

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSION BOARD

HELD AT 10.07 A.M. ON MONDAY, 7 JUNE 2021

**ROOM C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

John Jones (Chair)	(Independent Chair)
John Gray (Member)	(Representing Active Admitted/Statutory Bodies Pension Fund Members)
David Stephen Thompson (Member)*	(Representing Retired/Deferred Pension Fund Members)
Councillor Abdal Ullah (Member)	Mayoral Advisor for Public Realm
Roger Jones (Member)*	(Head of Revenues)
Annette McKenna (Member)*	Pensions Board Member representing Admitted Bodies Employers

Guests

Mike O'Donnell	CEO, London CIV
Stephanie Aymes	London CIV
Jason Fletcher*	London CIV
Jacqueline Jackson*	London CIV

Officers Present:

Ngozi Adedeji	– (Principal Lawyer Civil Litigation, Governance)
Miriam Adams	– Interim Head of Pensions and Treasury
Farhana Zia	– (Democratic Services Officer, Committees, Governance)

*attended virtually - online

1. APOLOGIES

Apologies for absence were received from Nneka Oroge (Active Fund Members' Representative) and Councillor Kyrsten Perry, Chair of the Pensions Committee.

2. DECLARATIONS OF INTERESTS

There were no declarations of pecuniary interests made by members of the Board.

3. APPOINTMENT OF VICE-CHAIR

Mr John Gray proposed Mr David Stephen- Thompson for the position of the vice-chair of the Pensions Board. The nomination was seconded by Councillor Abdal Ullah and the Chair Mr John Jones.

The Pensions Board **RESOLVED** to:

1. Elect Mr David Stephen-Thompson as the vice-chair of the Pensions Board for 2021-22.

4. PENSION BOARD TERMS OF REFERENCE, MEMBERSHIP, QUORUM AND DATES OF MEETINGS

Ms Farhana Zia, Democratic Services Officer presented the report, asking members to note the Pensions Board's terms of reference, membership, quorum and dates of meeting for the municipal year 2021/22.

She informed members these had been agreed at Full Council on the 19th May 2021.

The Pensions Board **RESOLVED** to:

1. Note its Terms of Reference, Quorum, Membership and Dates of future meetings as set out in Appendices 1, 2 and 3 to this report; and
2. **AGREED** to hold scheduled meetings of the Pensions Board at 10:00 a.m.

5. UNRESTRICTED MINUTES

The Board agreed the unrestricted minutes from the 20th March 2021 meeting to be an accurate record of the meeting.

6. SUBMISSIONS FROM FUND MEMBERS

There were no submissions made by fund members.

7. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

There were no submissions and or responses from the Pensions Committee.

The Chair stated he did attend the Pensions Committee meetings and would be attending the one scheduled for the 5th July to present the written report which conveyed the view of Board Members.

8. REPORTS FOR CONSIDERATION

8.1 Presentation from LCIV

Mr Mike O'Donnell, Chief Executive of London CIV, Ms Stephanie Aymes, Mr Jason Fletcher, and Ms Jacqueline Jackson, gave a presentation to the Board on the governance arrangements in place for the London CIV.

Mr O'Donnell explained the history of the organisation and how the London CIV's governance framework and Investment strategy worked to ensure the best outcomes for Pension Funds who had invested with them via the collective investment vehicle. Mr Fletcher explained the investment lifecycle and the fund launch framework as well as the manager monitoring process. Ms Jackson provided an update on the London CIV's responsible investment strategy and engagement with Funds and companies invested in.

The main points from the presentation to note were:

- London CIV was set up in December 2015 as the first UK LGPS company, with all London Borough Pension Funds, Royal Borough Pension Funds and City of London Corporation (known as the Client Fund) to add value by working collaborative to achieve economies of scale, drive collaboration and maximise impact through responsible investment.
- The purpose of the London CIV is to work in partnership with the 'Client Fund' to agree product pipeline and services to deliver the 'client fund' requirements. This includes resources and a timeline to a new funding model.
- The governance framework of the London CIV includes a Shareholder Committee, and a Board who oversee the products offered and investments made.
- As part of the governance framework, the London CIV Board interacts with various other Committees, such as the London CIV Investment Oversight Committee and the London CIV Compliance, Audit and Risk Committee and London CIV Executive Committee.
- The Investment Lifecycle for Responsible Investment, Risk and Cost Transparency were explained to include different stages such as Design, Selection RFP, Management and Termination.
- The Manager selection process also included at RAG status for monitoring performance, risk and compliance.
- The objectives of the Responsible Investment and Engagement Policy were explained to the Board, with an overview of how the policy had been designed to include different stages such as research and review, design, implementation and disclosure.
- Six priority areas had been identified as part of the Responsible Investment and engagement policy – climate policy, stewardship policy, product offering, capacity to deliver, culture and communication.
- A table showing the progress made against the priority areas was also provided in a RAG status, traffic light identifier.

In response to questions from members the following was noted:

- The Audit and Scrutiny function sits with the London CIV Compliance, Audit and Risk Committee. The independence comes from the non-executive members on the committee, the FCA and the Depository.

