

**Tower Hamlets Council
Local Government Pension Scheme**

PENSIONS BOARD

**Thursday, 19 July 2018 at 10.00 a.m.
Committee Room One, 1st Floor, Town Hall, Mulberry Place
5 Clove Crescent,
London E14 2BG.**

This meeting is open to the public to attend.

Members:

Chair: John Jones
David Stephen Thompson
Stephen Stratton, (Active Fund Members' Representative)
John Gray, (Admitted Bodies Representative for Active Fund Members)
Councillor Puru Miah, (Representing Pension Fund Employers)
Steve Hill, (Representing Pension Fund Employers)
1 Vacancy, (Representing Admitted Bodies Employers)

Substitutes:

Roger Jones, (Representing Pension Fund Employers)

Contact for further enquiries:

Georgina Wills, Democratic Services.

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Web: <http://www.towerhamlets.gov.uk/committees>

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Committee
website.



1. **APOLOGIES**
2. **APPOINTMENT OF VICE-CHAIR**
3. **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS** (Pages 5 - 8)
4. **UNRESTRICTED MINUTES** (Pages 9 - 18)

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Board held on 12 March 2018
5. **SUBMISSIONS FROM FUND MEMBERS**

To consider any written submissions from Fund Members/Stakeholders.

(Submissions must be received by the Clerk to the meeting no later than 5.00p.m. on the day before the meeting.)
6. **SUBMISSIONS / RESPONSES FROM PENSIONS COMMITTEE**
7. **PRESENTATION LONDON CIV - GOVERNANCE ARRANGEMENT UPDATE**
8. **REPORTS FOR CONSIDERATION**
 - 8.1 **Pensions Board Membership Quorum and Dates of Meetings** (Pages 19 - 36)
 - 8.2 **Training & Development Plans For Pension Committee and Board Members**

Report to follow
 - 8.3 **Update of LBTH TPR Compliance**

Report to follow.
 - 8.4 **Procurement and Insurance**

To receive a verbal report from the Divisional Director Finance, Procurement and Audit
9. **MINUTES OF THE PREVIOUS PENSIONS COMMITTEE** (Pages 37 - 44)

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Committee held on 14 March 2018.
10. **PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING**

To Follow

11. DATE OF FUTURE MEETINGS

To note the scheduled Pension Board dates which are also set out at Agenda 8.1. The dates are:

- 19 July 2018
- 13 September 2018
- 22 November 2018
- 7 March 2019

12. ANY OTHER BUSINESS

The next meeting will be held at Thursday, 13 September 2018 in Committee Room One, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG.

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Agenda Item 3

DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Asmat Hussain, Corporate Director for Governance and Monitoring Officer.
Tel 020 7364 4800

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	<p>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.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>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—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
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	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(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.</p>

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.25 A.M. ON MONDAY, 12 MARCH 2018

MP704 - TOWN HALL MULBERRY PLACE

Members Present:

John Jones (Chair)	(Independent Chair)
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Councillor Dave Chesterton (Member)	(Pensions Board Member representing Pension Fund Employers)

Others Present:

Rebecca Woodley	(Industry Liaison Manager, The Pensions Regulator)
Andrew Burton	(Industry Liaison, The Pensions Regulator)

Officers Present:

Ngozi Adedeji	(Senior Lawyer, Legal Services)
Neville Murton	(Divisional Director, Finance)
Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)
Georgina Wills	(Committee Services Officer)

1. APOLOGIES

The Chair noted apologies from Stephen Stratton, David Stephen Thompson and Roger Jones.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

None.

VARY ORDER OF BUSINESS

At the request of the Chair, the Board agreed to vary the order of business. To aid clarity, the minutes are presented in the order that the items originally appeared on the agenda.

3. PETITIONS

None received.

4. UNRESTRICTED MINUTES

The minutes of the meeting were agreed and approved as a correct record.

Matters Arising

Item 4 Unrestricted Minutes; Matters Arising (Item 5.1 ESG Factors) Baillie Gifford / Tesla Poor Labour Practise.

Members were advised that Tesla was still refusing to engage with Trade Unions and that the Companies stance may have an impact on Investments. The Board was advised that further enquiries will be made about the Company's non-engagement and noted that the London CIV was to hold a Quality Management Meeting.

Item 7 Discussion and Presentation from London CIV on Governance Arrangement / Non adherence to agreed voting rules.

Members requested that Officers try to ascertain why some Fund Managers fail to follow the set voting rules at the London CIV and suggested that they forward recommendations about voting practises to the Body.

RESOLVED

That Officers seek reasons for why some Fund Managers fail to adhere to set voting rules at the London CIV and that they forward recommendations about voting practise.

5. SUBMISSIONS FROM FUND MEMBERS

None.

6. SUBMISSIONS / RESPONSES FROM PENSIONS COMMITTEE

None.

7. DISCUSSION AND PRESENTATION FROM THE PENSIONS REGULATOR (TPR)

The Board received a presentation from Rebecca Woodley, Industry Liaison Manager and Andrew Burton, Industry Liaison, The Pensions Regulator. The Pensions Regulator (TPR) regulates the governance and administration of public service pensions schemes, which provide pensions for civil servants, the judiciary, public sector workers, members of the police forces and members of the armed forces. In total 37% of the Pensions Regulator membership comprises of LGPS Scheme.

The TPR regulate compliance with the Governance and Administration Requirements which were introduced by the Public Service Pensions Act 2013. Their Code of Practice sets out the standards of conduct and practice which members are expected to adhere to. The Regulator mainly engages with scheme managers and Pensions Boards and focuses on investment governance and uses there educate, enable and enforce regulatory approach to help schemes comply and address key issues. The Board during a question and answer session noted the following.

