



The London Borough of Tower Hamlets Pension Fund

Governance Compliance Policy Including Compliance Statement

Introduction

This is the governance compliance statement which sets out the Council's arrangements (in its capacity as administering authority of the Tower Hamlets Pension Fund), for discharging its responsibilities in accordance with Clause 55 of the Local Government Pension Scheme (LGPS) Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

This statement is published on the Pension Fund's website.

Aims and Objectives

Tower Hamlets Council recognises the significance of its role as Administering Authority to the London Borough of Tower Hamlets Pension Fund on behalf of its stakeholders which include:

- around 24,000 current and former members of the Fund, and their dependants
- over 46 employers within the Tower Hamlets Council area or with close links to Tower Hamlets Council
- the local taxpayers within the London Borough of Tower Hamlets.

In relation to the governance of the Fund, our objectives are to ensure that:

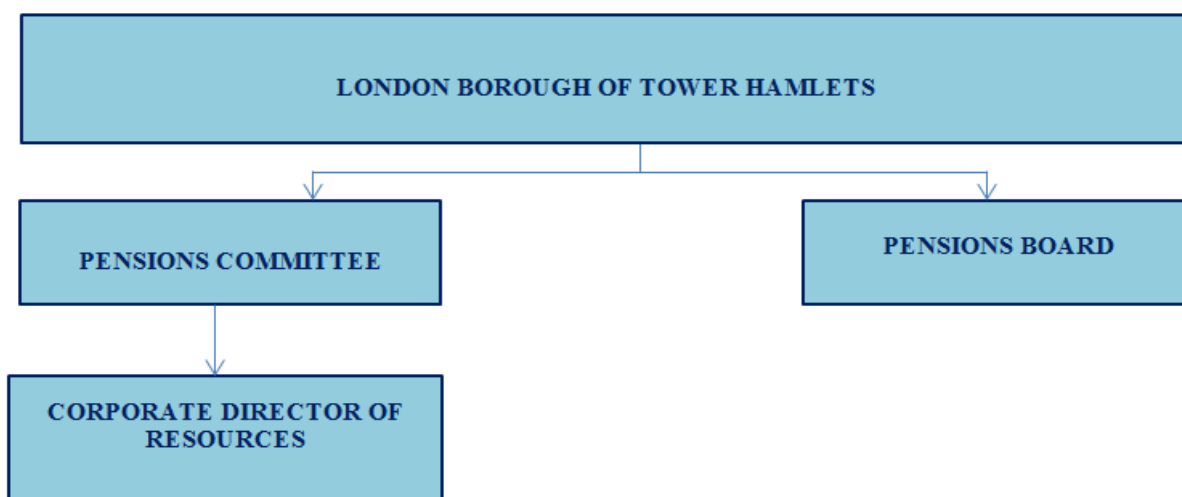
- That pension benefits are paid to members accurately and on time.
- That the funds are available to pay benefits when they fall due.

Governance Arrangements and Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people.

The Council delegates its responsibility for administering the Fund to the Pensions Committee. The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.

The Constitution sets out the framework under which the Pension Fund is to be administered as depicted in the diagram below.



Terms of Reference for the Pensions Committee

Full Council has delegated its functions to consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972 and the various statutory requirements in respect of investment matters.

Membership of the Pensions Committee

The Council decides the composition and makes appointments to the Pensions Committee. Currently the membership of the Pensions Committee is a minimum of 7 elected Members from Tower Hamlets Council on a politically proportionate basis and the Pensions Committee will elect a Chair and Vice Chair. All Tower Hamlets Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

In addition there are two co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.

Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

Members of the Pensions Committee, including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

The following are the terms of reference for the Pensions Committee:

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| <p>Summary Description To consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972 and the various statutory requirements in respect of investment matters.</p> | |
| <p>Membership 7 Councillors, 1 representative of the Admitted Bodies and 1 Trade Union representative. The Admitted Body and Trade Union representatives will be non-voting members of the Committee.</p> <p>Declaration of Interests: Members of the Pensions Committee including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting</p> | |
| <p>Functions</p> | <p>Delegation of Functions</p> |
| <ol style="list-style-type: none"> 1. To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions' legislation. 2. To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and global custodians and periodically to review those arrangements. 3. To formulate and publish an Investment Strategy Statement. 4. To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium-term plan to deliver the objectives. 5. To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them. 6. To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required. | <p>None</p> |

