

PENSIONS COMMITTEE

Thursday, 30 June 2016 at 5.30 p.m.

Room MP701, 7th Floor, Town Hall, Mulberry Place, 5 Clove Crescent,
London E14 2BG

This meeting is open to the public to attend.

Members:

Chair: Councillor Andrew Cregan

Vice Chair:

Councillor Gulam Kibria Choudhury, Councillor Clare Harrisson, Councillor Md. Maium Miah, Councillor Abdul Mukit MBE, Councillor Candida Ronald and Councillor Andrew Wood

Tony Childs (Co-optee Admitted Bodies Representative) and Kehinde Akintunde (Unions Representative)

Substitutes:

Councillor Marc Francis, Councillor Ayas Miah and Councillor Rajib Ahmed

[The quorum for this body is 3 voting Members].

Contact for further enquiries:

Nishaat Ismail, Democratic Services.

1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, E14 2BG

E-mail: nishaat.ismail@towerhamlets.gov.uk

Tel: 020 7364 4120

Web: <http://www.towerhamlets.gov.uk/committee>

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Public Information

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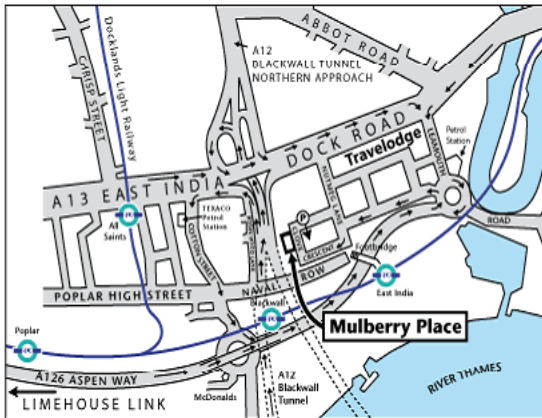
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APOLOGIES FOR ABSENCE

1. **DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST** 1 - 4

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.

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1 - 4

2. MINUTES OF THE PREVIOUS MEETING(S) (TO FOLLOW) 5 - 12

To confirm as a correct record the minutes of the meeting of the Committee held on 9 March 2016.

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2. MINUTES OF THE PREVIOUS MEETING(S) (TO FOLLOW) 5 - 12

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3. PETITIONS

To receive any petitions relating to matters for which the Committee is responsible.

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4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

5. REPORTS FOR CONSIDERATION

5.1 Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings 13 - 18

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5. PENSIONS COMMITTEE TERMS OF REFERENCE, MEMBERSHIP, QUORUM AND DATES OF MEETINGS

13 - 18

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5.1 Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings 13 - 18

5.2 MARKET OUTLOOK AND SMART BETA PRESENTATION

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5. MARKET OUTLOOK AND SMART BETA PRESENTATION

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5.2 MARKET OUTLOOK AND SMART BETA PRESENTATION

5.3 Investment Performance Review Quarter end 31st March 2016 and Fund Review for financial year 2015/16 **19 - 60**

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5. INVESTMENT PERFORMANCE REVIEW QUARTER END 31ST MARCH 2016 AND FUND REVIEW FOR FINANCIAL YEAR 2015/16

19 - 60

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5 .4 Reporting on Breaches Policy 61 - 88

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5. REPORTING ON BREACHES POLICY

61 - 88

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5 .4 Reporting on Breaches Policy

61 - 88

6. DATE OF FUTURE MEETINGS

7. TRAINING EVENTS

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

9. EXCLUSION OF THE PRESS AND PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion:

“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.”

EXEMPT SECTION (Pink Papers)

The exempt committee papers in the agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

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10. RESTRICTED MINUTES

Next Meeting of the Committee:

Thursday, 22 September 2016 at 7.00 p.m. to be held in Town Hall, Mulberry Place, 5
Clove Crescent, London E14 2BG

Agenda Item 1

DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Melanie Clay, Corporate Director of Law Probit and Governance 2017 364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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Agenda Item 2

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.00 P.M. ON WEDNESDAY, 9 MARCH 2016

ROOM MP702, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON E14 2BG

Members Present:

Councillor Andrew Cregan (Chair)
Councillor Clare Harrisson (Vice-Chair)
Councillor Candida Ronald

Admitted Bodies, Non-Voting Members

Kehinde Akintunde

Others Present:

Raymond Haines	– Independent Investment Adviser
Alex Bark	– GMO
Tommy Garvey	– GMO

Apologies:

Councillor Abdul Mukit MBE
Councillor Harun Miah
Tony Childs
Kevin Miles (Chief Accountant)

Officers Present:

Bola Tobun	– (Investments and Treasury Manager, Resources)
Ngozi Adedeji	– (Team Leader Housing Services, Legal Services, Law Probity & Governance)
Anant Dodia	– (Pensions Manager)
Zena Cooke	– Corporate Director of Resources
Charles Yankiah	– (Democratic Services)
Seye Aina	– (Democratic Services)

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interests were made.

2. MINUTES OF THE PREVIOUS MEETING(S)

The unrestricted minutes of the Pensions Committee held on 25 November 2015 were approved as a correct record of proceedings.

3. PETITIONS

No petitions were received relating to matters which the Committee is responsible.

4. VARIATION TO THE ORDER OF BUSINESS

The Chair moved and it was

RESOLVED

That the order of business be varied to enable the Committee to first consider agenda items 5.6, 5.7 and item 4 and then move into a closed session.

Thereafter the Committee- returned to an open session to consider agenda items 5.1, 5.2, 5.3, 5.4, 5.5, 5.8, 6 and 7 as detailed in the agenda.

5. REPORTS FOR CONSIDERATION

5.1 Market Update

Mr Haines, Investment Adviser to the Pensions Committee presented a verbal report providing a summary of market conditions. The Committee noted as follows:

- The fourth quarter of 2015 was one of recovery from an indifferent third quarter which had been adversely affected by a mini-China crisis.
- The outlook is one of continuing growth in the US and UK, improving Europe and slowing in China. Consumer and business confidence has held up reasonably well to date, but financial market turmoil, and increasing anxiety over the EU referendum vote, may hit first half economic activity. Full year forecasts are moving towards 2.0% from 2¼%.
- In equity markets a palpable shift has occurred over Developed Market growth and heightened fears that there are developing signs of financial market distress. In this environment and with so many uncertainties, recession probability has risen and will likely continue to do so.
- 2016 will be a challenging year for investors and asset allocation. There is a need to monitor foreign exchange reserves.
- Mr Haines expressed the view that the caution expressed at previous meetings was understated, however on the central assumption of modest growth and benign inflation, but not deflation this should provide a positive outcome for equity from here, albeit with a fair risk of more volatility.
- Mr Haines was of the opinion that the effect of the EU referendum on the markets will not be dissimilar to the Scottish referendum and there is likely to be no volatility.

RESOLVED

That The verbal update be noted.

5.2 Pension Fund Managers Investment Performance Review for Quarter End 31 December 2015

Ms Tobun, Investment and Treasury Manager presented the report which informed Members of the performance of the fund and its investments for the quarter ending 31 December 2015.

The Committee noted the following:

The fund is behind its benchmark for the last 12 months to the end of December 2015, the fund returned 2.9% and is behind the benchmark by 1.1%.

For this quarter 5 out of the 8 mandates matched or achieved returns above the benchmark. The fund performance lagged behind due to poor returns from GMO, Schroder and Investec.

The fund is still in line with its long term strategic equity asset allocation and the distribution of the fund's asset amongst the different asset classes is broadly in line with the strategic benchmark weight. An outline of the discussions may be summarised as follows:

The charts setting out the pension fund performance, returns in the last 3 years and management structure.

The Committee was advised that GMO had not performed as well as the other Fund Managers and that is why GMO are meeting with the Committee in order to provide additional information.

RESOLVED

1. That the report be noted.
2. That it be noted that Schroder is underperforming. Officers are instructed to arrange a meeting with the Fund Managers and report back at a future meeting.
3. The Committee noted that GMO are on a performance related fee. Officers are instructed to consider a similar arrangement with Schroder and report back at a future meeting.

7. EXCLUSION OF PRESS AND PUBLIC

The Chair moved and it was

RESOLVED

that press and public be excluded from this section of the meeting in 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 should be excluded from the remainder of the meeting for the consideration of Section Two business on the grounds that it contains information defined as exempt in Part 1, of Schedule 12A of the Local Government Act 1972, which relates to information which is commercially, legally or personally sensitive and should not be divulged to third parties.

6. 7.1 Restricted Pensions Committee Minutes

The minutes of the meeting held on 25 November 2015 were considered in closed session. **7.2 Update on Fixed Income Investment**

The Committee discussed this matter which involved commercially and legally sensitive information in closed session.

On the conclusion of this discussion, the Chair

RESOLVED

6.1 to end the closed session and returned to an open meeting.

7. 4. Presentation from Fund Managers - GMO

Mr Alex Bark and Mr Tommy Garvey of GMO presented a verbal report and provided the Committee with a presentation booklet on the London Borough of Tower Hamlets Pension Fund and Global all country allocation strategy.

They introduced themselves giving a background of their career and experience. Mr Bark is the lead on client relationship and business development in London and Mr Garvey is a member of GMO's Asset Allocation team.

GMO advised as follows:

GMO had not met the benchmark and that there had been issues which affected the performance of the fund.

Tower Hamlets portfolio has outperformed MSCI Value, but value has underperformed growth and also the set benchmark.

GMO continue to firmly believe that value wins over time and the best relative returns for investors have typically followed periods of underperformance. Tower Hamlets portfolio is positioned to benefit from such mean reversion.

GMO retains full conviction in its ability to deliver and Tower Hamlets performance-based fee structure means that you are paying a reduced fee until performance is brought back into positive territory.

Last year GMO :

- had a disaster with Valiant and a success with Amazon. We have learnt from our experience and now would not invest in such businesses.
- Was early into emerging markets and others in our peer group do not have as much exposure to emerging markets.

The 7-year global equity forecast is that the emerging markets will deliver 9 - 10 5 points? ahead of inflation. As value managers GMO prefers a predictable market.

GMO is unable to give a timescale for a turn-around but believe that, in the long run, value investment works and we will deliver in future. GMO believes that, as a partnership our interests are aligned with those of Tower Hamlets LGPS .

RESOLVED

1. That the presentation and booklet be noted.
2. That it be noted that GMO will continue to keep officers updated on performance.

8. EXCLUSION OF PRESS AND PUBLIC

The Chair moved and it was resolved that press and public be excluded from this section of the meeting in 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 should be excluded from the remainder of the meeting for the consideration of Section Two business on the grounds that it contains information defined as exempt in Part 1, of Schedule 12A of the Local Government Act 1972, which relates to information which is commercially, legally or personally sensitive and should not be divulged to third parties.

9. CLOSED MEETING

1. The Chair held a closed meeting to consider commercially, legally or personally sensitive matters.
2. On conclusion of discussions concerning the exempt minutes and the update on fixed income investment, the Chair resolved to end the closed session and returned to an open meeting.

10. EXEMPT MINUTES

- 10.1** The exempt minutes of the Pensions Committee held on 25 November 2015 was considered in a closed session since the matters were considered as commercially, legally or personally sensitive.
- 10.2** Amendments to the exempt minutes were received and noted.

11. UPDATE ON FIXED INCOME INVESTMENT – EXEMPT REPORT

This report was considered in closed session since the matters discussed were considered as commercially, legally or personally sensitive.

12. REPORTS FOR CONSIDERATION

12.1 QUARTERLY REPORT - KEY PENSION ADMINISTRATION PERFORMANCE INDICATORS: OCTOBER 2015 TO DECEMBER 2015

Mr Dodia, Pensions Manager, presented the report which provided the Committee with quarterly monitoring information on the performance of the pensions administration service relating to key performance indicators in the period October to December 2015.

RESOLVED

1. That the report be noted.
2. The Officers agreed to continue to keep the Committee updated by providing a quarterly report. The Officers were advised to review the format of the report in order to present a clearer analysis of the key performance indicators and to enable the Committee to assess the impact on members of the pension scheme.

12.2 THE PENSIONS REGULATOR CODE OF PRACTICE FOR PUBLIC SECTOR PENSIONS

Ms Tobun, Investment and Treasury Manager presented the report informing the Committee of the policy issued by the Pension Regulator concerning compliance and enforcement of its code of practice for the management of the public sector pension schemes. The report provided an analysis of the Tower Hamlets compliance checklist setting out the areas of full, partial or non-compliance and also highlighting actions being taken to improve current practices.

RESOLVED

1. That the report be noted.
2. That a pension working group is set up to review the areas of non-compliance.
3. Once the risk register is set up this will be a standing item on the agenda.

4. A dedicated website is required to resolve some of the non-compliance issues and if necessary instructed officers can consider alternative IT options.

12.3 TRAINING AND DEVELOPMENT POLICY AND CIPFA GUIDANCE

Ms Tobun, Investment and Treasury Manager presented the report informing the Committee on the updated training and development policy for the London Borough of Tower Hamlets Pension Fund, which now includes the new CIPFA guidance.

RESOLVED

1. That the report be noted.
2. The Committee approved the updated training and development policy.
3. The Committee acknowledged there was a need for Pension Committee and Pension Board members to attend the training. It was also acknowledged that it was important that Members are given sufficient notice of the training dates and that consideration is also given to their other meeting commitments.

12.4 PENSIONS COMMITTEE WORK PLAN FOR 2016/17

Ms Tobun, Investment and Treasury Manager presented the report outlining the work plan of the Council's statutory function as the administering authority of the London Borough of Tower Hamlets Pension Fund.

RESOLVED

1. That the report be noted.
2. The Committee approved the work plan for 2016/17.
3. It was agreed that going forward the work plan should incorporate additional standing items such as risk registers and compliance.

12.5 COUNCIL RESPONSES TO GOVERNMENT INVESTMENT REFORM CRITERIA & GUIDANCE AND THE CONSULTATION ON THE REFORMATION OF INVESTMENT REGULATIONS

Ms Tobun, Investment and Treasury Manager presented the report with information on the Government reform for investments, pooling investments and the criteria and guidance in relation to these. Tower Hamlets has been involved in the establishment of the London Collective Investment Vehicle (CIV) and is already participating in in a pooled vehicle. Detailed proposals for

pooling are required by 15 July 2016 and plans are being made to prepare a submission by this date.

RESOLVED

1. That the report be noted.
2. The Investment Reform Criteria and Guidance and a response to the proposals submitted 19 February be noted.
3. The consultation on Investment Regulations and a response to the proposals submitted 19 February be noted.

10.5 COLLABORATION WORK UPDATE – NATIONAL LGPS PROCUREMENT FRAMEWORK AND LONDON CIV

Ms Tobun, Investment and Treasury Manager presented the report with an update on the progress of the Collective Investment Vehicle and the National Local Government Pension Scheme (LGPS).

RESOLVED


1. That the report be noted.
2. The agreed to fund participation in the re-letting of the National LGPS Procurement Framework.
3. Noted the progress made of the National LGPS Procurement Framework for Actuaries and Benefits Consultancy Services, the Investment Consultancy Services and the implementation and fund launch of the CIV.
4. The Committee would like a presentation from the CIV fund management section.

11 ANY OTHER BUSINESS CONSIDERED TO BE URGENT

- 11.1** It was agreed that officers should provide the Committee with information or analysis on the likely impact of the European Referendum and also any available information of action plans of other Local Authorities.
- 11.2** It was agreed to circulate to the Pension Board members the decisions of the Pension Committee.

The meeting ended at 10.00 PM

Chair, Councillor Andrew Cregan
Pensions Committee

Non-Executive Report of the: Pensions Committee 30 th June 2016	 TOWER HAMLETS
Report of: Matthew Mannion, Committee Services Manager	Classification: Unrestricted
Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings	

Originating Officer(s)	Nishaat Ismail
Wards affected	All Wards

Summary

This report sets out the Terms of Reference, Membership and Quorum of the Pensions Committee for the Municipal Year 2015/16 for Members' information.

Recommendations:

The Pensions Committee is recommended to:

1. Note its Terms of Reference, Membership and Quorum as set out in Appendix A to this report.
2. Determine the preferred time at which the scheduled meetings will start

1. REASONS FOR THE DECISIONS

- 1.1 The report is brought annually to assist new and returning Members by informing them of the framework of the Committee set out in the Council's Constitution.

2. ALTERNATIVE OPTIONS

- 2.1 The report asks Members solely to confirm its constitutional arrangements and therefore they are not required to consider any alternative options.

3. DETAILS OF REPORT

Background

- 3.1 At the Annual Council Meeting on 18th May 2016, Members were appointed to the various Committees and Panels established for the new municipal year as set out in the Constitution.
- 3.2 The terms of reference for the Pensions Committee together with the appointed Membership and Quorum thereof are set out in Appendix A.

4. Membership

- 4.1 Council on 18th May 2016 agreed that the Membership of the Committee be set at 7 Members in line with the recommendations of the Constitutional Working Party adopted by Council in April 2010 to ensure the proportionality arrangements are upheld.
- 4.2 Council also agreed that one Admitted Body and one Trade Union representative be invited to join the Committee on a non-voting basis in line with the recommendations of the Constitutional Working Party. Officers will verbally update Members on the process for appointing to these positions at the meeting.

5. Programme of Meetings

- 5.1 The Council has agreed a programme of meetings for the municipal year. Meetings of the Pensions Committee are scheduled as follows:

30 June
22 September
7 December
16 March (2017)

5.2 The Constitution provides that, the meetings will take place at 7.30pm unless the Chair otherwise decides. The Chair and Pension Committee Members, in the past, have agreed the meetings will take place at 7.00pm in accordance with the programme of meetings for principal committees as this time is deemed to be more convenient for members and public. Additionally any meetings that fall during the holy month of Ramadan are scheduled to commence at 5.30pm. Members may wish to determine their own meeting time in the forthcoming municipal year and are permitted to offer their views to the Chair.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

There are no specific comments arising from the recommendations in the report.

7. LEGAL COMMENTS

Appendix A sets out the terms of reference and composition of the committee as set out in Paragraph 3.3.10 of the Council's Constitution. There are no immediate legal consequences arising from this report.

8. ONE TOWER HAMLETS CONSIDERATIONS

There are no specific equalities considerations arising from the recommendation in the report.

9. BEST VALUE (BV) IMPLICATIONS

There are no specific best value implications arising from the recommendations in the report.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

[Authors should explain how the proposals in the report will contribute to a sustainable environment and/or identify any environmental implications of the proposals and the action proposed to address these.]

11. RISK MANAGEMENT IMPLICATIONS

There are no specific risk management implications arising from the recommendations in the report.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

There are no specific crime and disorder reduction implications arising from the recommendations in the report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Terms of Reference and Membership

Local Government Act, 1972 Section 100D (As amended) List of “Background Papers” used in the preparation of this report

- NONE

Officer contact details for documents:

- N/A

APPENDIX A

PENSIONS COMMITTEE - TERMS OF REFERENCE

Terms of Reference:

- 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:


Members	Substitutes
7 Members of the Council	Up to three substitutes maybe appointed for each Member
Plus one representative of the Admitted Bodies and one Trade Union representative. The Admitted Body and Trade Union representatives will be non-voting members of the Committee.	

At the Annual General Meeting of the Council held on 18th May 2016 the following appointments were made to the Pensions Committee.

PENSIONS COMMITTEE (Seven members of the Council)		
<i>Labour Group (4)</i>	<i>Independent Group (3)</i>	<i>Conservative Group (0)</i>
Councillor Andrew Cregan (Chair) Councillor Clare Harrisson Councillor Md. Abdul Mukit Councillor Candida Ronald Deputies:- Councillor Marc Francis Councillor Ayas Miah Councillor Rajib Ahmed	Councillor Md Maium Miah Councillor Gulam Kibria Choudhury Deputies:-	Councillor Andrew Wood

The quorum of the Pensions Committee is three Members.