- TPR 2016 Survey response rate was good and that the overall response had improved when compared to the previous year.
- That one of the main focus for the TPR for 2017/18 was looking at locally-administered schemes, record-keeping and data quality. The Pensions Board noted that
- their Chair was invited to attend the Pensions Committee and that they could refer matters onto the Committee. The Board noted that the above arrangement was not replicated in other Local Authorities.
- That the Board had requested Indemnity Insurance. Ms Woodley advised that the Local Government Association had raised the issue about Indemnity and commented that she was of the view that Pensions Boards did not need to have a separate Insurance and that the overall responsibility for schemes did not rest on the Boards. The Board held a short discussion about Indemnity and noted that they had a legal requirement and duty to assist in ensuring the well-being of the Pensions Scheme.
- That there was an increase focus on Pensions Administration in particular payments made to scheme members. The Board noted that an assessment about the quality of their data had been undertaken and that they scored positively and also had an Improvement Plan.
- That all Schemes are required to undertake an Annual Review of their Data and be able to evidence all improvements made in this area and that only 20% of Pensions Schemes had an Improvement Plan. There are concerns over the rate of improvement. Data improvement will need to be continually monitored.
- That it was imperative for Schemes to ensure that scheme members data was correct and that the above mentioned receive the correct payments at specified time and that overfunding is avoided. A percentile of 36% of respondents to a TPR Survey reported that delays in benefit payment as one of the top three complaints that are received.
- That Scheme Members are informed of expectations and works which need to be undertaken. This is hoped to prevent any material breaches. In areas where there are concerns, the TPR will review what systems are in place to address any anomalies. A record of all breaches should be kept by Scheme Administrators; this information should be used for future references and help to prevent the same issue recurring. The Board was advised that the TPR will take a more stringent approach if breaches are not reported especially if information about a breach is provided by a 'Whistleblower'. The Board suggested that the TPR should publish breaches and agreed that this information could be used in 'benchmarking exercises'.

- TPR will be visiting the LBTH Pension Scheme in May 2018
- One of the key focuses of the TPR for 2018 was 21st Century governance. The Board was advised that Pension Schemes were to be requested to provide information on eleven items of command data; these include National Insurance Numbers final salaries and dates of birth. The aim of the exercise is to produce a 'snap shot' of Schemes specific data. A total of 55% of Scheme Managers produce data. Scheme Managers of LGPS find this exercise more difficult than their other counterparts and this is due to the high numbers of employees involved.
- That it was good practise for Pensions Board to have a Risk Register and for Scheme Managers to attend Board Meetings.
- That the LBTH Pensions Board submission to the TPR on 'ability' was viewed as being slightly 'modest' and that one of the concerns about the Board was maintaining its knowledge. This aspect was reported to be difficult as their membership changed every year, in particular that of elected members. The Board commented that new members were required to quickly 'get up to speed' on areas. The Board noted that their members were granted leave to attend meetings by their employee and commented that remuneration for Pension Board Members would help to ensure the right calibre of individuals are appointed onto Boards. This would ensure that Boards remain robust.
- That the common breaches of the law made by Schemes were them failing to produce their Annual Benefits on time. Schemes which encountered a number of issues were School Academies. The Panel noted that services were often outsourced to 3rd Parties and that factor such as staff absences could have an adverse effect on the production of benefit statements. The Board commented that Service Level Agreements with contractors should help to negate concerns and noted that School Academies could be fined.
- That the quality of data was equally important as to benefit statements and that a breach of the former could be more detrimental and that both areas needed to be weighed when undertaking required exercises. Pensions Administrators should use their knowledge base when conducting the above. On average around 45% of Schemes get both exercises correct, the Fire Brigade and Police Services were reported to perform better than LGPS in the above mentioned areas. In 2017, 70% of all scheme members took part in all of the key exercises.
- That cyber security was paramount and needed to be given priority and maintained. The Board noted that the information kept on scheme members was a valuable resource to cyber fraudsters and were advised that all attempts made to 'hack' into the IT database should be monitored. The UK was reported to be at the forefront in cyber security and was ahead of other EU States in this area. The Board noted that I Connect was currently being used by their Pensions Administrators.
- That the Department of Work And Pension were currently developing a Pensions Dashboard, the Dashboard will inform the public about their pension's entitlement. There is uncertainty on whether Public Services Pension Schemes would be requested to provide information.

- The Board held a brief discussion about the governance arrangements of pools within the London CIV and the lack of representation for beneficiaries. The Board commented that the LGPS governance arrangement could be used as a model. At current the TPR does not hold a view about the governance arrangements of the London CIV.

Members thanked Ms Woodley and Mr Burton for their presentation. Ms Woodley advised the Board that she will share recommendations made by Members to colleagues.

Ms Woodley and Mr Burton left the meeting at 11.25am.

8. REPORTS FOR CONSIDERATION

8.1 The Pensions Regulator Compliance Checklist For Tower Hamlets Pension Fund

Bola Tobun, Investment and Treasury Manager presented a report which provided an update on the Compliance Checklist for the London Borough of Tower Hamlets Pension Fund. From 1 April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Code of Practice for Public Service Pension Schemes came into force from 1 April 2015 and all schemes must now consider whether they comply with the Code.

Members were advised that further work needed to be carried out in relation to liabilities and also in Section H, Providing Information to Members, and Section I, Internal Disputes. There are a number of items requiring attention in Section H; the principal concern relates to the dispatch of the Annual Benefits Statements. In Section I, the main concern is the Internal Dispute Resolution Procedure (IDRP) and in particular the requirement for the IDRP to be kept undated and it having all the required and additional helpful information.

