

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE PENSIONS COMMITTEE**

**HELD AT 5.30 P.M. ON MONDAY, 25 MARCH 2024**

**COMMITTEE ROOM - TOWER HAMLETS TOWN HALL, 160 WHITECHAPEL ROAD, LONDON E1 1BJ**

**Members Present in Person:**

Councillor Ahmodul Kabir  
Councillor Iqbal Hossain  
Councillor Jahed Choudhury (Speaker of the Council)  
Kehinde Akintunde GMB Union Representative

**Apologies:**

Councillor Bodrul Choudhury Scrutiny Lead for Children & Education  
Councillor Rachel Blake  
Councillor Abdal Ullah

**Others Present in Person:**

Sandeep Chandarana Mercer  
Tony English Mercer  
John Jones Independent Chair  
Colin Robertson Independent Adviser

**Others In Attendance Virtually:**

Carole S Bowes (Employment Lawyer, Legal Services, Directorate Law, Probity and Governance)

**Officers Present in Person:**

Paul Audu (Interim Head of Pensions & Treasury)  
Abdulrazak Kassim (Director Finance, Procurement and Audit)  
Farhana Zia (Democratic Services Officer, Committees, Governance)

**1. DECLARATIONS OF INTERESTS**

There were no declarations of Pecuniary Interest declared by the member of the Committee.

**2. UNRESTRICTED MINUTES OF THE PREVIOUS MEETING(S)**

The unrestricted minutes of 11<sup>th</sup> December 2023 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**

Mr John Jones, Independent Chair of the Pension Board presented his report on behalf of the Pension Board. He informed the Committee the Board had met on the 11<sup>th</sup> March 2024.

Mr Jones highlighted the reports the Board had reviewed and stated the Board had received an insightful presentation from Hymans Robertson on The Pension Regulators (TPR's) Code of Practice and the changes being made to it. He said LGPS's were expected to implement the changes by the 27<sup>th</sup> March 2024 however the TRP envisaged it would take pension schemes up to 12 months to be fully compliant. Mr Jones recommended the Committee also receive the same presentation at one of its meetings.

Mr Jones also informed Committee members that the Board would be holding an extraordinary meeting in April 2024, to review the Pension Fund's risk register as an up-to-date version had not been available at the last Pensions Board meeting.

- Members of the Committee had no questions for Mr Jones.

The Chair thanked Mr Jones for attending the meeting and presenting his report.

### **5. REPORTS FOR CONSIDERATION**

#### **5.1 Local Government Pension Scheme Consultation: Next Steps on Investments**

Mr Paul Audu, Interim Head of Pensions and Treasury stated that the report provided an update on the consultation on the government had undertaken called "Local Government Pension Scheme (England and Wales) Next Steps on Investments". He said the Government's response was attached to the report. He informed members the Government was looking to press ahead with its plans to pool investments and there was a likelihood of LGPS pools to reduce from 8 to about 5 pools.

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

- Mr Audu confirmed there was a plan to deal with investments outside of the pool and said this would be reported back to the Committee and Board. He said the plan was to include the other investments in the

LCIV where possible with an explanation as to why some of the investments were outside of the pool.

- Mr Audu said that Pension Scheme was open to all employees and whilst staff were auto-enrolled, some members choose to opt-out of the scheme for various reasons.

The Pensions Committee **RESOLVED** to:

1. Note the contents of the report; and
2. Note the Government's response to the consultation.

## 5.2 Pensions Administration and LGPS Quarterly Update – December 2023

Mr Paul Audu, Interim Head of Pensions and Treasury presented the Pensions Administration and LGPS Quarterly Update report. He said the report provided information on the administration and performance of the scheme and an update on key developments in the LGPS for the quarter to December 2023.

Mr Audu referred members to the table at paragraph 3.6 which showed performance against CIPFA targets. He said the performance had varied especially with a heavy workload. Mr Audu also referred to the legislative update set out at paragraph 3.13 onwards.

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

- Members of the Committee had no questions for Mr Audu.

The Pensions Committee **RESOLVED** to:

1. Note and comment on the contents of the report and appendix;
2. Note the insourcing of Tower Hamlets Homes; and
3. Note academy conversions in the pipeline.

