

LONDON BOROUGH OF TOWER HAMLETS**MINUTES OF THE PENSION BOARD****HELD AT 10.00 A.M. ON MONDAY, 6 SEPTEMBER 2021****ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG****Members Present:**

John Jones (Chair)	(Independent Chair)
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
David Stephen Thompson (Vice-Chair)	(Representing Retired/Deferred Pension Fund Members)
Councillor Abdal Ullah (Member)	(Representing Pensions Fund Employers)
Annette McKenna*	(Representing Admitted Bodies Employers)
Roger Jones*	(Representing Pensions Fund Employers)

Officers Present:

Ngozi Adedeji*	– (Principal Lawyer Civil Litigation, Governance)
Hitesh Jolapara*	– (Interim Divisional Director, Finance, Procurement & Audit)
Miriam Adams	– (Interim Head of Pensions & Treasury)
Farhana Zia	– (Democratic Services Officer, Committees, Governance)

*Attended online -virtually.

1. APOLOGIES

Apologies for absence were received from Nneka Oroge (Active Fund Member's Representative).

2. DECLARATIONS OF INTERESTS

There were no declarations of pecuniary interests made by members of the Board.

2.1 PRESENTATION FROM LEGAL & GENERAL

Mr James Sparshott and Mr Iancu Daramus from Legal and General gave a presentation on the ESG (Economic, Social & Governance) investments relating to the Tower Hamlets Pension Fund.

Mr Sparshott stated Legal and General had been working with the Pension Fund since 2010 and had experience in managing funds for over 25 years. He said approximately £460m of assets were looked after by them. He said Legal and General were the largest pension fund manager in the UK managing over £1.3tn. he said they took their responsibility of investment stewardship seriously and said it was key in ensuring responsible investment and better outcome for their clients.

Mr Iancu Daramus, Senior Sustainability Analyst, then provided Board members with the ESG update. He said LGIM were working on several fronts to address ESG issues, such as net zero emission by 2050, getting companies to sign up to the Climate Impact Pledge to ensuring responsible investment and investment stewardship. He said key risks and opportunities were assessed when engaging with clients and working through these such as demography, technology, energy and markets. Statistical data was shared showing a broad range of topics they covered. From climate change, healthcare, gender pay gap and ethnic diversity. Mr Daramus explained the initiatives LGIM has and said they would vote against a company if they did not comply with their expectations.

In response to questions from Members of the Board the following was noted:

- Mr Thompson referred to the LCIV and their targets to net zero emission by 2050. He said it was big on aspiration but short on milestones as to how companies would achieve this. He asked if companies managed by LGIM had milestones to achieve? Mr Daramus said the target was in line with the UK government policy. He said data was readily available with shorter milestones for lowering the carbon-footprint which had a target to reduce that by 50% by 2030. He said the Climate Impact Pledge was their flagship programme with over 1000 companies who had signed up for this. He said LGIM was working to ensure the assets managed by them met their client expectations on ESG.
- In response to how LGIM measured their success in ensuring companies complied with the Climate Impact Pledge, other than voting against the Chair, Mr Daramus stated they could not fully compare year on year as they had strengthened their own policies on governance structures. However, voting out the CEO or Board member was a powerful tool as were sanctions against companies that did not comply.
- Mr Gray thanked LGIM for the ESG update but was concerned the presentation concentrated on the “E” and not the “S” and the “G” factors of the policy. He said under “Social” factors, he was surprised there was no mention of social, economic class diversity at Company Board Level which was equally important as gender and ethnic diversity.
- Mr Daramus said there had been progress regarding board diversity with minimum standards improving particularly with ‘all male’ boards. He said LGIM had seen this change in the UK and have tried to replicate this globally.

- **ACTION:** LGIM to send their report and data on Board Diversity and ethnic diversity to Miriam Adams for circulation to Board Members.

The Chair thanked Mr Sparshott and Mr Daramus for their presentation.

3. UNRESTRICTED MINUTES

The Board agreed the unrestricted minutes from the 7th June 2021 meetings as an accurate record of the meeting, save for one typo on page 13 of the agenda where the minute referred to Mr Stephen-Thompson. Mr Thompson pointed out his surname was not hyphenated and should refer to him as Mr Thompson.

The Board also noted the draft Pension Committee minutes of 5th July and had no comments to make regarding the minutes.

4. SUBMISSIONS FROM FUND MEMBERS

There were no submissions made by fund members.

5. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

There were no submissions and/or reports from the Pensions Committee.

Ms Miriam Adams provided a summary of the submission made on behalf of the Chair at the 5th July 2021 Pension Committee meeting. She said the Boards report had been well received by the Committee with the Chair of the Pensions Committee, Councillor Kyrsten Perry expressing her thanks to the Board for hosting and questioning the London CIV as well as building the relationship with the CIV.

Mr John Gray suggested that in the event the Board Chair cannot attend a Pensions Committee meeting, the vice-chair Mr Thompson ought to attend.

- **ACTION:** In the event the Board Chair Mr John Jones is unable to attend a Pensions Committee meeting, the vice-chair Mr Thompson will be asked to attend.

6. REPORTS FOR CONSIDERATION

6.1 Pensions Administration and LGPS Quarterly Update – June 2021

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided members with information relating to the administration and performance of the Fund over the last quarter as well as updates on key LGPS issues and initiatives which impact the Fund.

Ms Adams said the Pensions Committee also received the report on a quarterly basis together with comments of the Board. She asked Board

members to note the admissions to the Tower Hamlets Pension Fund listed in the recommendations to the Committee and said the Cyril Jackson Academy was being represented by the University School Trust (a Multi Academy Trust - MAT).

Ms Adams explained the Clara Grant Primary School was moving to the Boleyn Trust (MAT) Newham and the Stepney Green Mathematics and Computing College to Mulberry Academy Trust (MAT) Tower Hamlets. She said although the management of Clara Grant Primary School was moving to the Boleyn Trust Newham, the MAT had requested to remain part of the Tower Hamlets Pension Fund. Ms Adams said the actuary had been consulted who agreed to the arrange as the school wasn't moving physical from its location.

Ms Adams referred Board Members to page 28 of the agenda and said there had been a small increase in membership numbers, from 7,263 at the last quarter to 7,283 for this quarter. Ms Adams referred to the table and the percentage changes for active, deferred, pensioner categories.

In reference to table 3.2 Ms Adams said this showed the number of tasks completed and outstanding as of 30th June 2021. Ms Adams said this excluded the queries received via the Pensions Administration inbox and calls received from Fund members. She said there had been an increase in the number of calls received with an average of 40 to 50 calls a day. She stated that Covid-19 appeared to have increased awareness with Fund members wanting to find out about their pensions.

Ms Adams said they had made progress with workflows with thirty workflows having been set up on the system and this had helped with consistency. A further six workflows needed to be added with the help of the Pensions software provider. She referred members to the table at paragraph 3.7 and said this set out the performance against CIPFA suggested timelines. Ms Adams explained that some of the missed targets were due to information being awaited from members. For example, deferred members who are close to retirement would be written to with an estimate of their pension. However further action cannot be taken until the estimate is acknowledged and the form is returned. Therefore, there is a time lag in achieving the target. Ms Adams said there were ten cases which required action before June.

Referring to the Annual Benefit Statement, Ms Adams said they missed the deadline of 31st August to dispatch the statements however statements had been sent out by 3rd September 2021. She said several active members would not receive their statements due to ongoing payroll data issues which the Pensions Team are assisting the Council's Payroll team to resolve.

Ms Adams referred to the table at paragraph 3.9 which showed the active members of the Fund as of 30th June before referring to paragraph 3.10. Ms Adams said the Pensions auditors as well as the Internal Audit report recommended that the breach be reported to the Pensions Regulator. Ms Adams stated that she will take questions in relation to this in the closed session.

Referring to the LGPS updates, Ms Adams referred to paragraph 3.13 and said the Pensions Team had project planned for the impact of the McCloud judgement and said that due to a delay in the regulation being issued, some of the tasks were shown as amber on the project plan as the true impact would not be known until the regulations had been published.

Ms Adams said paragraph 3.16 dealt with TCFD disclosures and the MHCLG were consulting on making TCFD a compulsory part of LGPS funds. She said Tower Hamlets were ahead of the curve, with the Pensions Committee agreeing to receive TCFD reporting in November 2020. Ms Adams said the Committee would be receiving an update at its next meeting.

On the staffing update Ms Adams stated three vacancies had been filled, two of which were existing agency staff. Ms Adams said there were seven more posts to fill, and she was hopeful of advertise a further three vacancies this week, with the remaining four being advertised in October/November 2021.

In response to questions from members the following was noted:

- The Chair stated the number of tasks outstanding, were the lowest figures he had seen. Ms Adams explained with was partly due her holding direct meetings with all the officers within the Pensions Team. She said she met with them weekly and/or fortnightly to go through the task list in detail. In cases where they are not getting responses, she was able to directly input and resolve queries.
- In reference to table 3.7, and the workflow for transfers, Mr Thompson said this area required focus in terms of performance. Ms Adams responded stating that transfers were a difficult area to manage as much depended on the 'starter' completing forms and returning this to the Pensions Team. She said some transfers were club transfer whereas other were non-club transfers.
- The Chair and Board Members agreed that looking at tables 3.2 and 3.7 together, the improvements made was significant. The Chair on behalf of the Board members expressed his thanks to Ms Adams and the Pensions Team for the work they had undertaken which had resulted in the improvement.
- Ms Adams explained the Pensions team were 100% funded by the Pensions Fund and they had no recourse to the Council's General Fund. Ms Adams said when the actuary made their triennial valuation a 0.6% adjustment for costs included in employer contribution rates. If day to day operational cash was required there was an approved process agreed by the Pensions Committee which was followed.
- Ms Adams confirmed 2021 would be the last year for sending out paper statements to Fund Members. Referring to paragraph 3.16 and the roll out of the Member Self-Service portal, Fund Members could view their pension information on the portal. However, if a Fund Member had requested a paper copy, they were legally required to provide one.
- Regarding the recruitment of staff, Ms Adams confirmed the timetable to fill vacancies had slipped slightly however the remedial action plan

was a two, three-year plan. Ms Adams said she remained hopeful that the remaining vacancies would also be filled.

- In respect to the frozen category referred to on page 28, Ms Adams said a former employee recently interviewed is being recruited to focus on this membership category.

The Pension Board **RESOLVED** to:

Note the recommendations being made to the Pensions Committee who were to consider this report at their meeting of 23rd September 2021.

The Pensions Committee is recommended to:

1. Note and comment on the contents of this report and appendix
2. Note the following admissions to the Tower Hamlets Pension Fund:
 - Age UK East London
 - Juniper Ventures Limited
 - Olive Dinning Limited
 - Cyril Jackson Academy, Boleyn Trust Academy and Age UK Limited.
3. Note admission of University School Trust (Multi Academy Trust MAT) is in respect of Cyril Jackson School.
4. Note the exit of Tower Trust Multi Academy Trust and move of Schools managed by the Trust - The Clara Grant Primary School to Boleyn MAT Newham and Stepney Green Mathematics and Computing College to Mulberry Academy Trust (MAT) Tower Hamlets.
5. Note that Clara Grant Primary School although moving under the management of Boleyn Trust Newham have requested to remain in the Tower Hamlets Pension Fund.

6.2 Quarterly Review of Risk Register

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report saying three new risks had been added during the quarter to the register in line with the recently issued Cyber Score Card by the Scheme Advisory Board and draft code of Practice by the Pensions Regulator.

She referred Board members to paragraph 3.2 of the report which listed the new risks and said these risks had been part of boarder risks previously. They had been separated due to their recent importance plus the Scheme Advisory Board's raised profile on risk management and cyber risks. She said the LGA have been working with AON which had provided a checklist for schemes to use. Ms Adams said whilst this was not mandatory, it was part of good practice for the scheme and fund to take it upon itself to complete the checklist.

Ms Adams provided a detailed update of the risks identified in Appendix 1.

In response to questions from Members the following was noted:

- The Chair said there were five red rated risks. He asked if the risks relating to pension administration would reduce when staff had been recruited to the vacant posts. Ms Adams responded saying not all risks could be eliminated however they would manage the risks and once the work had been completed to satisfaction the risk would be moved to amber.
- Referring to paragraph 3.4, Mr Thompson stated he was not convinced the rating for G5 should be moved from amber to green. He pointed out that in the appendix this had been referred to as AG5. He said this was a very high hurdle to determine, as the statement referred to members understanding and appreciating the benefits plus being able to make informed decisions. Mr Thompson said the internal controls identified such things as a new website, surgeries, communications strategy etc but these were inputs, they did not measure the outputs. In other words, did fund members understand and appreciate the benefits and felt they could make informed decisions.
- The Chair stated the point made by Mr Thompson was a valid one and said clarity was needed as to what the risk was measuring. Following discussion, the Board agreed an action to take forward.
- **ACTION:** The Pensions Team to undertake a survey in 18 months' time to see how the internal controls mentioned, such as the website, surgeries etc have impacted on the fund members understanding and appreciation of their benefits and if they feel confident in their decision-making.

The Pensions Board **RESOLVED** to:

1. Note and comment on the report and detailed risk register as set out in Appendix 1
2. Note the amendments to existing risks listed in section 3 of this report; and
3. Note the London Collective Investment Vehicle (LCIV) Climate Change Policy Report Appendix 2.

6.3 Communication Strategy and Policy Statement

Ms Miriam Adams, Interim Head of Pensions and Treasury said the terms of reference for the Pensions Board included consideration of having an effective communication strategy as part of the Pensions Board's functions.

She said the communication plan appended at appendix A outlined the Fund's planned communication activities and how the communication referred to within the Communication Policy Statement would be delivered in practice.

In response to questions from members the following was noted:

- The Chair stated the strategy was comprehensive and asked if an annual report ought to be part of the strategy, reporting on the progress made.