Members were advised that a couple of areas had been identified as needing improvement and these were indicated in red in the committee report. There are 3 areas which have been coded in red and 17 areas which have been identified as being partially met. A report will be presented at the next Board and will detail what actions are being taken and the Officers responsible for them. It is envisaged that programmes such as I Connect and Member Self Programme will help to address the above concerns.

The Board noted that attendance at training and membership on the Pensions Board and Pensions Committee needed to be included in their Risk Register. Members were reminded that the membership on both the Pensions Board and Pension Committee would be affected by the local elections. There will be bespoke training for both members of the Board and Committee in the next Municipal Year.

Members noted that Party Group Leaders will be encouraged to appoint members to the Pensions Board and Pensions Committee that have experience or awareness of financial management. The Board noted the importance of the performance of the Pensions Committee and its direct correlation on the LBTH Pensions Fund.

The Board requested that their meetings during the next Municipal Year are held during the day.

RESOLVED

1. That a report be provided at the next Pensions Board which gives an update on Section H, Providing Information to Members, and Section I, Internal Disputes of The Pensions Regulator Compliance Checklist For Tower Hamlets Pension Fund and also areas which have been coded in green and amber on the Checklist. The report should also include an 'action column'; and
2. To note the Code of Compliance Checklist and the further work which is required and being undertaken

8.2 Local Pension Board General Remit and LBTH Pensions Board Work Plan For 2018/19

Bola Tobun, Investment and Treasury Manager presented a report which outlines the general remit of a local Pension Board and the indicative Work Plan for 2018/19. In accordance with the Public Service Pensions Act 2013 (PSPA) all Board members are required to have knowledge and understanding of pension scheme matters at a level which will allow them to properly exercise the functions of their role.

Members held a brief discussion about the proposed Work Plan and noted that there were to be induction training for new members on the Pensions Committee and suggested that a joint training be organised for both the Board and the Committee. Members requested that future presentations dovetail with their training programme and that training which was provided three years previous be repeated.

RESOLVED

1. That a joint training be organised for members of the Pensions Board and Pensions Committee
2. That presentations to the Pensions Board dovetail with their Training Programme for 2018 – 2019
3. To note the contents of the report; and
4. To agree the Work Plan attached as Appendix 1 to the report.

9. DISCUSSION ON OUTCOME OF THE PENSIONS BOARD TRAINING ANALYSIS

Members held a brief discussion on the outcomes of their training analysis and noted that more training on the legal aspects of their role had been requested. Members advised that they had not received any information about the Pensions Regulators Training Programme for 2018 and requested that Officers investigate.

RESOLVED

1. That Pensions Board Members inform Officers of training needs; and
2. That Officer obtains information about the Pensions Regulator Training Programme for 2018 and recirculates the programme to Board Members.

10. MINUTES OF THE PREVIOUS PENSIONS COMMITTEE

The Board reviewed the minutes of the Pensions Committee held on 29 November 2017 and noted the contents.

11. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

The Board noted the Agenda for the meeting which was to be held on 14 March 2018.

Verbal update on letter sent to London CIV on behalf of the Pensions Board and Pensions Committee and discussion on the response to the London CIV Strategy Consultation.

The Board was advised that a joint letter by both the Chairs of the Pensions Board and Pensions Committee had been sent to the London CIV about the Bodies governance arrangement. The letter raised concerns over the Audit Committee and Remuneration Committee not being independent. The meeting was advised that the London CIV were in the process of changing their governance and investment structure and had consulted its members about the proposals. The Board was advised that Officers had responded to the consultation and that the results will be circulated to members of the Board and the Committee.

6.1 Revised Investment Strategy Statement and Investment Options Considerations

Members were advised that the Investment Strategy Statement has been set out to reflect the funding position of the Fund and the investment beliefs of the Committee. Members were advised that there was to be an allocation to Multi-Asset Credit (MAC), Equity gains protection were to be undertaken and that allocation to long-term illiquid asset classes (long lease, private debt and infrastructure) were to be made. Members were advised that the Chair of the

Pensions Committee had requested that Infrastructure be thoroughly reviewed. The Board was advised that the Independent Investment Consultants were consulted and that Officers will be meeting with the Actuaries. The Fund's current funding level is at 90% and this equates to £150million.

6.2 Pension Scheme Administration Update

Tim Dean, Pensions Administration Team Leader advised the Board that Members had requested that the Pension Scheme Administration Update Report is more detailed and provides an in-depth information about staffing and the performance of the Pensions Team. Officers advised that the Pensions Team was still encountering difficulties with resources. The Council will be appointing more permanent Pensions staff members; the prospective staff members will be required to have experience in pension's administration. At current there are 4 permanent staff members in the Pensions Team. The HR Payroll Pensions Team and the Pensions Administration Team was included as part of the Finance Directorate restructure and both are expected to be moved into this Service Area.

Members were advised that external contractors will be used to help ensure that the Team met set deadlines.

6.4 Update on Pension Fund Procurement Plans 2017/18

The Board was advised that the Global Custodian Service was now to be provided by The Northern Trust Company and that contract was due to start from 2 April 2018. Members commented that the mentioned contractor should ensure that all 'Class Action Reports' are undertaken in-house and are not contracted to a third party.

The advertisement for an Independent Advisor is now closed and 12 applications were received. The Board was advised that the vacancy had a good response and attracted a broad range of applicants. Officers will be shortlisting. Prospective candidate will be required to answer seven questions as part of the selection process.

RESOLVED

1. That officers provide a briefing note about the outcome of the London CIV Governance and Investment restructure; and
2. That the Pensions Board be provided an update on the changes made to the Pensions Administration Team following the Finance Service restructure.

12. ANY OTHER UNRESTRICTED BUSINESS

Verbal update on Insurance Indemnity for Pensions Board Members

Members were advised that Indemnity Insurance for the Pensions Board was to be arranged. There are various options being considered, these include a bespoke coverage for the Board or extending existing insurance to cover Pension Board Members. There will be no cost incurred with the latter. Members welcomed the proposal and agreed that it was good practise to be cautious and have appropriate coverage.