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Non-Executive Report of the: Pensions Committee 30 th June 2016	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
Investment Performance Review for Quarter End 31 March 2016	

Originating Officer(s)	Bola Tobun, Investment & Treasury Manager
Authorising Officer(s)	Neville Murton, Service Head of Finance & Procurement
Wards affected	All wards

Summary

This report informs Members of the performance of the Fund and its investment managers for the quarter ending 31 March 2016.

For the quarter, the Fund underperformed the benchmark by -0.4%, delivering a positive absolute return of 1.2% against benchmark return of 1.6%.

The Fund is behind its benchmark for the last twelve months to end of March 2016, the Fund returned -1.3%, and it's behind the benchmark by -2.4% as benchmark return was 1.1%.

For longer term performance the Fund also underperformed the benchmark by posting three year returns of 6.2% - below the benchmark return of 6.3% and posted five year returns of 6.3% marginally behind benchmark return of 6.6%.

For this quarter end, four out of the eight mandates matched or achieved returns above the benchmark. The Fund performance lagged behind the benchmark over the quarter due to poor returns from Baillie Gifford Global Equity and Diversified Growth Fund, Ruffer and GMO.

The Fund is still in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

Recommendations:

Members are recommended to note the contents of this report.

1. REASONS FOR THE DECISIONS

- 1.1 The report is written to inform committee members of the performance of pension fund managers and the overall performance of the Tower Hamlets Pension Fund.

2. ALTERNATIVE OPTIONS

- 2.1 The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Pension Fund.

3. DETAILS OF REPORT

- 3.1 The Pension Fund Regulations require that the Council establish arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.
- 3.2 Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and may recommend that investment managers are invited to explain further to the Pensions Committee.
- 3.3 This report informs Members of the performance of the Fund and its investment managers for the quarter 31 March 2016.

3.4 Baillie Gifford & Co

- 3.4.1 Baillie Gifford manages two distinct mandates; global equity mandate and diversified growth fund mandate. The global equity fund had a value of £118.9m at the start of the mandate in July 2007. The market value of the assets as of 31 March 2016 was £209.9m. The performance target for this mandate is +2% to 3% above the benchmark MSCI AC World Index gross of fees over a rolling 3-5 year periods.
- 3.4.2 The diversified growth fund (DGF) mandate was opened in February 2011 with contract value of £40m. £6.409m was added to this portfolio during the month of June 2015. The market value of assets as at 31 March 2016 was £56.4m. The performance target for this mandate is to outperform the benchmark (UK base rate) net of fees over rolling 5 years with annual volatility of less than 10%.
- 3.4.3 **London Common Investment Vehicle (LCIV)** – The fund transferred the DGF mandate to LCIV during the month of February, value of assets on transition date, which was February, 15th 2016 was £54.177m.

3.5 GMO

- 3.5.1 GMO manages a Global Equity Mandate, the initial value of assets taken on at the commencement (29 April 2005) of the contract was £201.8m. On 25 November 2014, £20.8m was redeemed from the portfolio; further £10.674 was redeemed from the portfolio on 29 May 2015 in order to keep the strategic asset allocation weight in line with the investment policy. The portfolio had a market value of £247.3m at 31 March 2016.
- 3.5.2 The performance target is to outperform a balanced global equity benchmark by 1.5% per annum net of fees over a rolling three year period.

3.6 Investec Asset Management

- 3.6.1 Investec manages a Global Bond Mandate – the portfolio was redeemed 22nd December 2016 at market value of £98.7m. The initial value of the assets taken on at the commencement (26 April 2010) of the contract was £97m.
- 3.6.2 The performance target is to outperform the benchmark (3 Month LIBOR) by 2.0% per annum net of fees over a rolling three year period.

3.7 Legal & General Investment Management

- 3.7.1 Legal & General was appointed (2 August 2010) to manage passively UK Equity and UK Index-Linked Mandates, which at 31 March 2016 had a market value of £217.5m, and the UK Index linked portfolio was £60.7m. The value of the equity portfolio taken on at the commencement of the contract was £204.7m.
- 3.7.2 The performance target is to track the FTSE All Share index for the UK Equity mandate and FTSE A Gov Index-Linked > 5 years benchmark for the UK Index-Linked Mandates.

3.8 Ruffer Investment Management

- 3.8.1 Ruffer manages an Absolute Return Fund; the value of this contract on the 28 February 2011 was £40m. £6.474m was added to this portfolio on 02 June 2015. The value of assets under management as of 31 March 2016 was £54.6m.
- 3.8.2 Their overall objective is firstly to preserve the capital over rolling 12 month periods and secondly to grow portfolio at a higher rate after fees than could reasonably be expected from the alternative of depositing the cash value of the portfolio in a reputable UK bank.

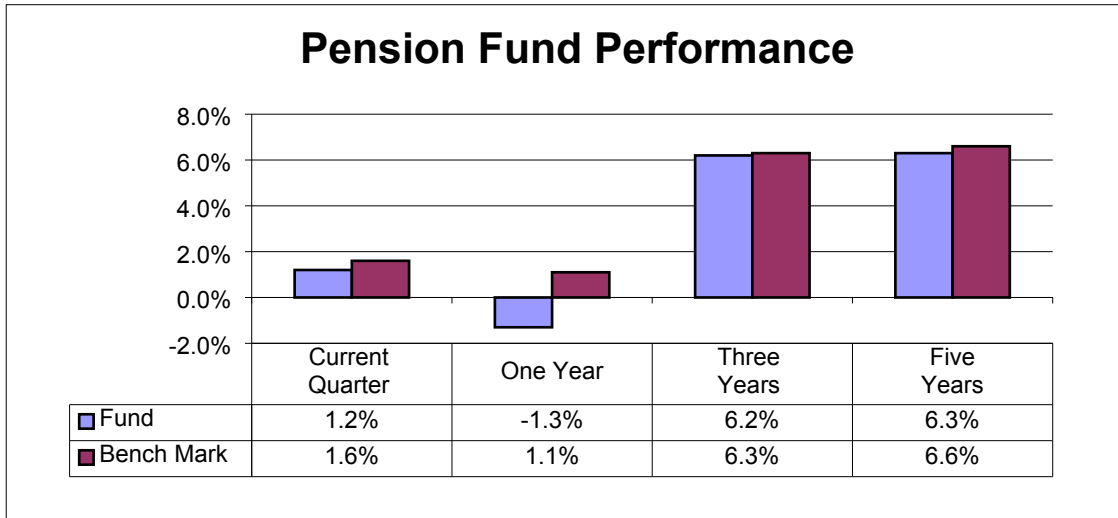
3.9 Schroder's Investment Management

- 3.9.1 Schroder manages a property mandate. The value of this mandate on 20 September 2004 was £90m. The market value of assets at 31 March 2016 was £135.4m.
- 3.9.2 The performance target for this mandate is to outperform the IPD UK Pooled Property Fund Indices All Balanced Funds Median by 0.75% net of fees over a rolling three year period.

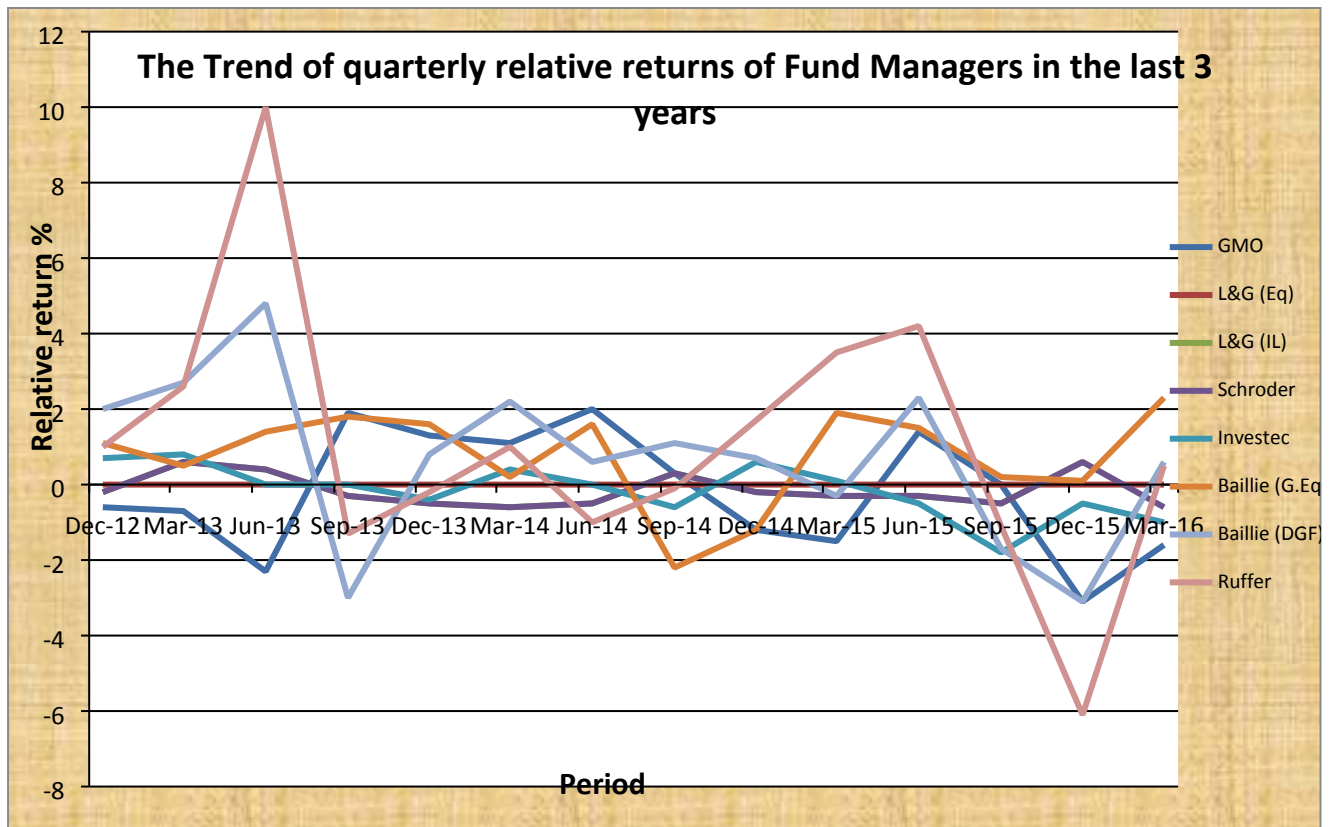
3.10. INVESTMENT PERFORMANCE

- 3.10.1 The Fund's overall value appreciated by £12.4m from £1,117.6m as of 31 December 2015 to £1,130.1m as of 31 March 2016.
- 3.10.2 The fund underperformed the benchmark this quarter with a return of 1.2% compared to the benchmark return of 1.6%. The twelve month period sees the fund underperforming the benchmark by 2.4%.
- 3.10.3 The performance of the fund over the longer term is as set out in the chart below.

Table 1 – Pension Fund Performance



3.10.4 The graph below demonstrates the volatility and cyclical nature of financial markets, but the outcomes are within the range of expectations used by the Fund actuary in assessing the funding position. The Fund can take a long term perspective on investment issues principally because a high proportion of its pension liabilities are up to sixty years in the future.



3.11 MANAGERS

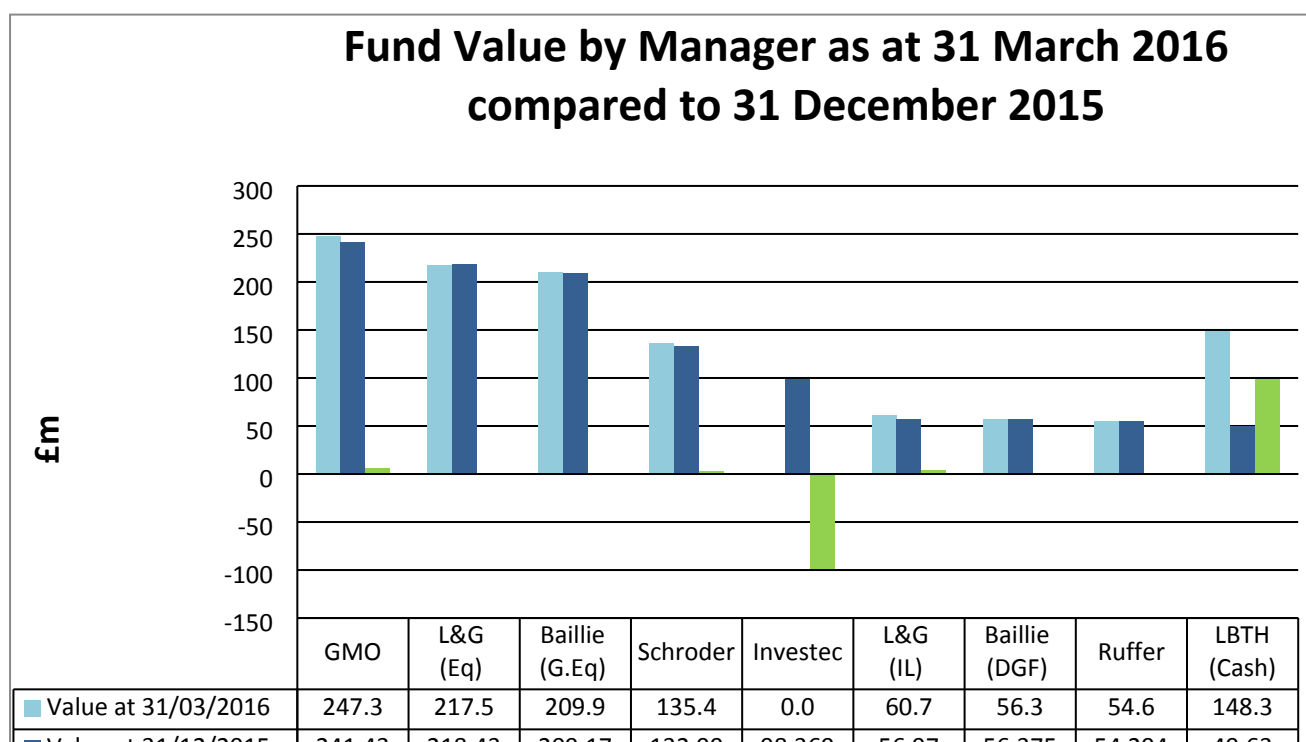
3.11.1 The Fund employs six specialist managers with eight mandates. The managers, mandate and funds held under management are set out below:

Table 2: Management Structure

Manager	Mandate	Value £M	Weight Target of FM AUM %	Actual Weight of FM AUM %	Over/(Under) Weight Target %	Date Appointed
GMO	Global Equity	247.3	22.0%	21.8%	(0.2%)	29 Apr 2005
Baillie Gifford	Global Equity	209.9	18.0%	18.6%	0.6%	5 Jul 2007
L & G UK Equity	UK Equity	217.5	20.0%	19.2%	(0.8%)	2 Aug 2010
Baillie Gifford Diversified Growth	Absolute Return	56.3	5.0%	5.0%	0.0%	22 Feb 2011
Ruffer Total Return Fund	Absolute Return	54.6	5.0%	4.8%	(0.2%)	8 Mar 2011
L & G Index Linked- Gilts	UK Index Linked	60.7	3.0%	5.4%	2.4%	2 Aug 2010
Investec Bonds	Bonds	0.0	15.0%	0.0%	(15.0%)	26 Apr 2010
Schroder	Property	135.4	12.0%	12.0%	(0.0%)	30 Sep 2004
Cash	Internal cash management	148.3	0.0%	13.2%	13.2%	
Total		1,130.1	100.0%	100.0%	0.00%	

3.11.2 The Fund was valued at £1,130.1million as at 31 March 2016. This includes cash held and being managed internally (LBTH Treasury Management), this stands at 13.2% of the total assets value. This was cash awaiting investment with new absolute return bond strategy manager as the Investec Bond mandate was terminated and redemption proceeds were received on 22nd March 2016.

3.11.3 Market performance for the quarter is illustrated below by depicting the fund value by manager for this reporting quarter compared to the last quarter.



3.11.4 The performance, gross of fees of the individual managers relative to the appropriate benchmarks over the past five years is as set out in table 3.

Table 3: Manager Investment Performance relative to benchmark

Manager	Current Quarter	One Year	Three Years	Five Years
GMO Global Equities	-0.40%	-5.20%	-0.10%	-0.90%
L & G UK Equity	0.00%	0.00%	0.00%	0.00%
Baillie Gifford Global Equities	-2.60%	0.00%	1.60%	1.50%
LBTH (Cash Management)	0.20%	0.60%	0.50%	N/A
Schroder	0.70%	0.20%	-0.80%	-0.60%
L & G Index Linked-Gilts	0.00%	0.00%	0.00%	0.00%
Baillie Gifford Diversified Growth	-1.00%	-5.00%	-1.30%	0.40%
Ruffer Total Return Fund	-0.10%	-6.70%	-0.40%	1.40%
Investec Bonds	-1.00%	-3.90%	-2.10%	-2.40%
Total Variance (Relative)	-0.50%	-2.40%	-0.20%	-0.30%

3.12 GMO - The portfolio underperformed the benchmark by posting a positive return of 2.5% against a target return of 2.9% over the quarter

3.12 The Fund's overweight to European value stocks, accounting for approximately a quarter of the Fund's exposure, marginally detracted from returns, although this was partly offset by stock selection within the region. Exposure to US high quality stocks in the Fund added to returns. Stock selection again proved beneficial, with UnitedHealth Group and Phillip Morris International, a tobacco firm, amongst the most significant contributors.

3.13 An overweight to Japanese stocks, particularly in the value space, detracted from relative returns with financial services firms Sumitomo Mitsui and Mitsubishi UFJ underperforming against a weaker Japanese economic backdrop.

3.14 **Baillie Gifford** – the portfolio performed discouragingly by delivering a return of just 0.3% compared to benchmark return of 2.9% over the quarter, resulting in relative underperformance of 2.6%. The portfolio is relatively concentrated and seeks to generate strong absolute returns over the long-term through the use of an unconstrained bottom-up approach. Although the portfolio matched the benchmark for one year to reporting period and ahead of the benchmark over 3 years and 5 years.

3.14.1 The negative market sentiment led to a period of underperformance for some of the higher growth stocks in the portfolio such as the internet companies, Amazon (last quarter's top performer), and TripAdvisor, where the market is concerned about their heavy near-term investment, as well as the innovative biotech firms, Myriad Genetics, Seattle Genetics, and Alnylam Pharmaceuticals, whose share prices were affected by the broader sell-off of biotech stocks.

