

**Tower Hamlets Council
Local Government Pension Scheme**

PENSIONS BOARD

**Monday, 16 October 2017 at 10.00 a.m.
MG8, Ground Floor, Town Hall, Mulberry Place, 5 Clove Crescent,
London E14 2BG.**

This meeting is open to the public to attend.

Members:

Chair: John Jones

Vice-Chair: David Stephen Thompson

Stephen Stratton, (Active Fund Members' Representative)

John Gray, (Admitted Bodies Representative for Active Fund Members)

Councillor Dave Chesterton, (Representing Pension Fund Employers)

Minesh Jani, (Representing Pension Fund Employers)

1 Vacancy, (Representing Admitted Bodies Employers)

Substitutes:

Roger Jones (Representing Pension Fund Employers)

Contact for further enquiries:

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

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phone to view
Committee
website.



1. **APOLOGIES**
2. **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
3. **PETITIONS**
4. **UNRESTRICTED MINUTES**

To confirm as a correct record of the proceedings the unrestricted minutes of the meeting of the Pensions Board held on 31 July 2017.

5. **SUBMISSIONS FROM FUND MEMBERS**

To consider any written submissions from Fund Members/Stakeholders.

(Submissions must be received by the Clerk to the meeting no later than 5.00p.m. on the day before the meeting.)

6. **SUBMISSIONS / RESPONSES FROM PENSIONS COMMITTEE**
7. **PRESENTATION FROM PIRC ON LOCAL AUTHORITY INVESTMENTS LEAGUE TABLE**
8. **PRESENTATION FROM MERCER, FUND INVESTMENT CONSULTANT**
9. **PRESENTATION FROM THE CHAIR ON PENSIONS BOARD 2016/17 ANNUAL REPORT**

The Chair will make reference to the Pensions Committee Report that was published as part of the Agenda for the meeting on 21 September 2017. Click on the following [Link](#) to access the papers.

10. **REPORTS FOR CONSIDERATION**

- 10 .1 **Employer Representative Substitute** (Pages 15 - 18)
- 10 .2 **Report on Compliance with the Code of Practice (The Pensions Regulator Checklist)** (Pages 19 - 46)
- 10 .3 **Pensions Fund Administration Update** (Pages 47 - 54)
- 10 .4 **Pensions Board Work Plan Review And Discussion** (Pages 55 - 70)
- 10 .5 **Update on Indemnity Insurance for Pension Board**

To receive a verbal report from Bola Tobun, Investment and Treasury Manager.

11. **MINUTES OF THE PREVIOUS PENSIONS COMMITTEE**

To note the unrestricted minutes of the meeting of the Pensions Committee held on 31 July 2017.

12. PENSIONS COMMITTEE AGENDA MEETING (21.09.2017)

13. ANY OTHER UNRESTRICTED BUSINESS

To consider any other unrestricted business which the Chair has deemed to be urgent.

14. DATES OF FUTURE MEETINGS

To note the scheduled Pension Board dates.

- 27 November 2017
- 03 March 2018

15. 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.

16. RESTRICTED MINUTES

To confirm as a correct record of the proceedings the restricted minutes of the meeting of the Pensions Board held on 31 July 2017.

17. RESTRICTED MINUTES OF PENSIONS COMMITTEE

To note the restricted minutes of the meeting of the Pensions Committee held on 31 July 2017.

The next meeting will be held at Monday, 27 November 2017 and MG8, Ground Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG.

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Agenda Item 2

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:-

Asmat Hussain, Corporate Director for Governance and Monitoring Officer.
Tel 020 7364 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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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS BOARD

HELD AT 10.00 A.M. ON MONDAY, 31 JULY 2017

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

Members Present:

John Jones (Chair) (Independent Chair)
David Stephen Thompson (Vice-Chair)
John Gray (Member) (Representing Active Admitted/Statutory
Bodies Pension Fund Members)
Roger Jones (Substitute for Minesh Jani) (Head of Revenues)

Officers Present:

Ngozi Adedeji – (Team Leader Housing Services,
Governance)
Suzanne Jones – (Supporting the Divisional Director, Finance)
Kevin Miles – (Chief Accountant, Resources)
George Bruce – (Interim Pensions Manager – HR)
Bola Tobun – (Investments and Treasury Manager,
Resources)
Georgina Wills – (Committee Services Officer)
Antonella Burgio – (Democratic Services)

1. APOLOGIES

The Chair noted apologies from Minesh Jani, Councillor Dave Chesterton and Steve Stratton.

