

## Pension Board Submission to the Pensions Committee

To: Pensions Committee

From: John Jones Independent Chair Tower Hamlets Pension Board

Date: 13<sup>th</sup> March 2023

1. The Pensions Board held a hybrid meeting on Monday 27<sup>th</sup> February. The main items on the agenda were an explanation and update from the actuary on the results of the 2022 Triennial valuation; the revised policies on bulk transfers, cessation and academies; an update on the current position in Pensions administration and consideration of the risk register. The meeting was well attended with 7 members present either in the room or online.
2. The presentation by the actuary on the 2022 valuation and discussion of the issues raised took the major part of the Boards meeting. There was a full discussion with a range of questions from the Board covering the preferred level of funding, comparison with our local authority peer group, the reasons for the increase in fund expenses, the implications for the cost cap mechanism and the impact of inflation on the Fund. The Board were very engaged in the presentation and discussion, and welcomed the overall funding level and significant improvement since the last valuation.
3. The revised policies on academies, bulk transfers and cessation were also discussed and agreed as part of the actuary's presentation. The importance of protecting the Fund and remaining employers if and when employers leave the Fund was raised by the Board in discussion at the meeting.
4. The Board considered and reviewed the latest Risk register including changes in individual risk levels since the last meeting. Improving data quality remains a serious issue for the Fund and contributing employers. The Board have been concerned about this for a long time now and I have raised this an important issue for the Committee on many occasions now. There has been progress on this issue with an action plan in place including training payroll staff to input data and updates to the pensions i connect system. It is encouraging that we were given an indicative timescale of 2 to 3 months to introduce these changes and will receive a further update

at our next Board meeting. The work by the pensions team to review unreported deaths and contact overseas based pensioners was welcomed by the Board. With 5 red and 18 amber risks there remains much work to be done to improve the overall status of the register.

5. There was a brief discussion on the progress report on Voting, Engagement and Stewardship, noting that this had been a quiet quarter on voting and engagement alerts. In my previous report we raised the issue of the approach taken by the London CIV on voting in line with LAPFF recommendations, and this was raised again in the Board meeting. To reiterate, 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".
6. The Board considered the latest report on pensions administration and the associated performance data. The Board welcomed and were supportive of the approach being taken to reviewing and checking life certificates for pensioners based overseas and checking data received as part of the National Fraud Initiative. There also questions arising from the issue of pensions savings statements and those scheme members exceeding their annual allowance in 2021/22. The Board also received a verbal update on the staffing position in pensions administration and accountancy.
7. The Board considered the decision of the Committee at an earlier meeting to invest in Affordable Housing. This was welcomed by the Board with an acknowledgment that a 5% allocation to this new asset class was a prudent starting point. There was a discussion around the difference between investing in social and affordable housing and the arrangements to be put in place for monitoring this investment via the London CIV. It was confirmed that the focus was affordable housing for rent rather than affordable housing for ownership, and noting that the rent level for affordable housing could be significantly higher than for social housing.
8. The approach being taken to monitor the Carbon Intensity of the Fund was supported by the Board, and the level of coverage and progress being made was welcomed.

John Jones  
6th March 2023