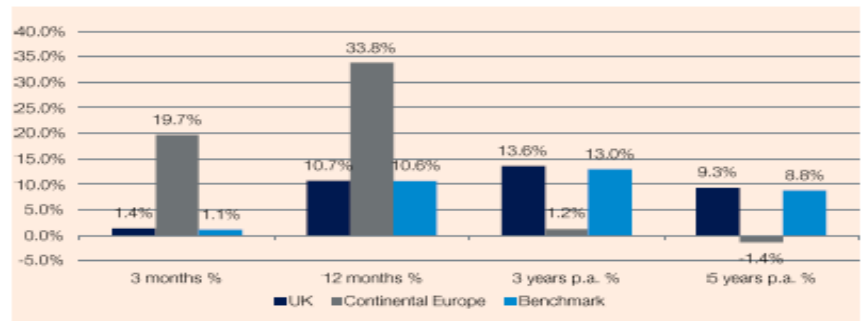
- 3.14.2 Other significant detractors included the Fund's largest holding, Royal Caribbean Cruises, and Prudential. On the other hand, stocks from a range of regions and industries contributed positively to performance, including TSMC, the Taiwanese semi-conductor manufacturer, BM&F Bovespa, the Brazilian securities exchange and Fairfax Financial, the Canadian insurance and investment firm.
- 3.15 **Legal & General - L & G (UK Equity)** – The portfolio returned -0.4% matching the index return over the quarter.
- 3.15.1 Global equity market returns were broadly flat for the first quarter of the year. However, the period was characterised by a continuation of the volatility that had been present for much of the second half of 2015. January and February saw markets falling as they reacted to renewed fears over the health of the Chinese economy and investors grew increasingly worried about the implications for global growth. Strong US jobs data and a stabilisation in commodity prices led to a sharp improvement in sentiment mid-February and a recovery in equity prices for the rest of the quarter.
- 3.15.2 The FTSE 100's heavy weighting in energy and mining companies served the index well, with the strong rebound in commodity prices in the second half of the quarter leading the UK stock market to deliver slightly positive returns overall. However, smaller companies saw their strong run of recent years fade, with investors seeking the relative stability of larger, more defensive companies.
- 3.16 **L & G Index Linked Gilts** – The portfolio returned 6.5% matching the index return over the quarter.
- 3.16.1 Federal Reserve Chair Janet Yellen sounded a much less positive tone than she had in December, stating that it was important to be cautious when considering the trajectory of future interest rate rises. In particular she cited concerns over the potential impact of the slowing pace of growth in emerging markets. In response, the market pushed back expectations of future rate hikes, with only two US interest rate rises now expected in 2016.
- 3.16.2 The Bank of England kept the UK's rates at historic lows, while the European Central Bank and Bank of Japan both extended their asset purchase schemes and cut interest rates to negative levels in a bid to encourage banks to lend more to the real economy. In combination with the cautious comments from the Federal Reserve, this sent government bond yields to historically low levels across the board.
- 3.16.3 With oil prices rebounding strongly from their lows and other commodity prices also rising on balance, inflation-linked government assets performed well and outperformed conventional gilts, particularly in late February and early March as the rise in commodity prices gathered pace. This reversed a trend of index-linked gilts generally underperforming conventional gilts in prior quarters.
- 3.17 **Investec (Bonds)** – The portfolio underperformed the cash benchmark in the period reporting period up until 17 February 2016, at which point the mandate

was terminated and the proceeds transferred to the Pension Fund's bank account 22nd March 2016.

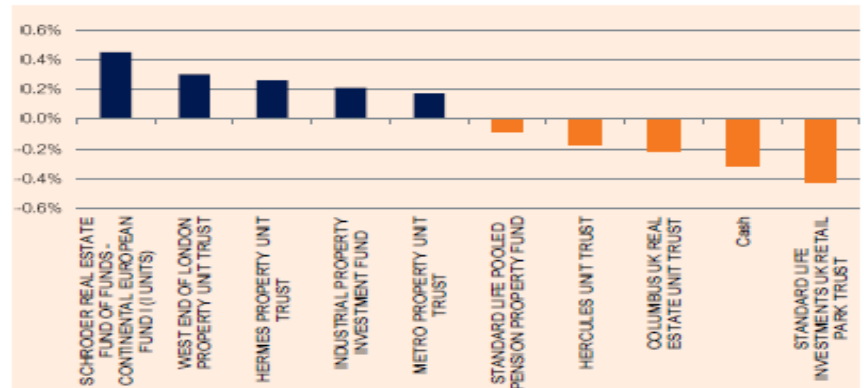
3.18 Schroder (Property) – The portfolio outperformed the benchmark over the quarter by 0.7%, the benchmark delivered 1.1% and the portfolio delivered a return of 1.8%. Relative return has improved twelve months to 31 March 2016, by 0.2%, whilst over the longer term; performance is below the benchmark by - 0.8% per annum and -0.6% per annum over three years and five years periods. The UK portfolio has outperformed the benchmark over all time periods.

3.18.1 Please see below graphs which show the performance in detail.

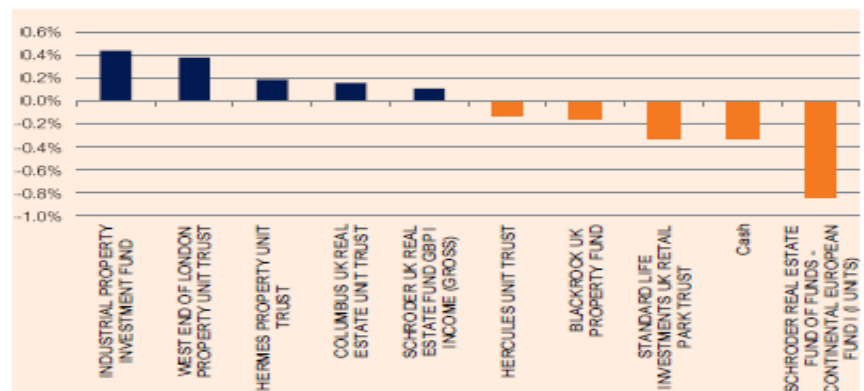
Total return by region
Periods to end 31 Mar 2016



Total return attribution relative to benchmark top & bottom five contributors
12 months to 31 Mar 2016



Total return attribution relative to benchmark top & bottom five contributors
3 years to 31 Mar 2016



3.18.2 At sector level, industrial and regional office holdings have made the strongest contribution to returns. Continental European Fund 1 (CEF 1) made the

strongest contribution to returns over the quarter, in part due to currency appreciation.

3.18.3 Over one year performance was 0.2% per annum ahead of the benchmark. Core funds and continental European holdings both made positive contributions to returns, whilst values add funds and cash have been dilutive to performance as at the end of March 2016.

3.19 **Baillie Gifford Diversified Growth Fund** generated zero return for the quarter underperformed the benchmark of 1.0% by -1.0%.

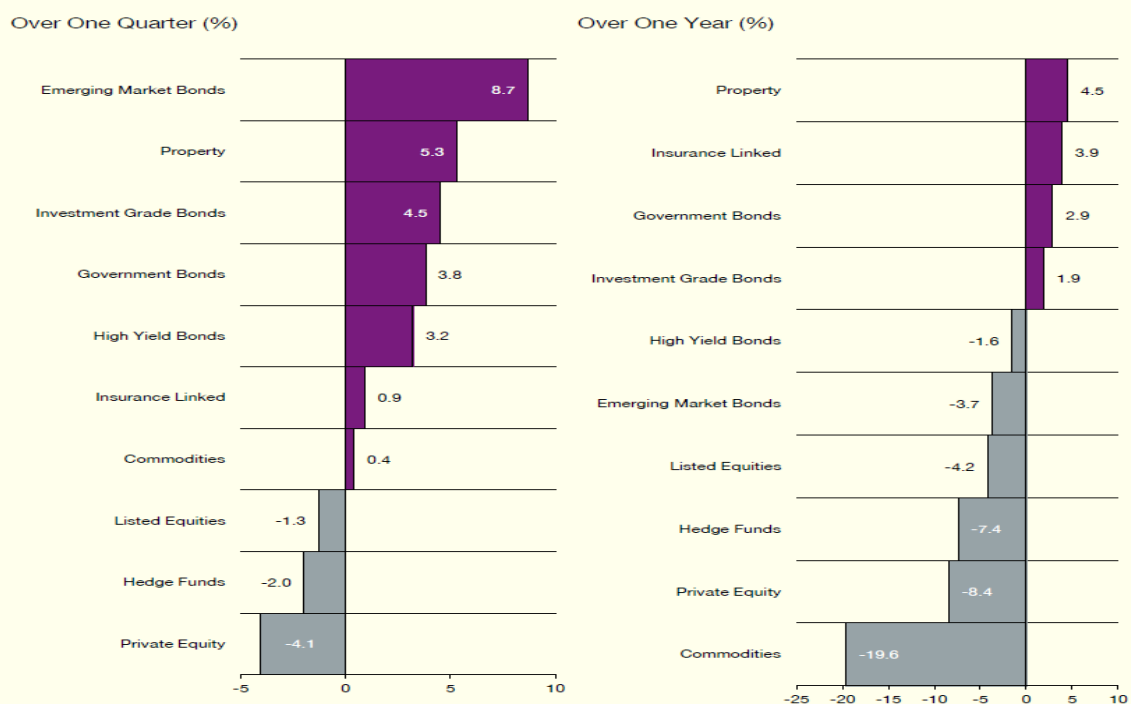
3.19.1 The Emerging market bonds and commodities were two of the main positive contributors to the Fund's performance. This represented a reversal in fortunes for both asset classes.

3.19.2 Over the past 12 months the greatest positive contributors were listed equities, emerging market bonds and absolute return.

3.19.3 The fund is down over the last 12 months, although by less than the falls seen in equity markets. Baillie Gifford added to their Japanese equity exposure during the quarter, believing that recent market falls and further stimulus from the Bank of Japan had helped to improve return prospects. However, Japanese equities fell sharply over the quarter and this detracted from performance.

3.19.4 European equities and active currency also impacted negatively on performance. Emerging market bonds and commodities rallied during the quarter, contributing positively to performance, recovering some of the falls experienced over the past year.

The charts below show the index return of a variety of asset classes over the quarter and 12 months.



3.20 **Ruffer Total Return Fund (Absolute Return)** – The portfolio posted benchmark return of 0.6% over the quarter. The fund held up well during this

quarter's turbulent equity markets, improving on previous losses in times of market volatility.

- 3.20.1 The 12 month returns of -4.2% reflects the significantly weak return of later part of 2015.
- 3.20.2 The portfolio's allocations to UK index-linked bonds and Gold stocks were the main contributors to relative returns within the fund over the quarter. Equities fell sharply in January and as a result demand for the defensive qualities of index-linked securities increased which drove prices upwards.
- 3.20.3 The price of gold also rose by 16% due to the increased demand and the US dollar depreciating. Exposure to Sony stocks also contributed to performance as stock prices rose upwards of 10% over the quarter on the back of speculation that they may be manufacturing a new games console.
- 3.20.4 However, returns were negatively impacted by falling rates found in Japan, where the introduction of a negative interest rate on marginal deposits held with the Bank of Japan hurt the share price of financial companies, in particular Mitsubishi UFJ and Mizuho Financial. The fund was positioned for a weakening yen, but the Bank of Japan's actions had the opposite effect and the yen strengthened, further detracting from the fund's performance.

3.21 Internal Cash Management

- 3.21.1 Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by LBTH to meet working cash flows requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.
- 3.21.2 The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2015, which is delegated to the Corporate Director of Resources to manage on a day to day basis within set parameters.
- 3.21.3 The cash balance as at 31 March 2016, was £148.3m. This constitutes working cash inflow and outflow of £9.6m, £98.7m redemption proceeds from Investec mandate and £40m cash awaiting investment funding of new fixed income mandates. Goldman Sachs asset management is one of the new fund managers and £75m has been transferred to fund this account.
- 3.21.4 Members will continue to be updated quarterly of the Pension Fund in house cash investment strategy. Security of the Fund's cash remains the overriding priority, ahead of yield.

3.22 ASSET ALLOCATION

- 3.22.1 The original allocation of investments between the different asset classes was determined in conjunction with the Council's professional advisors in 2004 and is subject to periodic review by the Pensions Committee – the latest review was carried out in January 2014.

Asset allocation is determined by a number of factors including:-

- The risk profile. Generally there is a trade-off between the returns obtainable on investments and the level of risk. Equities have higher potential returns but this is achieved with higher volatility. However, as the Fund remains open to new members and able to tolerate this it can seek long term benefits of the increased returns.
- The age profile of the Fund. The younger the members of the Fund, the longer the period before pensions become payable and investments have to be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.
- The deficit recovery term. Most LGPS funds are in deficit because of falling investment returns and increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. The actuary has set a twenty year deficit recovery term for this Council which enables a longer term investment perspective to be taken.

3.22.2 Allocations are therefore considered to be broadly in line with the benchmark. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months

3.22.3 The benchmark asset distribution and the fund position at 31 March 2016 are set out below:

Table 4: Asset Allocation

Asset Class	Benchmark	Fund Position as at 31 March 2016	Variance as at 31 March 2016
UK Equities	24.0%	19.2%	(4.8)%
Global Equities	37.0%	40.4%	2.6%
Total Equities	61.0%	59.6%	(1.4)%
Property	12.0%	12.0%	0.0%
Bonds	14.0%	0%	0.0%
UK Index Linked	3.0%	5.4%	2.4%
Alternatives	10.0%	9.8%	(0.2)%
Cash	0.0%	13.2%	13.2%
Currency	0.0%	0.0%	0.0%
Total Equities	100.0%	100.0%	

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The comments of the Corporate Director Resources are incorporated in the report

5. LEGAL COMMENTS

5.1 Regulation 11(3) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 requires the Council, as an

administering authority, to invest fund money that is not needed immediately to make payments from the Pensions Fund. Regulation 11(1) requires the Council to have a policy in relation to its investments. The investment policy should cover the following matters:

- (a) the advisability of investing money in a wide variety of investments; and
- (b) the suitability of particular investments and types of investments. The Council is also required to have a Statement of Investment Principles in accordance with regulation 12 (1) which cover the following matters:
 - (a) the types of investment to be held;
 - (b) the balance between different types of investments;
 - (c) risk, including the ways in which risks are to be measured and managed;
 - (d) the expected return on investments;
 - (e) the realisation of investments;
 - (f) the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments;
 - (g) the exercise of the rights (including voting rights) attaching to investments, if the authority has any such policy; and
 - (h) stock lending.

- 5.2 The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.
- 5.3 The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.
- 5.4 One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.
- 5.5 When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.
- 6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 This report helps in addressing value for money through benchmarking the Council's performance against the WM Local Authority Universe of Funds.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 Any form of investment inevitably involves a degree of risk.
- 9.2 To minimise risk the Investment Panel attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

- Appendix 1 - WM Quarterly Performance Review

Local Government Act, 1972 Section 100D (As amended)

List of "Background Papers" used in the preparation of this report

Investment Managers Quarterly reports (Investec, GMO, Schroder, Baillie Gifford, LGIM and Ruffer) and WM Quarterly Performance Review. (To be email if required)

Officer contact details for documents:

- Bola Tobun Investment & Treasury Manager x4733

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Quarterly Performance Service

**LONDON BOROUGH OF TOWER
HAMLETS - TOTAL COMBINED
QUARTERLY PERFORMANCE REVIEW**

PERIODS TO END MARCH 2016

Produced 28 April 2016

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LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

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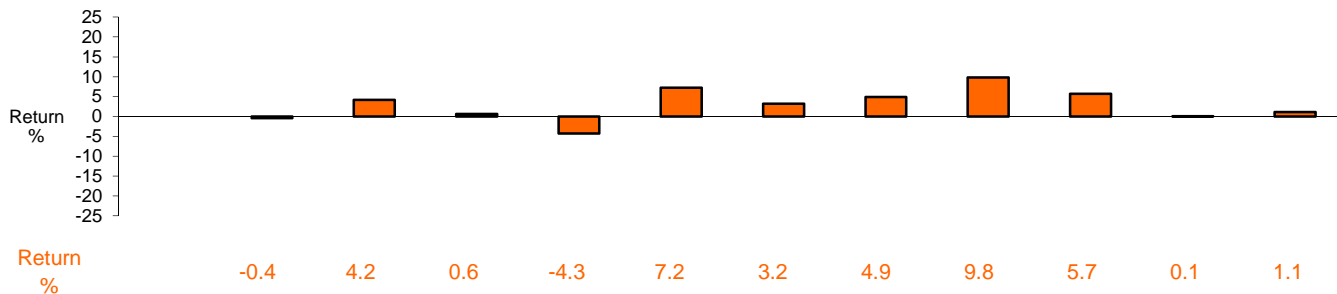
Market Background

Periods to end March 2016
 Pound Sterling

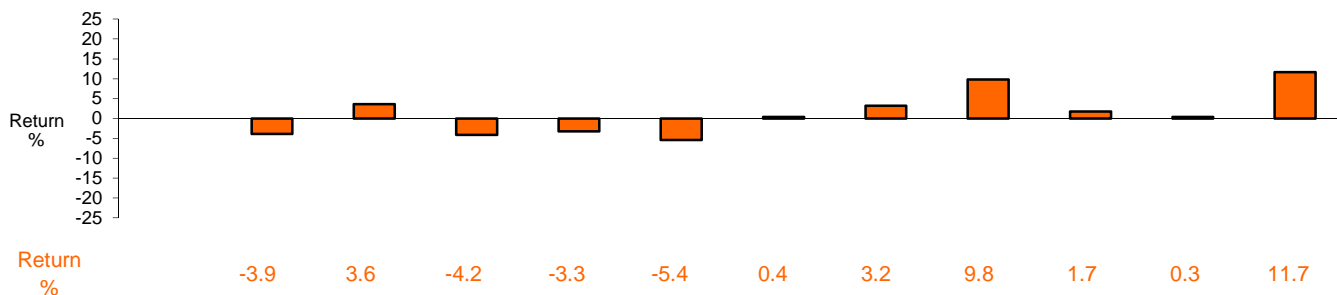
This page details the performance of the major markets.

	UK Equities	N. America	Europe ex UK	Japan	Pacific	Other Intl.	UK Bonds	O/S Bonds	UK IL	Cash/ Alts	Property
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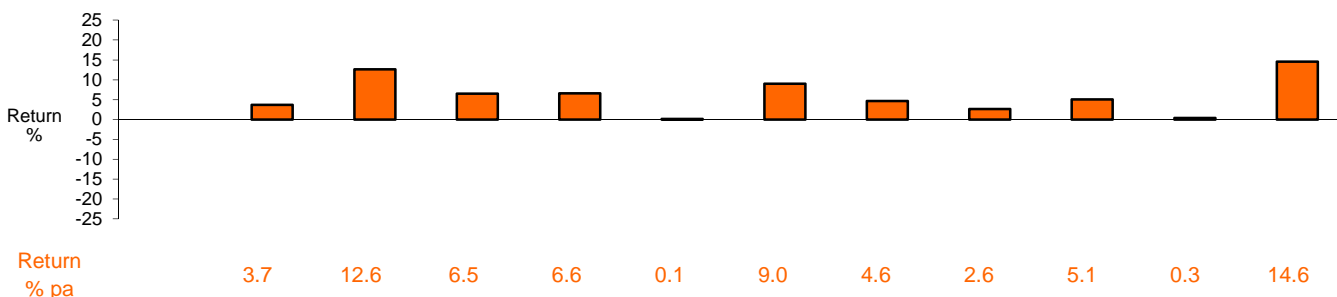
Latest Quarter



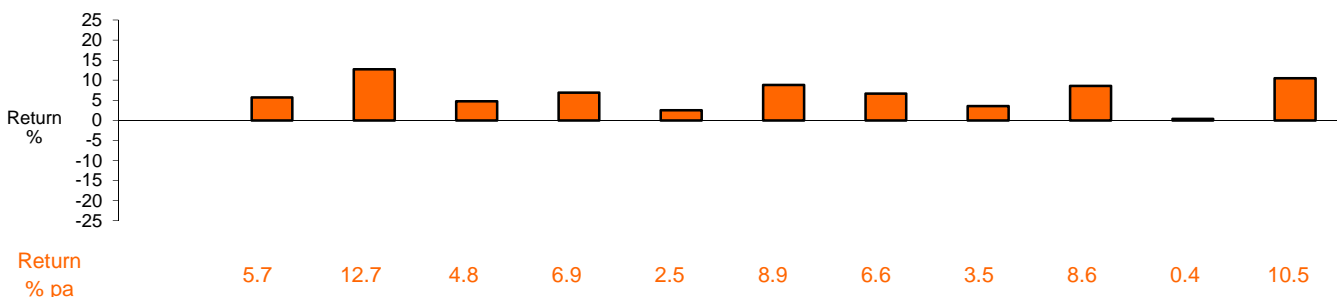
Last 12 Months



Last Three Years



Last Five Years



Index Used	FT All Share	FTSE WORLD N	FTSE WORLD E	FT Japan	FT Pac x Jap	FT Wld x UK	UK Gilts AS	JPM Glb x UK	I/L Gilts AS	7 Day LIBID	IPD Monthly
------------	--------------	--------------	--------------	----------	--------------	-------------	-------------	--------------	--------------	-------------	-------------

Fund Structure and Benchmarks

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

Structure

The Fund is managed on a specialist basis with GMO and Baillie Gifford managing the Global Equities on an active basis. UK equities and UK Index-Linked are passively managed by L&G. Investec manage an absolute return pooled bond fund and Schroders are the property manager. During February 2011, Baillie Gifford and Ruffer were appointed to manage Diversified Growth Funds. From 1/4/14 all manager returns are net of management fees.