2. APPOINTMENT OF VICE - CHAIR

The Chair proposed that David Thompson be appointed as Vice-Chair for the rest of the Municipal Year. There being no other nominations it was

RESOLVED

That David Thomson is appointed as Vice-Chair for the remainder of the Municipal Year.

3. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

None.

VARY ORDER OF BUSINESS

At the request of the Chair, the Board agreed to vary the order of business. To aid clarity, the minutes are presented in the order that the items originally appeared on the agenda.

4. UNRESTRICTED MINUTES**RESOLVED**

That the minutes of the meeting held on 13 March 2017 are approved as a correct record.

Matters Arising

Regarding Minute 8, Funding Strategy Statement Consultation/Comments: The Board noted that, at the last meeting, the Board had requested clarification on the inflation risk and ESG factors. It was requested that this information be provided at a future meeting.

Action by: B Tobun, Investment and Treasury Manager, Resources

5. SUBMISSIONS FROM FUND MEMBERS

There were none.

6. SUBMISSIONS / RESPONSES FROM PENSION COMMITTEE

Nil items.

7. PENSION BOARD REPORTS FOR CONSIDERATION**7.1 Pensions Board, Membership, Quorum and Dates of Meetings**

The Chair introduced the report which detailed the Terms of Reference, Membership and Quorum of the Pensions Board.

The Board discussed:

- the contents of the report and requested that the Chair's correct surname be recorded at Appendix A, Pensions Board Membership 2017/2018.
- the schedule of meetings for the remainder of the year and noted that the meeting on 20 November may have to be rescheduled. Officers advised that Members will be canvassed for alternative meeting dates if required.

RESOLVED

1. That the report be noted.
2. That future meetings be held at 10.00am.
3. That the Chair's surname be amended in Appendix A - Pensions Board Membership 2017/2018.
4. That officers canvass amongst Board Members for a new meeting date if the scheduled meeting for 20 November 2017 is postponed.

7.2 Feedback from the Chair on CIPFA Pensions Board Seminar

The Chair reported to the Board the matters discussed at a recent CIPFA one day seminar to consider the progress of pensions boards since their inception.

The following matters of concern and interest were noted:

- Insurance for Board Members - it was noted that:
 - The legal position regarding board indemnity was unclear; however there should be indemnity for Board members when discharging the duties for which they were appointed. The Board noted that council insurances indemnified Pension Committee members but did not generally provide the same for Pensions Boards and suggested that a representation on this matter should be made to the Regulator and that the matter also be referred to the Council's Insurance Team. The Treasury and Investment Manager agreed that an enquiry would also be made with the Council's insurer. The LGPA made clear that there was a need for indemnification.
 - The Board discussed whether insurance could be provided via funds set aside for the work of the Pension Board and were advised that Boards were not permitted to self-insure.
 - The Divisional Director's Support Officer advised that it was necessary to clarify what areas the indemnifications covered. Clarification would be sought and a report back be made.
- Issues - Scheme Governance Survey
 - The Pensions Regulator presented an update on a number of issues which featured in the Scheme Governance Survey; these broadly related to record keeping and risk management. The Regulator recommended that Boards monitor these areas in particular. Having considered the matter, the Board agreed that this duty should be highlighted to the Pension Committee and to officers.
- DCLG – Scheme Advisory Board
 - An actuarial report on the Fair deal and Treasury cost cap was delayed until spring 2018.
- Governance of Pooled Investments (CIV)
 - There was concern around governance of these bodies and how Pension Boards could undertake this. The Chair advised that the Boards concerns on this matter should continue to be voiced. Additionally he advised that he has written to the Pension Committee in this regard and the Board will continue to monitor this matter until how governance would be delivered was made clear.
 - The Board noted
 - that a Government Review, of CIVs was imminent
 - the Board of the London CIV would comprise a nominated Councillor from each participating authority.. These appointments, once confirmed, would be communicated to the Board.
 - two authorities had withdrawn from the London CIV to conflict of interests

