and engage with employers on these  <b>Paul Audu</b>  <u>Required Control Measure</u> <b>Target Date: 31 March 2025</b></p> <p>Update Board on progress with LBTH payroll  <b>Paul Audu</b>  <u>Required Control Measure</u> <b>Target Date: 31 March 2025</b></p>			
HRP0039	McCloud	Inability of scheme employers to provide required data		4 4 16	<p>Identify Under/Over Valuations</p> <p>Software provider currently developing calculations and recalculations of deferred benefits and those already in receipt of pension to identify incorrect values and any over/underpayments  <b>Paul Audu</b>  <u>Required Control Measure</u> <b>Target Date: Dependent on finalisation of legal and regulatory position</b></p> <p>Amend Annual Benefits Statement (ABS) in line with remedy</p> <p>The ABS will need to be amended following implementation of the amended remedy regulations as it is anticipated McCloud data will</p>	3 3 9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk L I Total	Required Control Measures	Target Risk L I Total	Responsibility	CPT
Page 69					<p>be included for each scheme member <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</b></p> <p>ABS contain a statement on McCloud provided by the LGA. <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</b></p> <p>Calculations using Software:</p> <p>Changes by software provider should include bulk calculations and calculations for individuals, include revised pension amounts, arrears payable/collectible (benefits and contributions) plus interest payable if applicable. <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Dependent on finalisation of legal and regulatory position</b></p>			
HRP0014	Material misstatement of accounts and potentially a qualified audit opinion	Poor internal monitoring and reconciliation process leads to incorrect financing / assets recorded in the Statement of Accounts		3 5 15	<p>Consider controls and whether further actions are required <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p> <p>Head of Pensions &amp; Treasury reviews all reconciliations (transfer in, transfer out, refunds, benefit paid, lump sum, death benefits and pensions paid) <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p>	1 3 3	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total	L	I	Total		
HRP0019	There is a Risk of increased liabilities due to market yields/inflation moving out of line from actuarial assumptions/forecasting.	Inflation and gilt yields change in a manner which has a significant adverse impact on the funding ratio.	Negative impact on employer contribution rates payable to the Fund.	4	3	12	<p>Consider whether any controls set out in this point are not currently done, and consider implementing <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p> <p>Pensions Committee receives periodic funding update from scheme actuary. Independent Adviser provides updates on inflation. <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p> <p>Pensions Committee reviewing various inflation inked asset classes. <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p>	3	3	9	Paul Audu			

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0020	Investment Strategy fails to deliver appropriate returns	<p>Long-term Investment Strategy issues caused by:</p> <ul style="list-style-type: none"> <li>- Responsible Investment (including Climate Change) is not properly considered.</li> <li>- Actual asset allocations move away from strategic benchmark.</li> <li>- Relevant information relating to investments is not communicated to the PC.</li> <li>- The risks associated with the Fund's assets are not fully understood resulting in taking either too much or too little risk.</li> </ul>		3	4	12	<p>Consider whether any controls set out in this point are not currently done, and consider implementing</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p> <p>Pensions Committee is currently working on adopting TCFD accreditation and reporting</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b></p>	3	3	9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total	L	I	Total		
HRP0021	There is a Risk that the London CIV and Investment Managers underperform.	Issues with the London CIV including: - Poor approach to fund manager selection. - Pool restricts Fund's ability to implement a desired strategy/mandate. - Pool may not possess required in-house skill to manage new asset classes.	Opportunity cost / Reduced financial returns	4	3	12	Keep abreast of asset pooling developments generally and London CIV issues specifically, and ensure the Fund is well placed to act accordingly <b>Paul Audu</b>  <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b>  Pensions Committee to promptly write to LCIV raising any concerns and continue close monitoring <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b>	3	3	9	Paul Audu			
HRP0027	There is a risk to the Pension Service's Budget due to high administration costs and/or errors by way of rectification costs, IDR costs or Fraudulent activities. There is also further financial risk and reputational risk if the Ombudsman rules against the Fund.	Inefficient Processes Out of date systems/processes Inappropriate or under use of systems Complaints not processed efficiently or effectively	Suggested: Fines/penalties issued by Ombudsman or other governing body. (estimate/range of costs) Reputational damage	4	3	12	MSS also rolled out although take up yet to attain 50% <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date:</b>  Assessment of Team skills / capabilities, training and reconciliations <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date: Ongoing (31 March 2025)</b>	2	2	4	Paul Audu			



Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0030	<p>Guaranteed Minimum Pension (GMP) reconciliation. Inaccurate record keeping</p> <p>Suggested Wording: There is a risk to the Guaranteed Minimum Pension reconciliation if records are not kept accurately.</p>	<p>From 6 April 2016 changes to the State Pension Scheme remove the contracting-out nature of the LGPS.</p> <p>GMP's no longer provided by HMRC. GMP information held by Fund could be wrong resulting in potential for liabilities being paid by Fund. High Court ruling determination that UK defined pension schemes must compensate members for differences attributable to GMP. Impact of the potential adjustments to be made to members' pensions as a result of the GMP reconciliation exercise.</p> <p>Suggested: As of 2016, changes to State Pension Scheme removed contracting out nature of the LGPS. Triggers include weak controls/processes, turnover of key personnel resulting in knowledge/skills loss, database bugs/errors, System failure (resulting in accidental deletion of data)</p>	<p>Suggested: Members Pensions are inaccurately adjusted resulting in potential liabilities</p>	4	3	12	<p>Data analysis carried out and action taken to reconcile and adjust paid pension paid to retired members.</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u></b> <b>Target Date: 31 March 2025</b></p> <p>to review GMP amounts allocated to active and deferred members</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u></b> <b>Target Date: 31 March 2025</b></p> <p>Internal Audit</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u></b> <b>Target Date: 31 March 2025</b></p>	2	2	4	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0031	Data Quality Issues	The Fund produced a remediation plan which is expected to put in place improvements for pension fund administration and governance over a 2-to-3-year period. Data quality is a key issue and it is necessary to nip in the bud from the onset which is at the point when the initial data is received from the employer.		4	3	12	2	2	4	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0017	Investment and/or funding objectives and/or strategies are inappropriate, inconsistent or otherwise no longer fit for purpose such that asset values fall/liabilities rise and funding levels fall and/or employer costs rise unexpectedly	Investment and funding strategies are considered in isolation or without proper advice or without considering legislative changes such as LGPS regulations (e.g. asset pooling), external factors (e.g. McCloud) and other funding and investment related requirements		2	5	10	2	2	4	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0038	Employer contributions are insufficient and/or inappropriate relative to the employer's risk profile, potentially leading to other employers having to meet their liabilities	<ul style="list-style-type: none"> <li>- Funding and/or investment strategy doesn't take into account changes to employer risk characteristics or the strength of employers' covenant.</li> <li>- Employer contributions not in line with Rates and Adjustments Certificate from actuarial valuation</li> <li>- Fund fails to recover other Employer income adding to the deficit.</li> </ul>		2	5	10	3	3	9	Paul Audu	



**Paul Audu**  
Required Control Measure  
**Target Date: Ongoing (31 March 2025)**

Consider whether any controls set out in this point are not currently done, and consider implementing  
**Paul Audu**  
Required Control Measure  
**Target Date: Ongoing (31 March 2025)**

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0010	The Fund's objectives/legal responsibilities are not met or are compromised - external factors	Externally led influence and change such as scheme change, national reorganisation, cybercrime and asset pooling		3	3	9	Continue manager deep dive and performance monitoring. <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>	3	3	9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0011	Key Person Risk and staff turnover, Risk of loss of key/senior staff	Impact of sickness, resignation, retirement, unable to recruit to posts that become vacant as a result. Local authority paygrades may be a barrier to recruiting highly skilled staff	lost knowledge and inability to meet service objectives	3	3	9	3	3	9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
							planning. <b>Paul Audu</b> <u>Required Control Measure</u> <b>Target Date: Ongoing (31 March 2025)</b>					
							Consider use of agency staff in the interim <b>Paul Audu</b> <u>Required Control Measure</u> <b>Target Date: Ongoing (31 March 2025)</b>					
HRP0012	Appropriate objectives are not agreed or monitored - internal factors	Policies not in place or not being monitored		3	3	9	Range of policies in place and all reviewed regularly (work in progress) <b>Paul Audu</b> <u>Required Control Measure</u> <b>Target Date: Ongoing (31 March 2025)</b>	1	1	1	Paul Audu	
							Monitoring of all objectives at least annually (work in progress) <b>Paul Audu</b> <u>Required Control Measure</u> <b>Target Date: Ongoing (31 March 2025)</b>					
							Ensure objectives agreed for each policy <b>Paul Audu</b> <u>Required Control Measure</u> <b>Target Date: Ongoing (31 March 2025)</b>					
							Ensure all policies are finalised,					

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		

approved and regularly reviewed  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

Procure governance review every 3 years.  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

Fund compliance against TPR Code of Practice to be undertaken every 3 years or when Code is updated.  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

Review remediation plan every 2/3 years to ensure continuous improvement program  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**



Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0015	Failure to comply with TPR Cyber requirements for Pension Schemes	Confidential and personal member information is put at risk. Potential breach Of the Data Protection Act 2018. A breach of Corporate IT systems may lead to a failure of the pensions administration system and / or a breach of Data Protection regulations		3	3	9	Assess Fund against Draft TPR Code of Practice. Risk cannot be completely eliminated. <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>  Complete LGPS Cyber Score card <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>  Provide cyber risk assessment to Board every 2 years <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>	1	3	3	Paul Audu	
HRP0016	Failure to secure and manage personal data in line with GDPR requirements	Cyber-attacks may lead to loss or compromise of data.	Audit criticism, legal challenge, reputational risks and financial penalties	3	3	9	On going monitoring. Ensure completion of cyber score card by LBTH IT officers. <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>  Arrange for Local Pensions Board to receive assurance presentation by Divisional Director IT.	3	3	9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0018	Investment targets are not achieved therefore materially reducing solvency / increasing contributions	-Markets perform below actuarial assumptions - Fund managers and/or in-house investments don't meet their targets - Market opportunities are not identified and/or implemented.		3	3	9	3	3	9	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0024	McCloud Judgement	Implementation of the proposed remedy following new pension legislation and scheme specific regulations for the removal of age discrimination from the LGPS due to the McCloud judgement. Pension Fund officers unable to adequately comply with legislative and regulatory amendments arising from the proposed McCloud remedy due to employers' inability to provide historic data required. There is a key risk that employers will not respond when contacted or employers will not have the required information due to GDPR rules which require finance data to be destroyed after 6 years or some employers may have changed payroll provider. DLUHC has confirmed the proposed remedy and the intention to introduce legislation to the statute books from 1 April 2023 but applied retrospectively to 31 March 2012 and 31 March 2014.		3	3	9	3	3	9	Paul Audu	