Benchmark

The Fund's performance is analysed relative to customised benchmarks, the weighting and relevant indices are shown below.

On a quarterly basis the Fund will be measured against its Customised Benchmark. On an annual basis there is secondary analysis undertaken relative to the WM Local Authority Universe.

The fund structure and benchmarks are noted below.

	L&G	GMO	Baillie Gifford	Benchmark Indices
Global Equities		100	100.0	MSCI AC World GDR
UK Equities	100.0			FTSE All Share
% Allocation	20.0	23.0	18.0	

	L&G	Investec	Schroders	Baillie Gifford	Ruffer	Total Combined	Benchmark Indices
Global Equities						41.0	MSCI AC World GDR
UK Equities						20.0	FTSE All Share
Pooled Bonds		100.0				14.0	LIBOR 3 Month 2%
UK Index Linked	100.0					3.0	FTSE A Gov Index-Linked > 5 yrs
Property			100.0			12.00	HSBC/IPD Pooled All
Diversified Growth				100.0	100.0	10.0	Balanced Funds Average
% Allocation	3.0	14.0	12.0	5.0	5.0	100.0	50% Base Rate 3.5%/ 50% 3 Month LIBOR +2%

Targets

GMO: +1.5% p.a. net of fees over a rolling 3 year period.

Baillie Gifford Global Equity: + 2 - 3 % p.a. gross of fees over a rolling 3 year period.

Schroders: +0.75% p.a. net of fees over a rolling 3 year period.

Baillie Gifford Diversified Growth: 3.5% p.a. above the UK Base Rate (after fees).

Investec: 3 Month LIBOR +2% p.a.

Ruffer: Overall objective is firstly to preserve the capital over rolling twelve month periods, and secondly to grow the Portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing the cash value of the Portfolio in a reputable UK bank.

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Performance Summary

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

Category - TOTAL ASSETS

This page summarises the overall value and performance of the Fund.

Fund Value

Values (GBP)'000	Mandate	Value at 31/12/2015	Transactions	Capital Gain / loss	Income	Value at 31/03/2016	% Fund
GMO	Eq Gbl	241,426	875	4,956	1,158	247,257	22
L & G	Eq UK	218,430	0	-893	-26	217,537	19
BAILLIE GIFF	Eq Gbl	209,172	119	597	119	209,888	19
INT MGD	Cash	49,630	98,712	0	193	148,342	13
SCHRODERS	Prop UK	132,989	946	1,487	948	135,422	12
L & G	Bd UK I/L	56,970	0	3,703	-13	60,673	5
BAILLIE GIFF	Structured	56,375	21	-53	61	56,344	5
RUFFER	Absolute	54,294	0	313	0	54,607	5
INVESTEC	Bd Gbl	98,369	-98,747	377	-65	0	0
Total Fund		1,117,657	1,928	10,486	2,374	1,130,070	100

The table shows the value of each Portfolio at the start and end of the period.

The change in value over the period is a combination of the net money flows into or out of each Portfolio and any gain or loss on the capital value of the investments.

Performance Summary

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

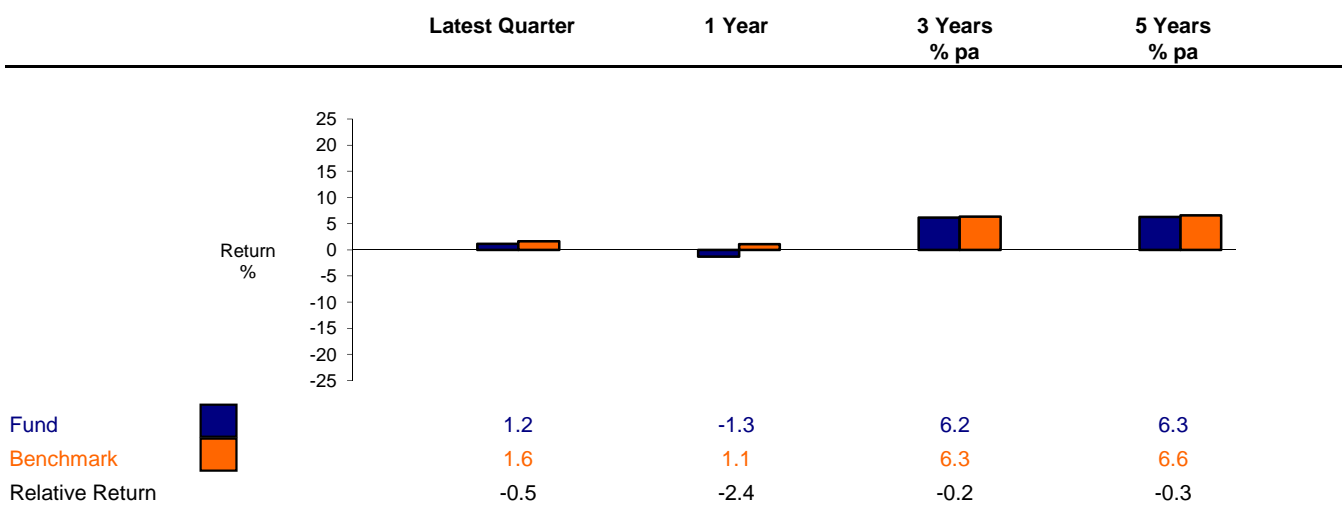
Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

Category - TOTAL ASSETS

This page summarises the overall value and performance of the Fund.

Fund Returns



The graphs show the performance of the Fund and Benchmark over the latest period and longer term.

The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods

= Data not available for the full period

Detailed Analysis of the Latest Quarter Performance

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

Category - TOTAL ASSETS

This page analyses in detail the Fund performance over the latest period.

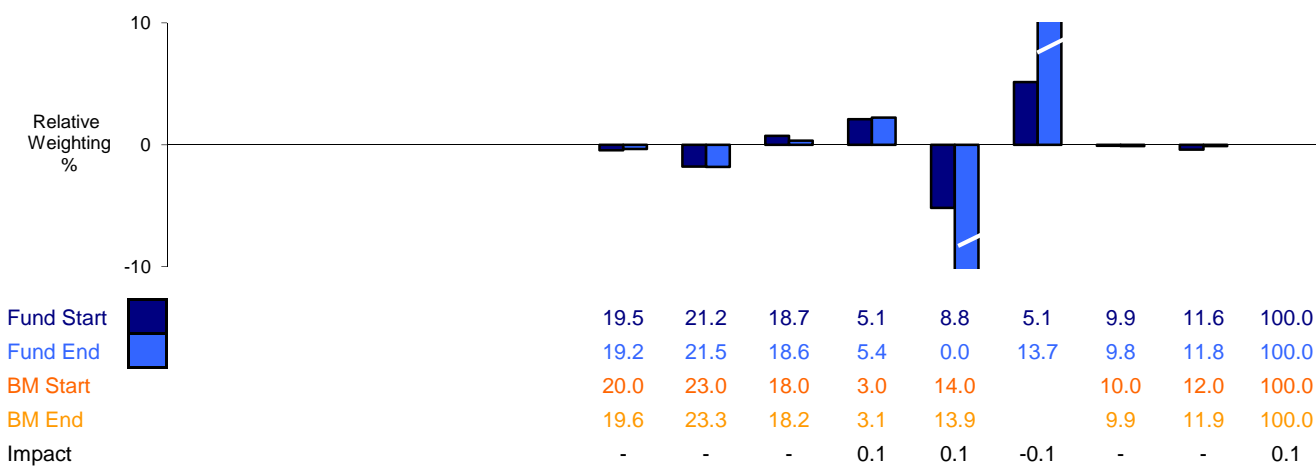
Summary

Fund Return	1.2
Benchmark Return	1.6
Relative Performance	-0.5
attributable to:	
Asset Allocation	0.1
Stock Selection	-0.5

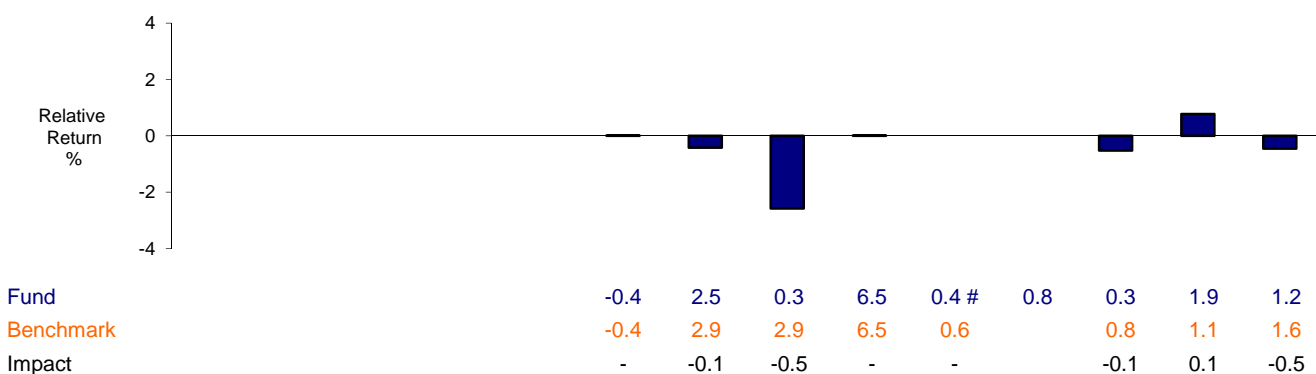
The relative performance can be attributed to the effects of stock selection and asset allocation as detailed below:

UK Equities	O/S Equities	Global Eq	UK IL	Pooled Bonds	Cash	Alternatives	Property	Total Fund
-------------	--------------	-----------	-------	--------------	------	--------------	----------	------------

Asset Allocation



Stock Selection



An asset allocation decision will have a positive impact if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely, a positive benefit would be derived from having a relatively low exposure to an area that has performed poorly.

Stock selection will have a positive impact if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Long Term Performance Analysis

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

Category - TOTAL ASSETS

This page looks in more detail at the long term performance, plotting it relative to the Benchmark.

	2013			2014				2015				2016	1yr	3yrs	5yrs
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa
Fund Returns															
Fund	0.0	2.9	4.0	1.3	1.8	1.2	2.8	5.5	-2.4	-4.0	4.2	1.2	-1.3	6.2	6.3
Benchmark	-0.2	2.5	3.6	0.7	2.1	1.5	2.7	4.7	-1.9	-2.9	4.5	1.6	1.1	6.3	6.6
Relative	0.2	0.4	0.4	0.6	-0.3	-0.3	0.1	0.9	-0.5	-1.1	-0.3	-0.5	-2.4	-0.2	-0.3

The relative performance can be attributed to the effects of asset allocation and stock selection as detailed below:

Asset Allocation															
Impact	-0.3	-0.1	-	-	-	-	0.1	0.1	-0.2	0.1	-0.3	0.1	-0.3	-0.2	-0.1
Stock Selection															
Impact	0.5	0.5	0.4	0.6	-0.3	-0.3	-	0.8	-0.3	-1.2	-	-0.5	-2.1	-	-0.2

An asset allocation decision will be positive if a Fund is invested more heavily than its Benchmark in an area that has performed well.

Conversely a positive benefit would be derived from investing less heavily in an area that has performed poorly.

Stock selection will be positive if the Fund has outperformed the Benchmark in a particular area.

The impact of both asset allocation and stock selection is weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Long Term Asset Allocation

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

This page looks in more detail at asset allocation decisions, plotting the Fund's exposure at the end of each period relative to the Benchmark and detailing the impact on the total fund performance.

	2013			2014				2015				2016	1yr	3yrs	5yrs
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa
U.K. EQUITIES															
Relative Weight %															
Fund	22.8	23.4	23.9	23.0	23.1	22.6	20.0	19.8	20.0	19.6	19.6	19.2			
Benchmark	22.5	22.5	22.5	22.5	22.5	22.5	22.5	20.0	20.0	20.0	20.0	20.0			
Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OVERSEAS EQUITIES															
Relative Weight %															
Fund	22.4	22.7	22.8	23.1	23.4	23.0	23.0	23.7	22.0	20.9	21.2	21.5			
Benchmark	22.5	22.5	22.5	22.5	22.5	22.5	22.5	23.0	23.0	23.0	23.0	23.0			
Impact	-	-	-	-	-	-	0.1	-	-	0.1	-0.1	-	-	-	-
GLOBAL POOLED INC UK															
Relative Weight %															
Fund	17.8	17.8	18.0	18.0	17.7	17.8	18.4	19.1	18.0	17.7	18.7	18.6			
Benchmark	16.0	16.0	16.0	16.0	16.0	16.0	16.0	18.0	18.0	18.0	18.0	18.0			
Impact	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
TOTAL BONDS PLUS INDEX-LINKED															
Relative Weight %															
Fund	15.6	15.1	14.5	14.4	14.2	14.4	14.5	13.9	14.0	14.7	13.9	5.4			
Benchmark	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0			
Impact	-0.2	-	-	0.1	-	0.1	0.2	0.2	-0.2	-0.1	-	0.2	-	0.1	0.2
U.K. INDEX - LINKED															
Relative Weight %															
Fund	5.1	5.0	4.8	4.8	4.8	5.0	5.3	5.2	5.2	5.5	5.1	5.4			
Benchmark	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0			
Impact	-0.2	-	-0.1	-	-	0.1	0.1	-	-	0.1	-0.2	0.1	-	-	-
POOLED BONDS															
Relative Weight %															
Fund	10.4	10.1	9.8	9.6	9.4	9.4	9.2	8.7	8.8	9.2	8.8	0.0			
Benchmark	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0			
Impact	-	0.1	0.1	-	0.1	-	0.1	0.2	-0.1	-0.2	0.2	0.1	-	0.2	0.1

For each area of investment the initial weighting for the Fund and the Benchmark is shown and the difference plotted.

The impact will be positive when the Fund is overweight in an area that has outperformed or vice versa.

- indicates a value less than 0.05 and greater than -0.05

Long Term Asset Allocation

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

This page looks in more detail at asset allocation decisions, plotting the Fund's exposure at the end of each period relative to the Benchmark and detailing the impact on the total fund performance.

	2013			2014				2015				2016	1yr	3yrs	5yrs
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa
CASH/ALTERNATIVES															
Relative Weight %															
Fund	11.3	10.7	10.7	11.2	11.0	11.6	13.4	13.0	15.1	15.5	15.0	23.5			
Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0			
Impact	-	-	-	-	-	-	-	-0.1	0.1	0.2	-0.2	-0.1	-	-0.1	-0.1
TOTAL CASH															
Relative Weight %															
Fund	1.6	1.3	1.5	2.2	2.0	2.5	4.4	4.1	4.9	5.3	5.1	13.7			
Benchmark	-	-	-	-	-	-	-	-	-	-	-	-			
Impact	-	-0.1	-	-	-0.1	-	-0.1	-0.2	0.1	0.2	-0.2	-0.1	-	-0.2	-0.1
ALTERNATIVES															
Relative Weight %															
Fund	9.7	9.5	9.2	9.0	9.0	9.1	9.0	8.9	10.2	10.2	9.9	9.8			
Benchmark	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0			
Impact	-	-	-	-	-	-	-	-	-	-	-	-			
CURRENCY INSTRUMENTS															
Relative Weight %															
Fund	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0							
Benchmark															
Impact	-	-	-0.1	-	-	-	-0.1	-						-0.1	-
TOTAL PROPERTY															
Relative Weight %															
Fund	10.1	10.2	10.2	10.2	10.6	10.6	10.7	10.5	10.9	11.6	11.6	11.8			
Benchmark	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0			
Impact	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-		-0.2	-0.1

For each area of investment the initial weighting for the Fund and the Benchmark is shown and the difference plotted.

The impact will be positive when the Fund is overweight in an area that has outperformed or vice versa.

- indicates a value less than 0.05 and greater than -0.05

Long Term Stock Selection

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

This page looks in more detail at the impact of stock selection, plotting the return in each area relative to the Benchmark and detailing the impact on the total fund performance.

	2013			2014				2015				2016	1yr	3yrs % pa	5yrs % pa
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1			
U.K. EQUITIES															
Relative Return %															
Fund	-1.5	5.8	5.7	-0.4	2.7	-1.2	0.4	4.7	-1.5	-5.7	4.0	-0.4	-3.8	4.0	5.9
Benchmark	-1.7	5.6	5.5	-0.6	2.2	-1.0	0.6	4.7	-1.6	-5.7	4.0	-0.4	-3.9	3.7	5.7
Impact	-	-	0.1	0.1	0.1	-	-	-	-	-	-	-	-	0.1	-
OVERSEAS EQUITIES															
Relative Return %															
Fund	2.8	4.1	5.6	2.4	2.1	0.9	1.7	9.1	-5.2	-9.4	6.4	2.5	-6.3	7.4	6.2
Benchmark	0.5	2.5	4.2	0.5	2.1	1.8	3.8	7.6	-5.1	-5.9	8.1	2.9	-0.6	7.5	7.6
Impact	0.5	0.4	0.3	0.4	-	-0.2	-0.5	0.3	-	-0.8	-0.3	-0.1	-1.2	-	-0.3
GLOBAL POOLED INC UK															
Relative Return %															
Fund	1.7	2.8	5.1	2.0	0.3	1.9	6.4	9.1	-4.9	-5.8	10.4	0.3	-0.8	9.6	9.6
Benchmark	-0.1	1.2	5.0	0.5	2.6	3.2	4.5	7.6	-5.1	-5.9	8.1	2.9	-0.6	8.0	8.1
Impact	0.3	0.3	-	0.3	-0.4	-0.2	0.3	0.3	-	-	0.4	-0.5	-	0.3	0.2
TOTAL BONDS PLUS INDEX-LINKED															
Relative Return %															
Fund	-2.5	-0.0	0.0	1.3	0.4	2.8	3.8	1.3	-1.9	1.0	-1.4	2.8	0.3	2.5	3.3
Benchmark	-0.8	0.6	0.3	1.1	0.7	1.6	2.2	1.1	-0.1	0.9	-0.1	1.7	2.5	3.1	3.9
Impact	-	-0.1	-	-	-0.1	0.1	-	-	-0.2	-	-0.1	-	-0.3	-0.2	-0.3
U.K. INDEX - LINKED															
Relative Return %															
Fund	-7.3	0.6	-0.9	3.6	1.1	5.9	9.4	3.3	-3.3	2.3	-3.3	6.5	1.9	5.7	9.8
Benchmark	-7.3	0.5	-0.9	3.6	1.1	5.9	9.4	3.3	-3.3	2.3	-3.3	6.5	1.8	5.6	9.8
Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POOLED BONDS															
Relative Return %															
Fund	0.1	-0.3	0.5	0.1	0.0	1.2	0.8	0.1	-1.1	0.2	-0.3	0.4 #	2.6	2.5	2.7
Benchmark	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Impact	-0.1	-0.1	-	-	-0.1	0.1	-	-	-0.2	-	-0.1	-	-0.3	-0.2	-0.3

For each area of investment the return for the Fund and the Benchmark is shown and the relative return plotted.

The impact of stock selection is the relative return weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Long Term Stock Selection

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

This page looks in more detail at the impact of stock selection, plotting the return in each area relative to the Benchmark and detailing the impact on the total fund performance.