Pensions Board Membership.

The Pensions Board thanked Cllr Dave Chesterton and Minesh Jani Head of Audit and Risk Management, Resource – Representing Pension Fund Members for their hard work and contribution to the Pensions Board and Pensions Committee. The Board noted that both Board members were to step down from Board.

13. DATES OF FUTURE MEETINGS

Members were advised that the Scheduled Pensions Board dates for the 2018 – 2019 had yet to be confirmed.

14. EXCLUSION OF THE PRESS AND PUBLIC

The Chair moved and it was

RESOLVED

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.” This information pertains to paragraphs 1 and 3 of Schedule 12A – information likely to reveal the identity of an individual and information pertaining to the financial and business affairs of an individual including the authority including the authority holding that information.

15. RESTRICTED MINUTES


The restricted minutes of the meeting held on 27 November 2017 were agreed and approved as a correct record.

16. RESTRICTED MINUTES OF THE PENSIONS COMMITTEE

The restricted minutes of the Pensions Committee held on 27 November meeting held on 27 November 2017 were noted.

The meeting ended at 12.20 p.m.

Chair, John Jones
Pensions Board

Non-Executive Report of the: Pensions Board 19 July 2018	 TOWER HAMLETS
Report of: Asmat Hussain, Corporate Director for Governance	Classification: Unrestricted
Pensions Board, Membership, Quorum and Dates of Meetings	

Originating Officer(s)	Georgina Wills Committee Officer
Wards affected	(All Wards);

Executive Summary

This report sets out the Terms of Reference, Membership and Quorum of the Pensions Board for the Municipal Year 2018/19 for Members' information.

Recommendations:

The Pensions Board is recommended to:

1. Note its Terms of Reference, Membership and Quorum as set out in Appendix A to this report.
2. Note the dates of scheduled meetings for the remainder of the Municipal year.
3. To confirm 10am as the preferred time at which the scheduled meetings will start

1. REASONS FOR THE DECISIONS

- 1.1 The report is brought to assist new Members by informing them of the framework for the Board's membership and meetings.

2. ALTERNATIVE OPTIONS

- 2.1 The report asks the Board solely to confirm its arrangements and therefore its Members are not required to consider any alternative options.

3. DETAILS OF THE REPORT

- 3.1 The Pensions Board was established under the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
- 3.2 At the Annual Council Meeting on 23 May 2018, Members were appointed to the various Committees and Panels established for the new municipal year as set out in the Constitution. The Terms of Reference, membership of the Pensions Board and its Quorum thereof are set out in Appendix A.

4. MEMBERSHIP

- 4.1 At Pensions Board on 24th February 2015 Members agreed the terms of reference and appointed 7 Members in line with the recommendations of the government guidance. The Board resolved at its meeting on 20 November 2015 that the Pension Board Terms of Reference be included in the agenda at the first meeting of each municipal year and a copy, for reference, be available at each meeting
- 4.2 To ensure the size of the Board is not cumbersome but representation across the scope of the Pension Fund is retained. A working party agreed that the Board Membership should comprise 7 members composed of:
3 employer representatives,
3 employee representatives and
an independent non-voting member to act as Chair of the Board.
- 4.3 The employer and employee categories were further divided into the following categories:
Employer Representatives
1 Elected Member
1 Tower Hamlets Senior (management) Officer
1 Admitted/Statutory Bodies (management) Representative
- Employee Representatives
1 Active Fund Member (Tower Hamlets employee)
1 Active Fund Member (Admitted/Statutory Bodies employee)
1 Non-active Fund Member (Retired/deferred fund members)

5 PROGRAMME OF MEETINGS

- 5.1 The Council has agreed a programme of meetings for the municipal year. It is proposed that the Pensions Board follows the pattern agreed for Pensions Committee and so the following calendar of dates for the remainder of the municipal year is placed before Board for consideration:

13 September 2018
22 November 2018
07 March 2019

- 5.2 The Pensions Board is able to determine its preferred meeting time at the Chair's discretion. Members are asked to consider whether 10am remains as the preferred time at which the scheduled meetings will start.
- 5.3 It is customary also that any meetings that fall during the holy month of Ramadan are scheduled to commence at 5.30pm.

6. EQUALITIES IMPLICATIONS

- 6.1 There are no specific equalities considerations arising from the recommendation in the report.

7. OTHER STATUTORY IMPLICATIONS

- 7.1 There are no specific statutory implications arising from the recommendation in the report

8. COMMENTS OF THE CHIEF FINANCE OFFICER

- 8.1 There are no specific financial implications arising from the recommendations within this report.

9. COMMENTS OF LEGAL SERVICES

- 9.1 The terms of reference provided for the Pension Board to note are in line with Section 3.3.13 of Part 3 of the Council's Constitution.

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
-
- State NONE if none.

Appendices

Appendix A – Pensions Board Terms of Reference, Membership and Quorum

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:

N/A

LOCAL PENSION BOARD OF LONDON BOROUGH OF TOWER HAMLETS

TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Local Pension Board of [LONDON BOROUGH OF TOWER HAMLETS] (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972 (i.e. the Pensions Committee at LBTH).
'the Fund'	means the Fund managed and administered by the Administering Authority.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist¹ the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
- (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members².

Establishment

The Board is established on [01 APRIL 2014] subsequent to approval by [FULL COUNCIL] on [26 NOVEMBER 2014]. (subject to the agreement of the Pensions Committee on 24 February 2015).

¹ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

² See paragraphs 7.9 to 7.11 of the Guidance for more information on a Code of Conduct for Boards.

