

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 6.30 P.M. ON MONDAY, 3 OCTOBER 2022

**COMMITTEE ROOM ONE - TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present in Person:

| | |
|--------------------------|--------------|
| Councillor Bellal Uddin | (Chair) |
| Councillor Iqbal Hossain | (Vice-Chair) |
| Councillor Abdul Mannan | |
| Councillor Rachel Blake | |

Co-optees Present in Person:

| | |
|-------------------|----------------------------|
| Kehinde Akintunde | Trade Union Representative |
|-------------------|----------------------------|

Apologies:

Others Present in Person:

| | |
|---------------------|---------------------|
| Colin Robertson | Independent Adviser |
| Steve Turner | Mercer |
| Sandeep Chandrarana | Mercer |

Officers Present in Person:

| | |
|--------------|--|
| Miriam Adams | Interim Head of Pensions and Treasury |
| Farhana Zia | (Democratic Services Officer, Committees, Governance) |

Officers In Attendance Virtually:

| | |
|----------------|---|
| Carole S Bowes | (Employment Lawyer, Legal Services, Directorate Law, Probity and Governance) |
| John Jones | (Independent Chair, Pensions Board) |
| Nisar Visram | (Director of Finance, Procurement & Audit) |

1. DECLARATIONS OF INTERESTS

There were no pecuniary declarations of interest declared at the meeting by members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes from the meeting of 27th June 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

3. PETITIONS

No Petitions relating to the matters for which the Pensions Committee is responsible had been received by the Officer.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

The Pension Board meeting of 12th September was deferred, owing to Her Majesty's death. As such there were no submissions or referrals from the Pensions Board.

5. REPORTS FOR CONSIDERATION

5.1 ESG, Voting, Engagement and Stewardship Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated that the report provided an overview of the stewardship activity carried out by Tower Hamlets Pensions Fund's investment managers and on its behalf by the Local Authority Pensions Forum (LAPFF) in quarter ending June 2022.

Ms Adams went through the report, highlighting the engagements LAPFF had had with various companies over the quarter, in particular referring members to paragraphs 3.14 and 3.17. The table at paragraph 3.19 showed the number of resolutions cast as no votes. Ms Adams said officers had asked for more details relating to the no votes. She also referred to the voting alert variances and the table at paragraph 3.23 and said more information had been asked for questioning why the climate change strategies had been opposed. Ms Adams said the table on page 26 provided a more detailed breakdown of how votes had been cast.

In response to comments and questions from members the following was noted:

- Members of the Committee had no questions for Ms Adams relating to this report.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report and appendices.

5.2 Climate Change Related Disclosures - Task Force for Climate related Financial Disclosures ("TCFD")

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report before asking Mr Steve Turner, from Mercer to provide members with a detailed update on the Climate Change related disclosures.

Ms Adams referred members to paragraphs 3.1 to 3.5 in the main report which provided background information on why the Taskforce on Climate-related Disclosures (TCFD) had been commissioned and on Tower Hamlet's participation. Mr Turner said the data provided in the appended report related to June 2021 but was still valid as it documented the progress made by the LGPS in relation to climate change. He said it is not mandatory on LGPS at present to comply with the TCFD disclosures however new guidelines were expected in April 2023 and as such this was a good foundation to build on. Mr Turner said the Tower Hamlets LGPS was ahead of others in preparation and by creating a baseline for carbon metrics, had a useful starting point.

Ms Adams added the Committee had agreed a net-zero target of 2040 and it was useful to have a baseline to work from. She said the Committee and the Fund had done a considerable amount in moving into sustainable / low carbon equities and into renewable energy funds and the Fund has since signed up as a TCFD voluntary supporter. She said the fund would continue to monitor its progress against the climate risks by reporting this on the risk register that is reviewed by the Pension's Board.

In response to comments and questions from members the following was noted:

- Mr Turner stated that the Fund's investments were no more exposed to climate change risks, when compared to other Funds. He said that in fact the Fund had made better progress to reduce the carbon risk, with a net-zero target of 2040. He said the Fund had various investments such as sustainable equities with LCIV/RBC, low-carbon investments with LGIM and was invested in renewable energy funds. He said whilst the Baillie Gifford Global Alpha Paris-Aligned fund had a net zero target of 2050, the investment strategy would ensure this is actively managed.
- No new risks had been identified since the last quarter from an investment perspective that had not been discussed or highlighted.
- Mr Turner reassured members that the impact of the government's mini-budget had not impacted on investments related to the green-agenda more than on other investments.
- Mr Turner said the day-to-day management of funds was undertaken by the investment managers including LCIV, RBC and BG who were aware of the climate change net-zero target of 2040. They were responsible for sending the data to Mercer and Ms Adams.