- the Treasury and Investment Manager would verify and inform the Board if work has started
- LGPS Complaints - the Regulator advised that the number of complaints upheld is very small in comparison to scale of LGPS. Complaints received have not at this time required referral onward to the ombudsman. It was noted that a stage one complaint was outstanding this time which would be externally checked.
- Cyber Security
 - A new regulation, GDPR, places responsibility on data controller and had legal consequences. The Pensions Administration Manager (G Bruce) was working on compliance presently and would report back to the Board.
 - Implications of the regulations also included more requirements on member consent (it may be necessary to change forms and update statements and consider information has been upheld).
- Cost Transparency Code for Asset Managers
 - The Chair of the Scheme Advisory Board advised that only seven managers had signed up to the code and asked that Pensions Boards should asking their Investment Committees to ensure that all asset managers have been asked to sign up. The TH Pension Board Chair recommended that the Board support this approach and ask for confirmation of whether or not the TH Pension Fund Asset Managers had signed the Code. The Board was informed that London CIV is leading in this area and has applied this principle to listed assets. Two managers have signed the Code, however it was noted that it might be difficult for Private Equity/ Infrastructure Managers to sign up. Notwithstanding the limitations, asset managers should be encouraged to support an ethical approach. The Board then agreed to monitor how this action progressed.
- Concurrent Pensions Board and Investment Committee cycles - it was noted that Tower Hamlets already operated such arrangements. These were important to ensure that there was balanced oversight of on administration and performance of funds.
- Future Seminars - The Chair noted that seminar had been well attended and should be open to all. He encourage all Board Members to attend the next seminar which would be held in London on 6th November 2017.

RESOLVED

That the presentation and actions requested be noted.

Action by: B Tobun, Investment and Treasury Manager, Resources

7.3 Discussion on the Regulators 2017 Governance Report

David Thompson, Vice Chair, tabled and presented a paper which set out the results of the Pensions Regulator's Public Service Governance and Administration Survey.

The Board held an in-depth discussion on the paper and the following were noted:

- The survey findings had a robust basis.
- There were three areas of concern:
 - Record Keeping – Officers were advised that Actuaries had judged London Tower Hamlets (LGPS) record keeping as good / high and that an annual data review was being undertaken. At present there were 700 deferred members whose home address was unknown. These were being traced through data matching.
 - Internal controls
 - Member communications
- At a recent conference the Regulator strongly endorsed compliance/governance and therefore it could be assumed that this would be a good basis for self-comparison exercises.
- The Regulator survey highlighted issues around record keeping in that 79% had reviewed data in the past year and of those that had it was found that 35% were not adequately monitoring data.
- Small Pension schemes have more difficulty around record keeping however at Tower Hamlets the data quality was high.
- There was no comparative information on how Tower Hamlets data quality compared with other local authorities but there was data on how the Council's Pension Scheme fulfilled the code.
- There would be an extended study on data to further improve quality by tracing members designated as 'gone away'.
- The regulators intervention in the matter of the Teachers' Pension Scheme was in the form of an improvement request and a fine.
- 2017 Annual statements were ready for circulation and systems/data had been checked to ensure that the errors in 2016 had been resolved.
- The TH Fund risks were incorporated into the Council's general risk register and it was debated whether this was sufficient or whether there should be a specific risk register for the Fund. A risk assessment would be completed by September 2017.
- The external study would take place in the weeks after the contract had been agreed/signed.
- The Terms of Reference will pick up the issues outlined by the Regulator.
- Admitted Bodies tended to have low staffing levels and this was an issue for the Council pension scheme. Mr Bruce noting the comment advised that it was easier to monitor if the Admitted Bodies' payroll was administered by the Council's payroll. Issues mainly occurred at start up/when the agreement is signed and the contribution rate is announced.
- There could be some risk that the Councils was paying unnecessary pensions but efforts were being made to communicate with admitted bodies and trace fund members. GLT consultants had been engaged to carry out this task. The Mr Jones representing the Fund Employer suggested that Experian should also be used.

RESOLVED

That the tabled report and discussion be noted.