8. As stated above, the Pensions Board is not explicitly bound by the rules governing Committees established under Section 101 of the Local Government Act 1972, however, for consistency and best practice, the Pensions Board will, where practicable and subject to specific rules set out in these Terms of Reference, operate in the same way as the Council's other Committees as set out in the Constitution. This includes:
- Rules 6 - 10, 17.3, 17.6 and 18 to 25 of the Council Procedure Rules (Part 4 – Rules of Procedures) relating to :
 - Notice and summons to meetings
 - Chair of meeting (except in relation to casting votes)
 - Quorum
 - Duration of meetings
 - Cancellation of meetings
 - Voting (certain rules)
 - Minutes
 - Petitions
 - Record of Attendance
 - Exclusion of the Public
 - Members' Conduct
 - Disturbance by Public
 - Suspension of Amendment of Council Procedure Rules
 - Access to Information Procedure Rules (Part 4.2 of the Constitution)
 - Code of Conduct for Members (Part 5.1 of the Constitution) – with specific reference to registering and disclosing interests.
 - Members' Allowance Scheme (Part 6 of the Constitution) – with particular reference to allowances and expenses payable.

Membership

9. The Board shall consist of [SIX] voting members, as follows:
- [THREE] Member Representatives; and
- [THREE] Employer Representatives.
10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be [ONE] other representatives who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members³ or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity⁴ to attend and complete the necessary preparation for meetings and participate in training as required.

³ Active, deferred or pensioner members

⁴ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

14. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
15. A total of [THREE] member representatives shall be appointed⁵ from the following sources:
 - a) [ONE] member representative shall be appointed by the recognised trade unions representing employees who are scheme members of the Fund.
 - b) [ONE] member representative shall be appointed by [ADMITTED BODIES FORUM] where that body is independent of the Administering Authority and open to and representative of all scheme members of the Fund.
 - c) [ONE] member representative shall be appointed following a transparent recruitment process which should be open to all pensioners and be approved by the Administering Authority.

Employer representatives

16. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
17. Employer representatives should be able to demonstrate their capacity⁶ to attend and complete the necessary preparation for meetings and participate in training as required.
18. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
19. A total of [THREE] employer representatives shall be appointed⁷ to the Board from the following sources:
 - a) [ONE ELECTED MEMBER] employer representatives shall be appointed by [FULL COUNCIL] to and representative of all employers in the Fund.
 - b) [ONE] employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority.

⁵ See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing member representatives.

⁶ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

⁷ See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing employer representatives.

- c) [ONE] employer representatives shall be appointed by the Administering Authority where all employers will have been asked to submit their interest in undertaking the role of employer representative on the Board.

Other members⁸

20. [ONE] other member shall be appointed to the Board by the agreement of both the Administering Authority and the Board to act as an Independent Chair.
21. Other members do not have voting rights on the Board.

Appointment of chair

22. Subject to the meeting arrangements in paragraphs 35 to 37 below a chair shall be appointed for the Board as set out below:
- a) *An independent chair to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20-21 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund.*

Duties of chair

23. The chair of the Board:
- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Notification of appointments

24. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office⁹

⁸ When considering whether to have other members on the Board regard should be given to the advice provided in paragraphs 5.21 to 5.24 of the Guidance.

25. The term of office for Board members is [FOUR] years.
26. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.
27. A Board member may be appointed for further terms of office using the methods set out in paragraphs 15 and 19.
28. Board membership may be terminated prior to the end of the term of office due to:
 - (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund¹⁰.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to [LONDON BOROUGH OF TOWER HAMLETS] their capacity to attend and prepare for meetings or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Pensions Committee.
 - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Conflicts of interest¹¹

29. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
30. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
31. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure

⁹ See paragraphs 5.29 and 5.30 of the Guidance which outlines points to consider when setting out the term of office for Board members. In particular consideration should be given to allowing members to retire on a rolling basis to ensure experience is retained.

¹⁰ This includes active, deferred and pensioner members.

¹¹ See section 7 of the Guidance for more information on Conflicts of Interest.

that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)¹²

32. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
33. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
34. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

35. The Board shall as a minimum meet [FOUR] times¹³ each year.
36. Meetings shall normally take place between the hours of [09:00] and [21:00] at [LBTH TOWNHALL].
37. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

38. A meeting is only quorate when at least one person of each member and employer representatives are present including an independent chair. Or 50% of both member and employer representatives are present.
39. A meeting that becomes inquorate may continue but any decisions will be non-binding.

¹² See section 6 of the Guidance for more information on Knowledge and Understanding.

¹³ See 5.35.11 in Guidance for more advice on the number of meetings to hold each year.

Board administration

40. The Chair shall agree with [AN OFFICER FROM DEMOCRATIC SERVICES] (the 'Board Secretary') an agenda prior to each Board meeting.
41. The agenda and supporting papers will be issued at least [SEVEN] working days (where practicable) in advance of the meeting except in the case of matters of urgency.
42. Draft minutes of each meeting including all actions and agreements will be recorded and published within [TWENTY - ONE] working days of the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

Where necessary any information considered exempt as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or considered confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998 shall be included in a Part II minute that is not made available to the public.

43. The Board Secretary, in consultation with [Investment & Treasury Manager] shall support Board members in maintaining their knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
44. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
45. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
46. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

47. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
48. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) *Members of the Pensions Committee,*
 - (b) *Any person requested to attend by the Board.*

Any attendees will be permitted to speak at the discretion of the Chair.

49. In accordance with the Act the Administering Authority shall publish information about the Board to include:

- (a) The names of Board members and their contact details.
- (b) The representation of employers and members on the Board.
- (c) The role of the Board.
- (d) These Terms of Reference.