Continuous monitoring in inter-valuation updates

Continuous monitoring in inter-valuation updates  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

Set up McCloud project set up and updates reported to Pensions Board and Committee quarterly  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

communications with scheme members and employers commenced

communications with scheme members and employers commenced  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

Collaborative working to resolve historic payroll data issues

Possible inability to extract historic payroll data for affected scheme members remains a problem. Officers are working with LBTH payroll and other employers.  
**Paul Audu**  
**Required Control Measure**  
**Target Date: Ongoing (31 March 2025)**

Employer change of payroll

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		

provider and failure of employer to keep historic data.  
**Paul Audu**  
Required Control Measure  
**Target Date: Ongoing (31 March 2025)**

Engage Heywood to undertake initial collection and bulk upload of scheme member data required from scheme employers.  
**Paul Audu**  
Required Control Measure  
**Target Date: Ongoing (31 March 2025)**

Staff to keep up with relevant/new guidelines from DLUHC, LGA, HMRC & Home Office

Officers should keep up to date of all relevant correspondence issued by DLUHC, LGA & HMRC and keep up to date with bulletin and guidance from the Home Office as well as regularly attend webinars, forums and seminars.  
**Paul Audu**  
Required Control Measure  
**Target Date: Ongoing (31 March 2025)**

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0025	Climate Change Impact. Climate change risk can be grouped into two categories - Physical risks arising from changes in weather that impact on the economy and Transition risks arising from the transition to a low carbon economy.	Studies and evidence show that Climate Change has the potential to materially impact financial returns based on current studies as well as societal and economic shifts towards a low- carbon future.	Significant fall in equity valuations because of climate-related transition risk.	3	3	9	Increased Monitoring and Analysis increased monitoring of climate change risk, increased manager monitoring of climate change risk, Pensions Committee prepared TCFD report and Pensions Committee considering Decarbonization target analysis as well as Net Zero strategy. <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>	3	3	9	Paul Audu	
HRP0026	Unable to meet legal and performance expectations due to external factors	Big changes in employer or scheme member numbers or unexpected work increases (e.g. regulation changes such as increase in transfers out due to new pension freedoms)		3	3	9	Ongoing consideration of resource levels post recruitment of new posts <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>  Ongoing consideration of likely national changes and impact on resource <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>	2	2	4	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0034	Delay in Transfer in processing time	Timely processing of Transfer in cases is reliant on members previous pension scheme/Fund providing transfer quote or payments promptly.		3	3	9	Escalation Process  Escalation process involves notifying member of delay experienced by fund. Remainder letter to schemes include deadlines to respond <b>Paul Audu</b>  <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>	3	3	9	Paul Audu	
HRP0036	Failure to provide an Annual Benefit Statement to 100% of active members due to incorrect data provided by employers in the scheme	Historic issues around data provision by council and other employers in the scheme remain. Where scheme employers are unable to provide correct and timely data on their employees this has a direct impact on the Fund's ability to provide correct Annual Benefit Statements to all its scheme members especially active members. Incorrect salary data means pension estimates are also incorrect when provided to members.		3	3	9	Take steps to address issues with employers directly <b>Paul Audu</b>  <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>  Escalate to senior officers for each employer <b>Paul Audu</b>  <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>  Reporting  Report to internal audit and Pensions Regulator as last resort. All employers apart from LBTH council, East End Homes, Tower Hamlets Homes, Mulberry Academy, ITRES and Cayley <b>Paul Audu</b>  <b><u>Required Control Measure</u></b> <b><u>Target Date: Ongoing (31 March 2025)</u></b>  Reconciliations  Reconciliations of payroll spreadsheet compared with payroll data extraction report	2	2	4	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
							shows employees with differences in employer and employee contributions. Continue to liaise with LBTH payroll to resolve. <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>					
HRP0022	Value of liabilities/contributions change due to demographics being out of line with assumptions	Employer related assumptions (early retirements, pay increases, 50:50 take up), life expectancy and other demographic assumptions are out of line with assumptions		2	3	6	Consider whether any controls set out in this point are not currently done, and consider implementing <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>	2	3	6	Paul Audu	
HRP0028	Scheme members do not understand or appreciate their benefits and cannot make informed decisions	Newsletters and letters are inaccurate, poorly drafted, overly complicated, irrelevant, too technical or insufficient in some other manner		2	3	6	Implementation of member self-service to progress to deferred members <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>  Ensure all communication and literature is up to date / relevant <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>  Revise / update Admin / Comms Strategies every 3 years or as required <b>Paul Audu</b> <b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b>  Consider annual communications survey <b>Paul Audu</b>	2	1	2	Paul Audu	