7.4 Report on Pension Fund Administration Update

Mr Bruce Interim Pensions Manager – HR, presented the report and the Board noted the following matters outlined in the report:

- Mr Dodia had retired. Mr Bruce also advised that he himself was soon to take up a new position in another authority.
- Since a decision on options for the Pensions Administration Service was pending, his role would be covered day to day by team managers and Sue Grinsted would provide management and mentoring on a part-time interim basis until a decision was reached.
- Performance of the administration service had improved and now stood at 82%
- An area requiring improvement was that of recovery of overpayments and it was noted that a proportion arose because of failures to notify the service of pensioner deaths. Methods of better tracing pensioner death and reducing overpayments were being explored.
- Information regarding the actuarial feedback on data quality deeming that it was fit for purpose.
- The member self-service portal structures were in place and the services would be launched after the benefits statements had been issued to fund members.
- The Board noted but did not comment on the admission of Mulberry Academy and Energy Kidz into the Fund.

Responding to Members' questions the Board was informed that:

- In regard to addressing the issue of overpayments:
 - A National Fraud Initiative data matching exercise was recently carried out.
 - Noting the information relating to Guaranteed Minimum Pension (GMP) at 3.37, the Board heard that it was necessary to ensure that data relating to this was accurate therefore the Fund and HMRC records were matched and revealed that 11 000 records agreed with the Revenue, 2000 have liability need to follow have been taking to an organisation £129 000 cost to identify. 87 000 check overpayment cost, October 2018 needs to be completed and this be put to tender as the matter needs to be concluded by December 2018 and the authority had been late in starting the reconciliation process.
 - Because of the impacts of members joining and leaving the scheme, it was not possible to estimate the value of overpayments but figures would be presented at a future meeting.
 - The NFI exercise, previously run biennially will now be run very six months.

- Norfolk CC was looking at establishment of arrangements for mortality screening for deaths in UK but for those retiring abroad, a death certificate would still be necessary.
- Overpayment recovery requires a death certificate and identification of and contact with the executor(s).
- Any irregularities around pension statements are covered by disclosure regulations.

RESOLVED

1. That the contents of the report and the Board's comments be noted.
and
2. That the Board's comments on the recommendation to approve the admission of Energy Kidz Ltd as an employer within the pension fund (para 3.10).

7.5 Report on Future Options for Pension Administration Services

Mr Bruce Interim Pensions Manager – HR, presented the report and the Board noted the following matters:

- Small schemes such as Tower Hamlets Pension Fund faced challenges of continuity and expertise.
- Only a small number of councils operate in house schemes.
- Alternatives to in-house provision are joint arrangements with other local authorities or out sourcing to a specialist provider.
- The latter scenario would provide a more stable arrangement.
- Officer were looking into a presentation from a small combined scheme from among those know to operate this arrangement.

The Board considered the implications of the options and noted:

- The number and range of bodies which operate combined or out sourced administration.
- That there would be implications on current staff.
- That there should be KPI assessments of the options presented to Pension Committee.
- The Pensions Committee is recommended to consider all options and the potential impacts of these on the service and the current staff.
- That Unit costs should be provided.

RESOLVED

1. That the report and discussion be noted.
and
2. That a report on progress be made at a future meeting.

7.6 LGPS Latest Development and Update

Ms Tobun Investments and Treasury Manager presented the report and the Board noted the following matters:

- New MiFID II rules will be in force January 2018 which will render local authorities as retail investment clients and have impacts on some financial instruments that they may wish to purchase. Additionally direct access to fund managers would be lost. However the LGA had lobbied FCA to consider fund trustees to comprise a collective of members and officers which administer pension funds to secure that these organisations may retain their professional status and so mitigate the detriment that would otherwise be imposed.
- A High Court judicial review of the section on boycotting foreign nations and the UK defence industry in the DCLG statutory guidance on preparing and maintaining an investment strategy statement published in September 2016 ruled it was unlawful.
- The update on the Investment Code of Transparency as presented in the report.
- Establishment of the London CIV was progressing on time. Two funds had been launched with two more expected to launch later in the year. Additionally a number of members of staff had been appointed.

The Board discussed the following:

- In regard to MiFID II, that there had been concerns around the adequacy of (Pensions Committee) member training and hear that CPfA was looking at ways of achieving appropriately trained members including requiring them to answer a set of questions.
- In regard to CIVs, that a review would be carried out in July 2017. A draft report would not be circulated to the Council for consultation and the Board noted that should the CIV wish to change style or plan. it would need to consult. The Chair asked that further information be reported to the Board at a future meeting.