	2013			2014				2015				2016	1yr	3yrs	5yrs
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa
CASH/ALTERNATIVES															
Relative Return %															
Fund	-1.8	0.2	1.5	-0.1	1.1	1.8	2.0	2.9	-0.4	-2.3	1.1	0.2	-1.5	2.0	3.7
Benchmark	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	3.3	3.3	3.3
Impact	-0.3	-	0.1	-0.1	0.1	0.1	0.1	0.3	-0.1	-0.5	0.1	-0.1	-0.6	-0.1	0.1
TOTAL CASH															
Relative Return %															
Fund	0.2	-1.0	-0.2	-0.2	-0.2	0.8	0.9	0.6	0.0	0.4	0.4	0.8	1.6	0.9	1.0
Benchmark															
Impact															
ALTERNATIVES															
Relative Return %															
Fund	-2.0	0.4	1.7	-0.1	1.4	2.0	2.4	4.0	-0.5	-3.8	1.4	0.3	-2.7	2.3	4.2
Benchmark	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	3.3	3.3	3.3
Impact	-0.3	-	0.1	-0.1	0.1	0.1	0.1	0.3	-0.1	-0.5	0.1	-0.1	-0.6	-0.1	0.1
CURRENCY INSTRUMENTS															
Relative Return %															
Fund	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0 #							
Benchmark															
Impact															
TOTAL PROPERTY															
Relative Return %															
Fund	1.2	2.0	3.7	2.8	4.7	3.9	4.4	2.6	2.8	3.8	2.3	1.9	11.2	12.5	8.4
Benchmark	1.4	2.4	4.3	3.3	4.3	4.0	4.6	2.8	3.3	3.0	2.8	1.1	10.6	13.0	9.0
Impact	-	-	-0.1	-	-	-	-	-	-0.1	0.1	-0.1	0.1	0.1	-	-0.1

For each area of investment the return for the Fund and the Benchmark is shown and the relative return plotted.

The impact of stock selection is the relative return weighted by the level of investment in the area.

not invested in this area for the entire period

- indicates a value less than 0.05 and greater than -0.05

Rolling Years with Relative Risk

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

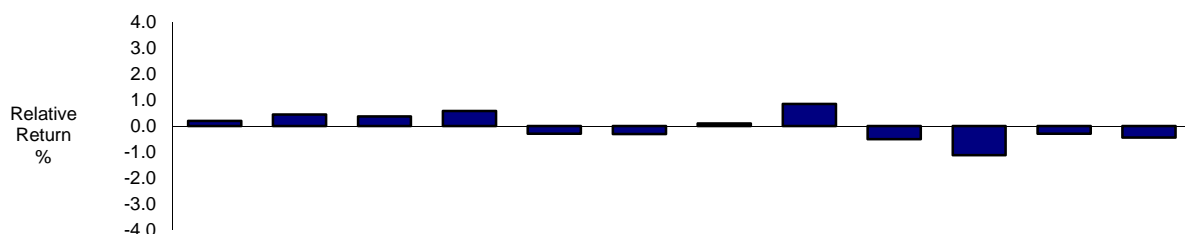
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

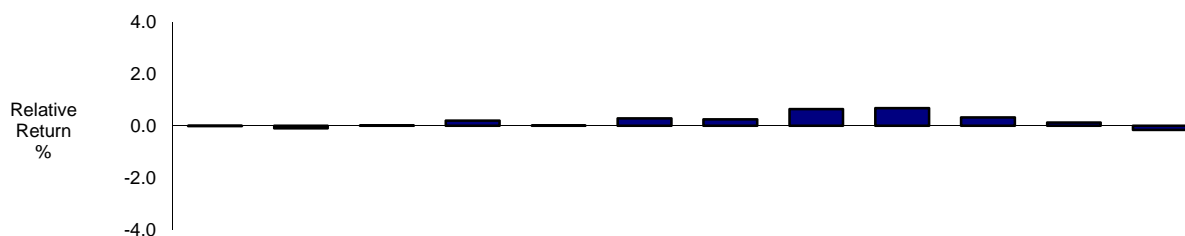
	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	929.4	930.3	956.0	998.4	1016.2	1035.1	1049.7	1081.5	1141.9	1115.6	1071.6	1117.7
Net Investment	3.7	0.8	6.2	7.1	4.2	4.3	4.7	2.5	4.8	3.7	3.6	1.9
Capital Gain/Loss	-2.7	24.9	36.2	10.8	14.7	10.3	27.0	57.9	-31.0	-47.7	42.4	10.5
Final	930.3	956.0	998.4	1016.2	1035.1	1049.7	1081.5	1141.9	1115.6	1071.6	1117.7	1130.1
Income	3.2	2.3	2.1	2.1	3.8	2.3	2.9	2.0	3.2	2.5	2.5	2.4
Proportion Of Total Fund (%)	100	100	100	100	100	100	100	100	100	100	100	100
Proportions (%) In												
Total Equity	63	64	65	64	64	63	61	63	60	58	59	59
Bonds + IL	16	15	15	14	14	14	15	14	14	15	14	5
Cash/ Alts	11	11	11	11	11	12	13	13	15	16	15	24
Property	10	10	10	10	11	11	11	10	11	12	12	12

Quarterly Returns



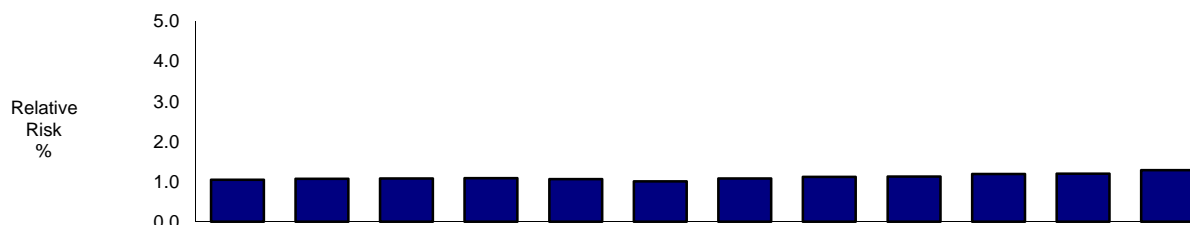
Fund	0.0	2.9	4.0	1.3	1.8	1.2	2.8	5.5	-2.4	-4.0	4.2	1.2
Benchmark	-0.2	2.5	3.6	0.7	2.1	1.5	2.7	4.7	-1.9	-2.9	4.5	1.6
Relative Return	0.2	0.4	0.4	0.6	-0.3	-0.3	0.1	0.9	-0.5	-1.1	-0.3	-0.5

Annualised Rolling 3 Year Returns



Fund	9.5	7.8	7.1	7.1	7.2	11.2	10.4	10.7	10.7	8.3	8.8	6.2
Benchmark	9.6	7.9	7.1	6.9	7.2	10.9	10.1	10.0	10.0	7.9	8.7	6.3
Relative Return	-0.0	-0.1	0.0	0.2	0.0	0.3	0.2	0.6	0.7	0.3	0.1	-0.2

Rolling 3 Year Risk



Relative Risk

The relative return is the degree of out or underperformance of the Benchmark over these periods.
Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Summary of Manager Performance

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

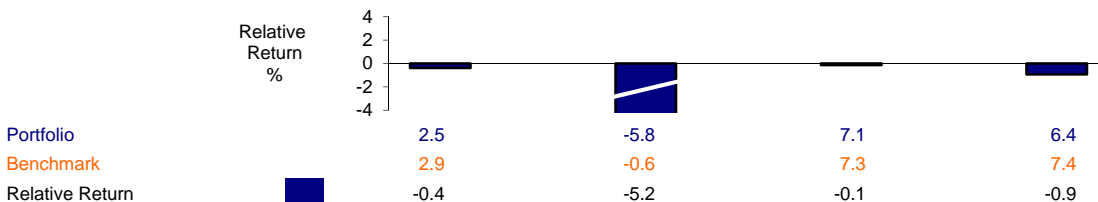
Category - TOTAL ASSETS

This page summarises the performance of each investment manager plotting the return achieved relative to the Benchmark.

	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
--	----------------	--------	-----------------	-----------------

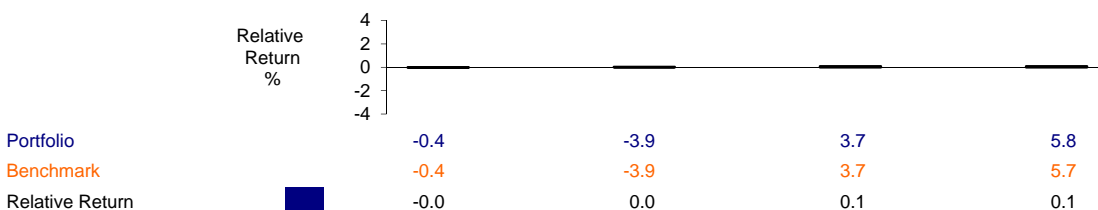
GMO - TOTAL ASSETS

LB OF TOWER HAMLETS - GMO BM



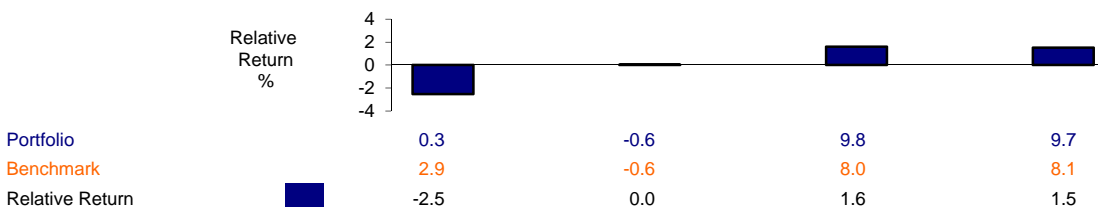
L&G - TOTAL ASSETS

FTSE All Share TR



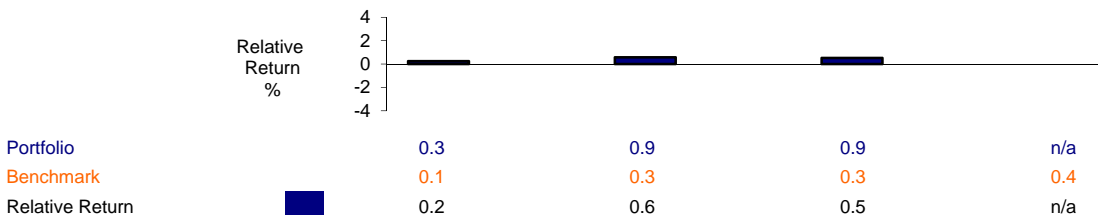
BAILLIE GIFFORD & CO - TOTAL ASSETS

MSCI AC WORLD GDR



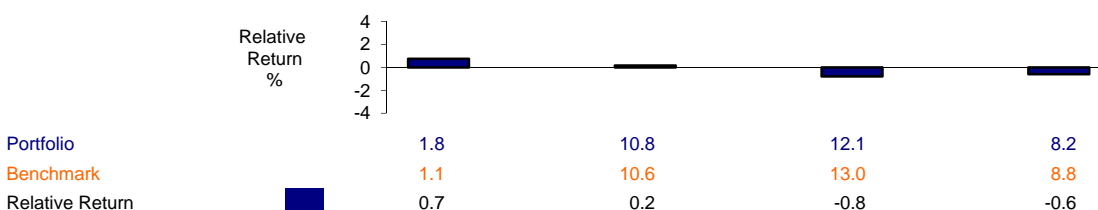
INTERNALLY MANAGED - TOTAL ASSETS

LB TOWER HAMLETS INTERNAL BM



SCHRODER INVEST. MGMT. - TOTAL ASSETS

London Borough of Tower Hamlets - Schroders



The graphs show the performance of each manager relative to their Benchmark.

The relative return is the degree of out or underperformance of the Benchmark over these periods.

not invested in this area for the entire period

Summary of Manager Performance

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

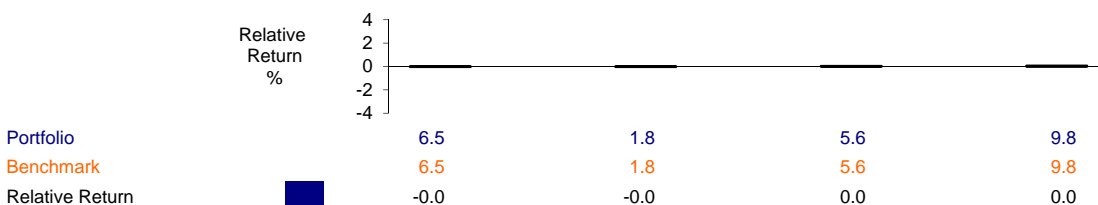
Category - TOTAL ASSETS

This page summarises the performance of each investment manager plotting the return achieved relative to the Benchmark.

	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
--	----------------	--------	-----------------	-----------------

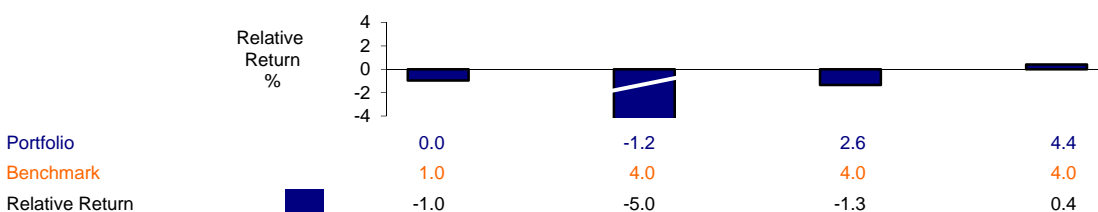
L&G - TOTAL ASSETS

FTSE UK GILTS INDEXED > 5 YRS



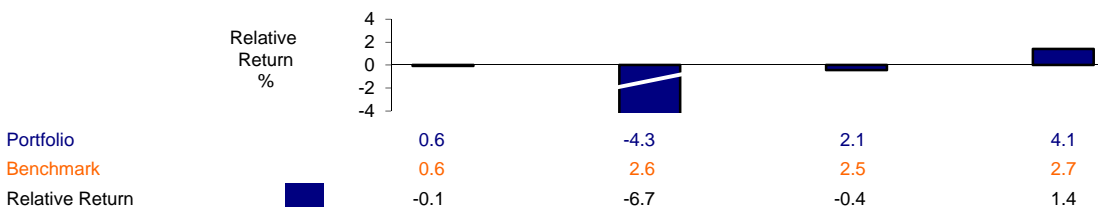
BAILLIE GIFFORD & CO - TOTAL ASSETS

BANK OF ENGLAND BASE RATE + 3.5%



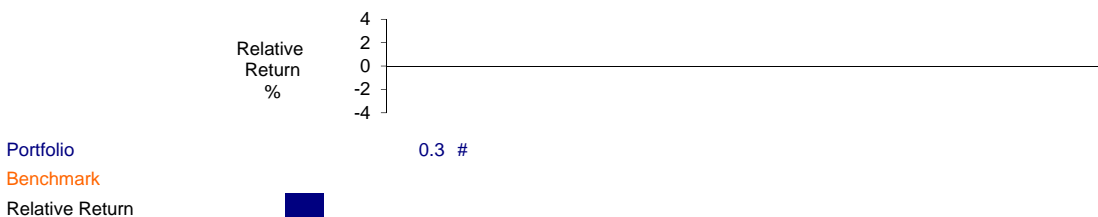
RUFFER INVESTMENT MGMT LTD - TOTAL ASSETS

GBP 3 MONTH LIBOR + 2%



INVESTEC ASSET MANAGEMENT - TOTAL ASSETS

GBP 3 MONTH LIBOR + 2%



Relative Return

The graphs show the performance of each manager relative to their Benchmark.

The relative return is the degree of out or underperformance of the Benchmark over these periods.

not invested in this area for the entire period

Performance Summary - Manager Attribution

LONDON BOROUGH OF TOWER HAMLETS
Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Quarter to end March 2016
Pound Sterling

This page analyses in detail the contributions to the Fund performance over the latest period.

Summary

Fund Return		1.2
Benchmark Return		1.6
Relative Performance		-0.5
	attributable to:	
	Strategic Allocation	-
	Manager Contribution	-0.5
	Residual	0.1

The relative performance can be attributed to the effects of manager contribution and strategic allocation.

Detail

Strategic Allocation			Manager Contribution			
Distribution		Policy	Investment Manager	Weighted Contribution	% Return	
Portfolio	Benchmark	Contribution			Portfolio	Benchmark
21.6	23.0	-	GMO	-0.1	2.5	2.9
19.5	20.0	-	L&G	-	-0.4	-0.4
18.7	18.0	-	BAILLIE GIFFORD & CO	-0.5	0.3	2.9
11.9	12.0	-	SCHRODER INVEST. MGMT.	0.1	1.8	1.1
8.8	14.0	0.1	INVESTEC ASSET MANAGEMENT	-	0.3#	0.6
5.1	3.0	0.1	L&G	-	6.5	6.5
5.0	5.0	-	BAILLIE GIFFORD & CO	-0.1	0.0	1.0
4.9	5.0	-	RUFFER INVESTMENT MGMT LTD	-	0.6	0.6
4.4	0.0	-0.2	INTERNALLY MANAGED	-	0.3	0.1
		-		-0.5		

The Strategic Allocation quantifies the impact of the fund being invested differently from the Strategic Benchmark set.

The Manager Contribution comes about from the out / underperformance of each manager relative to their benchmarks weighted by the value of assets held.

= not invested in this area for the entire period

Appendices

Asset Mix and Returns

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LB TOWER HAMLETS TOTAL B/MARK

Pound Sterling

This page provides the underlying detail for the fund over the latest period.

All values are shown in GBP'000s	Asset Allocation						Stock Selection			
	31/12/2015		Purchases	Sales	Gain/		31/03/2016		Return	B'M
	Value	%			Loss	Income	Value	%		
TOTAL EQUITIES	664,595	59	71,175	69,944	4,429	1,245	670,256	59	0.9	1.8
U.K. EQUITIES	218,430	20			-893		217,537	19	-0.4	-0.4
OVERSEAS EQUITIES	236,993	21	71,056	69,944	4,725	1,245	242,830	21	2.5	2.9
NORTH AMERICA	108,163	10	49,800	44,216	2,291	438	116,038	10	2.4	
TOTAL USA	100,649	9	48,029	40,310	3,029	396	111,397	10	3.2	
CONTINENTAL EUROPE	40,002	4	6,946	7,383	99	135	39,664	4	0.5	
EUROLAND TOTAL	33,160	3	4,804	6,040	-97	119	31,828	3	0.1	
FRANCE	11,972	1	659	1,702	-195	75	10,735	1	-0.9	
GERMANY	11,373	1	1,096	2,108	-277	14	10,084	1	-2.0	
NETHERLANDS	3,107	0	1,486	588	189	5	4,195	0	5.5	
ITALY	2,177	0	319	354	21		2,163	0	0.8	
BELGIUM	950	0	81		57		1,089	0	5.8	
FINLAND	803	0	143	115	26	12	857	0	4.3	
AUSTRIA	516	0	94		45		656	0	6.7	
SPAIN	1,353	0	863	904	33	7	1,345	0	2.3	
IRELAND	505	0	18	213	-2	6	308	0	3.0	
PORTUGAL	404	0	17	55	3		369	0	1.4	
NON EUROLAND TOTAL	6,842	1	2,141	1,343	196	17	7,836	1	2.8	
SWITZERLAND	3,763	0	1,760	859	-18	7	4,647	0	-0.8	
DENMARK	289	0		33	13	2	269	0	5.8	
NORWAY	1,354	0	230	84	71	7	1,571	0	5.3	
SWEDEN	1,436	0	151	368	130	1	1,349	0	10.0	
JAPAN	24,048	2	2,975	3,017	-1,236	316	22,770	2	-3.9	
TOTAL PACIFIC (EX.JAPAN)	19,302	2	4,210	8,030	-201	65	15,282	1	0.6	
OTHER INTL EQUITIES	27,354	2	4,709	3,057	3,837	11	32,843	3	13.6	2.9
UK GLOBAL	18,124	2	2,416	4,242	-66	280	16,233	1	1.3	
GLOBAL POOLED INC UK	209,172	19	119		597		209,888	19	0.3	2.9
BG INTERNATIONAL EQUITY FUND	209,172	19	119		597		209,888	19	0.3	
OVERSEAS BONDS										
U.K. INDEX - LINKED	56,970	5			3,703		60,673	5	6.5	6.5
POOLED BONDS	98,369	9		98,747	377				0.4 #	0.6
CASH/ALTERNATIVES	168,200	15	459,266	362,308	500	255	265,658	24	0.2	0.8
CURRENCY INSTRUMENTS										
U.K. PROPERTY	126,273	11	13,015	10,258	881	948	129,910	11	1.4	1.1
OVERSEAS PROPERTY	3,249	0		272	597		3,574	0	19.4	
TOTAL ASSETS	1,117,657	100	543,456	541,528	10,486	2,374	1,130,070	100	1.2	1.6

The change in Fund value over the period is a combination of the net money flows into or out of the Fund and any gain or loss on the capital value of the investments.

not invested in this area for the entire period

Summary of Long Term Returns

LONDON BOROUGH OF TOWER HAMLETS - TOTAL COMBINED

Periods to end March 2016

Benchmark - LOCAL AUTHORITY UNIVERSE

Pound Sterling

This page summarises the long term returns at asset class level
A ranking against the peer group is shown in brackets.