**Required Control Measure**  
***Target Date: Ongoing (31***  
***March 2025)***



Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT
				L	I	Total	L	I	Total		
HRP0037	Employer unable to pay cessation deficits leading to other employers becoming liable for such deficits	Employer ceasing to exist or otherwise exiting (e.g. when contract ends) with insufficient funding (bond or guarantee).		2	3	6	2	2	4	Paul Audu	
HRP0029	Service provision is interrupted or incorrect benefits paid and/or records are lost, including data breaches	System failure or unavailability, including as a result of cybercrime or fraud / misappropriation by officers		1	4	4	1	3	3	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0032	Scam detection and Prevention - There is a risk that a Scheme Member could be the victim of fraud	This could be caused by the Scheme Member being exploited into transferring their pension from the LGPS to a bogus or unsuitable pension scheme.	This could result in the Scheme Member losing their pension or being at financial loss. This could also result in the Regulator finding against the Fund and requiring it to make good the losses experienced by the Scheme Member.	2	2	4	<p>Communicate to Scheme Members</p> <p>Electronic newsletters to scheme members via MSS to continue to make members aware of pension scam awareness and cyber security risks</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b></p>	2	2	4	Paul Audu	
HRP0033	Failure to address financial irregularity may result in a financial loss to the Fund and scheme employers, as well as reputational damage to the Council	Financial Irregularity	There is a risk of unintentional overpayments.	2	2	4	<p>Reconciliation of scheme data (pensioners and deferred members) against NFI is procured half yearly.</p> <p><b>Paul Audu</b></p> <p><b><u>Required Control Measure</u></b> <b>Target Date: Ongoing (31 March 2025)</b></p>	2	2	4	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Required Control Measures	Target Risk			Responsibility	CPT
				L	I	Total		L	I	Total		
HRP0013	Inappropriate or no decisions are made	<p>Governance (particularly at PC) is poor including due to:</p> <ul style="list-style-type: none"> <li>- turnover of PC members</li> <li>- lack of knowledge and appropriate skills at PC</li> <li>- failure to take appropriate advice</li> <li>- poor engagement /preparation/ commitment</li> <li>- poor oversight / lack of officer skills &amp; knowledge</li> <li>- PC members have undisclosed Conflicts of Interest</li> <li>- PC decision making process is too rigid</li> </ul>		2	1	2	<p>Revise and update Conflicts of Interest Policy <b>Paul Audu</b> <u><b>Required Control Measure</b></u> <b>Target Date: Ongoing (31 March 2025)</b></p> <p>Monitor Board and Pensions Committee participation in Hymans online training. <b>Paul Audu</b> <u><b>Required Control Measure</b></u> <b>Target Date: Ongoing (31 March 2025)</b></p> <p>Update PC and PB training plan with regulatory changes from CIPFA, TPR or SAB as and when. <b>Paul Audu</b> <u><b>Required Control Measure</b></u> <b>Target Date: Ongoing (31 March 2025)</b></p> <p>Arrange additional training as required (scheme actuary,</p>	2	1	2	Paul Audu	

Risk Ref	Risks	Triggers	Consequences	Current Risk			Target Risk			Responsibility	CPT	
				L	I	Total	L	I	Total			
							investment adviser, investment managers or officer) <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date:</b> <b>Ongoing (31 March 2025)</b>					
							Monitor use of Hymans online knowledge portal <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date:</b> <b>Ongoing (31 March 2025)</b>					
HRP0023	Insufficient cash to pay benefits as they fall due, resulting in disinvestment at depressed asset prices	Increases in benefit outflow, including new retirements, or inadequate monitoring, or reductions in contributions not anticipated/expected and/or investment income is less than expected		1	2	2	Consider whether any controls set out in this point are not currently done, and consider implementing <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date:</b> <b>Ongoing (31 March 2025)</b>	1	2	2	Paul Audu	
							The Fund has around £21m operational cash <b>Paul Audu</b> <b><u>Required Control Measure</u> Target Date:</b> <b>Ongoing (31 March 2025)</b>					

Non-Executive Report of the:  <b>Pensions Committee</b>  <b>Monday, 11 November 2024</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director, Resources	<b>Classification:</b> Restricted (Exempt)
<b>Liquidity and Cashflow Monitoring – September 2024</b>	

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

### Executive Summary

This report informs the Pensions Committee on the Pension Fund liquidity and cashflow forecast 2024/25 to 2025/26. The cashflow covers a two-year cycle from 2024 to 2026 with a focus on 2024/25 and subject to quarterly reviews and updates. The Fund is forecasting a £10.6 million positive net cashflow by 2025/26 without divesting from investments. The forecast position with respect to 2024-2025 is reporting a £2.5m surplus. This assumes that the remaining 6 months of the year there will be no divestments or capital calls.

### Recommendations:

The Pensions Committee is recommended to:

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

### 1. REASONS FOR THE DECISIONS

- 1.1 The Local Government Pension Scheme (LGPS) is undergoing unprecedented change and challenges. It is imperative that Tower Hamlet Pension Fund plans and operations are underpinned by sufficient resources and effective financial management.
- 1.2 A key aim and objective, from a funding and investment perspective, is to ensure that net cash outgoings can be met as and when required. This requires consistency between the agreed funding strategy and investment strategy.
- 1.3 The long-term investment objectives of Tower Hamlets Pension Fund are to invest to meet the cashflows of the Fund's liabilities using a diversified portfolio of assets; to limit the risk of assets/liabilities shortfall; and to ensure the Fund's assets have sufficient liquidity.

- 1.4 Tower Hamlets Pension Fund's strategic objectives and the asset allocation benchmark are reviewed at least once every three years with the latter driven by the financial characteristics of the Fund, including its liabilities, strength of employers' covenant and risk tolerance.
- 1.5 The income and liquidity profile of the Fund is designed to ensure adequate liquid assets are available to meet benefit payments as they crystallise. The investment strategy is not geared to be a perfect match for the Fund's liabilities due to the Scheme being open, availability of matching assets, and uncertainty of future payments linked to non-financial factors such as members' longevity.