50. The Administering Authority shall also publish other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

51. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Fund's website.
- (b) As part of the Fund's Annual Report.
- (c) As part of the Governance Compliance Statement.

52. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances¹⁴

53. The Administering Authority [SHALL] meet the expenses of Board members in line with the Administering Authority's policy on expenses as set out in the Members Allowances Scheme

Budget

54. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund and determined by:

- a) *The Board will seek approval from the Corporate Director of Resources for any expenditure it wishes to make.*

¹⁴ Provision for the payment of expenses and allowances is a decision to be made locally by each Administering Authority. Full consideration should be given to information in Guidance - see section 9 and paragraphs 5.18 and 5.35.17 for more information. Administering authorities should aim to ensure that no Board member is either better or worse off as a result of fulfilling their duties as a member of the Board.

Core functions¹⁵

55. The first core function of the Board is to assist¹⁶ 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 in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.*
- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
- c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
- d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
- e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
- f) *Monitor complaints and performance on the administration and governance of the scheme.*
- g) *Assist with the application of the Internal Dispute Resolution Process.*
- h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
- i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
- j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
- k) *Review the complete and proper exercise of employer and administering authority discretions.*
- l) *Review the outcome of internal and external audit reports.*
- m) *Review draft accounts and Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

56. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core

¹⁵ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

¹⁶ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Assist with the development of improved customer services.*
- b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*
- c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
- d) *Monitor investment costs including custodian and transaction costs.*
- e) *Monitor internal and external audit reports.*
- f) *Review the risk register as it relates to the scheme manager function of the authority.*
- g) *Assist with the development of improved management, administration and governance structures and policies.*
- h) *Review the outcome of actuarial reporting and valuations.*
- i) *Assist in the development and monitoring of process improvements on request of Committee.*
- j) *Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
- k) *Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*

57. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

58. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting¹⁷

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.

60. Requests and recommendations should be reported under the provisions of paragraphs 59 and 60 above.

61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

62. On receipt of a report under paragraph 63 above the Committee should, within a reasonable period, consider and respond to the Board.

¹⁷ See section 8 of the Guidance for more information on Reporting.

63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 63 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
65. The appropriate internal route for escalation is to the Monitoring Officer and/or Acting Corporate Director of Resources, the Section 151 Officer.
66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

Review of terms of reference

68. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every [THREE] years.
69. These Terms of Reference were [adopted on [01 APRIL 2015]].

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published 24 February 2015

PENSIONS BOARD – MEMBERSHIP

At the Annual General Meeting of the Council held on 23 May 2018 Councillor Puru Miah was appointed to the Pensions Board for the duration of the Municipal Year.

The remainder of the appointments are listed below.

PENSIONS BOARD (Six members and an Independent Chair)		
Fund Member Representatives x3 (voting members)	Fund Employer Representatives. x3 (voting members)	Independent Person x1 (Non -voting member)
Stephen Stratton, (Active Fund Members' Representative)	Councillor Puru Miah, (Representing Pension Fund Employers)	John Jones (Chair)
John Gray, (Admitted Bodies Representative for Active Fund Members)	Steve Hill, (Representing Pension Fund Employers)	
David Stephen Thompson, (Representing Retired/Deferred Pension Fund Members)	Vacant Post (Representing Admitted Bodies – Employers)	

The quorum of the Pensions Board is one person of each member and employer representatives and an independent chair or 50% of both member and employer representatives.

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.05 P.M. ON WEDNESDAY, 14 MARCH 2018

ROOM MP702, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON E14 2BG

Name

Councillor Clare Harrison (Chair)	Member
Councillor Candida Ronald (Vice-Chair)	Member
Councillor Andrew Wood	Member
Councillor Sabina Akhtar	Substitute for Shiria Khatun
Steve Turner	Mercers
Sam Yeandle	Mercers
Neville Murton	Divisional Director – Finance, Procurement and Audit
Kehinde Akintunde	Union Representative
John Jones	Chair Pension Board
Jon Ames and attending for CQS.	CQS
Craig Scordellis	CQS
Kevin Miles	Chief Accountant
Bola Tobun	Investment & Treasury Manager
Tim Dean	Pensions Manager
Ngozi Adedeji	Legal Services
Rushena Miah	Democratic Services

Apologies

Councillor Md. Maum Miah	Member
Councillor Shiria Khatun	Member
Councillor Rabina Khan	Member

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

The Chair disclosed an interest in that she was a board member of Tower Hamlets Community Housing which would be discussed under item 6.2, Pension Scheme Administration Update. It was agreed that the Chair would be excused from the meeting whilst THCH was being discussed and the Vice-Chair would take responsibility for chairing that segment of the meeting.

2. PETITIONS

There were no petitions.

3. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the open meeting on the 27 November 2017 were approved as an accurate record. The Chair declassified the 'exempt' minutes as there was no exempt information contained in them. Both sets of minutes were signed as an accurate record of the meeting.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

The Committee received an update from John Jones, Independent Chair of Tower Hamlets Pension Fund. To summarise:

- The Pension Board met on Monday 12 March 2018. It heard a presentation from the Pensions Regulator (TPR). They advised on the importance of good governance, data quality, record keeping and administration. The TPR is taking a stricter approach on deadlines.
- There is a focus at the national level on the governance of Pension Funds.
- The Pension Board held a discussion on the role and responsibility of the board on service improvements and reporting breaches to TPR.
- TPR also raised the issue of cyber security and the importance of the Council implementing robust arrangements to protect data. EU data protection regulations will come into force in May 2018. It was recommended that this should be the subject of a report to the Pensions Committee and Board.
- There was an offer from TPR to speak to the new Members of the Committee for the next municipal year.
- The Board considered the Regulators Compliance Checklist and asked for a report on progress to improve the arrangements for an internal dispute resolution procedure and improved performance in providing information. This is linked to the report on Pensions Administration where there were still concerns over staffing resources and progress in achieving the deadline at the end of 2018 for the GMP calculations.
- The Board considered and agreed its work plan for 2018/19 and discussed training and development issues. The membership of the Board will change during 2018 and this may impact on the training programme.
- Non-engagement with trade unions as part of the ESG policy, and how this will operate via the London CIV will be followed up at a future meeting.
- Two Board Members will be standing down and will need to be replaced. The Chair of the Pension Board thanked Councillor Dave Chesterton and Minesh Jani for their positive and helpful contributions to the work of the Board.

