

Meeting of the

# PENSIONS COMMITTEE

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Thursday, 21 July 2011 at 6.30 p.m.

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## SUPPLEMENTARY A G E N D A

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### VENUE

C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE

Members:	Deputies (if any):
<b>Chair: Councillor Anwar Khan</b>	
<b>Vice – Chair:</b>	
<b>1 Vacant Post - Non-Voting Member (Trade Union)</b>	Councillor Tim Archer, (Designated Deputy representing Councillor Craig Aston) □ Councillor David Snowdon, (Designated Deputy representing Councillor Craig Aston) □ Councillor Carlo Gibbs, (Designated Deputy representing Councillors Anwar Khan, Abdal Ullah, Zenith Rahman and Ahmed Omer) □ Councillor Shiria Khatun, (Designated Deputy representing Councillors Anwar Khan, Abdal Ullah, Zenith Rahman and Ahmed Omer) □ Councillor Mohammed Abdul Mukit MBE, (Designated Deputy representing Councillors Anwar Khan, Abdal Ullah, Zenith Rahman and Ahmed Omer)
<b>1 Vacant Post - Non-Voting Member (Admitted Body)</b>	
<b>Councillor Craig Aston</b>	
<b>Councillor Zenith Rahman</b>	
<b>2 Vacancies</b>	
<b>Councillor Abdal Ullah</b>	
<b>Councillor Ahmed Adam Omer</b>	

**[Note: The quorum for this body is 3 Members].**

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact: Antonella Burgio, Democratic Services  
Tel: 020 7364 4881, E:mail: [antonella.burgio@towerhamlets.gov.uk](mailto:antonella.burgio@towerhamlets.gov.uk)

**LONDON BOROUGH OF TOWER HAMLETS**

**PENSIONS COMMITTEE**

**Thursday, 21 July 2011**

**6.30 p.m.**

**6 .5 Report on Governance Compliance and Statement of Investment Principles  
Compliance (Pages 1 - 18)**

Report to follow

# Agenda Item 6.5

<b>COMMITTEE:</b> <b>Pensions Committee</b>	<b>DATE:</b> <b>21 July 2011</b>	<b>CLASSIFICATION:</b> <b>Unrestricted</b>	<b>REPORT NO.</b> <b>PC/005/112</b>	<b>AGENDA NO.</b>
<b>REPORT OF:</b> <b>Corporate Director of Resources</b>		<b>TITLE:</b> <b>Report on Governance Compliance Statement and Statement of Investment Principles</b>		
<b>ORIGINATING OFFICER(S):</b> <b>Oladapo Shonola – Chief Financial Strategy Officer</b>		<b>Ward(s) affected:</b> N/A		

<b>Lead Member</b>	<b>Cllr Anwar Khan, Chair of Pensions Committee</b>
<b>Community Plan Theme</b>	<b>All</b>
<b>Strategic Priority</b>	<b>One Tower Hamlets</b>

## Special circumstances and reasons for urgency

This report was not prepared in time to enable publication in accordance with the Council's access to information rules. This was due to competing priorities. If the report is not considered by the Committee at its meeting on 21 July 2011, then there is not a further meeting of the Committee scheduled until November 2011. There is some risk that the auditor may require the documents the subject of the report to be agreed before agreeing the accounts of the fund.

### 1. **SUMMARY**

- 1.1 The Local Government Pension Scheme (Administration) Regulations 2008 require the Council to keep under review the written statement prepared and published under regulation 73A of the Local Government Pension Scheme Regulations 1997 (the Governance Compliance Statement). The Council is required to make appropriate revisions following a material change to specified matters (concerning delegation of the Council's function of maintaining the pension fund and related matters). In reviewing and making revisions to the Governance Compliance Statement the Council must consult such persons as it considers appropriate. The updated Governance Compliance Statement attached at Appendix 1 reports on the Council's governance arrangement against a set of best practice principles.
- 1.2 As part of the Governance Compliance Statement, administering authorities are required to state how they comply with the guiding principles as outlined in the DCLG paper on best practice in governance arrangements for Local Government Pension Schemes. This authority is fully compliant in all but the principle of membership on the Committee. Although, membership of the Committee has been extended to admitted bodies, this invitation has not been accepted. Officers continue to work to engage with admitted bodies to enlist external representation on the Committee.
- 1.3 The requirement to produce a Statement of Investment Principles is set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. These regulations specify the

policy matters to be covered in the Statement of Investment Principles. The statement must be reviewed and, if necessary, revised by the Council from time to time. If there is a material change in the Council's policy, then the review and revision must take place within 6 months of the change. Once the statement has been revised, the Council is required to publish it.

