

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.05 A.M. ON MONDAY, 28 NOVEMBER 2022

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

Members Present in Person:

John Jones	(Independent Chair)
David Stephen Thompson (Vice-Chair)	(Representing Retired/Deferred Pension Fund Members)
John Gray	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
Councillor Abdul Mannan	(Representing Pension Fund Employers)

Members In Attendance Virtually:

Nneka Oroge	Trade Union Representative
Annette McKenna	Representing Admitted Bodies Employers

Apologies:

Roger Jones	(Head of Revenues)
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Others Present in Person:

Nicola Staunton	Wellington Management International Limited
Louise Koops-Henckle	Wellington Management International Limited

Officers Present in Person:

Miriam Adams	Interim Head of Pensions and Treasury
Jonathan Fox	Legal Adviser
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Nisar Visram	(Director of Finance, Procurement & Audit)
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1. APOLOGIES

Apologies for absence were received from Roger Jones (Representing Pension Fund Employers).

2. **DECLARATIONS OF INTERESTS**

John Gray, (Representing Active Admitted/Statutory Bodies Fund Members) declared he was the Vice-Chair of the Local Authority Pension Fund Forum and a trade union member.

3. **UNRESTRICTED MINUTES OF PREVIOUS MEETING(S)**

The unrestricted minutes from the 13th June 2022 meeting were **AGREED** and **APPROVED** as an accurate record of the meeting.

4. **SUBMISSIONS FROM FUND MEMBERS**

There were no submissions made by fund members.

5. **SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE**

There were no submissions/responses from the Pensions Committee.

6. **REPORTS FOR CONSIDERATION**

6.1 **Climate Change and ESG Training**

Ms Louise Kooy-Henckle and Ms Nicola Staunton from Wellington Management International Limited, provided training to the Board members in relation to Climate Change and ESG.

The presentation provided an overview on sustainable investing, climate risk and reporting as well as sustainable development goals and impact. Ms Kooy-Henckle explained how companies are screened for their ESG credentials and are categorised according to their climate risk spectrum. Ms Kooy-Henckle said companies were scoped in terms of their emissions, with a carbon footprint metric applied. She said this was not an exact science but was a starting point to ensure the companies invested in by the LGPS's were ESG compliant.

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

- Board members acknowledged that the measurements used for the calculation of emissions were complicated but were essential to understand how companies complied with ESG guidelines.
- Ms Adams said the LBTH LGPS was leading the way on TCFD, with the Pensions Committee agreeing its baseline in June 2021.
- Mr Gray said it was important not to forget the 'social' and 'governance' elements of ESG when looking at investments.
- Ms Kooy-Henckle stated they worked with companies to resolve conflicts where they were not totally meeting the ESG criteria. They encourage companies to comply.

The Chair thanked Ms Louise Kooy-Henckle and Ms Nicola Staunton for their presentation.

7. PENSIONS BOARD AGENDA FROM 12TH SEPTEMBER MEETING

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

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided a summary of the Fund's final draft on the first report complying with the Task Force for Climate Related Financial Disclosure (TCFD). She said the report supported the Fund's Strategic Investment Objectives, with a particular focus on how it fulfilled its role as a Responsible investor. Ms Adams stated the report had been to the Pensions Committee, who has approved the recommendations at its 3rd October 2022 meeting.

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

- Ms Adams stated the timetable for implementation was paused to incorporate the findings of the consultation. She said was hoping to bring a final report to the Board and Committee in March 2023.
- In reference to the percentage of the Fund being TCFD compliant, at 62% as at 30th June 2021, Ms Adams said that dependent on data this was likely to increase.
- Mr Gary stated this was an excellent report. He asked if there had been any dis-investment following pressure from campaigners. Ms Adams responded stating that they had been working on making the Fund TCFD compliant over the last two years and said ESG was at the forefront of their investments. She said they were doing this on a voluntary basis.
- Mr Thompson said it was interesting to hear about the affects pooling had had on investments and said this was a challenge. Mr Gary disagreed saying pooling had enhanced the power LGPS had in influencing companies and investments.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee at its meeting of 3rd October 2022 that:

The Pensions Committee is recommended to:

1. Note and approve the final 2020-21 TCFD Report (Appendix 1); and
2. Continue to enhance its approach to Climate Risk.

7.2 ESG, Voting, Engagement and Stewardship Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided the Board with an overview of the stewardship activity carried out by Tower Hamlets Pensions Fund's investment managers and on its behalf by

Local Authority Pensions Forum (LAPFF) in the quarter ending June 2022. Ms Adams stated this report had been to the Pension Committee meeting of 3rd October 2022.

