

ANNUAL REPORT 2023-24

TOWER HAMLETS PENSION BOARD

1. This report sets out the work carried out by the Tower Hamlets Pension Board during the financial year 2023-24 to discharge its role, in support of the London Borough of Tower Hamlets, in managing the Pension Fund. As part of the arrangements introduced by the Council the Board held hybrid meetings during the year with some Members present in person to ensure that the meetings were quorate, and others attending online.
2. To recap the Board was set up with effect from April 2015 under new arrangements for the governance of Local Authority Pension Funds. The purpose of the Board to assist Tower Hamlets Council (as the scheme manager) in the management of the Local Authority Pension Scheme (LGPS), and to provide oversight and challenge. The terms of reference for the Board are available on the Council's website.
3. The Board is comprised of 3 employee and 3 employer representatives together with an Independent Chair. This is in line with the regulations requiring equal employee and employer representation. Details of the members of the Board are shown in the Appendix to this report. The Board is not a decision making body and can only provide advice and comment on the management of the Tower Hamlets Pension Fund. For this arrangement to be successful it is important that the Board carries out its responsibilities in a positive and constructive way. In my capacity as Chair I have regular contact with Council officers to ensure that the Board addresses the issues necessary to discharge its responsibilities. The Pensions Committee Chair may also attend each Pension Board meeting.
4. The Board held hybrid meetings on 3 occasions during 2023/24: in June and November 2023 and in March 2024. The meeting scheduled for September 2023 had to be cancelled. In line with the arrangements put in place by Tower Hamlets Council, these hybrid meetings were arranged so that the work of the Board and governance of the Fund could continue.
5. The cycle of Board meetings follows the timetable for the Pensions Investment Committee and helps strengthen the overall governance of the Fund. The Board continues to focus on the key issues affecting the Fund and its beneficiaries, and agrees a forward work plan at the start of the year to ensure that it is best placed to support the Council in the delivery of the LGPS in Tower Hamlets. Because the Board meets in advance of the Pensions Committee, it does allow for comments and views

to be taken into consideration by the Committee and thereby enhancing the Board's oversight role.

6. A feature of the past year was the continuing focus on responsible investment and the decarbonisation of the Fund, and the Board receive regular reports and updates on these issues. In addition, and as part of its oversight and scrutiny role the Board has regular updates at each meeting on:
 - progress in finalising the audit of the Fund's annual accounts and issuing the Annual report;
 - A review of voting and engagement on ESG issues affecting the Fund's investments;
 - monitoring and review of the risk register and assessment of new risks;
 - monitoring and review of the performance of the pensions administration service including examining workflow statistics and progress in addressing work backlogs;
 - update and monitoring of the staffing position in the pensions team and recruitment to vacant posts.

7. There have been full agendas for each Board meeting. In addition to the agenda items considered at each meeting, the Board also discussed other issues during the year including:
 - The development of an annual work plan for the Board;
 - Consideration of the Fund's Governance Compliance statement;
 - Policy on administering authority discretions;
 - Review of internal controls at investment managers and custodian;
 - Funding Strategy statement and funding level update;
 - Consideration of developments affecting the LGPS including progress with the London CIV.

8. As Chair of the Pension Board I am invited to attend the Council's Pension Committee to present a written report on behalf of the Board to the Pensions Committee on Governance matters, and on issues arising from our consideration of policy and administration reports. From my perspective this arrangement works very well: it helps to ensure that the Board's views are considered by the Pensions Committee, and strengthens the overall governance of the Fund.

9. As reported in previous years, the main area of concern for the Board was the performance of the pensions administration team in addressing the long term back log of work. This was exacerbated by problems in recruiting staff to vacant posts and continued to be a major area of concern during 2023/24. During the year progress was made in recruiting staff and there were signs that the performance was improving.

Nonetheless it is important that both the Committee and the Board receive regular reports monitoring performance so that action can be taken as and when necessary. Until this is fully addressed the team will continue to have difficulty in delivering a fully effective service.

10. An officer working group was established in 2022/23 to identify solutions to the improve data quality provided by employers to the pensions team. Because the online iconnect system is not yet fully operational, pensions staff were diverted from other tasks. The reasons for this are complex, with IT and systems issues still to be resolved as well as clarity around organisational responsibilities for data quality. It is most important that the quality of key information from employers is addressed and high level support is provided to the Pensions team so that these issues are addressed. The Pensions Regulator places great importance on data quality so this must remain a high priority during 2024/25 and beyond.
11. Two important issues emerged during the year in discussions at Board meeting. First, our support for holding a Pensions AGM for key stakeholders as a further contribution to service user engagement. Secondly, the continuing need for employers to support the understanding and take up of the local government pension offer for new and existing employees particularly in the context of a maturing pension fund.
12. There were no changes in membership of the Board during the year. There was almost a full attendance at the 3 Board hybrid meetings during the year at 90%, in line with the same level of attendance as in the previous year. The detailed attendance record of Board Members is set out in the Appendix to this report.
13. At the end of March 2024, the Tower Hamlets Pension Fund had total assets of £2.1 billion and a membership of 26,054 comprising pensioners, deferred pensioners and current contributors. The investment of a major part of the Fund's assets are now managed through the London CIV and the LGIM tracker Fund, and the Pension Board are updated on developments regularly at Board meetings. Including the LGIM mandates, the investments pooled now totals £1.6 billion (76.2%). Going forward this percentage will increase, and more assets transferred to be managed through the London CIV.
14. Pension Fund investment and administration is becoming ever more complex so training and development for Members of the Pensions Committee and Board is an essential support to good governance. In previous reports I have commented on the importance of a structured programme of training and development for individual members and the Board collectively to discharge their responsibilities. The Council has acquired a comprehensive training package from Hymans Robertson covering all aspects of pension fund management to be completed by

Committee and Board members. I would repeat my previous recommendation to encourage all members to complete this training.

15. Members of the Board have also attended various training sessions over the past year and these are recorded by Tower Hamlets Council. Regular training sessions continue to be arranged and incorporated as part of Board meetings. During the past year the Board received 2 training sessions at meetings as follows:

- Presentation by the Independent Adviser to the Fund on Inflation and Interest rates;
- Training session from Hymans Robertson on the Pensions Regulators updated General Code of Practice 2024.

Training and development remains an important area to address for the Pensions Regulator as part of their role in promoting high standards of corporate governance in Pension Funds.

16. Although major issues remain to be resolved, progress has been made in addressing these and performance has improved in a number of areas. During the year ahead it is crucial that this progress and improved performance continues. The Board will continue to have oversight and to scrutinise the performance of the Fund, and to work alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

John Jones

Independent Chair

13th August 2024

MEMBERS OF THE TOWER HAMLETS PENSION BOARD 2022/23

Independent Chair: John Jones

Vice-Chair: David Stephen Thompson

John Gray: Admitted Bodies Representative for Active Fund Members

Chris Boylett: Representing Pension Fund Employers

Nneka Oroge: Active Fund Members representative

Annette McKenna: Representing Admitted Bodies Employers

Councillor Abdul Mannan: Representing Pension Fund Employers

Substitutes

Michael Alderson: Representing Pension Fund Employers

BOARD MEMBER ATTENDANCE 2022-23

	26 June 2023		20 November 2023	11 March 2024
John Jones	✓		✓	✓
John Gray	✓		✓	✓
David Thompson	✓		✓	✓
Nneka Oroge	x		✓	✓
Annette McKenna	✓		✓	✓
Cllr. Abdul Mannan	✓		x	✓
Chris Boylett	✓		✓	✓