- 1.4 As part of the Statement of Investment Principles, administering authorities are required to state how they comply with the Myners Principles and explain where they do not comply. This authority is compliant with all of the 6 revised Myners Principles.

## **2. DECISIONS REQUIRED**

- 2.1 Members are recommended to approve:
- The revised Governance Compliance Statement at Appendix A; and
  - The revised Statement of Investment Principles at Appendix B.

## **3. REASONS FOR DECISIONS**

- 3.1 The regulatory requirements in relation to the Governance Compliance Statement are set out in paragraph 1.1 above. In 2008, the Department for Communities & Local Government issued best practice guidance to all pension funds against which they should measure themselves. The governance arrangement of the Tower Hamlets Pension Fund adheres to these best practice principles and the Compliance Statement at Appendix A outlines how the Fund meets these principles.
- 3.2 The Council had formally adopted the original 10 Myners principles in its Statement of Investment Principles and had reported against them in the past. The Principles were reviewed in October 2008 and reduced from ten to six. The Fund's response to the Myners Principles has to be updated to reflect the latest guidance issued by CIPFA on applying the revised set of Principles.

## **4. ALTERNATIVE OPTIONS**

- 4.1 The Council is the administering body for the Tower Hamlets Pension Funds and it is responsible for the governance of the Fund in line with regulatory requirements.
- 4.2 The Council's legislative obligations in relation to the Governance Compliance Statement and Statement of Investment Principles are summarised in section 1 above. The revisions contained in the annexed versions of these reports are considered to best comply with the relevant guidance and principles. If the committee were minded to adopt different revisions, then these would need to be carefully considered against the Secretary of State's guidance on both documents.

## **5. BACKGROUND**

- 5.1 The regulatory requirements and guidance around the Governance Compliance Statement and the Statement of Investment Principles have been revised and the Council's documents have been revised to reflect the relevant changes.

## **6. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 6.1. The comments of the Corporate Director Resources have been incorporated into the report.

## **7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)**

- 7.1 The relevant legislative requirements in relation to review and revision of the Governance Compliance Statement and Statement of Investment Principles are correctly set out in section 1 of the report.

## **8. ONE TOWER HAMLETS CONSIDERATIONS**

- 8.1 Any gains or losses arising from the use of derivatives contracts could impact on the Council through an increase or decrease in contributions in order to make good the Pension Fund's commitment to honour benefits that have been accrued by members of the Fund.
- 8.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

## **9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 9.1 There is no Sustainable Action for A Greener Environment implication arising from this report.

## **10. RISK MANAGEMENT IMPLICATIONS**

- 10.1 The use of any form of investment inevitably involves a degree of risk. Although, the use of derivative contracts is a means to reduce exposure to currency risk that the Fund.

## **11. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 11.1 There are no any crime and disorder reduction implications arising from this report.

## **12. EFFICIENCY STATEMENT**

- 12.1 The use of derivate contracts is an efficient use of financial instruments that helps to minimise risk to Pension Fund assets and also maximise returns.

### Appendices

Appendix 1 – Governance Compliance Statement

Appendix 2 – Statement of Investment Principles

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**LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D**  
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

*Brief description of "background papers"*

*Name and telephone number of holder  
And address where open to inspection*

*None*

## **1. Background**

- 1.1 The Local Government Pension Scheme (Administration) Regulations 2008 require administering authorities to produce a statement on the governance policy of the pension fund. This document sets out the Policy of the London Borough of Tower Hamlets, as an administering authority in relation to its governance responsibilities for the Tower Hamlets Local Government Pension Scheme.

## **2. Governance Structure**

- 2.1 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.

- 2.2 The governance structure is supported by:

- The Pensions Committee
- The Investment Panel
- Officers of the Council; and
- Professional Advisors

### **Pensions Committee**

- 2.3 The terms of reference of the Pensions Committee encompass: -
- Determination of investment policy objectives
  - Appointment of investment managers
  - Monitoring investment performance and
  - Making representations to Government on any proposed changes to the LGPS.
- 2.4 The Pensions Committee meets quarterly and it comprises seven Members of the Council, one trade union member and one admitted body member. Special meetings of the Committee are arranged as necessary.
- 2.5 The Committee is subject to the Council's Financial Regulations and is advised on investment issues by an Investment Panel, which is a sub-committee of the Pensions Committee and includes professional advisors.