RESOLVED

That the discussion covering the following matters be noted

1. FCA MiFID II Policy Statement on LGPS Classification;
2. Judicial review on DCLG statutory guidance;
3. LGPS Investment Code of Transparency and
4. London Collective Investment Vehicle (CIV).

7.7 Draft Pension Fund Annual Report and Accounts 2016/17

Mr Miles, Chief Accountant presented the report which was circulated as a supplement and informed the Board that:

- The value of the fund had increased by £200
- Once finalised the annual report would be presented to Pension Committee for approval at its meeting in November 2017.

RESOLVED

That the draft annual report and accounts be noted.

8. MINUTES OF PREVIOUS PENSION COMMITTEE

The Board reviewed the minutes of the Pension Committee held on 16 March 2017 and noted the following matters:

- There had been no contact from Tower Hamlets Digest, however this matter would be discussed at the next Pensions Committee meeting.
- The Chair and Investments and Treasury Manager were monitoring the Board workplan and a standing item would be added to the agenda of each Board meeting.

Action by: B Tobun, Investment and Treasury Manager, Resources

RESOLVED

That the discussion and action agreed be noted.

9. PENSIONS COMMITTEE AGENDA FOR THE FORTHCOMING MEETING (31.07.17)

The Board noted the agenda for the meeting on 31 July 2017 and that the business reports for this meeting had been discussed as part of the Boards agenda.

The Board noted:

- The investment strategy review at agenda item 6.2 would take the form of a presentation.
- the report: Investment Performance Review for Quarter Ending 31 March 2017 and details of the investment strategy review would be discussed at the next Pension Board meeting.

Concerning performance of the Fund, the Board was informed that six of the eight investment managers mandated have performed at or above benchmark. The comparative data for Ruffer and Goldman Sachs in the quarter, 12 month and three-year periods was also noted.

RESOLVED

That the agenda and discussion be noted

10. DATE OF FUTURE MEETINGS

The Board heard that the Investments and Treasury Manager wished to review the date of the next meeting and to this end, Members of the Board would be canvassed for availability.

11. ANY OTHER BUSINESS

The Board noted that Andrew Crompton, representing employer admitted bodies had ceased to be a member and was informed that the process of recruitment to fill the vacant role would be initiated by Democratic Services.

The Board also noted that Mr Bruce was shortly to take up a position at another authority and thanked him for his work for the Board during his time at Tower Hamlets Council.

12. EXCLUSION OF THE PRESS AND PUBLIC

The Chair **moved** and it was

RESOLVED


“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.” This information pertains to paragraphs 1 and 3 of Schedule 12A – information likely to reveal the identity of an individual and information pertaining to the financial and business affairs of an individual including the authority holding that information.

12.1 Pension Fund Procurement Plans and Update 2017/18

This item was discussed in closed session.

The meeting ended at 12.00 p.m.

Chair, John Jones
Pensions Board

Non-Executive Report of the: Pensions Board 16 October 2017	
Report of: Asmat Hussain, Corporate Director, Governance	Classification: Unrestricted
Employer Representative Substitute	

Originating Officer(s)	Matthew Mannion, Committee Services Manager
Wards affected	(All Wards);

Summary

At the meeting of the Pensions Board on 31 July 2017 the Employer Representative on the Board was unable to attend the meeting. On that occasion, as there was no agreed substitute, the Corporate Director, Governance approved a substitution for that meeting.

This report proposes to confirm formal arrangements for substitution for the Employer Representative on the Board for future meetings.

It is proposed that any employed senior officer (ie grade LP07 or above) that is a member of the Resources Directorate Leadership Team, except for the Divisional Director, Finance and Procurement and the Divisional Director HR and Transformation (or any future posts that cover those areas of responsibility) be allowed to substitute for the Employer Representative on the Board.

Recommendations:

The Pensions Board is recommended to:

1. Agree that any employed senior officer (ie grade LP07 or above) that is a member of the Resources Directorate Leadership Team, except for the Divisional Director, Finance and Procurement and the Divisional Director HR and Transformation (or any future posts that cover those areas of responsibility) be allowed to substitute for the Employer Representative on the Board.
2. Agree any proposed substitute from the above recommendation must undergo appropriate training as set out in the terms of reference. Once this training has been undertaken that officer will be listed in the Board Membership as a substitute.