Return %	----- 2013 -----			----- 2014 -----				----- 2015 -----				2016 Q1	1yr	3yrs % pa	5yrs % pa
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
<i>UK Equities</i>	-1.5 (48)	5.8 (52)	5.7 (46)	-0.4 (33)	2.7 (12)	-1.2 (68)	0.4 (77)	4.7 (44)	-1.5 (63)	-5.7 (39)	4.0 (39)	-0.4	-3.8	4.0	5.9
<i>N. America</i>	1.2 (95)	-1.8 (98)	7.4 (58)	1.4 (36)	0.5 (93)	7.0 (6)	8.6 (32)	7.4 (29)	-5.4 (55)	-7.0 (95)	4.3 (100)	2.4	-6.0	8.4	9.5
<i>Europe ex UK</i>	2.9 (6)	11.6 (1)	8.0 (4)	6.5 (1)	1.6 (16)	-5.6 (100)	-2.7 (95)	10.4 (68)	-5.8 (53)	-9.2 (95)	10.8 (2)	0.5	-4.8	9.0	3.7
<i>Pacific</i>	-6.5 (17)	7.2 (4)	4.6 (3)	-0.8 (75)	4.4 (13)	0.1 (66)	3.0 (41)	11.1 (19)	-4.9 (14)	-16.1 (82)	6.4 (94)	0.6	-14.6	2.0	5.2
<i>Japan</i>	6.1 (20)	2.1 (22)	-2.4 (92)	-4.8 (27)	6.3 (8)	0.9 (95)	-4.0 (98)	18.5 (10)	-0.1 (12)	-8.5 (42)	14.6 (27)	-3.9	0.6	7.3	6.6
<i>Global Eq</i>	1.7 (18)	2.8 (15)	5.1 (50)	2.0 (11)	0.3 (100)	1.9 (73)	6.4 (10)	9.1 (16)	-4.9 (60)	-5.8 (53)	10.4 (8)	0.3	-0.8	9.6	9.6
<i>UK IL</i>	-7.3 (51)	0.6 (30)	-0.9 (28)	3.6 (21)	1.1 (34)	5.9 (20)	9.4 (31)	3.3 (29)	-3.3 (59)	2.3 (24)	-3.3 (48)	6.5	1.9	5.7	9.8
<i>Pooled Bonds</i>	0.1 (33)	-0.3 (78)	0.5 (64)	0.1 (93)	0.0 (76)	1.2 (30)	0.8 (27)	0.1 (91)	-1.1 (80)	0.2 (19)	-0.3 (75)	0.4 #			
<i>Cash</i>	0.2 (37)	-1.0 (81)	-0.2 (70)	-0.2 (80)	-0.2 (72)	0.8 (23)	0.9 (21)	0.6 (37)	0.0 (50)	0.4 (29)	0.4 (33)	0.8	1.6	0.9	1.0
<i>Alternatives</i>	-2.0 (86)	0.4 (28)	1.7 (39)	-0.1 (86)	1.4 (39)	2.0 (60)	2.4 (53)	4.0 (31)	-0.5 (54)	-3.8 (96)	1.4 (54)	0.3	-2.7	2.3	4.2
<i>Curr Instr</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0 #							
<i>Property</i>	1.2 (77)	2.0 (51)	3.7 (58)	2.8 (61)	4.7 (36)	3.9 (54)	4.4 (25)	2.6 (62)	2.8 (62)	3.8 (14)	2.3 (80)	1.9	11.2	12.5	8.4
<i>Total Assets</i>	0.0 (14)	2.9 (33)	4.0 (32)	1.3 (21)	1.8 (67)	1.2 (86)	2.8 (63)	5.5 (42)	-2.4 (39)	-4.0 (72)	4.2 (52)	1.2	-1.3	6.2	6.3

not invested in this area for the entire period

Rolling Years with Relative Risk - GMO World Equity

LONDON BOROUGH OF TOWER HAMLETS - GMO

Periods to end March 2016

Benchmark - LB OF TOWER HAMLETS - GMO BM

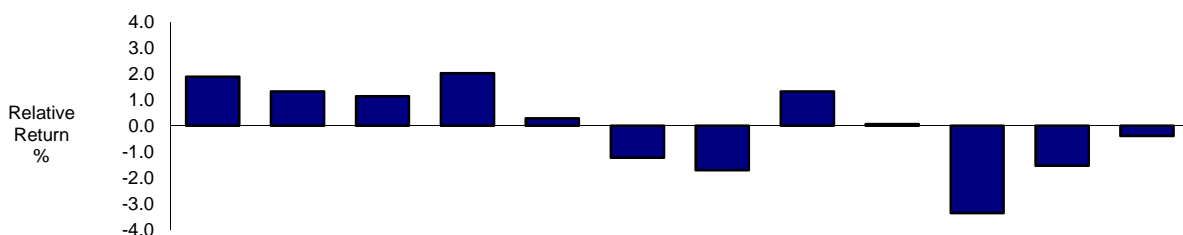
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

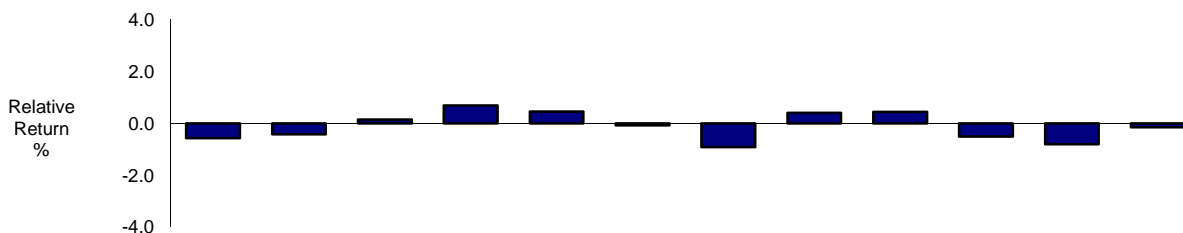
	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	226.3	231.9	241.1	254.8	260.5	267.0	267.8	250.7	273.4	249.2	226.6	241.4
Net Investment	2.7	1.0	1.7	0.9	2.8	1.2	-18.8	1.0	-8.6	1.5	1.8	0.9
Capital Gain/Loss	2.9	8.2	12.0	4.8	3.7	-0.4	1.7	21.6	-15.6	-24.1	13.0	5.0
Final	231.9	241.1	254.8	260.5	267.0	267.8	250.7	273.4	249.2	226.6	241.4	247.3
Income	2.3	1.3	1.3	1.2	2.7	1.3	1.9	1.0	2.1	1.5	1.5	1.2
Proportion Of Total Fund (%)	25	25	26	26	26	26	23	24	22	21	22	22

Quarterly Returns



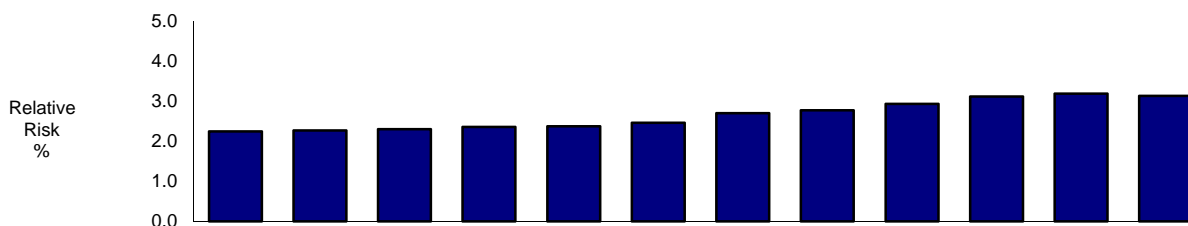
Fund	2.3	4.1	5.5	2.4	2.4	0.3	1.3	9.0	-5.1	-9.0	6.4	2.5
Benchmark	0.4	2.7	4.3	0.3	2.2	1.6	3.1	7.6	-5.1	-5.9	8.1	2.9
Relative Return	1.9	1.3	1.1	2.0	0.3	-1.2	-1.7	1.3	0.1	-3.4	-1.6	-0.4

Annualised Rolling 3 Year Returns



Fund	11.4	9.3	8.4	8.5	8.7	14.8	13.0	14.1	13.8	9.1	10.2	7.1
Benchmark	12.0	9.8	8.3	7.8	8.2	14.9	14.0	13.6	13.3	9.7	11.0	7.3
Relative Return	-0.6	-0.4	0.1	0.7	0.5	-0.1	-0.9	0.4	0.4	-0.5	-0.8	-0.1

Rolling 3 Year Risk



Relative Risk	2.2	2.3	2.3	2.4	2.4	2.5	2.7	2.8	2.9	3.1	3.2	3.1
Information Ratio	-0.3	-0.2	0.1	0.3	0.2	-0.0	-0.3	0.1	0.2	-0.2	-0.3	-0.0

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - L&G Equity Uk

LB OF TOWER HAMLETS - L&G

Periods to end March 2016

Benchmark - FTSE All Share TR

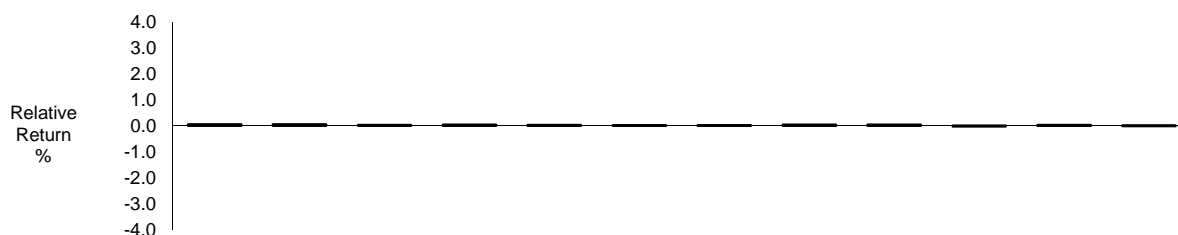
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	194.6	191.5	202.3	213.4	212.1	216.9	214.8	216.1	226.3	222.8	210.1	218.4
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Gain/Loss	-3.1	10.8	11.1	-1.3	4.8	-2.1	1.3	10.2	-3.5	-12.7	8.4	-0.9
Final	191.5	202.3	213.4	212.1	216.9	214.8	216.1	226.3	222.8	210.1	218.4	217.5
Income	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Proportion Of Total Fund (%)	21	21	21	21	21	20	20	20	20	20	20	19

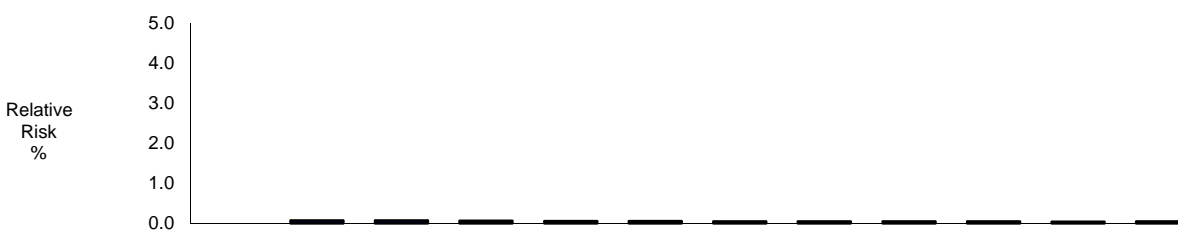
Quarterly Returns



Annualised Rolling 3 Year Returns



Rolling 3 Year Risk



The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - B Gifford World Equity

LONDON BOROUGH OF TOWER HAMLETS - BAILLIE GIFFORD & CO

Periods to end March 2016

Benchmark - MSCI AC WORLD GDR

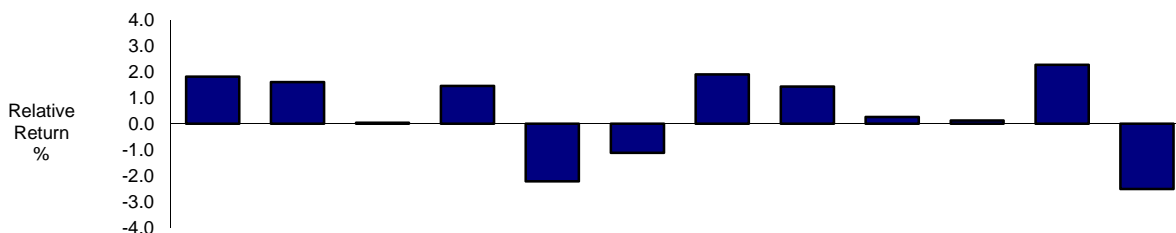
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

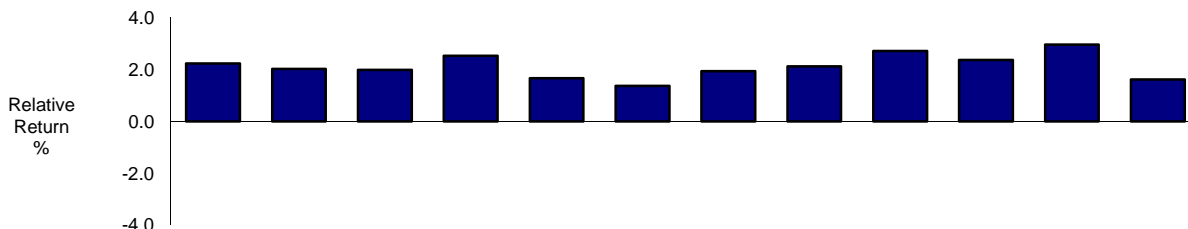
	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	163.1	165.9	170.6	179.4	183.1	183.6	187.3	199.4	217.7	200.8	189.3	209.2
Net Investment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-6.3	0.1	0.1	0.1
Capital Gain/Loss	2.8	4.6	8.6	3.6	0.5	3.5	12.1	18.1	-10.5	-11.7	19.8	0.6
Final	165.9	170.6	179.4	183.1	183.6	187.3	199.4	217.7	200.8	189.3	209.2	209.9
Income	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Proportion Of Total Fund (%)	18	18	18	18	18	18	18	19	18	18	19	19

Quarterly Returns



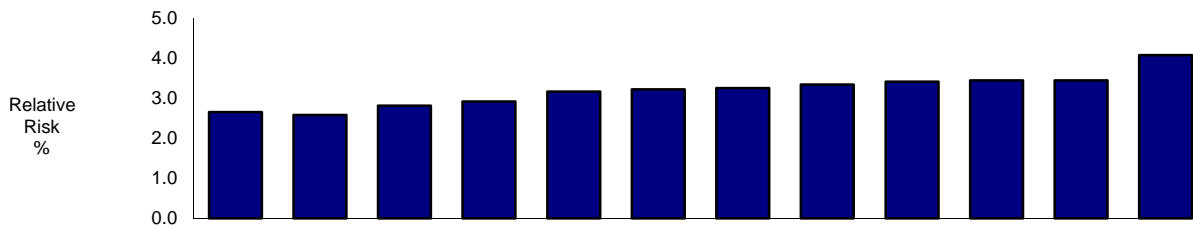
Fund	1.7	2.8	5.1	2.0	0.3	2.0	6.5	9.1	-4.9	-5.8	10.5	0.3
Benchmark	-0.1	1.2	5.0	0.5	2.6	3.2	4.5	7.6	-5.1	-5.9	8.1	2.9
Relative Return	1.8	1.6	0.0	1.5	-2.2	-1.1	1.9	1.4	0.2	0.1	2.3	-2.5

Annualised Rolling 3 Year Returns



Fund	15.0	12.0	10.4	10.4	10.4	17.3	16.8	16.5	16.6	12.4	15.2	9.8
Benchmark	12.5	9.8	8.3	7.7	8.5	15.7	14.6	14.1	13.5	9.8	11.8	8.0
Relative Return	2.2	2.0	2.0	2.5	1.7	1.4	1.9	2.1	2.7	2.4	3.0	1.6

Rolling 3 Year Risk



Relative Risk	2.6	2.6	2.8	2.9	3.2	3.2	3.2	3.3	3.4	3.4	3.4	4.1
Information Ratio	0.8	0.8	0.7	0.9	0.5	0.4	0.6	0.6	0.8	0.7	0.9	0.4

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - Schroders UK Property

LB OF TOWER HAMLET PROPERTY PORTFOLIO - SCHRODER INVEST. MGMT.