### **3. Investment Panel**

3.1 The Investment Panel comprises of all members of the Pensions Committee, an independent chair, an independent advisor, the Corporate Director, Resources (or deputy) and one observer from trade unions and one observer from admitted bodies. The terms of reference of the Investment Panel include the following:

- Review the Scheme's asset allocation
- Consider and monitor the quarterly performance reports
- Review annually each manager's performance
- Consider the need for any changes to the Scheme's investment manager arrangements
- Evaluate the credentials of new managers prior to their appointment

### **4. Officer Delegation**

4.1 The Corporate Director, Resources has delegated authority for implementing Council policy, Pension Committee decisions in the areas of scheme administration, funding, investment, communications and risk management.

### **5. Professional Advisors**

5.1 The Council employs external professional advisors in the form of independent chair of the Investment Panel, investment advisers, fund managers, global asset custodians and independent performance assessors

### **6. Overall Power**

6.1 The Pensions Committee delegate specific functions on the appointment of managers on a case by case basis after consideration of reports by that Committee.

6.2 Committee retain responsibility for all policy decisions relating to the investment portfolio. Responsibility for the day to day operation of the management arrangements and administration of the portfolio is delegated to the Corporate Director, Resources.



**GOVERNANCE COMPLIANCE STATEMENT**

PRINCIPLE	REQUIREMENT	COMPLIANCE	COMMENT
<b>STRUCTURE</b>	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council	Compliant	The Council's Constitution states that the Pensions Committee is responsible for the management of the Pension Fund
	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.	Partly Compliant	Trade union representatives sit on the Pension Committee. A seat has been allocated to admitted bodies on the Committee and representatives of admitted bodies on the Scheme have been invited to join the Committee.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	A report of the Investment Panel is presented at the following Pensions Committee. All key recommendations of the Investment Panel are ratified by the Pensions Committee.
	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.	Compliant	All members of the Investment Panel are also members of the Pensions Committee.

<b>REPRESENTATION</b>	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-</p> <ul style="list-style-type: none"> <li>• employing authorities (including non-scheme employers, e.g. admitted bodies),</li> <li>• scheme members (including deferred and pensioner scheme members),</li> <li>• independent professional observers,</li> <li>• expert advisors (on an ad-hoc basis).</li> </ul>	Partly Compliant	Trade unions are represented on the Pensions Committee and admitted bodies have been invited to sit on the Committee. An independent professional observer has also been appointed to chair the Investment Panel.
	<p>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.</p>	Compliant	Papers for Committee and the Investment Panel are made available to all members of both bodies at the same time and are published well in advance of the meetings in line with the council's committee agenda publication framework.
<b>SELECTION &amp; ROLE OF LAY MEMBERS</b>	<p>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.</p>	Compliant	Members of the Pensions Committee/ Investment Panel have access to the terms of reference of each body and are aware of their roles and responsibilities as members of these bodies/ Panel.

**London Borough of Tower Hamlets Pension Fund Governance Compliance Statement**  
**Appendix 1**

<b>VOTING</b>	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.	Compliant	The Pensions Committee/ Investment Panel does not currently confer voting rights on non-Councillors in line with common practice across the local government sector.
<b>TRAINING/FACILITY TIME/EXPENSES</b>	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 decision-making process.	Compliant	Regular training is arranged for members of the Pensions Committee. In addition members are encouraged to attend external training courses. The cost of any such courses attended will be met by the Fund.
	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.	Compliant	The rule on training provision is applied equally across all members of the Pensions Committee.
<b>MEETINGS (FREQUENCY/ QUORUM)</b>	That an administering authority's main committee or committees meet at least quarterly.	Compliant	Meetings of the Pensions Committee are arranged to take place quarterly.
	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 sits.	Compliant	Meetings of the Investment Panel are arranged to take place quarterly.

**London Borough of Tower Hamlets Pension Fund Governance Compliance Statement**  
**Appendix 1**

	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.	Compliant	Union representatives on the Pensions Committee are lay members. Other stakeholders of the Fund are able to make representations at the Annual General Meeting of the Pension Fund.
<b>ACCESS</b>	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.	Compliant	Panel meeting papers are circulated at the same time to all members of the Pensions Committee/ Investment Panel.
<b>SCOPE</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	Pensions Committee considers are range of issues at its meetings and therefore has taken steps to bring wider scheme issues within the scope of the governance arrangements.
<b>PUBLICITY</b>	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.	Compliant	This Governance Compliance Statement is a public document that is attached as an appendix to the annual pension fund report.