## 6. TRAINING EVENTS

Mr Paul Audu, Interim Head of Pensions and Treasury stated that the Pensions Committee members alongside Board members would be provided training to maintain their knowledge and understanding of pensions, in line with the legislative requirements. He said the training plan was interlinked with the Committee's work plan with a structured approach to the training which would follow the CIPFA framework.

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

- Members concurred training and development were crucial for members to maintain knowledge and skills relating to Pensions work and looked forward to future training opportunities.

The Pensions Committee **RESOLVED** to:

1. Note the forthcoming training events.

## **7. PENSIONS COMMITTEE WORK PLAN**

Mr Paul Audu, Interim Head of Pensions and Treasury said the work plan set out the reports coming to the Committee for the March 2024 meeting. He said a new workplan for municipal year 2024/25 would be presented to the Committee at its next scheduled meeting.

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

- Mr Audu confirmed that Fund managers would be invited to present at future meetings of the Committee.
- Mr Audu said he would enquire if Committee members could be invited to attend meetings with Fund Managers at their place of business rather than attend a meeting in Tower Hamlets, so members could gain a better understanding of their work environment and how they chose investments.

The Pensions Committee **RESOLVED** to:

1. Note the work programme for the Committee.

## **8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT**

There was no other business to be discussed.

## **9. 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 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 THE PREVIOUS MEETING**

The restricted minutes of the meeting of 11<sup>th</sup> December 2023 were agreed to be an accurate record of the meeting and were approved by the Committee.

### **9.2 Revised Investment Business Plan 2023/24**

Mr Paul Audu, Interim Head of Pensions and Treasury stated that the attached report at appendix 1, was the revised Investment Business Plan for 2023/24. Mr Tony English from Mercer added the Investment Business Plan had been updated to reflect the agreed changes to investments.

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

- Members of the Committee had no questions in relation to this item.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report; and
2. Give consideration of the attached updated Investment Plan 2023/24 and agree the Business Plan.

### **9.3 Quarterly Investment Review - December 2023**

Mr Paul Audu, Interim Head of Pensions and Treasury stated that the report informed members of the performance of the Pension Fund investments and its investment managers for the quarter ending December 2023. Mr Audu referred members to paragraphs 3.1 and 3.2 of the report and stated the Fund had achieved a 5.7% return over the quarter, outperforming its benchmark by 0.6%. He said Mercer had undertaken a deep dive regarding the performance of Baille Gifford and RBC and said this was included in their report.

Mr Sandeep Chandarana of Mercer referred to pages 63-64 of the meeting papers and the Mercer report appended at Appendix 1, saying the executive dashboard outlined the performance of the fund. He said the under-performance of Baillie Gifford had been due to interest rate rises however the situation was stabilising.

Mr English of Mercer raised the Ruffer performance, saying that although Mercer had a qualified rating for Ruffer, they still believed in the manager.

Mr Robertson, Independent Advisor then proceeded to provide his analysis of the markets and developments at the fund managers and referred to his report appended at Appendix 3. He highlighted the unhealthy concentration of equity market capitalisation in relatively few stocks and recommended some diversification into a "Value" manager.

In response to comments and questions the following was noted:

- Mr Robertson, Independent Advisor commented it was good to see the research relating to the under-performance. However, he questioned why Baillie Gifford and RBC were rated 'A' - page 73 given their performance, noting that Baillie Gifford had outperformed by only a modest 1.8% over a period when US Treasury yields had fallen from 5.2% to 4.1%. He was looking forward to seeing the latest monthly updates on these managers.

- Mercer stated they would continue to undertake enhanced monitoring of RBC and Baillie Gifford's performance and said they'd provide the Committee with regular monthly updates.
- **ACTION:** Committee Members said they'd like to receive regular updates via email in relation to the performance of RBC and Baillie Gifford as well as CQS – in reference to page 73 of the agenda.
- **ACTION:** The Chair requested Mr Audu to invite Ruffer to the next meeting of the Committee.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report;
2. Note the attached monitoring report – Quarter to 31<sup>st</sup> December 2023 from Mercer (Appendix 1);
3. Note the original Mercer paper titled “Asset Allocation Considerations” (Appendix 2);
4. Note the update from the Independent Adviser, Colin Robertson for quarter to 31<sup>st</sup> December 2023 (Appendix 3);
5. Note the verbal update on the status of the Pension Fund Investment rebalancing given by Mercer at the meeting; and
6. Read the report in conjunction with the linked report titled “Portfolio Rebalancing – Index Linked Gilts.”