RESOLVED

To note the update.

5. DISCUSSION AND PRESENTATION FROM MULTI ASSET CREDIT (MAC) MANAGER AND INVESTMENT CONSULTANT

The Committee heard a presentation from Jon Ames and Craig Scordellis, CQS. The Committee set an aim of making a recommendation on MAC by the end of the meeting.

Summarised points from the presentation:

- CQS is a London-based global multi-strategy credit asset management firm. It specialises in convertibles, asset backed securities, credit, loans and equities.
- They manage \$15.2 billion in a range of long, alternative and bespoke vehicles in multi-strategy credit portfolios. They have been running MAC funds for 5 years, their overall assets under management in long-only MAC is \$5.9 billion.
- MAC offers the opportunity to access different credit asset classes liquidity profiles over time and provides access to substantial floating rate product facilities, focuses on credit risk and mitigates volatility associated with interest rate uncertainty.
- They have adopted a conservative approach in managing funds. Their strategy is for capital preservation with minimal risk.
- They are confident of a 5% return rate p.a..

Questions and comments from Members:

- **Why was CQS chosen to work with the Collective Investment Vehicle (CIV)?** CQS officers responded that it was likely due to their defensive position on asset management. CQS avoids risks and emerging market debt, it is on the conservative end of a conservative asset class.
- **Which other local authorities have appointed CQS?** Wandsworth, Haringey and Merton. Ten local authorities have expressed interest, they are likely to join when the CIV platform goes live in May 2018.
- **Why is there so little investment in the Asian market?** It is not CQS's area of expertise as it is difficult to get access to local information about Asia. There is a Global Convertible for the US and Japan and they are better placed to work with the Asian market.
- It was noted a credit rating of CCC was generally considered to carry substantial risk.
- **How soon can we access our money?** A client can access their money after 30 days' notice is provided.
- **Regarding governance what procedures are in place to make decisions such as changing limits?** The fund is a listed vehicle so CQS would have to consult Mercers and its Trustees when making substantive changes.
- The Pension Board were invited to attend an asset allocation meeting with CQS for further information.

The Chair thanked CQS speakers for their presentation.

RESOLVED

To note the MAC presentation from CQS

6. REPORTS FOR CONSIDERATION:

6.1 REVISED INVESTMENT STRATEGY STATEMENT AND INVESTMENT OPTIONS CONSIDERATIONS

The Committee received a report on the revised Investment Strategy presented by Bola Tobun, Investment and Treasury Manager. Revisions were made to the social and environmental impact and carbon emission sections of the Statement as outlined on page 41- 42 of the agenda and reports pack.

The report also outlined the work done in achieving further diversification of the Fund's return seeking portfolio and protecting its buoyant equity asset value by considering:

- An allocation to MAC
- Equity gains protection
- Allocation to long-term illiquid asset classes (long lease, private debt and infrastructure).

The Committee decided to appoint CQS as its MAC manager and the portfolio to be funded when the CIV add the manager to its platform, LCIV is planning to launch this sub-fund in May 2018.

This is being funded from rebalancing of LGIM equity portfolio and reduction of the Bond portfolio with Insight and GSAM to 3% each.

There was a discussion on equity protection which the CIV platform did not offer. Members were in agreement that there should be equity protection for the Fund. [Councillor Ronald arrived at this point, 8.10pm].

There was a discussion on the protection of assets. The Committee were advised that they may wish to consider liability hedge assets, long-lease assets and renewable energy. Members asked for long-lease and other infrastructure options to be put on the Committee's Forward Plan.

RESOLVED

- To approve the revised Investment Strategy Statement.
- To delegate to the Corporate Director of Resources the ability to implement a downside protection with regard to the equity risk of the Fund as deemed appropriate; subject to officers working with advisors to identify and implement a suitable strategy for the fund.
- To agree a target allocation of 6% to Multi-Asset Credit.
- To approve the recommended MAC strategy/manager (a sub-fund to be launched on the London CIV platform).
- To approve reduction of Fund assets allocation from 6% to 3% for each absolute return manager.
- To note the research for illiquid asset classes on page 21 of the agenda and reports pack; officers will present findings for discussion at a future meeting.

ACTION:

For long-lease and other infrastructure options to be put on the Committee's Forward Plan.

6.2 PENSION SCHEME ADMINISTRATION UPDATE

It was reiterated that the Chair would be exempted from the discussion pertaining to Tower Hamlets Community Housing and that the Vice-Chair would lead the meeting during that time.

The Committee heard an update on the pension scheme administration from Tim Dean, Pensions Manager.