1. REASONS FOR THE DECISIONS

- 1.1 To enable the smooth running of the Pensions Board by ensuring an Employer's Representative is always available to attend meetings. This ensures that the employer's position is represented and also helps avoid meetings becoming inquorate.

2. ALTERNATIVE OPTIONS

- 2.1 To not agree the proposal.

3. DETAILS OF REPORT

- 3.1 At the meeting of the Pensions Board on 31 July 2017 the Employer Representative on the Board was unable to attend the meeting. On that occasion, as there was no agreed substitute, the Corporate Director, Governance approved a substitution for that meeting.
- 3.2 This report proposes to confirm formal arrangements for substitution for the Employer Representative on the Board for future meetings.
- 3.3 It is proposed that any employed officer that is at a senior management grade (ie LP07 or above) and is a member of the Resources Directorate Leadership Team, except for the Divisional Director, Finance and Procurement and the Divisional Director HR and Transformation (or any future posts that cover those areas of responsibility) be allowed to substitute for the Employer Representative on the Board.
- 3.4 The reason for the above proposed exclusions is due to the potential for a conflict of interest for the holders of those posts due to their responsibility for administering the pension fund arrangements.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 There are no specific financial implications arising from this report. However, the effective operation of the Pensions Board is important in monitoring the Council's financial commitments to its Pension Fund.

5. LEGAL COMMENTS

- 5.1 This report is asking the Pensions Board to agree to formal arrangements for substitution for the Employer Representative on the Board for future meetings.
- 5.2 The Terms of Reference for the Pensions Board provides at paragraph 18 in respect of *Employer Representative* that: "Substitutes shall be appointed. Where appointed substitutes should be named and must undertake the same training as full members". The reference to any employed officer with the limits and exclusions set out in the recommendations is appropriate. As stated

in recommendation two above, an officer will be named as a substitute once they have undertaken the appropriate training. This is in keeping with the terms of reference and ensures compliance with the Council's statutory duty of appointing Members to the Board who have the requisite knowledge and understanding to fulfil their duties.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The effective operation of the Pension Fund impacts on previous, current and future employees of the Council and other admitted bodies.

7. BEST VALUE (BV) IMPLICATIONS

7.1 There is a clear best value advantage in the smooth running of the Pensions Board.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

8.1 None specific to this report.

9. RISK MANAGEMENT IMPLICATIONS

9.1 The smooth running of the Pensions Board supports the mitigation of any risks associated with running the Pension Scheme.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 None specific to this report.

Linked Reports, Appendices and Background Documents

Linked Report

- None.

Appendices

- None.


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

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

List any background documents not already in the public domain including officer contact information.

- None.

Officer contact details for documents: N/A

Non-Executive Report of the: Pensions Board 16 October 2017	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	Classification: Unrestricted
The Pensions Regulator Code of Practice for Public Sector Pensions Compliance Checklist For Tower Hamlets Pension Fund	

Originating Officer(s)	Bola Tobun, Investment and Treasury Manager
Wards affected	All wards

Summary

From 1st April 2015 the Pensions Regulator (TPR) assumed responsibility for public service pension schemes and put in place codes of practice for public service pension schemes covering a number of areas relating to the management of schemes. The Code of Practice for Public Service Pension Schemes came into force from 1st April 2015 and all schemes must now consider whether they comply with the Code.

This report covers an updated Compliance Checklist for the London Borough of Tower Hamlets Pension Fund.

Recommendations:

The Pensions Board is recommended to:

- Note the Code of Compliance Checklist and where further work is required and being undertaken.

1. REASONS FOR THE DECISIONS

- 1.1 There has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of Local Pension Boards and focus on increased training are just two areas of the greater focus. The Pensions Regulator (TPR) now has greater legal powers of oversight that extend this further and the Code of Practice is a useful means to understand what good practice looks like in respect of pension funds.
- 1.2 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although there are clear benefits for many schemes of the greater oversight powers that have been given to TPR, ensuring compliance with these areas and the much greater focus on governance results in additional work for officers and advisers of the Fund. Any costs associated with delivering the requirements of this Code and the related legal changes are not material in the context of the Pension Fund and any such costs are recharged to the Pension Fund.