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

- Mr Thompson referred to the comment at paragraph 2.1 and said his earlier comment regarding pooling referred to this specific point, in relation to voting patterns and how some investment managers ignore the recommendations of LAPFF and LCIV.
- Referring to paragraph 3.17, Mr Thompson asked why the resolution was voted against contrary to LAPFF recommendations. He also cited paragraph 3.22. Ms Adams responded that where investment managers had voted against the recommendation of LAPFF and LCIV, an explanation was sort asking the reason why.
- The Chair referred to the table on page 45 and said there were other examples of investment managers going against the recommendations of LAPFF.
 - **ACTION:** The Chair recommended, and the members of the Board **AGREED** that Ruffer and LCIV should be invested to the next meeting of the Board to explaining their voting patterns.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee at its meeting of 3rd October 2022 that:

The Pensions Committee is recommended to:

1. Note the content of the report and appendices.

7.3 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 this report had been considered by the Pensions Committee at its meeting of 3rd October 2022. She said the Committee had agreed to officers following up and actioning the two partial compliances.

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

- Ms Adams explained a 'secondary committee' was a sub-committee usually set up by County Councils due to the size of the membership. She said this did not apply to LBTH.
- In respect to governance arrangements, Mr Thompson suggested that more could be done to promote to Fund members that they could raise issues directly to the Board under item 4 of the agenda. Ms Adams

responded stating that the papers from the Board and Committee were available on the Pensions website, but she would make this clear to fund members.

- **ACTION:** The work of the Board to be promoted on the Council's Pension Website.
- **ACTION:** Mr Gary said he would promote the Pension Fund AGM to Unison members.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee at its meeting of 3rd October 2022 that:

The Pensions Committee is recommended to:

1. Note and approve the draft Governance Compliance Policy and Compliance Statement.

7.4 Pensions Administration and LGPS Quarterly Update – June 2022

Ms Miriam Adams, Interim Head of Pensions and Treasury informed members the report provided information relating to the administration and performance of the Fund over the last quarter as well as an update on key LGPS issues and initiatives which impact the Fund. Ms Adams said this report had been considered by the Pensions Committee at its meeting of 3rd October 2022. Ms Adams referred members to the tables at paragraphs 3.1 and 3.2.

In response to comments and questions the following as noted:

- **ACTION:** Ms Adams said she would email members of the Board with the number of opt-outs following the auto enrolment process.
- Ms Adams confirmed that some of reasons cited for opt-out were on religious grounds. However, they had taken legal advice and the LGPS Fund is Sharia Compliant.
- **ACTION:** Mr Gray requested the legal advice be shared with Board members and Union members so the misinformation within the workforce could be challenged. He said many families suffer when there is a death in service and their expectations are dashed, when their loved-one has not invested in a Pension scheme.
- Mr Thompson said he was pleased to see the percentage of undecided in table 3.1 had fallen. He said he also appreciated the table at 3.9 showing performance against CIPFA targets.
- Referring to Recruitment and Retention, Ms Adams said she was extremely pleased that all vacancies save for the "Administration Manager" had been filled. She said this was not to be confused with finance appointments, referred to at the last meeting, as these were still outstanding. Mr Nisar Visram, Director for Finance, Procurement and Audit said recruiting in the finance sector, generally speaking was

difficult but the hardest positions to fill were those relating to the Pensions specialism.

