

Pension Board Submission to the Pensions Committee

To: Pensions Committee

From: John Jones Independent Chair Tower Hamlets Pension Board

Date: 12th January 2023

1. The Pensions Board held a hybrid meeting on Monday 28th November. The main items on the agenda were a training session from Wellington Asset Management on Climate Change and ESG; an update on the current position in Pensions administration and a discussion on voting and ESG engagement. The meeting was well attended with 6 members present either in the room or online. There is currently one vacancy on the Board.
2. The presentation by Wellington on Climate Change and ESG was very well received and there was a full discussion with several questions from the Board. The Board felt that whilst the focus to date has been on environmental and climate issues, it is important to note that social and governance issues are also an important part of the Fund's strategy and should not be overlooked. The Board were very engaged in the presentation and the discussion could have continued much longer. There will be an opportunity to return to this important topic on another occasion.
3. This led into considering the Board report setting out the Fund's policy on Climate Change and related disclosures; this was endorsed by the Board. The voluntary approach adopted so far was welcomed and the very good progress made towards implementing low carbon investments was noted.
4. The Board had a long discussion on the progress report on Voting, Engagement and Stewardship, and in particular the approach taken by the London CIV on voting in line with LAPFF recommendations. There were several examples where asset managers did not vote in line with LAPFF recommendations without explanation; and others where some managers vote in line with recommendations whilst another manager voted the opposite way. This presents a

contradictory position of the Fund's policy. The Board recognise the practical difficulties when investing via the London CIV in pooled funds, but believe that the CIV should be more assertive in this area and that asset managers should operate on the basis of "comply or explain". As a first step it was proposed that the London CIV be invited to present and discuss their approach to voting shares and that the invitation be extended to all members of the Committee as well as the Board.

5. The Board endorsed the Fund's Governance Policy and Statement and supported the proposal to hold an AGM. There was also a discussion around the importance of developing an effective website to open up a route for individual members to contact the Fund including the Board, and to facilitate more engagement with fund members.
6. The Board considered the latest report on pensions administration and the associated performance data. One issue that emerged was concern over employees leaving the Tower Hamlets Pension Fund with the associated loss of benefits for them. One Board member highlighted the misunderstanding that some leavers may have, and the need for employers to look at channels of communication so that employees can make fully informed decisions. This is an issue we believe should be highlighted and promoted more effectively by all Tower Hamlets Pension Fund employers. We noted that the figures reported were distorted by the onboarding of staff through auto enrolment and received an update to confirm that this backlog has been cleared.
7. The Board received a verbal update on the staffing position in pensions administration. This is an issue we have been concerned about and have been highlighting for a few years now. It was very pleasing to learn that there is now only one vacancy in the administration team, to be recruited to in the new year, and 2 vacancies in the accountancy team. Recruitment remains difficult in the current jobs market, and the Board remains very supportive of measures to fill vacant posts in the pensions administration and accountancy teams as quickly as possible. It is important that both the Board and Committee continue to monitor the staffing position in the pensions teams so that the current service improvements in service can continue.
8. In previous reports, the Board has highlighted the issues around data quality and the implementation of the i connect system. We

were given a verbal update on progress in addressing the issues. Whilst there has been progress, there are still IT issues to resolve requiring the employment of a specialist together with an action plan. The Board will continue to monitor progress at future meetings and report accordingly.

9. The Board agreed the policy on Representation and Voting as part of implementing Good Governance in the LGPS, and received verbal updates on the risk register and progress with completing the audit of accounts. The meeting concluded with a presentation and training session on the development of the updated Funding Strategy Statement.
10. Roger Jones has now left the Council's employment and has therefore stood down as a Member of the Pensions Board. I should like to take this opportunity to thank Roger for his work as a Board Member and wish him well in his future career elsewhere.

John Jones
12th December 2022