However, going forward the London CIV will look at internal audit and how this fulfils the role of compliance.

- In response to what the London CIV viewed the role of the Pensions Board to be, in relation to the scrutiny of its performance, Mr Mike O'Donnell responded stating that this was the first Board meeting the London CIV had been invited to. He said the Board required a general assurance from the Pensions Committee that the working relationship it had with the CIV, was working well.
- **ACTION:** The Chair, Mr Jones suggested the London CIV may want to consider holding an annual engagement meeting with Pension Boards to update them on news from the London CIV.
- The Remuneration Committee's independence is assured through the non-executive members of London CIV Board. The chair is a non-executive member and there is representation from the boroughs as well as the representatives of the shareholder committee. They bring a degree of independence and oversight to the committee.
- In reference to the Investment Panel, this is an internal panel which reports into the Board, ExCo and IOC Committees. The IOC has three independent members on that committee and the executive. Recommendations on fund selection are taken to the IOC committee.
- External companies are used on an ad hoc basis when expertise is required for the different asset classes in respect to manager selection.
- In reference to slide 16, Mr Fletcher clarified this was an example of a fund and did not reflect all funds. He said that this was used internally by the London CIV to pull through areas of concern, which were then transferred to the Quarterly Reviews held with fund managers.
- Mr Fletcher said he would look at producing RAG status reports reflecting different asset classes.
- **ACTION:** It was suggested that the London CIV publish a RAG status on its overall performance.
- Councillor Ullah asked if companies were vetted in relation to where pension fund monies are invested. He said there was concern in relation to the escalation of violence in the Middle East in particular the Palestine-Israel conflict and if any investments were linked to the illegal settlements. Mr O'Donnell stated Ms Jackson would provide an update on the work undertaken in relation to responsible investment however the CIV had released a public statement in relation to human rights and Israel and their approach was of engagement. He said the statement published a list of holdings and that this was a growing concern of many Funds who invested with them.
- **ACTION:** Ms Adams to circulate the press statement to the Members of the Pensions Board.
- In answer to how the London CIV prioritises which investment/fund it should focus on, Mr O'Donnell said their work was demand led. He said if there was common interest among the 'client fund' that was what was focused on. He said they would not launch a fund for just one client, although they have been tactical in the past where they have

launched a fund knowing that interest would consolidate with some funds being the leaders for investment i.e. seed investors.

- Mr Gray said there was concern Managers were moving away from voting in line with LAPFF recommendations and said he'd like to discuss this outside of the meeting. He asked if the Tower Hamlets fund wanted to vote in a particular way at a shareholder meeting, could that happen? Ms Jackson responded saying that in principle this could happen however would not be advisable as it would water down the voice of the CIV. She said voting was largely undertaken in line with LAPFF recommendations. Ms Jackson said the only time when it would vote differently would be if there was a conflict of interest.
- Mr Thompson said the Pensions Board had tracked voting patterns and whilst voting in 'one voice' was advisable, there may be occasions when not all thirty-two pension funds will have the same view. He encouraged more work to be done on this issue.

The Chair Mr John Jones thanked the attendees from London CIV for their presentation.

8.2 AVC Provider Update

Ms Miriam Adams, Interim Head of Pensions and Treasury said the report provided Board members with an update on the performance of the Fund's AVC providers Utmost and Aviva.

She said under the LGPS regulations, each fund had to provide access to an AVC arrangement where Fund members can elect to pay additional contributions in order to further boost their retirement savings and/or provide additional life assurance. She referred members to paragraph 3.7 of the report and the proposed review of the current providers as well as the table suggesting a list of objectives and outcomes

In response to comments from members the following was noted:

- Mr Gray stated this was an important topic and welcomed the review of AVC providers.
- Mr Jones concurred a review would be a sensible exercise in due diligence.

The Pensions Board **RESOLVED** to:

Note the recommendations being made to the Pensions Committee who were to consider this report at their meeting of 5th July 2021:

The Pensions Committee is recommended to:

1. Note the content of the report;
2. Agree the recommendation to commission an independent review of existing AVC providers Aviva and Utmost; and

3. Agree Fund Objectives for Additional Voluntary Contributions (AVC).

8.3 ESG, Voting and Engagement Quarterly Update - March 21

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided the Pension's Board and Committee members with an overview of the stewardship activity carried out by Tower Hamlets Pension Fund's investment managers and on its behalf by the Local Authority Pension Forum (LAPFF) in quarter ending March 2021.

Ms Adams hoped Board Members had read the LAPFF business meeting papers and said these detailed the engagement that had taken place over the last few months with Fund Investment Managers. She said the issue of the Palestinian-Israeli conflict had been raised by both LAPFF and the London CIV who had lobbied companies about their position. Ms Adams said LAPFF had issued their own statement on this, as well as the London CIV.