## **2. ALTERNATIVE OPTIONS**

- 2.1 LGPS Funds have a relatively long investment horizon affording them resilience in periods of high volatility. Also, they receive regular contributions that are not subject to investor redemptions.
- 2.2 The LGPS is largely well-funded compared to the private sector DB schemes that are predominantly closed and significantly more mature. There is the view that the LGPS can improve the long-term financial stability of employers via bigger risk appetite for illiquid but potentially higher-return investments.
- 2.3 The performance of the Pension Fund assets has an impact on employers' contributions. The Fund is required by law to ensure that members' benefits, enshrined in statute, are paid as they fall due, regardless of the performance of the Fund's investments.

## **3. DETAILS OF THE REPORT**

- 3.1 The primary funding objective is the long-term solvency of the Pension Fund, ensuring that sufficient funds are available to always meet the Fund's obligations. The LGPS Scheme Advisory Board (SAB) analysis of LGPS Funds in England and Wales as at 31 March 2023 suggests that pension contributions (£12.07bn) fell short of benefit payments (£13.0bn) which is consistent with a maturing scheme.
- 3.2 Defined Benefits (DB) schemes are becoming more mature due to more members retiring, and benefits outflows are increasing rapidly, thus making cashflow management a key issue. Pension Funds that are cashflow negative are at risk of being forced to sell assets at the wrong time and at disadvantageous prices to meet their liabilities, crystallising the loss to the detriment of the Fund in terms of additional funding shortfalls.

- 3.3 Tower Hamlet Pension Fund’s membership profile for the last 5 years is summarised in the table below.

<b>Membership</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
Actives	7,120	7,230	7,652	7,757	8,112
Deferred	7,845	7,993	8,321	8,398	10,875
Pensioners	6,660	6,698	6,979	7,186	7,311
<b>Total</b>	<b>21,625</b>	<b>21,921</b>	<b>22,952</b>	<b>23,341</b>	<b>26,298</b>

The above table shows a maturing trend albeit the cashflow position remains positive.

- 3.4 The liquidity requirements of pension schemes vary and the dynamics of individual pension fund’s cashflows are unique depending on the employers’ financial circumstances and Fund’s investment arrangements. LGPS Funds have distinct liquidity considerations compared to their corporate Defined Benefits (DB) peers. In September 2022, UK corporate DB schemes experienced liquidity challenges due to sudden rise in yields which triggered collateral calls, forcing schemes to sell assets quickly. Schemes that are heavily exposed to illiquid assets are prone to distress. LGPS Funds are less exposed to liability-driven investment (LDI) risk.
- 3.5 The opportunity costs of holding cash are high. The hunt for yield is driving LGPS Funds towards alternative assets, often illiquid. LGPS Funds require liquidity for pension payments and capital calls. Tower Hamlets Pension Fund has no explicit allocation to cash in its strategy. This implies that the Fund is fully invested. Therefore, holding excessive cash would be inconsistent with the strategy and potentially detrimental to performance.
- 3.6 Tower Hamlets Pension Fund has a diversified investment portfolio, balancing liquid and illiquid assets with uncorrelated strategies to mitigate risk from a cashflow or rebalancing viewpoint. The Fund’s liquidity profile is carefully managed giving regard to both short-term obligations and strategic investment goals. This approach helps to balance liquidity needs and long-term investment opportunities effectively. In general, the Fund invests in assets that are realisable at short notice.
- 3.7 The Pensions Committee last reviewed the Pension Fund liquidity and cashflow forecast at its meeting on 30 September 2024.
- 3.8 Officers regularly review cashflow requirements, including benefit payments, administrative costs, and capital calls. The Fund’s investment consultants make cashflow projections to allocate assets and manage liquidity needs by evaluating how different market scenarios impact liquidity.
- 3.9 The Fund ensures cost saving via pooling and good cashflow management including planning for benefit payments and optimum investment rebalancing, holding sufficient cash buffer to avoid a drag on investment returns and maintaining resilient investment strategy in line with the Fund’s needs.

- 3.10 The cashflow of the Fund is presented in **Appendix 1**. It shows the projected cash position for the current year and the next two years. The main inflows and outflows are contribution income and benefits payable respectively. They determine the current position of the Fund in the maturity spectrum and when the Fund is likely to reach maturity and be cashflow negative.
- 3.11 The forecast for contributions is based on the employers' contribution rates in the Rates and Adjustments Certificate (RAC) from the 2022 triennial actuarial valuation. The rates are based on a pay increase of 2.8% per employee in 2023/24. The contributions for subsequent years have been increased in line with the RAC and itself consistent with the Funding Strategy Statement dated March 2023.
- 3.12 The forecast for pension benefits payments is based on Hymans assumptions on increases in pensioners and inflation. Pensioner numbers have been uplifted by about 3% based on historic and current trends. For inflation, the CPI Pension Increase Rate of 1.7% at 30 September 2024 has been used to increase benefit payments from April 2025.
- 3.13 The overall cashflow position is forecast to remain positive in 2025/26 with a net position of £10.6 million up from £1.3 million in 2023/24 on a prudent basis. The net cash position in 2025/26 assumes higher contributions in 2025/26 and nil internal cash used to fund capital calls. Of course, the values are subject to change.
- 3.14 The Fund was 123% funded at the 2022 Actuarial Valuation. The estimated funding level at 30 September 2024 has risen to 163%. At the next triennial actuarial valuation at 31 March 2025, the solvency level and new contribution rates will be determined, and a rates and adjustments certificate will be provided to take effect from 1 April 2026. Officers will request Hymans Robertson, the Fund Actuary, to prepare a cashflow model for the Fund for the ensuing three years. The model will be extended to include forecast operating expenses for the period.