The Pensions Committee **RESOLVED** to:

1. Approve the final 2020-21 TCFD report (appendix 1) and;
2. Continue to enhance its approach to Climate Risk.

5.3 Governance Compliance Policy and Statement

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report outlined the Governance Policy and Governance Compliance Statement in accordance with the Local Government Pension Scheme regulations.

Ms Adams said the Governance guidance had been provided in three stages, 1,2, and 3 and the Fund had been pro-active in ensuring compliance with Good Governance 3. Ms Adams said the Business Plan for the LGPS had been agreed at the last meeting in June 2022, with other key strategies also included in the compliance statement.

She referred to the Committee's terms of reference cited at pages 94-96 and said the Committee needed to think about the stakeholder representation it had on the Committee. Ms Adams said the compliance statement on page 102 onwards showed the Fund was compliant in most areas, save two areas with partial compliance.

In response to comments and questions from members the following was noted:

- The administration policy is mentioned in the statement, providing an overview of how the Fund is managed. The Compliance Statement does not go into too much detail because details are included in the Fund's Administration Strategy. It does not go into too much detail. The Committee is provided with a regular update on the administration issues and tasks outstanding at each meeting.
- There are two partial compliances. One relating to the membership of the Pensions Committee. Discussion as to how the Committee can comply with this requirement took place.
 - **ACTION:** Ms Adams to identify the sector that has the most admitted bodies as part of the Pension Fund, who could be approached for representation onto the Committee. The admitted bodies should be written to asking for nominations and consequently appointed as per the constitutional requirements and guidance from Democratic Services and/or Chief Executive.
- Referring to the Pensions Dashboard discussed at the March 2022 meeting, Ms Akintunde asked what progress had been made in implementing this. Ms Adams said she was working with the software providers and the current legislative deadline is October/November 2024 for the LGPS. She said at present the project was in its early stage.
- Ms Adams confirmed there was employer representation on the Pensions Board.
- In reference to the other partial compliance, Ms Adams said they had an Employers forum but had not yet held an Annual General Meeting (AGM). Councillor Blake asked if this could be held with the Council AGM. Ms Adams said this ought to be separate as it would require the participation of both Committee and Board members. Ms Adams said

she could not commit to a timeframe but would look for a suitable date for this to occur.

The Pensions Committee **RESOLVED** to:

1. Approve the draft Governance Compliance Policy and Compliance Statement.

5.4 Policy on Representation and Voting

Ms Miriam Adams, Interim Head of Pensions and Treasury said this report related to the previous item and the recommendation of Good Governance III, of having a policy on representation and voting. She referred members to pages 113 and 114 which set out the policy and said this required approval by the Committee. The terms of reference were part of the Council's constitution which set out what the Committee and the Fund did.

She said the Employer forum had been running over the last two years and was well attended. She said another meeting scheduled in December to coincide with the triennial valuation results when the Actuary would also be discussing the employers' individual valuation results.

In response to comments and questions from members the following was noted:

- Members of the Committee had no questions for Ms Adams relating to this report.

The Pensions Committee **RESOLVED** to:

1. Note the report and approve the appendix taken to address recommendation C1 of the Good Governance III Review prior to the implementation of statutory guidance by DLUCH.

5.5 Update on Pension Fund accounts (Verbal Update)

Ms Miriam Adams, Interim Head of Pensions and Treasury provided a verbal update in relation to the Pension Fund accounts. She said the 2018/19 and 2019/20 accounts could not be signed off until such time that the council's own accounts audit had been completed. She said this was imminent and would keep the Pensions Committee updated with progress.

Ms Adams informed the Committee that the 2020/21 accounts were in the process of being audited and that she would keep the Committee updated on the latest developments.

In response to comments and questions from members the following was noted:

- Members of the Committee had no questions for Ms Adams relating to this report.

The Chair thanked Ms Adams for the update.

5.6 Pensions Administration and LGPS Quarterly Update – June 2022

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided 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.

She informed members they were being asked to note and comment on the report and approve a new employer to the Fund, Phoenix Autism Trust. She said there had also been a government update relating to academies and said the liability guarantee had been increased to £20m, which meant the government would take responsibility for failed academies and not the Fund.

Ms Adams referred members to the tables at paragraphs 3.1 and 3.2 of the report and said this provided an update on the membership numbers as well as the tasks completed and outstanding. She said the membership numbers were a little superficial, and changed every day, more so the June quarter's figures, as the scheme is required to auto-enrol existing members every three years and so some active members may opt-out of the scheme with numbers falling over the next quarter.