Periods to end March 2016

Benchmark - London Borough of Tower Hamlets - Schroders

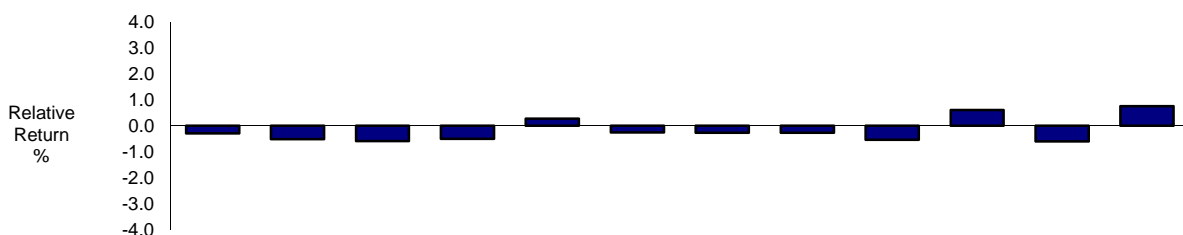
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

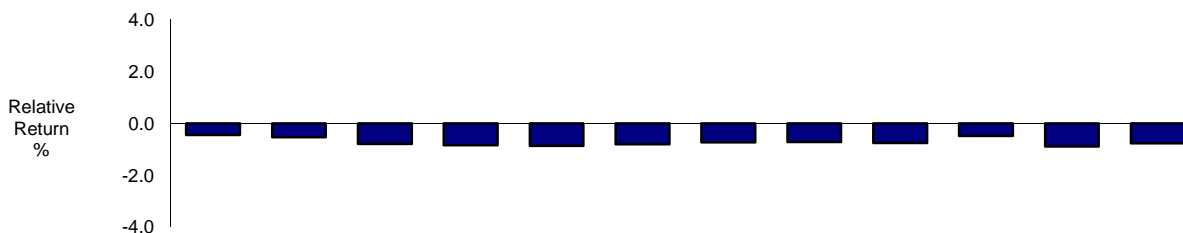
	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	95.8	96.8	98.7	102.3	105.2	110.1	114.3	119.2	122.2	125.6	130.1	133.0
Net Investment	0.8	0.9	0.8	1.0	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.9
Capital Gain/Loss	0.3	0.9	2.8	1.9	3.8	3.2	3.9	2.1	2.4	3.6	2.0	1.5
Final	96.8	98.7	102.3	105.2	110.1	114.3	119.2	122.2	125.6	130.1	133.0	135.4
Income	0.8	0.9	0.8	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Proportion Of Total Fund (%)	10	10	10	10	11	11	11	11	11	12	12	12

Quarterly Returns



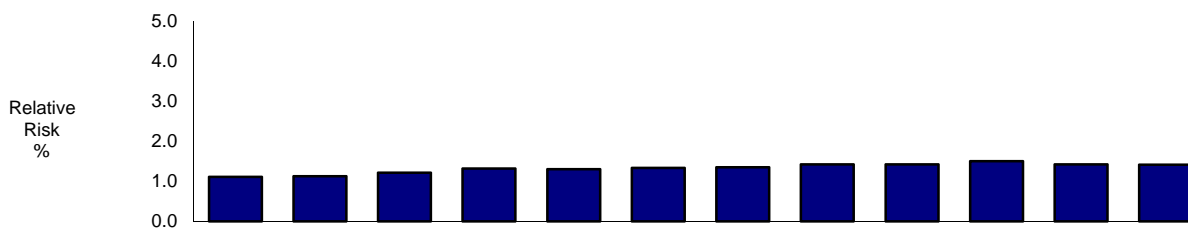
Fund	1.1	1.9	3.6	2.8	4.6	3.7	4.3	2.5	2.8	3.6	2.2	1.8
Benchmark	1.4	2.4	4.3	3.3	4.3	4.0	4.6	2.8	3.3	3.0	2.8	1.1
Relative Return	-0.3	-0.5	-0.6	-0.5	0.3	-0.3	-0.3	-0.3	-0.5	0.6	-0.6	0.7

Annualised Rolling 3 Year Returns



Fund	3.7	3.9	4.4	4.8	5.7	6.6	7.8	8.6	9.7	11.1	11.9	12.1
Benchmark	4.2	4.4	5.2	5.7	6.6	7.4	8.6	9.4	10.6	11.7	12.9	13.0
Relative Return	-0.4	-0.5	-0.8	-0.8	-0.9	-0.8	-0.7	-0.7	-0.7	-0.5	-0.9	-0.8

Rolling 3 Year Risk



Relative Risk	1.1	1.1	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.4	1.4
Information Ratio	-0.4	-0.5	-0.7	-0.6	-0.7	-0.6	-0.5	-0.5	-0.5	-0.3	-0.6	-0.5

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - Investec Global Bonds

LONDON BOROUGH OF TOWER HAMLETS - INVESTEC ASSET MANAGEMENT

Periods to end March 2016

Benchmark - GBP 3 MONTH LIBOR + 2%

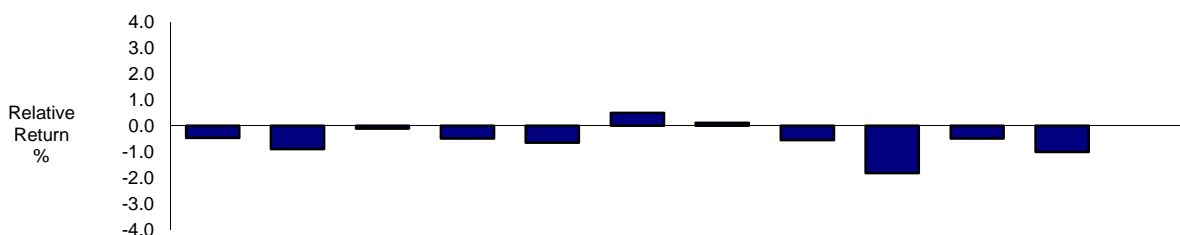
Pound Sterling

Category - TOTAL ASSETS

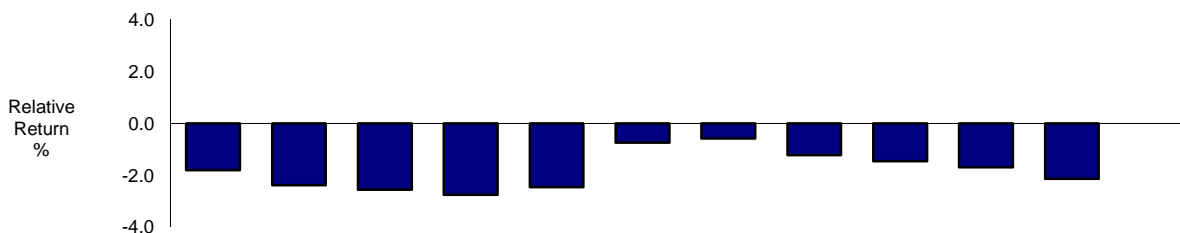
This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	97.0	97.2	96.9	97.4	97.5	97.5	98.7	99.5	99.6	98.5	98.7	98.4
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-98.7
Capital Gain/Loss	0.1	-0.3	0.5	0.1	0.0	1.2	0.8	0.1	-1.1	0.2	-0.3	0.4
Final	97.2	96.9	97.4	97.5	97.5	98.7	99.5	99.6	98.5	98.7	98.4	0.0
Income	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Proportion Of Total Fund (%)	10	10	10	10	9	9	9	9	9	9	9	0

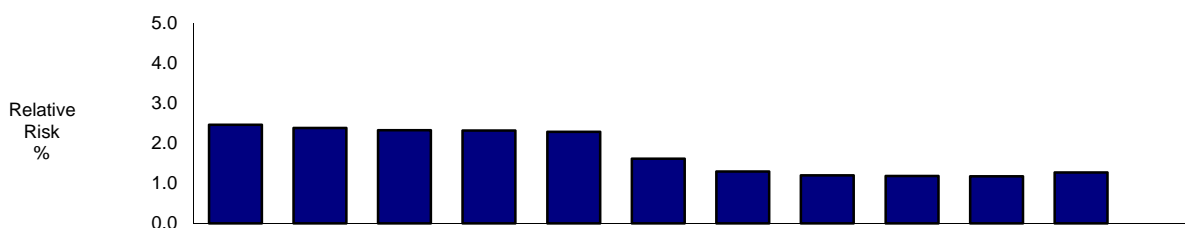
Quarterly Returns



Annualised Rolling 3 Year Returns



Rolling 3 Year Risk



The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - L&G Index Linked

LB OF TOWER HAMLETS - L&G

Periods to end March 2016

Benchmark - FTSE UK GILTS INDEXED > 5 YRS

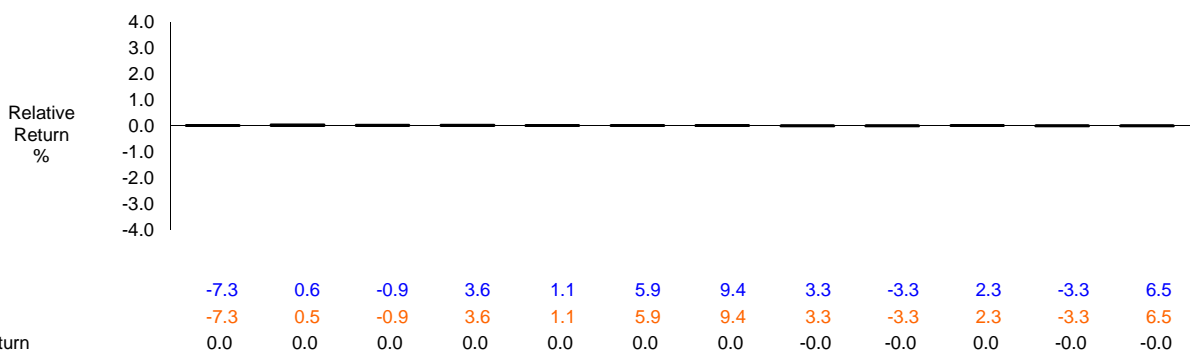
Pound Sterling

Category - TOTAL ASSETS

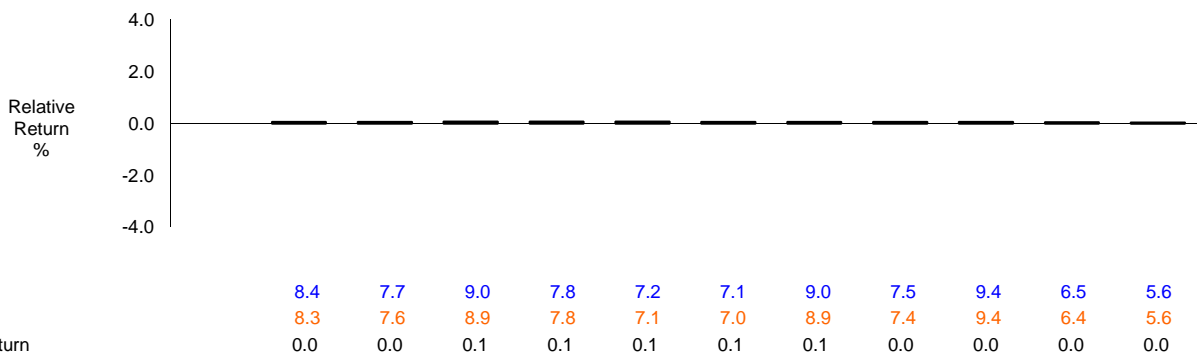
This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	51.4	47.6	47.9	47.5	49.2	49.7	52.7	57.7	59.5	57.6	58.9	57.0
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Gain/Loss	-3.8	0.3	-0.4	1.7	0.6	3.0	5.0	1.9	-2.0	1.3	-1.9	3.7
Final	47.6	47.9	47.5	49.2	49.7	52.7	57.7	59.5	57.6	58.9	57.0	60.7
Income	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Proportion Of Total Fund (%)	5	5	5	5	5	5	5	5	5	5	5	5

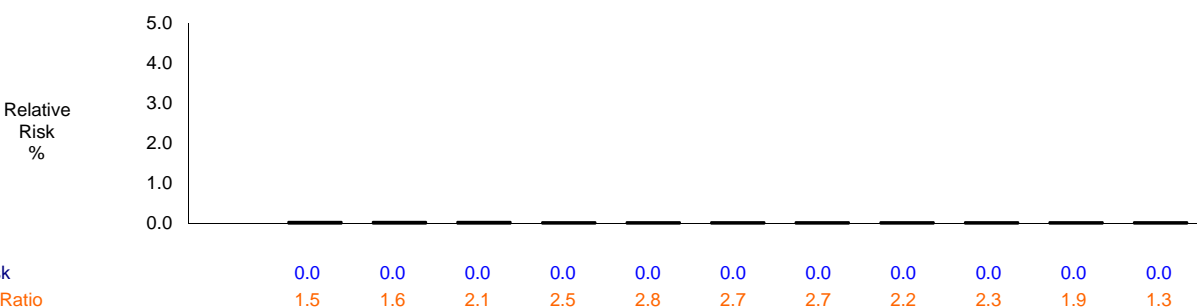
Quarterly Returns



Annualised Rolling 3 Year Returns



Rolling 3 Year Risk



The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - B Gifford Divers Growth

LB OF TOWER HAMLETS - BAILLIE GIFFORD & CO

Periods to end March 2016

Benchmark - BANK OF ENGLAND BASE RATE + 3.5%

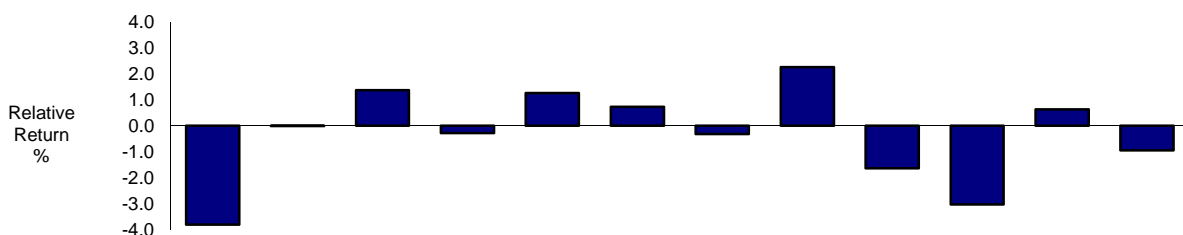
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

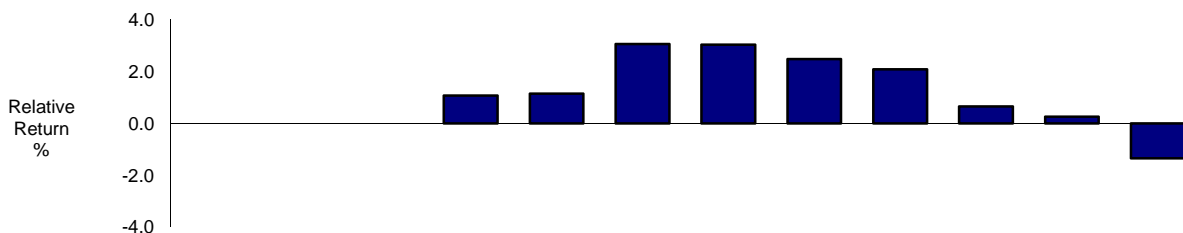
	2013			2014				2015				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	46.3	45.0	45.5	46.5	46.9	47.9	48.8	49.1	50.7	56.7	55.5	56.4
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.4	0.0	0.0	0.0
Capital Gain/Loss	-1.3	0.4	1.1	0.3	1.0	0.8	0.3	1.6	-0.5	-1.2	0.9	-0.1
Final	45.0	45.5	46.5	46.9	47.9	48.8	49.1	50.7	56.7	55.5	56.4	56.3
Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Proportion Of Total Fund (%)	5	5	5	5	5	5	5	4	5	5	5	5

Quarterly Returns



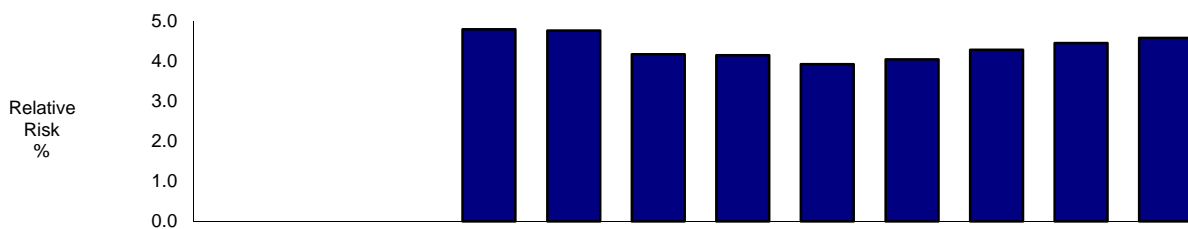
Fund	-2.9	1.0	2.4	0.7	2.3	1.7	0.6	3.3	-0.7	-2.1	1.6	0.0
Benchmark	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Relative Return	-3.8	-0.0	1.4	-0.3	1.3	0.7	-0.3	2.3	-1.7	-3.0	0.6	-1.0

Annualised Rolling 3 Year Returns



Fund				5.1	5.2	7.2	7.2	6.6	6.2	4.7	4.3	2.6
Benchmark				4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Relative Return				1.1	1.2	3.1	3.0	2.5	2.1	0.7	0.3	-1.3

Rolling 3 Year Risk



Relative Risk				4.8	4.8	4.2	4.1	3.9	4.0	4.3	4.4	4.6
Information Ratio				0.2	0.2	0.7	0.7	0.6	0.5	0.2	0.1	-0.3

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - Ruffer

LB OF TOWER HAMLETS - RUFFER INVESTMENT MGMT LTD

Periods to end March 2016

Benchmark - GBP 3 MONTH LIBOR + 2%

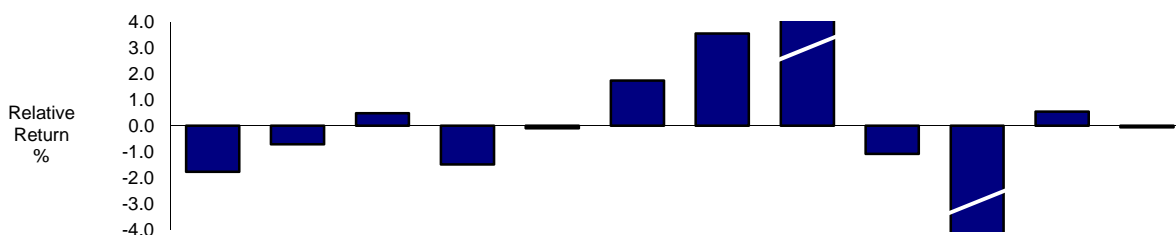
Pound Sterling

Category - TOTAL ASSETS

This page details the longer term performance of the Fund, plotting it relative to the Benchmark set.

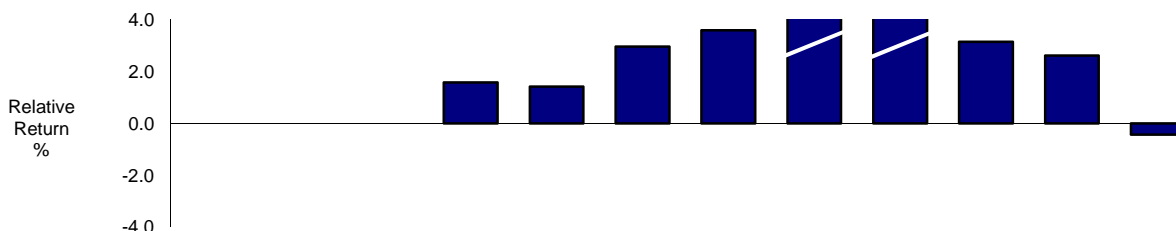
	----- 2013 -----			----- 2014 -----				----- 2015 -----				2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	45.5	45.0	44.9	45.4	45.0	45.3	46.3	48.3	50.6	56.8	53.7	54.3
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.5	0.0	0.0	0.0
Capital Gain/Loss	-0.5	-0.0	0.5	-0.4	0.2	1.1	1.9	2.3	-0.3	-3.1	0.6	0.3
Final	45.0	44.9	45.4	45.0	45.3	46.3	48.3	50.6	56.8	53.7	54.3	54.6
Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proportion Of Total Fund (%)	5	5	5	4	4	4	4	4	5	5	5	5

Quarterly Returns



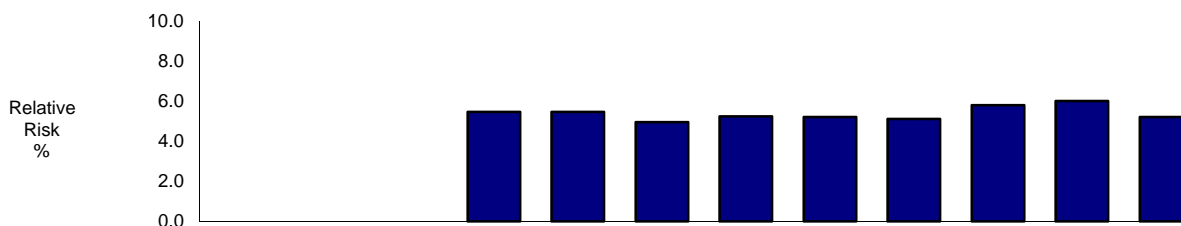
Fund	-1.2	-0.1	1.1	-0.9	0.5	2.4	4.2	4.8	-0.5	-5.5	1.2	0.6
Benchmark	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Relative Return	-1.8	-0.7	0.5	-1.5	-0.1	1.7	3.5	4.2	-1.1	-6.1	0.5	-0.1

Annualised Rolling 3 Year Returns



Fund				4.3	4.1	5.7	6.3	7.2	8.2	5.8	5.2	2.1
Benchmark				2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.5	2.5
Relative Return				1.6	1.4	3.0	3.6	4.5	5.5	3.1	2.6	-0.4

Rolling 3 Year Risk




Relative Risk				5.5	5.5	4.9	5.2	5.2	5.1	5.8	6.0	5.2
Information Ratio				0.3	0.3	0.6	0.7	0.9	1.1	0.5	0.4	-0.1

The relative return is the degree of out or underperformance of the Benchmark over these periods.

Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.

Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

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Non-Executive Report of the: Pensions Committee 30 th June 2016	
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
Reporting Breaches Procedure	

Originating Officer(s)	Bola Tobun, Investment & Treasury Manager
Authorising Officer(s)	Neville Murton, Service Head of Finance & Procurement
Wards affected	All wards

Summary

There is a statutory obligation to report ‘materially significant’ breaches of the law to The Pensions Regulator (TPR) under section 70 of the Pensions Act 2004 for the persons involved in running or advising Pension Schemes.