#### **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.

#### **Risk Management**

- 5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:



- (a) in accordance with the scheme rules
- (b) in accordance with the requirements of the law.

5.3 Any form of investment inevitably involves a degree of risk. To minimise risk, the Pensions Committee attempts to achieve a diversified portfolio. Diversification relates to asset classes and management styles.

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

6.1 Finance comments are included in the report.

6.2 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

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

7.1 The Council as administering authority of the pension fund must ensure that it complies with its statutory duties in relation to the proper management of the pension funds. It is necessary and appropriate for the Pensions Board to receive information on the performance of the Fund in relation to the liquidity as set out in this report.

---

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

### **Linked Report**

- NONE

### **Appendices**

- Appendix 1 – Pension Fund Liquidity and Cashflow Forecast 2024/25 to 2025/26

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

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

- NONE

### **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

Email: [paul.audu@towerhamlets.gov.uk](mailto:paul.audu@towerhamlets.gov.uk)

## Appendix 1: Pension Fund Cashflow 2024/25 – 2025/26

	2024/25 Actuals to September £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
<b>CASH IN</b>			
<b>Contributions</b>			
From Employers	-47,892	-49,500	-52,000
From Employees	-17,064	-17,497	-18,372
Payment of Deficit Contributions	-13,677	-13,650	-13,650
Augumentation	-61	-2,000	-2,000
<b>Transfer Values In</b>	-2,862	-10,400	-11,300
<b>Other Income</b>			
From Returned Pensions Payroll Bacs	-7	0	0
From Pensions over payments and returned bacs	-422	-424	-140
AVC in	-35	-26	-40
Income from Recoverable Taxes	0	0	0
Intransit payments	0	0	0
VATrefund	0	-240	-285
Reimbursement of Council Overseas Pensioners	0	0	0
Income from Fund Manager Fee Rebates	0	-60	-60
Interest Receivable (LCIV UK Housing Fund - (Catch-Up Interest))	0	0	0
	-82,020	-93,797	-97,847
Cash from divestments (LCIV UK Housing Fund - Equalisation (Return of Capital))	-16,211	-897	0
<b>TOTAL CASH IN</b>	<b>-98,231</b>	<b>-94,694</b>	<b>-97,847</b>
<b>CASH OUT</b>			
Benefit Payable	54,173	59,533	60,545
Lump Sums, Retirement Allowances & Death Grants	36	15,077	16,077
<b>Payment to and on account of leavers</b>			
Refund of Contributions	41	308	308
Transfer Values Out	5	9,448	9,448
Other Miscellaneous Payments	37,219	0	0
Capital Calls funded with inhouse cash	5,667	5,667	0
<b>Expenses</b>			
Fund manager fees paid in house	0	1,144	1,144
Admin Expenses	1,076	1,754	1,754
Oversight and Governance fees	0	511	511
Previous Year's recharges paid	0	0	0
	98,217	93,440	89,787
<b>NET INCOME/ EXPENDITURE</b>	<b>-14</b>	<b>-1,253</b>	<b>-8,060</b>
Opening Cash balance	-1,246	-1,246	-2,499
Net Cash Movement	-14	-1,253	-8,060
<b>CLOSING CASH POSITION</b>	<b>-1,260</b>	<b>-2,499</b>	<b>-10,559</b>

Non-Executive Report of the:  <b>Pensions Committee</b>  <b>Monday, 11 November 2024</b>	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine, Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Work Programme</b>	

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

**Executive Summary**

This report updates the Pensions Committee on the Tower Hamlets Pension Fund Work Programme for Committee and Board members.

**Recommendations:**

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. Note that Schroders will be attending this meeting to provide training on Property.
4. Participate in the National Knowledge Assessment (NKA) by no later than 31 October 2024.
5. Advise officers of any training completed and event(s) attended not recorded in the training log.

**1. REASONS FOR THE DECISIONS**

- 1.1 The Committee is asked to consider the Work Programme for 2024/25. Training is integral in supporting Pensions Committee and Pension Board members to perform their roles and equip members with the requisite skills and knowledge to carry out their responsibilities effectively.

**2. ALTERNATIVE OPTIONS**

- 2.1 None.

**3. DETAILS OF THE REPORT**

- 3.1 The Work Programme clarifies the proposed agenda items for future Pensions Committee and Pension Board meetings over 2024/25. The Work programme is included on the agenda for quarterly meetings.
- 3.2 The Work Programme also provides information pertaining to other work programmes outside of the main meetings, such as sub-Committees, Panels and working groups if any, proposed training and requests made by the Committee and Board.
- 3.3 The Work Programme provides Committee and Board members the opportunity to reflect on the training they have completed, and it is a useful reminder of the training or other event Committee and Board members wish to attend.
- 3.4 The Board and Committee will consider the Work Programme quarterly and annually. Committee and Board members will be required to undertake learning and development activities including attendance at training events, reading material and conferences/seminars in person or online to help them fulfil their responsibilities as per the Work Programme.
- 3.7 Officers are working collaboratively with Hymans to deliver training to Committee and Board members. Officers will monitor the training strategy including via feedback from Board and Committee members to ensure the continued relevance and effectiveness of the training strategy.
- 3.8 Committee and Board members have been enrolled on the LGPS Online Learning Academy (LOLA). Committee and Board members can now access the portal to review the modules they have been enrolled to complete the learning at their own pace.
- 3.9 Committee and Board members are reminded to participate in the National Knowledge Assessment (NKA). The Fund has signed up to take part in the NKA this year, to help inform our training plans going forward. The online assessment covers the 8 topics of the CIPFA Knowledge and Skills framework. On Tuesday 17 September 2024, Hymans sent Committee and Board members a link to the assessment. The 3-week window to complete the assessment by Tuesday 8 October has expired. Officers have requested an extended period (**31 October 2024**) for members to complete the assessment. The assessment consists of a series of multiple-choice questions and should take around 25 minutes to complete. Once completed, participants will be sent an individual score summary. When the assessment has closed, the results will be compiled, and the Fund will be issued with a report summarising the aggregate scores for each of the Committee and Board separately.