The Committee meeting was held during the holy month of Ramadan. The Committee adjourned at 18:23 and re-commenced at 18:55 to allow for the breaking of the fast.

#### 9.4 ESG, Voting, Engagement and Stewardship Update

Mr Paul Audu, Interim Head of Pensions and Treasury presented the report which provided an update on the stewardship activities carried out by the Tower Hamlets Pensions Fund's investment managers and on its behalf the Local Authority Pension Fund Forum (LAPFF) in the quarter ending December 2023. Mr Audu referred members to the tables on page 102-103 of the agenda and said this outlined the voting activities of LCIV managers.

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

- Mr Jones, Independent Chair of the Pension Board commented the LAPFF voting and engagement activity was scrutinised by the Board. He said they used the comply or explain approach.
- Referring to pages 101/102 of the agenda, the Chair asked if the Fund needed to raise its ESG profile for 2024/25. Mr Audu responded stating they made good use of the LAPFF membership, and they would continue to work collaboratively with LAPFF to further the ESG targets.
- In response to if the Fund was a signatory of the stewardship code, Mr English confirmed that it was and said that a significant amount of time was required to produce the documentation. He said LCIV produced an annual report.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report and appendices.

## 9.5 Revised Investment Strategy Statement (ISS)

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report provided an update on the revised Investment Strategy Statement (ISS). Mr Sandeep Chandarana from Mercer referred members to the table at paragraph 4.6, page 196 and said this set out the long-term target investment strategy and the acceptable ranges around the long term target investment strategy for each asset class. Mr English referred members to page 208 and said this indicated the changes in the target allocations to each asset class. He said the Committee had previously decided to move assets into the affordable housing asset class, as well as increasing investment in Index-linked gilts.

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

- Members of the Committee had no questions in relation to this item.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report; and
2. Considered and agreed the attached update to the ISS.

## 9.6 Portfolio Rebalancing – Index-linked Gilts

Mr Paul Audu, Interim Head of Pensions and Treasury stated the report provided an update on the rebalancing of the Pension Fund investment portfolio, as agreed by the Committee at its 11<sup>th</sup> December 2023 meeting. Mr Tony English from Mercer explained that the rebalancing meant the divestment of assets from the London CIV Ballie Gifford Diversified Growth Fund to the value of 5% of the pension fund and reinvestment of the proceeds into the index-linked gilts portfolio managed by Schroders. This had been done in early March 2024. He said that this was an interim arrangement, and the management of the index-linked gilts portfolio was to move from Schroders to BlackRock. He said the transition of funds from Schroders to BlackRock should happen in April 2024.

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

- Members of the Committee had no questions in relation to this item.

The Pensions Committee **RESOLVED** to:

1. Note the content of the report;
2. Note the verbal update provided by Mercer on the Pension Fund investment re-balancing; and

3. Note the report should be read in conjunction with the report titled "Quarterly Investment Review – December 2023.

### 9.7 Risk Management Policy and Quarterly Review of Risk Register

Mr Paul Audu, Interim Head of Pensions and Treasury introduced the report and stated that the report provided an update on the changes to the Pension Fund Risk Register during the quarter ending 31<sup>st</sup> December 2023. He said paragraph 3.3 onwards provided an update on the outstanding risks and what was being done to mitigate against them. He said the risk register would be further scrutinised by the Pension Board and that a comprehensive review and report would be brought back to the Committee,

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

- Members of the Committee had no questions in relation to this item.

The Pensions Committee **RESOLVED** to:

1. Note the detailed risk register appended to the report (Appendix 1).

The meeting ended at 7.39 p.m.

Chair, Councillor Ahmodul Kabir  
Pensions Committee