This is the Statement of Investment Principles adopted by the London Borough of Tower Hamlets Pension Fund (“the Scheme”) as required by the Local Authority Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. It is subject to periodic review by the Pensions Committee which acts on delegated authority of the London Borough of Tower Hamlets. The Pensions Committee receives recommendations and advice from the Investment Panel which oversees the investment management of the Scheme on a day to day basis.

In preparing this Statement, the Pensions Committee has taken written advice from the Investment Practice of Hymans Robertson Consultants and Actuaries.

### **The Myners Code of Investment Principles**

The Government commissioned a report in 2000 entitled “Review of Institutional Investment in the UK”. The Review, which was undertaken by Paul Myners was published in March 2001 and is referred to as The Myners Review. The Pensions Committee of the London Borough of Tower Hamlets believes the Myners Report constitutes an important guide to best practice in the management of pension schemes. Following a review in October 2008 the Treasury published a revised set of six principles. Local authorities are required to state the extent to which the administering authority Compliant with the six principles set out in a document published by the Chartered Institute of Public Finance and Accountancy entitled “CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme Investment in the United Kingdom”.

The Investment Panel has produced, and maintains, a record of compliance (Myners Code Adherence Document) with these principles on behalf of the Pensions Committee.

The extent to which the Scheme complies with these principles are outlined in the table at the end of this document.

### **Fund Objective**

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Council aims to fund the Scheme in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Scheme's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

## **Investment Strategy**

The Investment Panel has translated these objectives into a suitable strategic asset allocation benchmark for the Scheme. All day to day investment decisions have been delegated to the Scheme's authorised investment managers. The strategic benchmark has been translated into benchmarks for the Scheme's investment managers which are consistent with the Scheme's overall strategy. The Scheme benchmark is consistent with the Investment Panel's views on the appropriate balance between maximising the long-term return on investments and minimising short-term volatility and risk.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing basis).

The Investment Panel monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme.

To achieve its objectives the Pensions Committee has agreed the following with the Investment Panel:

**Choosing Investments:** The Investment Panel is responsible for the appointment of investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Investment Panel, after seeking appropriate investment advice, has given the managers specific directions as to the asset allocation, but investment choice has been delegated to the managers, subject to their specific benchmarks and asset guidelines.

**Kinds of investment to be held:** The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and pooled funds. The Scheme may also make use of derivatives and contracts for difference for the purpose of efficient portfolio management. The Investment Panel considers all of these classes of investment to be suitable in the circumstances of the Scheme.

**Balance between different kinds of investments:** The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market the managers will maintain diversified portfolios of investments through direct holdings or pooled vehicles.

**Risk:** The Investment Panel provides a practical constraint on Scheme investments deviating greatly from its intended approach by adopting a specific asset allocation benchmark and by setting manager-specific benchmark guidelines. The Investment Panel monitors the managers'

adherence to benchmarks and guidelines. In appointing more than one investment manager, the Investment Panel has considered the risk of underperformance of any single investment manager.

**Expected return on investments:** Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed by the actuary in funding the Scheme.

**Realisation of investments:** The majority of investments held within the Scheme may be realised quickly if required.

**Social, Environmental and Ethical Considerations:** The Council has a fiduciary responsibility to obtain the best level of investment return consistent with the defined risk parameters as embodied in the strategic benchmark. However, the Council recognises that Social, Ethical and Environmental issues are factors to be taken into consideration in assessing investments. The investment managers have confirmed they pay due attention to these factors in the selection, retention and realisation of investments. The Investment Panel will monitor the managers' statements and activities in this regard.

**Exercise of Voting Rights:** The Investment Panel has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the managers have produced written guidelines of their processes and practices in this regard. The managers are encouraged to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies.

**Additional Voluntary Contributions (AVCs):** The Investment Panel gives members the opportunity to invest in a range of vehicles at the members' discretion.

Principle	Examples of Compliance	Compliance
<p><b>Principle 1: Effective Decision Making</b></p> <p>Administering authorities should ensure that:                      Decisions are taken by persons or organisations with the skills, knowledge, advice and resources to make them effectively and monitor their implementation;                      Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</p>	<p>The Council has a Pensions Committee and an Investment Panel who meet on a quarterly basis for decision making purposes.</p> <p>The Fund’s Governance Compliance Statement sets out the governance structure, Terms of Reference, delegations and representation.</p> <p>All members and officers of the Committee are required to undertake training on a periodic basis to ensure that they attain the necessary knowledge and skills with which to undertake their duties effectively. To ensure that they are fully aware of their statutory and fiduciary responsibilities new members are provided with a handbook containing the Committee’s terms of reference, standing orders and operational procedures. Two training days per year are arranged for the committee members to deliver training.</p> <p>The committee intends to use the CIPFA knowledge and skills framework as the basis for a training programme to assess the training needs of its members and to actively monitor the progress made.</p> <p>The Fund contracts an actuary, a professional investment advisor and an independent investment advisor all of who attend committee meetings throughout the year and provide advice to committee members. Other expert advisors attend as required.</p>	<p>Compliant</p>