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| <p>7. To monitor the performance and effectiveness of the investment managers and their compliance with the Investment Strategy Statement.</p> <p>8. To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.</p> <p>9. To receive and approve an Annual Report and accounts on the activities of the Fund prior to publication.</p> <p>10. To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.</p> <p>11. To keep the terms of reference under review.</p> <p>12. To determine all matters relating to admission body issues.</p> <p>13. To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan including stakeholder communications.</p> <p>14. To maintain an overview of pensions training for Members.</p> <p>15. To ensure compliance with the LGPS Regulations, Codes of Practice or guidance issued by the Pensions Regulator and the National Scheme advisory Board as they apply to pension benefits and the payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.</p> <p>16. Selection, appointment and termination of external Additional Voluntary Contribution (AVC) providers and reviewing performance.</p> <p>17. Approve policy on environmental, social and governance considerations, responsible investment and on the exercise of share voting rights.</p> <p>18. To review the risks inherent in the management of the Pension Fund.</p> <p>19. To consider any recommendations made or views</p> | |
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| <p>expressed by the London Borough of Tower Hamlets Pensions Board.</p> <p>20. In relation to pooled asset arrangements under the London Collective Investment Vehicle (LCIV) Shareholder Committee:</p> <ul style="list-style-type: none"> • Undertaking the role of Shareholder in relation to the Shareholder agreement relating to LCIV • Functions relating to the LCIV including receiving and considering reports and recommendations from the London CIV Share holder Committee. • Ensuring that appropriate measures are in place to monitor and report on the ongoing costs of investment pooling and performance of LCIV. • Determining what the administering authority requires the pool to provide to enable it to execute its local investment strategy effectively. • Undertaking the role of Client in relation to the Service Level Agreement | |
| <p>Quorum: 3 Members of the Committee</p> | |
| <p>Meetings: At least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.</p> | |
| <p>Additional Information:</p> <ul style="list-style-type: none"> • Constitution Part D, Section 53 (Pensions Committee Meeting Procedure Rules) | |

Meetings

The Pensions Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund's Investment Advisor.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Tower Hamlets Town Hall and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website:

<http://moderngov.towerhamlets.gov.uk/ieListMeetings.aspx?Committeeld=392>

Other Delegations of Powers

The Pensions Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions, they have to ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix A outlines the areas that the Pensions Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Corporate Director, Resources in relation to all other pension fund matters, in addition to his role as Chief Financial Officer (often called S151 Officer).

Pension Board

With effect from 1 April 2015, each Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Tower Hamlets Council does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Tower Hamlets Pension Board established by Tower Hamlets Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

Role of the Pension Board

The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pensions Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to

the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

Membership of the Pension Board

The Pension Board consists of 7 members as follows:

- Three Employer Representatives
- Three Scheme Member Representatives
- One Independent Member (non-voting) to act as chair of the Pension Board

Pension Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when two of the six Employer and Scheme Member Representatives are present, and where the Board has an Independent Member they must also be present.

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

Meetings

The Pension Board meets at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Members of the public may attend and papers will be made public in the same way as described above for the Pension Committee.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website:

<http://www.towerhamletspensionfund.org/>

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement

The Investment Strategy Statement (ISS) replaced the Statement of Investment Principles from 1st April 2016. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a

statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.

This document will be reviewed following the completion of the Fund investment strategy review and updated revised version will be tabled at the November Pensions Committee meeting for approval.

Governance Policy Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy

Tower Hamlets Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pensions Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives, the London Borough of Tower Hamlets Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and
- the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

As well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pensions Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least on annual basis.

Annual Report and Accounts

The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pensions Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are made available to employers and other interested parties on request and a copy placed on the websites:

<http://www.towerhamletspensionfund.org/>

<http://moderngov.towerhamlets.gov.uk/ieListMeetings.aspx?CommitteId=392>

Communication Policy

This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website:

<http://www.towerhamletspensionfund.org/>

Discretions Policies

Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Tower Hamlets' Employing Authority Discretions can be found on the website: <http://www.towerhamletspensionfund.org/>

Pension Administration Strategy and Employer Guide

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: <http://www.towerhamletspensionfund.org/>

This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Business Plan

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming 3 years, its core work and how the objectives will be achieved.

A report of the management of key risks is also included as part of the Business Plan. The Pensions Board on behalf of the Committee reviews the detailed Risk Register on a quarterly basis.

Approval, Review and Consultation

This Governance Policy and Statement was approved at the London Borough of Tower Hamlets Pensions Committee meeting on 23 July 2015 following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration. This current review complies with the requirements of SAB Good Governance III guidance.

Contact Information

Further information on the London Borough of Tower Hamlets Pension Fund can be found as shown below:

Head of Pensions & Treasury
London Borough of Tower Hamlets Pension Fund
Mulberry Place
5 Clove Crescent
London
E14 2BG

Email: miriam.adams@towerhamlets.gov.uk
Website: <http://www.towerhamletspensionfund.org/>

Appendix A

LONDON BOROUGH OF TOWER HAMLETS GOVERNANCE COMPLIANCE STATEMENT**Governance Best Practice**

The following compliance statement has been approved by the Pensions Committee. This sets out where the Pension Fund is compliant with the guidance and where it is not compliant provides an explanation for non-compliance.

| Principle | Tower Hamlets Pension's Approach | Compliance |
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| STUCTURE | | |
| The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council. | London Borough of Tower Hamlets Council delegates the management of the London Borough of Tower Hamlets Pension Fund ("LBTHPF") to the Pension Fund Committee. The Committee is responsible for these areas under the terms of reference contained in the Council's Constitution. | Comply |
| That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee. | LBTHPF is compliant with these principles. Employers and employee representatives are represented on the Pension Fund Committee. The Committee comprises council elected councilors, two co-opted non voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process. | Comply |

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| That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | There is currently no secondary committee. | n/a |
| That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. | There is currently no secondary committee.. Should a secondary committee be established, all members of that secondary committee would sit on the main Pension Fund Committee. | n/a |
| Principle | Tower Hamlets Pension's Approach | Compliance |
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| REPRESENTATION | | |
| That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • employing authorities (including non-scheme employers, e.g., admitted bodies); | With over 40 employer bodies, not all stakeholders are directly represented on the Pension Fund Committee. All stakeholders are free to make representations in writing to the Committee. The Council and two co-opted members directly represent employer and member interest. | Partial |
| • scheme members (including deferred and pensioner scheme members); | The Pension Fund Committee membership includes a trade union representative. | Comply |
| • independent professional observers; and | The Committee employs an independent consultant who is an experienced ex Actuary and Investment Manager. The consultant is present at all Committee meetings. | Comply |
| • expert advisors (on an ad hoc basis). | Expert advisors attend the Committee as required, depending on the nature of the decisions to be taken. For example, the actuary attends when the valuation is being considered and the investment consultant attends all meetings and participates on all agenda items when strategic asset allocation decisions and investment matters are being discussed. | Comply |

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| That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. | All members are treated equally in terms of access to papers and to training that is given as part of the Committee processes. | Comply |
| Principle | Tower Hamlets Pension's Approach | Compliance |
| | | |
| SELECTION AND ROLE OF LAY MEMBERS | | |
| That Committee or Panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee | Committee members are given initial and ongoing training to support them in their role as trustees. All Board and Committee members have log in access to Hymans academy on line training portal | Comply |
| VOTING | | |
| The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | LBTHPF is fully compliant with this principle. Most decisions are reached by consensus, but voting rights remain with the Pension Fund Committee because the Council retains legal responsibility as the administering authority. | Comply |
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| TRAINING/FACILITY TIME/EXPENSES | | |
| That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decisionmaking process. | Facility time and expenses falls within the Council's normal approach to member expenses. Pension Fund Committee members receive expenses. Training has been referred to above and inline with Committee approved training policy. | Comply |
| That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | The policy applies equally to all members of the Pension Fund Committee. All members currently enjoy voting rights. | Comply |
| Principle | Tower Hamlets Pension's Approach | Compliance |

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| MEETINGS (FREQUENCY/QUORUM) | | |
| That an administering authority's main committee or committees meet at least quarterly | Tower Hamlets is fully compliant with this principle by holding quarterly and special appointment meetings including training sessions. The Chief Finance Officer sends performance data and relevant information as appropriate. The quorum for the committee is three. | Comply |
| That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit | There is currently no secondary committee. | n/a |
| That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented | The Committee welcomes representations on any issue in writing at any time. | Partial Compliance. AGM in progress |
| ACCESS | | |
| That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | All members of the Pension Fund Committee have equal access to committee papers, documents and advice. | Comply |
| Principle | Tower Hamlets Pension's Approach | Compliance |
| | | |
| SCOPE | | |
| That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements | LBTHPF is fully compliant with this principle by bringing all investment, liability, benefit and governance issues to the Pension Fund Committee. An agenda will usually include a fund monitoring report, individual reports from managers, and reports on specific investment, | Comply |

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| | administration and governance issues. A business plan is approved each year | |
| PUBLICITY | | |
| That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. | LBTHPF is fully compliant with this principle by publishing statements in the Annual Report. A website has now been established | Comply |