TPR’s oversight powers have been extended to cover the administration and governance of public service schemes, including the Local Government Pension Scheme (LGPS) since 1st April 2015. Part of TPR’s remit has been to put in place a Code of Practice covering these aspects of scheme management; the Code includes a section providing guidance on how to identify and assess the significance of breaches of the law.

This report sets out a draft ‘Reporting Breaches Procedure’ for the Fund, to help ensure compliance with section 70 of the Pensions Act 2004 and with the ‘reporting breaches’ section of TPR’s Code of Practice. The report provides a summary of the recommendations set out in the Code and details the actions taken by the Tower Hamlets Pension Fund to ensure that all those involved in the management of the Pension Scheme understand its requirements.

Recommendations

Members are recommended:

- to approve the Reporting Breaches Policy (at Appendix Y to this report and
- to note the duties required of the Pensions Committee in its capacity as Scheme Manager.

1. REASONS FOR THE DECISIONS

- 1.1 In recent years there has been an increased focus on the governance of LGPS funds, with the introduction of oversight powers for TPR and the publication of the Code of Practice being good examples of this. Ensuring compliance with the Code may result in additional work for the Fund's officers and advisers, bringing an associated increase in cost to be met by the Fund; however, any such costs will be immaterial in the context of the Fund.

The Pensions Regulator's Compliance and Enforcement policy sets out the Regulator's approach to regulatory compliance. It makes clear that the Regulator expects to educate and enable schemes to improve their standard of governance. However, where no action is taken by scheme managers address poor standards, enforcement action will be taken, which may include financial penalties.

2. ALTERNATIVE OPTIONS

- 2.1 The Policy coming before Pensions Committee for approval helps to demonstrate compliance with both regulation and guidance provided by TPR.

3. DETAILS OF REPORT

- 3.1 Section 70 of the Pensions Act 2004 requires that certain people involved in running or advising a pension scheme must report 'materially significant' breaches of the law to TPR. For public service schemes, those subject to this reporting requirement ('Reporters') are:

- Scheme managers (in this case the Council as the Administering Authority, with responsibility delegated to the Pensions Committee).
- Pension Board Members
- Persons otherwise involved in the administration of the scheme
- Employer
- Professional advisers
- Persons otherwise involved in advising the Scheme Manager in relation to the scheme.

- 3.2 The Regulator's Code of Practice helps reporters to determine whether or not a breach needs to be reported, setting out two key judgements to enable a decision:

- Does the reporter have reasonable cause to believe there has been a breach of the law
- If so, does the reporter believe that this is likely to be of material significance to the Regulator?

The Code provides practical guidance on the factors reporters should consider in making these key judgements, and the process for making a report to the Regulator should this be required.

- 3.3 The Code also highlights the need for schemes to be satisfied that those with statutory responsibility for reporting breaches have a sufficient level of knowledge and understanding to fulfil their duty. The Code recommends that

training be provided for Scheme Managers and Pension Board members, and for all others with a duty to report to be familiar with the legal requirements and processes and procedures for reporting.

- 3.4 TPR also recommends that schemes should establish and operate 'appropriate and effective' procedures that enable people to raise concerns and allow the objective consideration of any breaches identified. They should also set out appropriate timescales for reporters to consider whether or not a breach should be reported.
- 3.5 The relevant section (points 241-275) of The Pensions Regulator's Code of Practice can be found at Appendix Y1 to this report.

TOWER HAMLETS PENSION FUND – ACTIONS TAKEN

- 3.6 A draft reporting breaches policy for the Tower Hamlets Pension Fund is supplied for the approval of the Committee at Appendix Y to this report. As per the Regulator's guidance, the policy:
- Sets out the law on reporting breaches, and those to whom it applies
 - Provides guidance on how to confirm the facts when a breach is suspected
 - Provides guidance on determining whether or not a breach is likely to be of material significance to the Regulator
 - Sets out the appropriate level of seniority for decision-making when determining whether or not to report
 - Provides appropriate timescales for reporting
 - Provides guidance on dealing with complex cases
 - Sets out an early reporting procedure for serious breaches (e.g. where dishonesty is suspected)
 - Sets out the procedure for reporting a breach to the Regulator
- 3.7 In line with the Regulator's recommendation for training to be provided to Scheme Managers and Pension Board Members, a training session will be provided at the September Committee meeting to cover the reporting of regulatory breaches.
- 3.8 The policy also sets out a quarterly reporting procedure for all breaches, irrespective of whether or not they are reported to the Regulator. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pensions Committee, and this will also be shared with the Pensions Board.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 The comments of the Corporate Director Resources are incorporated in the report

5. LEGAL COMMENTS

- 5.1 Section 70(2) of the Pensions Act 2004 imposes a duty on on certain people involved in running or advising a pension scheme to report to the Pensions

Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to the Pensions Regulator.

A person who fails without reasonable excuse to comply with the duty to report, can be subject to a civil penalty. The duty to report breaches under the Act overrides any other duties those subject to the duty may have, except where legal privilege applies. Thus communications between a professional legal adviser and their client or someone representing the client, in connection with legal advice being given to the client do not have to be disclosed.

. For public service schemes, those subject to this reporting requirement ('Reporters') are:

- Scheme managers (in this case the Council as the Administering Authority, with responsibility delegated to the Pensions Committee)
- Pension Board Members
- Persons otherwise involved in the administration of the scheme
- Employer
- Professional advisers
- Persons otherwise involved in advising the Scheme Manager in relation to the scheme.

5.2 The Code highlights the need for schemes to be satisfied that those with statutory responsibility for reporting breaches have a sufficient level of knowledge and understanding to fulfil their duty. The Code recommends that training be provided for Scheme Managers and Pension Board members, and for all others with a duty to report to be familiar with the legal requirements and processes and procedures for reporting.

5.3 TPR also recommends that schemes should establish and operate 'appropriate and effective' procedures that enable people to raise concerns and allow the objective consideration of any breaches identified. They should also set out appropriate timescales for reporters to consider whether or not a breach should be reported.

5.4 The draft LB Tower Hamlets procedure for recording and reporting breaches of the law is very comprehensive and provides detailed guidance to those with a responsibility to report breaches of the law to the Pensions Regulator.

5.5. In operating the procedure, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). The Committee may take the view that having a robust procedure in place for reporting materially significant breaches of the law will

support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 Any costs associated with meeting the policy and related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to the Pension Fund.
- 6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 The costs of not adhering to either the legislation or indeed applying best practice could be significantly higher and pose risks to the financial management of the Pension Fund.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 Lack of robust governance inevitably involves a degree of risk.
- 9.2 Not adhering to the overriding legal requirements could impact on meeting the ongoing objectives of the Pension Fund. In addition, where scheme managers or pension boards fail to address poor standards and non-compliance with the law, TPR will consider undertaking further investigations and taking regulatory action, including enforcement action.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

- Appendix Y – Reporting Breaches Policy
- Appendix Y1 – The Pensions Regulator's Code of Practice

Local Government Act, 1972 Section 100D (As amended)

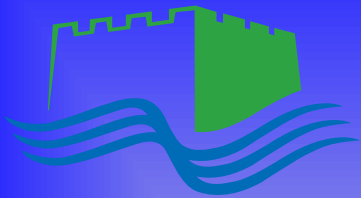
List of "Background Papers" used in the preparation of this report

- The Pensions Act 2004
- The Pensions Regulator's Code of Practice

Officer contact details for documents:

- Bola Tobun Investment & Treasury Manager x4733

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TOWER HAMLETS

LONDON BOROUGH OF TOWER HAMLETS

**Administering Authority for
Tower Hamlets Pension Fund**

**Procedure for Recording and Reporting Breaches of
the Law**

June 2016

Page 67

1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the Tower Hamlets Pension Fund, the Local Government Pension Scheme managed and administered by Tower Hamlets Council, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies, in the main, to:
 - all members of the Tower Hamlets Pensions Committee and Board;
 - all officers involved in the management of the Pension Fund ;
 - personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
 - officers of employers participating in the Tower Hamlets Pension Fund who are responsible for pension matters.

2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.
- 2.2 ***Pensions Act 2004***
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:
 - a trustee or manager of an occupational or personal pension scheme;
 - a member of the pension board of a public service pension scheme;
 - a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
 - the employer in relation to an occupational pension scheme;
 - a professional adviser in relation to such a scheme; and
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
 - (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 ***The Pension Regulator's Code of Practice***

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 ***Application to the Tower Hamlets Pension Fund***

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Tower Hamlets Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

3 The Tower Hamlets Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Tower Hamlets Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 ***Clarification of the law***

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx>
 In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Council Monitoring Officer and the Corporate Director, Resources, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 ***Clarification when a breach is suspected***

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Council Monitoring Officer and the Corporate Director, Resources, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 ***Determining whether the breach is likely to be of material significance***

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

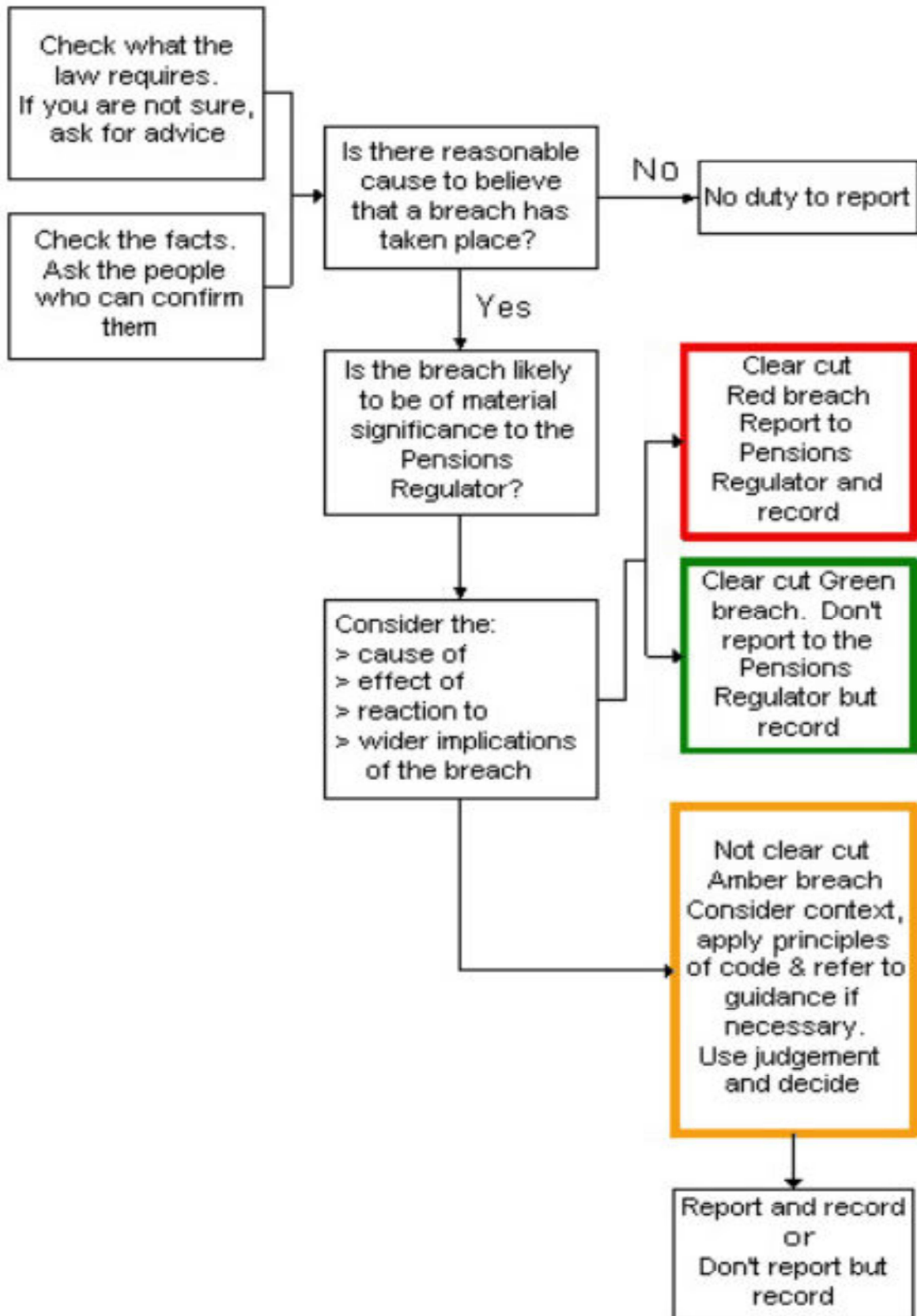
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

- ### 3.4
- A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 ***Referral to a level of seniority for a decision to be made on whether to report***

Tower Hamlets Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Council Service Head of Finance & Procurement and the Corporate Director, Resources, at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 ***Dealing with complex cases***

The Council Service Head of Finance & Procurement and the Corporate Director, Resources, may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7. ***Timescales for reporting***

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 ***Early identification of very serious breaches***

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more

serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 ***Recording all breaches even if they are not reported***

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Tower Hamlets Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Council Monitoring Officer and the Corporate Director, Resources. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 ***Reporting a breach***

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Tower Hamlets Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Tower Hamlets Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 00330180RT); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 **Reporting to Pensions Committee and Pensions Board**

A report will be presented to the Pensions Committee and the Pensions Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**

This Reporting Breaches Procedure was originally developed in June 2016. It will be kept under review and updated as considered appropriate by the Corporate Director, Resources. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Bola Tobun - Investment & Treasury Manager
Email: Bola.Tobun@towerhamlets.gov.uk
Telephone: 020 7364 4733
Tower Hamlets Pension Fund
London Borough of Tower Hamlets, London E14 2BG

Designated officer contact details:

1) Service Head of Finance and Procurement – Neville Murton
Email: Neville.Murton@towerhamlets.gov.uk

2) Corporate Director, Resources – Zena Cooke
Email: Zena.Cooke@towerhamlets.gov.uk

3) Monitoring Officer – Melanie Clay
Email: Melanie.Clay@towerhamlets.gov.uk

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

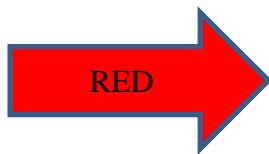
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:<http://www.thepensionsregulator.gov.uk/codes/code-related-report-reaches.aspx>

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

240. When reviewing an application, scheme managers and specified persons (where relevant) should ensure that they have all the appropriate information to make an informed decision. They should request further information if required. Scheme managers and specified persons should be satisfied that the times taken to reach a decision and notify the applicant are appropriate to the situation and that they have taken the necessary action to meet the reasonable time periods. Scheme managers should be able to demonstrate this to the regulator if required.

Reporting breaches of the law

Legal requirements

241. Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- a legal duty¹²⁶ which is relevant to the administration of the scheme has not been, or is not being, complied with
- the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions¹²⁷.

For further information about reporting late payments of employee or employer contributions, see the section of this code on 'Maintaining contributions'.

242. People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- scheme managers¹²⁸
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers¹²⁹: in the case of a multi-employer scheme, any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers
- professional advisers¹³⁰ including auditors, actuaries, legal advisers and fund managers: not all public service pension schemes are subject to the same legal requirements to appoint professional advisers, but nonetheless the regulator expects that all schemes will have professional advisers, either resulting from other legal requirements or simply as a matter of practice
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme¹³¹.

243. The report must be made in writing as soon as reasonably practicable¹³². See paragraph 263 for further information about how to report breaches.

126

The reference to a legal duty is to a duty imposed by, or by virtue of, an enactment or rule of law (s70(2)(a) of the Pensions Act 2004).

127

Section 70(2) of the Pensions Act 2004.

128

The legal requirement to report breaches of the law under section 70(1)(a) is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

129

As defined in s318 of the Pensions Act 2004.

130

As defined in s47 of the Pensions Act 1995.

131

Section 70(1) of the Pensions Act 2004.

132

Section 70(2), *ibid.*

Practical guidance

244. Schemes¹³³ should be satisfied that those responsible for reporting breaches are made aware of the legal requirements and this guidance. Schemes should provide training for scheme managers and pension board members. All others under the statutory duty to report should ensure they have a sufficient level of knowledge and understanding to fulfil that duty. This means having sufficient familiarity with the legal requirements and procedures and processes for reporting.

Implementing adequate procedures

245. Identifying and assessing a breach of the law is important in reducing risk and providing an early warning of possible malpractice in public service pension schemes. Those people with a responsibility to report breaches, including scheme managers and pension board members, should establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations. Procedures should enable people to raise concerns and facilitate the objective consideration of those matters. It is important that procedures allow reporters to decide within an appropriate timescale whether they must report a breach. Reporters should not rely on waiting for others to report.

246. Procedures should include the following features:

- a process for obtaining clarification of the law around the suspected breach where needed
- a process for clarifying the facts around the suspected breach where they are not known
- a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board
- a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the regulator
- an established procedure for dealing with difficult cases
- a timeframe for the procedure to take place that is appropriate to the breach and allows the report to be made as soon as reasonably practicable
- a system to record breaches even if they are not reported to the regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue), and
- a process for identifying promptly any breaches that are so serious they must always be reported.

133
See paragraph 25
for the definition of
'schemes'.

Judging whether a breach must be reported

247. Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.

Judging whether there is 'reasonable cause'

248. Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

249. Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

250. Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to check with the pension board or scheme manager or with others who are in a position to confirm what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the regulator without delay.

251. If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

252. In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Judging what is of 'material significance' to the regulator

253. In deciding whether a breach is likely to be of 'material significance' to the regulator. It would be advisable for those with a statutory duty to report to consider the:

- cause of the breach
- effect of the breach
- reaction to the breach, and
- wider implications of the breach.

254. When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator.

Cause of the breach

255. The breach is likely to be of material significance to the regulator where it was caused by:

- dishonesty
- poor governance or administration
- slow or inappropriate decision making practices
- incomplete or inaccurate advice, or
- acting (or failing to act) in deliberate contravention of the law.

256. When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

257. A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

258. Reporters need to consider the effects of any breach, but with the regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the regulator:

- pension board members not having the appropriate degree of knowledge and understanding, which may result in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- pension board members having a conflict of interest, which may result in them being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- adequate internal controls not being established and operated, which may lead to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time
- accurate information about benefits and scheme administration not being provided to scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement
- appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- pension board members misappropriating any assets of the scheme or being likely to do so, which may result in scheme assets not being safeguarded, and
- any other breach which may result in the scheme being poorly governed, managed or administered.

259. Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

260. Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the regulator will not normally consider this to be materially significant.

261. A breach is likely to be of concern and material significance to the regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

262. Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Submitting a report to the regulator

263. Reports must be submitted in writing and can be sent by post or electronically, including by email or by fax. Wherever possible reporters should use the standard format available via the Exchange online service on the regulator's website.

264. The report should be dated and include as a minimum:

- full name of the scheme
- description of the breach or breaches
- any relevant dates
- name of the employer or scheme manager (where known)
- name, position and contact details of the reporter, and
- role of the reporter in relation to the scheme.

265. Additional information that would help the regulator includes:

- the reason the breach is thought to be of material significance to the regulator
- the address of the scheme
- the contact details of the scheme manager (if different to the scheme address)
- the pension scheme's registry number (if available), and
- whether the concern has been reported before.

266. Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.
267. Reporters should ensure they receive an acknowledgement for any report they send to the regulator. Only when they receive an acknowledgement can the reporter be confident that the regulator has received their report.
268. The regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.
269. The reporter should provide further information or reports of further breaches if this may help the regulator to exercise its functions. The regulator may make contact to request further information.
270. Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.
271. In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, the regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the regulator to the breach.

Whistleblowing protection and confidentiality

272. The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.
273. The statutory duty to report does not, however, override 'legal privilege'¹³⁴. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

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Section 311 of the
Pensions Act 2004.

274. The regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.
275. The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The regulator expects such individual reports to be rare and confined to the most serious cases.

Agenda Item 10

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