#### **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.

### **Risk Management**

- 5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:

(a) in accordance with the scheme rules

(b) in accordance with the requirements of the law.

The Risk Register, Risk Management Policy which is the subject of this report is designed to ensure compliance with the Council's statutory duties regarding managing risk related to the administration and management of the Pension Fund.

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

- 6.1 There are no direct financial implications arising from this report. The Work Programme sets out the work of the Committee and Board throughout the year. It ensures regularity of agenda items to support the effective governance of the Fund.

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

- 7.1 The Local Government Pension Scheme Regulations 2013 require that members of the pension board must be conversant with the rules of the LGPS and have knowledge and understanding of the law relating to pensions. The work programme allows for consideration of the members' training requirements and review of the training undertaken in addition to providing an overview of the work to be undertaken by the Board.

---

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

### **Linked Report**

- NONE

### **Appendices**

- Appendix 1 – TH Pensions Committee Work Programme – 2024/25
- Appendix 2 – TH Pension Board Work Programme – 2024/25

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

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

- <https://www.thepensionsregulator.gov.uk/en/trustees/understanding-your-role/trustee-toolkit>

**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

Email: [paul.audu@towerhamlets.gov.uk](mailto:paul.audu@towerhamlets.gov.uk)

## Tower Hamlets Pension Board – Work Programme 2024/2025

<b>Pension Board Agenda</b>		
<b>Item</b>	<b>Description</b>	<b>Responsibility</b>
<b>Standing items (to appear on each agenda)</b>		
Pensions Committee Update	Consideration of the draft agenda of the upcoming Pensions Committee and summary minutes of the last Pensions Committee.	Head of Pensions & Treasury
Pensions Administration Report	Update on the performance of the Pensions Administration service and In-house pensions team activity including projects and KPIs.	Head of Pensions & Treasury
Scheme Engagement and Communications Report	Update on Employer and Member Engagement, Employer Contributions, Admissions and Cessations and Communications from the Fund	Head of Pensions & Treasury
Governance Report	Update on governance issues affecting the Fund, developments in the LGPS and regulatory environment, policy changes and LCIV Pool updates.	Head of Pensions & Treasury
TH Pension Fund Risk Register	Review of the Pension Fund's Risk Register – by exception.	Head of Pensions & Treasury

TH Pension Fund Breaches Log	Update on the Pension Fund's breaches log	Head of Pensions & Treasury
TH Pension Fund Quarterly Liquidity and Cashflow monitoring	Update on the Pension Fund liquidity and cashflow.	Head of Pensions & Treasury
Work Programme	Review of the Pension Board and Pensions Committee's work programme.	Head of Pensions & Treasury
Training	Receive training and consider Board members' participation in upcoming events/training. Feedback from events/training attended.	Head of Pensions & Treasury with the Chair of the Board
<b>24 June 2024</b>		
TH Pension Fund Closing 2023/24 and External Audit	Update on the 2023/24 TH Pension Fund year-end closing, preparation of financial statements and external audit work.	Head of Pensions & Treasury
Governance and Compliance Statement	Review of TH Pension Fund Governance and Compliance Statement	Head of Pensions & Treasury
Admissions Policy	Review of TH Pension Fund Admissions Policy	Head of Pensions & Treasury
Annual Report of the Pension Board	Annual report of the Pension Board to the Scheme manager outlining the work throughout the year	Head of Pensions & Treasury with the Chair of the Board
Training Strategy	Review/update of the Pension Fund Training Strategy	Head of Pensions & Treasury



Annual Benefits Statements (ABS) 2024	Update the Board on the preparation for issuing ABS by the statutory deadline of 31 August 2024.	Head of Pensions & Treasury
<b>16 September 2024</b>		
2025 Actuarial Valuation	Update on preparation and data quality.	Head of Pensions & Treasury
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for review.	Head of Pensions & Treasury
<b>4 November 2024</b>		
External Auditor's Report on the Pension Fund Accounts 2023/24	Review the External Auditor's findings for the Pension Fund financial Statements.	Head of Pensions & Treasury
Annual Employer Forum Agenda	Discuss the upcoming Pension Fund Employer Forum Agenda.	Head of Pensions & Treasury / Chair of the Board
Annual Training Plan	Review Training completed during the year and training proposals/recommendations for 2025/26	Head of Pensions & Treasury / Chair of the Board
<b>3 March 2025</b>		
Business Plan and Budget	Review 2024/25 Pension Fund Business Plan and Budget and discuss proposals for 2025/26.	Head of Pensions & Treasury / Chair of the Board
2025 Actuarial Valuation	Update on preparation. Discuss Actuary's key assumptions.	Head of Pensions & Treasury

