

DRAFT ANNUAL REPORT 2019-20

LONDON BOROUGH OF TOWER HAMLETS PENSION BOARD

1. This is my fourth annual report as Chair of the Tower Hamlets Pension Board since my appointment in January 2016. The Board was set up with effect from April 2015 under new arrangements for the governance of Local Authority Pension Funds. The purpose of the Board to assist Tower Hamlets Council (as the scheme manager) in the management of the Local Authority Pension Scheme (LGPS), and to provide oversight and challenge. The terms of reference for the Board were set out and agreed by Tower Hamlets Council prior to the establishment of the Board. These terms of reference are available on the Fund website.
2. The Board is comprised of 3 employee and 3 employer representatives together with an Independent Chair. This is in line with the regulations requiring equal employee and employer representation. Details of the members of the Board are shown in the appendix to this report. The Board is not a decision making body and can only provide advice and comment on the management of the LGPS by Tower Hamlets Council. For this arrangement to be successful it is important that the Board carries out its responsibilities in a positive and constructive way.
3. The Board met on 4 occasions during 2019/20 in June, September and November 2019 and March 2020. The March meeting took place shortly before the lockdown arising from the Covid epidemic. There have been full agendas for the meetings and the issues discussed during the year included:
 - The development of an annual work plan for the Board.
 - Briefings and discussion on the performance of the pension administration service
 - Briefing and discussion on the Investment performance on the Fund
 - Consideration of the Fund's policies on Conflicts of Interest and Breaches.
 - Review and discussion of the decisions of the Pensions Investment Committee
 - Review of compliance with the Pensions Regulator's Code of practice
 - Consideration of developments affecting the LGPS including progress with the London CIV.
 - Audit and risk management issues affecting the Fund
 - Consideration and discussion on the Fund's Investment Strategy and Funding Strategy Statements, Governance compliance and Risk policy.

4. The main area of concern for the Board during the year was the performance of the pensions administration team. For some time, the Board had been expressing concern over the quality of monitoring information and the resources available to deliver the service. During the year it became clear that there are fundamental problems in the service that require urgent action to address work backlogs and resourcing issues. Reports to the Board and Committee subsequently identified the scale of work backlogs, breaches in regulations and weaknesses in data quality. The Board supported the proposed recovery plan and planned action to address these issues, and continues to monitor performance and the action being taken at each Board meeting.
5. The Pensions Regulator has identified data quality and record keeping as a key area of performance as it impacts directly on member benefits. Because of the seriousness of the problems in the pensions administration team, it was necessary for the Council to send a report to the Regulator highlighting the issues and setting out an action plan to resolve the situation. This is a high priority for action during 2020/21.
6. Councillor Asma Islam, representing Pension Fund employers, joined the Board in May 2019 thereby maintaining membership of the Board at its full complement of seven. Attendance over the 4 meetings increased to 82% compared with 64% in the previous year. The detailed attendance information is set out in the appendix to this report. The Board continued to focus on the key issues affecting the Fund and its beneficiaries. The Board agrees a forward work plan at the start of the year to ensure that it best placed to support the Council in the delivery of the LGPS in Tower Hamlets.
7. At the end of March 2020, the Tower Hamlets Pension Fund had total assets of £1.526 billion and a membership of Y , comprising pensioners, deferred pensioners and current contributors. **Miriam** – can you provide the figures please
8. In my role as Chair I am invited to attend the Council's Pension Committee to present and report on behalf of the Board to the Pensions Committee on Governance matters, and on issues arising from our consideration of policy and administration reports. This is a positive and welcome arrangement to ensure that the Board's views are considered by the Pensions Committee, and helps to strengthen the overall governance of the Fund.

9. The management of Pension Fund Investment and administration is becoming ever more complex so a structured programme of training and development is essential for individual members, and the Board collectively, to discharge its responsibilities. With this in mind, members of the Board have attended various training sessions over the past year. This has included:

- A presentation by the Fund's Actuarial Adviser on the 2019 Actuarial valuation and implications for the Fund.
- Presentations on the opportunities and challenges in investing in infrastructure and in renewable energy.
- A presentation on Investment covering asset allocation, key asset classes and the role of the Board.

In previous reports I have highlighted the importance of training and development for Members of the Pensions Committee and Board as an essential support to good governance. As new members are appointed to the Committee and Board, it is particularly important that training and development is arranged and supported so that new members are able to make informed decisions on issues affecting the Fund. Regular training sessions are arranged and incorporated as part of Board meetings and similar arrangements are also in place for the Committee. In addition, members also undertake training and development on an individual basis outside of Board meetings

10. In previous reports I have commented on the establishment of asset pools to manage local authority pension fund investments. The rationale behind pooling is to reduce costs, and provide scale to access illiquid asset classes and thereby help diversification and improve investment returns. The London collective investment vehicle (CIV) has been established for this purpose and the assets of the Tower Hamlets Fund are now being invested through this pool rather than directly as is the case at present. Approximately 80% of the Tower Hamlets Fund is now invested collectively, one of the highest percentage across the London Boroughs. One issue identified during the investment training session was the importance of the future arrangements for the performance monitoring on investments held by the CIV. The Board are updated on developments with the CIV, and will continue to monitor this process working alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

John Jones

Independent Chair

October 2020

MEMBERS OF THE TOWER HAMLETS PENSION BOARD

Independent Chair: John Jones

Vice-Chair: David Stephen Thompson

John Gray: Admitted Bodies Representative for Active Fund Members

Steve Hill: Representing Pension Fund Employers

Nneke Oroge: Active Fund Members representative

Annette McKenna: Representing Admitted Bodies Employers

Councillor Asma Islam: Representing Pension Fund Employers

Substitutes

Roger Jones: Representing Pension Fund Employers

BOARD MEMBER ATTENDANCE 2019-20

	17 th June 2019	19 th September 2019	25 th November 2019	16 th March 2020
John Jones	✓	✓	✓	✓
David Thompson	✓	✓	✓	✓
Nneke Oroge	✓	✓	✓	x
John Gray	✓	x	✓	✓
Steve Hill/Roger Jones	✓	✓	✓	✓
Annette McKenna	✓	x	✓	x
Cllr. Asma Islam	✓	✓	✓	x