<p><b>Principle 2: Clear Objectives</b></p> <p>An overall investment objective should be set out for the fund that takes account of the scheme’s liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.</p>	<p>The Fund’s aims and objectives are set out in its Funding Strategy Statement and Investment Management Agreements are in place on the segregated mandates held by the Fund. The funding strategy is reviewed at each triennial valuation and the actuarial position and financial impact on scheme employers and tax payers is considered when formulating the investment strategy.</p> <p>All external procurement is conducted within EU procurement regulations and the authority’s own procurement rules.</p> <p>The Fund is aware of the investment management fees charged by the investment managers and transaction related costs, and this is considered when letting and monitoring contracts for investment management.</p>	<p>Compliant</p>
<p><b>Principle 3: Risk and Liabilities</b></p> <p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<p>Following each triennial valuation the Committee assesses the structure of the Fund’s liabilities and, where necessary, amends its investment strategy to ensure that it remains appropriate to the Fund’s liability profile. The same investment strategy is currently followed by all employers. The Fund’s liabilities are long term in nature and the investment strategy reflects this liability profile by investing in long term generating assets. The Fund’s benchmark includes a significant holding in equities in pursuit of long term higher returns. Allowances are made for periods of underperformance in the short term.</p> <p>The triennial valuation sets out the liability profile for each individual employer. The strength of covenant of each employing body and risk of default is taken into consideration when setting the employer contribution rate.</p>	<p>Compliant</p>

	<p>The Fund has an active risk management programme in place. The risk management process is outlined in the Fund’s Annual Report and Accounts.</p> <p>The Committee receives the external auditor’s Annual Governance Report which states their assessment of the risk management process.</p>	
<p><b>Principle 4: Performance assessment</b>                  Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.                  Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.</p>	<p>The Fund’s Investment Panel meets quarterly to review the Fund’s performance against its investment objective. In consultation with the Fund’s investment advisors the Committee will assess the performance of the investment managers and consider whether any action is required. The fund managers attend the Investment Panel meetings periodically.                  The Fund employs the WM company to measure the performance of its investment managers. The Fund’s Annual Report is presented to the Committee explaining the Fund’s activities and decisions taken during the year. This allows the Investment Panel to reflect on the effectiveness of its strategy and also the management of the fund managers to deliver against agreed benchmarks.</p>	<p>Compliant</p>
<p><b>Principle 5: Responsible ownership</b>                  Administering authorities should:                  Adopt, or ensure their investment managers adopt, the Institutional Shareholders’ Committee Statement of Principles on the responsibilities of shareholders and agents, include a statement of their policy on responsible ownership in the statement of investment</p>	<p>The Fund requires its investment managers to adopt the Institute Shareholders Committee Statement of Principles. The extent to which these principles are taken into account in the selection, retention and realisation of investments is left to the manager’s discretion.</p> <p>The manager’s activities in this regard are reviewed by the Investment Panel.</p>	<p>Compliant</p>

<p>principles. Report periodically to scheme members on the discharge of such responsibilities.</p>	<p>The Fund's approach to responsible ownership is set out in its Statement of Investment Principles. Any significant issues arising over the year are reported in the Fund's Annual Report.</p>	
<p><b>Principle 6: Transparency and reporting</b> Administering authorities act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Provide regular communication to scheme members in the form they consider most appropriate.</p>	<p>The Fund publishes a Governance Policy Statement, a Communications Strategy, a Funding Strategy Statement, and a Statement of Investment Principles. The statements are reviewed and updated when required and are approved by the Pensions Committee.</p> <p>Fund manager performance data is included in the Fund's Annual Report and Accounts.</p> <p>The statements form part of a suite of annual report documentation which may be found on the website <a href="http://www.towerhamlets.gov.uk">http://www.towerhamlets.gov.uk</a></p> <p>An Annual Benefits Statement is sent hard copy to active and deferred members of the Fund. Pensioner members receive an annual newsletter detailing any information affecting pensions in payment.</p>	<p>Compliant</p>

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