**Pension Board - Actions, Requests and Queries**

<b>Subject / Issue(s)</b>	<b>Detail</b>	<b>Status (Pending/Complete)</b>

# Working Groups

Title	Meetings and actions since the last Pension Board	Membership

## Training and Development – attendance monitoring

Date	Topic	Board Member(s)	Feedback
30 May 2024	Active vs Passive Management Revisited & Should 'Buy and Maintain' Fixed Income be seen as a 'Passive' Strategy Now? [PFIF Seminar]	John Jones (Chair)	
01-02 July 2024	LAPF Strategic Investment Forum	John Jones (Chair)	
16 Sep 2024	Triennial Actuarial Valuation 2025 and Funding Update	John Jones (Chair) David Stephen Thompson Cllr Musthak Ahmed John Gray Chris Boylett Annette McKenna	
23-25 Sep 2024	Mallowstreet LGPS Congress	John Jones (Chair)	



This page is intentionally left blank

## Tower Hamlets Pensions Committee – Work Programme 2024/2025

<b>Pensions Committee Agenda</b>		
<b>Item</b>	<b>Description</b>	<b>Responsibility</b>
<b>Standing items (to appear on each agenda)</b>		
Pension Board Update	Presentation by the Chair of the Pension Board to the Committee on the discussions of the last Pension Board.	Chair of the Pension Board/Deputy Chair/Head of Pensions & Treasury
Pensions Administration Report	Update on the performance of the Pensions Administration service and In-house pensions team activity including projects and KPIs.	Head of Pensions & Treasury
Scheme Engagement and Communications Report	Update on Employer and Member Engagement, Employer Contributions, Admissions and Cessations and Communications from the Fund	Head of Pensions & Treasury
Governance Report	Update on governance issues affecting the Fund, developments in the LGPS and regulatory environment, policy changes and LCIV Pool updates.	Head of Pensions & Treasury
TH Pension Fund Risk Register	Review of the Pension Fund's Risk Register – by exception.	Head of Pensions & Treasury
Quarterly Investment Report	Review of the Pension Fund's investments	Head of Pensions & Treasury

TH Pension Fund Breaches Log	Update on the Pension Fund's breaches log	Head of Pensions & Treasury
TH Pension Fund Quarterly Liquidity and Cashflow monitoring	Update on the Pension Fund Liquidity and cashflow.	Head of Pensions & Treasury
Work Programme	Review of the Pension Board and Pensions Committee's work programme.	Head of Pensions & Treasury
Training	Receive training and consider Committee members' participation in upcoming events/training. Feedback from events/training attended.	Head of Pensions & Treasury with the Chair of the Committee
<b>1 July 2024</b>		
TH Pension Fund Closing 2023/24 and External Audit	Update on the 2023/24 TH Pension Fund year-end closing, preparation of financial statements and external audit work.	Head of Pensions & Treasury
Governance and Compliance Statement	Review of TH Pension Fund Governance and Compliance Statement	Head of Pensions & Treasury
Admissions Policy	Review of TH Pension Fund Admissions Policy	Head of Pensions & Treasury
Annual Review of the Pension Committee	Annual review of the Pensions Committee on the work completed during the year	Head of Pensions & Treasury with the Chair of the Committee
Training Strategy	Review/update of the Pension Fund Training Strategy	Head of Pensions & Treasury



Annual Benefits Statements (ABS) 2024	Update the Committee on the preparation for issuing ABS by the statutory deadline of 31 August 2024.	Head of Pensions & Treasury
<b>30 September 2024</b>		
2025 Actuarial Valuation	Update on preparation and data quality.	Head of Pensions & Treasury
Pension Fund Annual Report and Accounts 2023/24	2023/24 Annual Report and Accounts for review.	Head of Pensions & Treasury
<b>11 November 2024</b>		
External Auditor's Report on the Pension Fund Accounts 2023/24	Review the External Auditor's findings for the Pension Fund financial Statements.	Head of Pensions & Treasury
Annual Employer Forum Agenda	Discuss the upcoming Pension Fund Employer Forum Agenda.	Head of Pensions & Treasury / Chair of the Committee
Annual Training Plan	Review Training completed during the year and training proposals/recommendations for 2025/26	Head of Pensions & Treasury / Chair of the Committee
<b>10 March 2025</b>		
Business Plan and Budget	Review 2024/25 Pension Fund Business Plan and Budget and discuss proposals for 2025/26.	Head of Pensions & Treasury / Chair of the Committee
2025 Actuarial Valuation	Update on preparation. Discuss Actuary's key assumptions.	Head of Pensions & Treasury

**Pensions Committee - Actions, Requests and Queries**

<b>Subject / Issue(s)</b>	<b>Detail</b>	<b>Status (Pending/Complete)</b>

**Working Groups**

<b>Title</b>	<b>Meetings and actions since the last Pensions Committee</b>	<b>Membership</b>

## Training and Development – attendance monitoring

Date	Topic	Committee Member(s)	Feedback
30 Sep 2024	Triennial Actuarial Valuation 2025 and Funding Update	Cllr Ana Miah (Chair) Cllr Maium Talukdar Cllr Saied Ahmed Cllr Faroque Ahmed Cllr Maisha Begum Cllr Abdal Ullah Kehinde Akintunde Cllr Kamrul Hussain	



This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank