

Pension Board Submission to the Pensions Committee

To: Pensions Committee

From: John Jones Independent Chair Tower Hamlets Pension Board

Date: 27th June 2022

1. The Pensions Board held a hybrid meeting on Monday 13th June. David Thompson was re-appointed as vice chair and Cllr Mannan was welcomed to his first meeting as a Pension Fund Employer representative. The main items on the agenda were a training session from Hymans Robertson on the Triennial Valuation Assumptions; an update on the current position in Pensions administration and a review of the Risk register. The meeting was fully attended with all 7 members present either in the room or online.
2. The Triennial valuation review is very important as it assesses the assets and liabilities of the Fund, and then determines the funding level. The underlying assumptions for the review are crucial in determining the final outcome. The Board asked questions about the assumptions for inflation and investment returns; the process followed and consultation on the review; the impact of the net zero target on the valuation; and the impact of the Covid pandemic on life expectancy assumptions. The briefing was well received by the Board and the recommendations were agreed.
3. The Board welcomed the Pension Fund Business Plan, although some concern was expressed over the growth in investment management fees (+ 41%) attributable to the additional costs associated with investments in new asset classes. None the less the Board are supportive of investing in new asset classes including investment in affordable housing. In future it will be important to monitor the growth and level of these costs and to fully understand the reasons for this.

4. At our previous meeting the Board had a full discussion on the circumstances around the delays in completing the audit of the annual accounts. This issue was raised again at the meeting and an oral update was given to the Board noting that the delays are not with the Pension Fund accounts but elsewhere in the Council's main accounts. The Committee will be aware of the issues affecting the audit of the Council's main accounts, and the effect this has on finalising the audit of the Pension fund accounts. The Board will continue to monitor completion progress at its next and future meetings.
5. We were given a verbal update on the current position with staff vacancies in pensions administration and the action being taken to fill vacant posts. The current position is that out of a total of 16 posts, 6 are unfilled and out to advertisement. Progress is being made to improve the staffing position in the pensions administration team and this is reflected in the performance data and key indicators. Since March there has been a noticeable improvement in the position with outstanding tasks, and the direction of travel on performance statistics is an improving trend. Although recruiting skilled pensions staff in the current jobs market continues to be difficult, more work is needed to fill all the posts in the new structure. It is important that momentum is maintained so that backlogs and the action needed to implement the pensions dashboard is addressed. The Board welcomes the survey being undertaken by the Local Government Association(LGA) on staff recruitment and retention to understand the extent of staffing problems across the LGPS.
6. The Board reviewed the Risk Register updated since the last meeting in March. Out of a total of 36 identified risks, 15 are assessed as green with 4 classified as red and 17 as amber. This is a small improvement on the position reported in March and is to be welcomed. However, the 4 red risks are all associated with data quality and staffing and resources in the pension administration team. This issue has been raised with the Committee on several occasions in recent years, and the Board remain concerned about the impact on data quality and the time being taken to resolve the problems.
7. There then followed a discussion about the problems arising from the quality of data provided by employers to the pensions administration team. Additional work needs to be carried out by the

pensions administration team before data can be input to the system and this will continue until the iconnect system is fully operational. The Board were advised that staffing resources are not available for other pensions administration tasks because they are carrying out work that should be done by employers. The current problems are associated with work backlogs going back several years and system interface issues that must be resolved going forward. The risk register includes an indicative completion date of October 2023. The Board requested an action plan and timetable with a lead at Director level to resolve this long standing problem and bring it to a conclusion. Progress should be monitored at each Board and Committee meeting.

8. The Board reviewed the report on stewardship and engagement with questions on the situation in Ukraine and on the voting of shares. We were also updated on progress on the pathway to net zero target by 2040 and the implications of this for the diversification of investments. The Board supported the approach agreed by the Committee at its meeting in March.

John Jones
18th June 2022