Referring to the table at paragraph 3.9, page 121 she said this gave a breakdown of how the fund was performing against CIPFA suggested timelines. She said some tasks took longer to complete such as transfers in and out, and also processing deaths and retirements as responses are required from third parties. Ms Adams referred to the table at paragraph 3.10 which showed the active members as at 30th June 2022.

Referring to the legislative updates, Ms Adams said the GAD cap results showed the LGPS as a whole remained within the 2% corridor and as such there were no changes to benefits or member contributions needed. She noted the Pensions Dashboard had been discussed earlier in the meeting.

In response to comments and questions from members the following was noted:

- Referring to paragraph 3.12, Ms Adams provided clarity that the new employer being admitted into the Fund, was not a secondary school but a Specialist 16+ institution. She said she had personally written to the DfE seeking clarification on their status. They have been admitted as an admitted body, as they are a charity and limited company.
- In response to the Employer Data Quality issue, at paragraph 3.11, Mr Nisar Visram, Director of Finance, Procurement and Audit stated progress on resolving issues on Council's employee payroll data had

been slow and extremely frustrating. He said the Council was working with the payroll software provider to solve the payroll issues and had recruited a payroll specialist to understand the issues. He said they were working with IT but could not give a timeline as to when it will be solved.

- **ACTION:** Councillor Blake asked if progress had been made regarding a case study for pension administration and hearing the 'users voice' about their experience of using the Pension Service. She also suggested that any new employer also be informed about employer representation on to the Committee, as part of the induction process.
- Ms Adams explained the current process of how new members to the scheme are inducted and said the suggestions made would be taken forward.

The Pensions Committee **RESOLVED** to:

1. Note and comment on the content of the report and appendix;
2. Noted and approved the admission to the Fund of Phoenix Autism Trust; and
3. Noted the Government Update that it will continue to provide the academy liability guarantee, the ceiling of which had increased to £20m.

5.7 Quarterly Review of Risk Register (Verbal Update)

Ms Miriam Adams, Interim Head of Pensions and Treasury stated there had been no changes to the risk register since the last quarter. However, she would provide the Committee with an update in relation to the recent activity in the markets and if these have increased any risks for the Fund.

In response to comments and questions from members the following was noted:

- Members of the Committee had no questions for Ms Adams relating to this report.

The Chair thanked Ms Adams for the update.

6. TRAINING EVENTS

Ms Miriam Adams, Interim Head of Pensions and Treasury asked members to register and log into the bitesize training modules provided by Hymans Robertson. She said it was vital for members to increase their knowledge in relation to Pensions and said the training sessions were no more than 30 minutes in duration. She said the Council had paid for the licences and so it was essential members used the learning portal. Ms Adams said she received

regular reports on who had logged on and completed the modules. She encouraged members to use this training facility.

- The members of the Committee agreed that they would use the online training facility.

7. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

Ms Kehinde Akintunde, co-opted Trade Union Representative asked if an update had been received regarding PIMCO and the leverage issue raised at the last meeting in June 2022.

- **ACTION:** Ms Adams responded saying she had received a response from the LCIV and would circulate this to the members of the Pensions Committee.
- **ACTION:** Councillor Blake requested that the work programme/business plan for the committee be appended to the agenda, for all future meetings.

8. EXCLUSION OF 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 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.”

8.1 RESTRICTED MINUTES OF THE PREVIOUS MEETING

The restricted minutes from the meeting of 27th June 2022 were agreed to be an accurate record of the meeting and were approved by the Committee.

8.2 Annual Investment Benchmarking

Ms Miriam Adams, Interim Head of Pensions and Treasury, introduced the report and stated the report provided the Committee with a review of the performance and risk profile of the Fund compared to other LGPS funds in the Pensions & Investment Research Consultants Limited (PIRC Ltd) LGPS universe of 62 out of 88 funds.

The Pensions Committee **RESOLVED** to:

1. Note the performance and risk benchmark reports produce by PIRC Limited; and
2. Noted that the results supported the view that the Fund had considered to reduce its Diversified Growth Fund (DGF).

8.3 Investment Performance Monitoring

Ms Miriam Adams, Interim Head of Pensions and Treasury introduced the report and asked Mr Colin Robertson, Independent Adviser and Mr Steve Turner from Mercer, to present the Quarterly Performance review report. The report informed members of the performance of the Pension Fund investments and its investments managers for the quarter ending June 2022.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report.
2. Noted the Independent Adviser's quarterly commentary (appendix1); and
3. Noted the performance reports and manager ratings (appendix 2).

The meeting ended at 8.23 p.m.

Chair, Councillor Bellal Uddin
Pensions Committee