Key points from discussion:

- The Committee requested to see data on the number of employees who decide to opt out of the scheme.
- In principle, Tower Hamlets Youth Sports Foundation was admitted into the Fund however, the Committee asked for Officers to investigate appropriate protection in relation to this organisation as a condition to formal admission. This could be in the form of a bond or other suitable approach to minimise the potential for a cessation event having an adverse impact on the Pension Fund..
- KM Cleaning and Maintenance was admitted into the Fund.
- East London Arts and Music Academy was admitted into the Fund.
- One Housing - the Committee accepted One Housing's withdrawal from the Fund, however, they requested it be noted that the decision was improperly consulted on. Ideally One Housing should have discussed their intention to withdraw from the Fund with the Pension Committee before they independently took the decision. The Committee also said they would have liked to see the business case for withdrawal. They asked officers to feedback their comments to One Housing.
- The Committee welcomed the roll out of the i-connect system, it was noted it would be useful in benchmarking.
- The Committee noted the three schools cited in pages 55-56 of the report pack had been turned into academies, a number of staff members will retain their local government pension.
- Tower Hamlets Community Housing – (THCH) made a proposal to convert from a company to a community benefit society. Santander bank THCH's lender have asked for priority status as a creditor, this could impact on the Councils ability to recoup any pension deficit. It was suggested the proposal be delegated to the Chief Financial Officer (CFO) and Monitoring Officer (MO) for decision, subject to assurances that the pension fund would not be disadvantaged. The legal officer said that the delegation would need to be checked for legality so the Committee agreed to the proposal on the condition that the CFO and

MO could assure there would be no impact to recouping the pension fund deficit.

RESOLVED

- To note the information provided in the report.
- To note the change of status of the following schools: Ian Mikardo Academy, Letta Trust, Clara Grant/Stepney Green College, to academies.
- To note the intention of One Housing to close their scheme.
- To accept the transfer of East London Arts and Music Academy into the Fund.
- To agree in principle the admission of the following bodies into the Fund; KM Cleaning and Maintenance Limited, Tower Hamlets Youth Sports Foundation. The admission of THYSF to be subject to appropriate protection being in place to protect the Pension Fund.
- To approve the Communications Strategy as set out in the appendix to the report.
- To agree to the conversion of THCH from a company to a community benefit society, subject to the Chief Finance Officer and Monitoring Officer satisfying themselves that there would be no impact on recouping the Pension Fund deficit.

6.3 LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) LATEST DEVELOPMENT

The Chair briefed the Committee on a London CIV meeting she attended earlier in the day. Key points included:

- Many boroughs had concerns that the CIV was not functioning as well as it could. They talked about what the CIV should look like in the long term and what boroughs wanted out of it.
- Several proposals and recommendations came out of the meeting. There was a suggestion to hold the shareholder meeting twice a year. The first meeting will be held in July 2018.
- The formation of a Shareholder and Treasury Advisory Group. Made up of 8 Members, 4 treasurers and 1 Trade Union Representative with observer status. This would not be a decision making body but could make recommendations to the CIV Board.
- There are 2 local authority Member positions to be filled on the CIV Board.
- With regard to investment, more detailed consultation was requested with more options to be presented.
- The meeting reminded Members to sign up to the City of London Pension Scheme. The Chair requested Finance Officers to confirm sign off on this via Council as Tower Hamlets may be one of a few that has not yet confirmed.
- The meeting notes will be circulated to CIV Members.

RESOLVED

- To note the outcome of the governance review of the London CIV undertaken by Willis Towers Watson.
- To note issues that exist within the LCIV.
- To note a number of recommendations for change and improvement to LCIV's current governance arrangements.
- To note the London CIV Consultation process.
- And to fund launch progress.

ACTION – Officers to progress sign up to the LCIV participation in the City of London Pension Scheme.

6.4 UPDATE ON PENSION FUND PROCUREMENT PLANS 2017/18

The report, presented by Bola Tobun – Investment and Treasury Manager, sought assistance with the interview process for an independent advisor to the pension fund. An update was given on the progress of the new appointed global custodian contract. Councillors Candida Ronald, Clare Harrison and Andrew Wood volunteered to attend the scheduled interview for 9-11 April 2018 to assist in interviewing candidates.

RESOLVED:

- To note the report.
- For Councillors Clare Harrison and Andrew Wood to be involved in interviews for an independent advisor.

6.5 PENSION FUND BUSINESS PLAN, PENSIONS COMMITTEE WORK PLAN AND BUDGET FOR 2018/19

The Committee considered the report of Zena Cooke, Corporate Director of Resources. Comments from Members included:

- The need for joint training exercises in the new municipal year for those on Pension Board and Pension Committee.
- That infrastructure consideration should be incorporated into the plans before September 2018 and this should be on the agenda for the first meeting of the municipal year.

RESOLVED:

- To note the Business Plan attached as Appendix 1 to the report.
- To note the work plan for 2018/19 attached as Appendix 2 to the report.
- To approve the Revenue Budget for 2018/19 as attached as Appendix 3 to the report.

6.6 INVESTMENT AND FUND MANAGERS PERFORMANCE REVIEW FOR QUARTER ENDING 31ST DECEMBER 2017

The Committee considered the report of Zena Cooke, Corporate Director of Resources presented by Bola Tobun, Investment and Treasury Manager. Ms

Tobun summarised the report noting that the Fund is in line with the strategic benchmark.

RESOLVED:

To note the Investment and Fund Managers Performance Review for Quarter ending 31 December 2017 report.

7. TRAINING AND EVENTS

There were no training or events discussed.

8. DATE OF FUTURE MEETINGS

The Council meetings diary will be presented to Council on the 21 March 2018. Dates will be published shortly after.

9. ANY OTHER BUSINESS

Councillor Woods thanked the Chair and Vice-Chair for their contributions towards the Pensions Committee. Councillor Harrison, Chair, said it had been a pleasure to work as an elected Member and that she would miss learning and working with the team. She wished everyone the best of luck.

10. EXCLUSION OF THE PRESS AND PUBLIC

Not applicable to the meeting.

11. RESTRICTED MINUTES

Not applicable – refer to minute 3.

12. ANY OTHER RESTRICTED BUSINESS

None.

The meeting ended at 9.07 p.m.

Chair, Councillor Clare Harrisson
Pensions Committee