- Mr Gray suggested there be a campaign section in the Strategy, where for example deferred members are encouraged to be active again and join the scheme. He said many Members had out of date death beneficiary details for their pensions and therefore a campaign to promote awareness would be welcome. Ms Adams explained this was a task for the Employers and Trade Unions to undertake. However, she would raise this with the Employers' Forum.
- **ACTION:** Ms Adams to raise with the Employers' Forum, the need to encourage staff to join the pensions scheme. Plus consider putting information on the Pension's Website to remind fund members to keep their nomination forms up to date once launched.
- In reference to page 96 of the agenda, Mr Thompson asked the wording in relation to Staff Feedback be stronger when referring to feedback given by stakeholders. Ms Adams said regular opportunity was provided to staff to feedback especially as dealing with someone who had lost a loved one, can also affect the staff member dealing with the claim.

The Pensions Board **RESOLED** to:

1. Note the Communication Strategy and Policy Statement (Appendix 1); and
2. The Board feedback on the Communication Strategy presented at the meeting.

6.4 Pensions and Cyber Risk

Ms Miriam Adams, Interim Head of Pensions and Treasury said the report reported on the impact of cyber risk on the Pension Administration Service. She said Pension Schemes hold a large amount of personal data and assets which can be targeted by criminals. Therefore, The Pensions Regulator (TPR) considers cyber risk to be an area of high priority for the scheme trustees and has recommended that this is included on the risk register and is reviewed regularly as part of best practice.

Members of the Board did not have any questions for Ms Adams.

The Pensions Board **RESOLVED** to:

1. Note the content of the report.

6.5 The Pensions Regulator (TPR) Single Code Consultation Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated The Pensions Regulator (TPR) had drafted a single code of practice (COP) for all UK pensions scheme. Ms Adams explained the purpose of the single code was to merge the ten existing COPs into one single document, so that it would be easier to navigate, understand and keep up to date.

In response to questions from members the following was noted.

- Referring to paragraph 3.13, Members asked if there was a timetable for the review. Ms Adams responded saying the providers had started work on this, this week.

The Pensions Board **RESOLED** to:

1. To note the report; and
2. Note that a review of the Fund against the TPR draft Code of Practice and LGPS Good Governance 3 Guidance had been commissioned.

6.6 Review Draft Account, Fund Annual Report and Audit Plan - verbal update

Ms Miriam Adams, Interim Head of Pensions and Treasury said the draft Pension fund accounts for 2020/21 are available however as the main accounts for 2018/19, 2019/20 and 2020/21 still required sign off, efforts to resolve queries relating to these sets of accounts had been focussed on. Ms Adams said auditors query regarding membership numbers for 2018/19 had been resolved and as such there were no outstanding queries relating to the Pensions Fund for the years mentioned above. Ms Adams said she hoped to bring the audit plan for 2021/22 to the Board however she was still awaiting this from the external auditors.

Members of the Board had no questions for Ms Adams.

The Pension Board **RESOLED** to:

1. Note the verbal update provided.

6.7 Member Training - verbal update

Ms Miriam Adams, Interim Head of Pensions and Treasury informed Board Members the registration forms for the online learning academy had been set out to all members of the Board and she encouraged members to join and complete the sessions. Ms Adams said a monthly report would be sent to her by the providers showing the progress made by members. Ms Adams said the online academy was in addition to regular training provided to the Board and Committee.

In response to questions from Members the following was noted:

- The duration of the online courses were 30 minutes. Both the Pension Board and Pension Committee members were expected to complete the learning, at their own pace.
- The Chair of the Pensions Board, Mr John Jones requested Board members to complete the training.

7. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

The Chair, Mr John Jones noted that the Pension Committee agenda had not been published for the meeting scheduled for the 23rd September 2021. However, several reports discussed by the Board will also be presented to the committee at its next meeting.

8. PENSIONS BOARD WORK PLAN

Members of the Board were asked to note the Pension Board's work plan for 2021/22.

Members of the Board had no questions for Ms Adams.

The Pensions Board **RESOLVED** to:

1. Note the workplan for 2021/22.

9. EXCLUSION OF THE PRESS AND PUBLIC - RESTRICTED

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 of the Local Government Act, 1972."

10. EXEMPT / RESTRICTED MINUTES

The members noted the restricted minutes of the Pensions Committee meeting of 5th July and had no comment to make in relation to the exempt items.

11. EXEMPT / RESTRICTED REPORTS FOR CONSIDERATION

11.1 ESG, Voting and Engagement Quarterly Update - June 21

The minute for this item is restricted.

12. ANY OTHER BUSINESS

No other business was discussed by the Board Members, save for Mr Thompson raising the London CIV and its policy on climate change – Item 6.1. He asked that dates and targets be provided in relation to its implementation.

The meeting ended at 12.15 p.m.

Chair, John Jones
Pension Board