- Mr Visram confirmed he circulated a briefing note in September 2022 relating to the issues with Iconnect and data quality. He said the situation was on-going but hoped to have better news shortly.
- **ACTION:** The Chair suggested that the Board receive a detailed update on Iconnect and the progress made at its next meeting in February 2023.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee at its meeting of 3rd October 2022 that:

The Pensions Committee is recommended to:

1. Note and comment on the contents of the report and appendix;
2. Note and approve the admission to the Fund of Phoenix Autism Trust; and
3. Note the Government update that it will continue to provide the academy liability guarantee. The ceiling will also increase to £20m.

7.5 Policy on Representation and Voting

Ms Miriam Adams, Interim Head of Pensions and Treasury said this report related to item 7.3 and the recommendations of Good Governance III, on having a policy on representation and voting. She referred members to pages 123 and 124 which set out the policy and said this was approved by the Pensions Committee at its meeting of 3rd October 2022.

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

- Members of the Board had no questions for Ms Adams.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee at its meeting of 3rd October 2022 that:

The Pensions Committee is recommended to:

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

7.6 Quarterly Review of Risk Register (Verbal Update)

Ms Miriam Adams, Interim Head of Pensions and Treasury said a quarterly update on the risk register had not been provided to the Board and Committee, due to the consultation taking place on ESG and TCFD. She said

she wanted to incorporate any risks identified through this process before bringing an up-to-date risk register to the Board and Committee.

The Chair thanked Ms Adams for the update.

7.7 Update on Pension Fund accounts (Verbal Update)

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the Pension accounts were awaiting approval, along with the main accounts. She said one could not be approved without the other and this was the reason for the delay. Mr Nisar Visram, Director of Finance, Procurement and Audit added a lengthy discussion had taken place at the Audit Committee meeting of 24th November whereby an update was provided to members.

To summarise, Mr Visram said the 2018/19 and 2019/20 accounts were on the cusp of being finalised however as part of the review process the external auditors are required to get a second opinion from a Partner in their organisation and this had thrown up further queries. He said he was hopeful the accounts for these two years would be finalised shortly however he could not guarantee when this would be. He said the accounts for the remaining years were paused whilst these issues were being worked on.

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

- Mr Nisar said that whilst the Council had six years of accounts outstanding this situation as not dissimilar to other local authorities. He concurred Tower Hamlets had incurred more issues than others. He said the Finance Improvement Plan had addressed most of the anomalies and he was hopeful the accounts for years 2020/21 onwards would not cause the issues and queries previously experienced.
- In response to if the situation needed to be reported to the Pensions Regulator, Mr Nisar said this was necessary as the issues related to the main accounts and not the Pension accounts. He said the risk was reputational, but the government was reviewing how local government accounts are audited, especially given the lack of resources and external auditors availability to review the accounts.

The Chair thanked Ms Adams and Mr Visram for the update provided.

8. ANY OTHER BUSINESS

No other business was discussed by Board Members.

The Chair, Mr John Jones on behalf of the Board expressed his thanks to Mr Roger Jones, Head of Revenues who was the Pension Fund Employers representative on the Board, who had recently left the employment of the Council.

9. EXCLUSION OF PRESS AND PUBLIC

The Chair **MOVED** and it was:

RESOLVED:

“That, under 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 to the local Government Act, 1972.”

9.1 RESTRICTED MINUTES OF PREVIOUS MEETING(S)

The Board agreed the restricted minutes from the 13th June 2022 meeting to be an accurate record of the meeting.

9.2 Training -Funding Strategy Statement

Mr Steven Scott, from Hymans Robertson presented the training on the Funding Strategy statement.

The Chair thanked Mr Scott for his presentation.

9.3 Funding Strategy Statement

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the draft Funding Strategy Statement and appendices were attached to the report and were being consulted on.

She said the final outcome of the consultation would be presented to the Board and Committee at its February/March 2023 meeting.

The Pensions Board **RESOLVED** to:

Note the recommendation made to the Pensions Committee at its meeting of 31st October 2022 that:

The Pensions Committee **RESOLVED** to:

1. Approve the draft Funding Strategy Statement and draft policies.
2. Agree a draft Funding Strategy Statement is to be sent out for consultations with scheme employers.

The meeting ended at 12.20 p.m.

Chair, John Jones
Pension Board