In response to questions from members the following was noted:

- The Tower Hamlets Pensions Committee and Board had meet on the 22nd April to review the Council's Responsible Investment Policy, which had been updated in line with the comments received. A revised version of the policy will be presented to the Pensions Committee at their next meeting. Ms Adams said the Fund had less immediate and direct contact with investment managers now that investing in pooled funds was the norm. The LAPFF and the CIV were using their might to address the concerns relating to responsible investments and connections to the conflict.
- The Chair, Mr Jones said he had deferred the invitation to LGIM to attend this meeting until the September meeting of the Board when further discussion on the issues raised could be had.

The Pensions Board **RESOLVED** to:

Note the recommendations being made to the Pensions Committee who were to consider this report at their meeting of 5th July 2021:

The Pensions Committee is recommended to:

1. Note the content of the report and appendices.

8.4 Pensions Administration and LGPS Update

Ms Miriam Adams, Interim Head of Pensions and Treasury said the report provided members with 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.

Ms Adams referred to the table at paragraph 3.1 and the number of active and deferred members as well as paragraph 3.5 which referred to Purgo Supply Services Limited who were admitted to the scheme on the 1st April 2021.

In response to questions from members the following was noted:

- Referring to paragraph 3.4 and the number of employers who still need to put their employee payroll data onto i-connect, Ms Adams said she was working with HR to resolve this. HR are conducting a wider health check of its systems and pensions was part of that review, so the hope is the employers will update their payroll data.
- Referring to paragraph 3.3 and the number of new tasks in relation to starters and the total number outstanding as at 31st March 2021, Mr Stephen-Thompson asked if there was a reason for the high number. Ms Adams responded stating every new employee is added to the pensions scheme as is every employer. The issue with new starters is when the Council has re-organised services/teams. The HR payroll system accounts for them as new starters even though they are not. Each entry therefore needs to be checked to verify if they are a new starter or not.

The Pensions Board **RESOLVED** to:

Note the recommendations being made to the Pensions Committee who were to consider this report at their meeting of 5th July 2021:

The Pensions Committee is recommended to:

1. Note and comment on the contents of the report and appendix; and
2. Agree the admission of Purgo Supply Services Limited to the Scheme.

8.5 Pension Fund Risk Register Quarterly Update

Ms Miriam Adams, Interim Head of Pensions and Treasury stated the report provided an update on the Fund's Risk Register, which was appended to the report. She said a certain level of risk was inevitable in achieving the Fund objectives however it had to be controlled.

In response to questions from Members the following was noted:

- The Chair commented that of the 30 risks listed, 9 were green and 7 were red. He asked why this was so. Ms Adams said they were being prudent with their assessment of risks as some risks could not be eliminated. It was about managing the risks. She referred to risk G3, and said this was a high-level risk and therefore they were being extremely prudent by keeping this red. She said whilst there was a business continuity plan in place, if something was to go wrong it would have a big impact on the Fund. Hence the red rating.
 - **ACTION:** The Pension Board would like to receive an update on staffing at every future Pension Board meeting.
- Mr Jones stated that he'd like to see the reds moving into the ambers and ambers moving into green.

- Mr Stephen-Thompson concurred with this view and suggested the risks which were red rated, with a 24-month target date, ought to have intermediary milestones, so progress could be tracked.

The Pensions Board **RESOLVED** to:

1. Note the comment on the Pension Fund Risk Register; and
2. Note the amendments to existing risks listed in section 3 of the report.

8.6 Training

Ms Miriam Adams, Interim Head of Pensions and Treasury presented an update on the training options available, following the results of the National Knowledge Assessments conducted by Hymans Robertson LLP in July 2020. She said the assessment covered the CIPFA Knowledge Skills Framework and Pensions Regulator's (TPR) code of Practice 14.

Ms Adams referred Board Members to paragraph 3.6 of the report and said the training would be in bitesize format with online modules for members to complete in their own time. She said there was a cost for this, which was set out in the report.

The Board **RESOLVED** to:

1. AGREE to the Hymans Online Academy as a training option for both the Committee and Board; and
2. Noted the associated costs for licences per Committee and Board Member.

9. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING

Ms Miriam Adams, Interim Head of Pensions & Treasury said several reports which had been discussed by the Board would also be presented to the Pensions Committee. She said the agenda would be published for the Committee's meeting of 5th July in due course.

Board members had no questions in relation to this item.

10. EXCLUSION OF THE PRESS AND PUBLIC - RESTRICTED

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."

11. RESTRICTED MINUTES

The Board agreed the restricted minutes from the 20th March 2021 meeting to be an accurate record of the meeting.

12. ANY OTHER BUSINESS

Pensions Board Annual Report

The Chair reminded members comments in relation to the Chair's annual report be submitted no later than Friday, 18th June 2021 to himself and Miriam Adams, Interim Head of Pensions & Treasury.

Governance Arrangement Review

The Board were asked if they would participate in an independent review of the governance arrangements for the Pensions Fund. Ms Adams, Interim Head of Pensions & Treasury said this would involve members of the Board and Committee being interviewed and/or being asked to complete questionnaires on the governance arrangements in place for the fund.

The Pensions Board **RESOLVED**:

1. This to be a good idea and AGREED to an independent review to be undertaken, subject to the views of the members of the Pensions Committee.

The meeting ended at 12.45 p.m.

Chair, John Jones
Pension Board