2. ALTERNATIVE OPTIONS

- 2.1 There are no alternative options.

3. DETAILS OF REPORT

- 3.1 Although following the code itself is not a regulatory requirement, should TPR identify a situation where the legal requirements are being breached, the code will be used as a core reference document when deciding appropriate action.
- 3.2 In recent years there has been much greater focus on whether the governance of LGPS pension funds is appropriate. The introduction of local Pension Boards and focus on increased training are just two areas of the greater focus. TPR's greater legal powers of oversight extend this further and the Code of Practice is a useful means to understand what good practice looks like in these areas.
- 3.3 The Pensions Regulator's Policy on compliance and enforcement sets out the powers and the consequences of not meeting the requirements under the Code which could have financial consequences and could in extreme cases lead to financial penalties.
- 3.4 The matters covered by Code 14 are:
- knowledge and understanding for members of pension boards;
 - conflicts of interest;
 - publication of information about pension boards, governance and administration;
 - internal controls;
 - record-keeping;
 - late payment of employer and employee contributions;
 - information about member benefits and disclosure of information to members;
 - internal dispute resolution, and
 - reporting breaches of the law.

- 3.5 In light of the legal powers that have now been placed with TPR and the increasing focus on the governance of public service pension schemes, it is appropriate to consider whether the management of the London Borough of Tower Hamlets Pension Fund meets the overriding legal requirements and the recommended ways of working outlined in TPR's Code of Practice.
- 3.6 An updated checklist as at August 2017 is attached at Appendix 1 for review and comment by the Board. The Fund is generally able to demonstrate good levels of compliance with the Code and these are highlighted in green. Two areas stand out as having more items that need further attention which are highlighted in red. These are Internal Dispute Resolution and Providing Information to Members Others. The item in respect to Internal Dispute Resolution (IDRP) relates largely to the need to update the IDRP to ensure it includes all required and additional helpful information. The current version is based on old Communities and Local Government Department (DCLG) sample. This is in progress and the target is to have this completed before the next Board meeting in November.
- 3.7 A number of items requiring attention (highlighted in red) can also be found in Section H: Providing Information to Members and Others. Most are in progress and relate to the source and format of information. The principal area of concern relates to the despatch of the Annual Benefits Statements. The Fund failed to meet the requirements of the Code because Annual Benefits Statements for 348 active scheme members were issued late last year. For this year, the pension administration team are yet to complete and despatch the statements for active members. The reasons for the lateness are discussed in the following paragraphs.
- 3.8 The legislation specifies that annual statements should be issued by 31st August. The 2016 statements were issued to active scheme members between 1st October 2016 and 30th November 2016 which is effectively between two and three months late. Apology letters were sent to those scheme members that were affected. The delay was caused by out of date addresses in the pension administration system (Altair) and the need to use spreadsheets to draw data from both Altair and addresses from the payroll system. Errors in the process resulted in wrong addresses being identified for 348 scheme members.
- 3.9 The process used to generate the annual benefit statements had been used successfully for many years and carried out by an experienced officer. However, during 2016, the absence of the Pensions Manager resulted in additional duties falling on the two team leaders. This resulted in the process to issue the annual benefits statements being started late and rushed in an attempt to meet the statutory deadline. This resulted in errors being made.
- 3.10 The Council takes this breach very seriously and Internal Audit has undertaken a review of the circumstances that resulted in the breach. The conclusion of the review was that the root cause of the error was that addresses in Altair were not completely up to date and as a result the manual intervention was not done correctly which resulted in the error..

- 3.11 Action has been taken to avoid any repetition of this problem. Annual benefit statements will in future be produced directly from Altair, dispensing with the need to manipulate spreadsheets to draw addresses from payroll. Procedures are now in place to ensure change of address notifications are promptly updated in Altair. An exercise to match addresses held in Altair to those held in payroll is underway to ensure that Altair holds current addresses for all scheme members.
- 3.12 The Council has also commissioned the supplier of Altair, Aquila Haywood, to undertake a health check to ensure that the system is being used in the most efficient manner and to advise on what further work needs to be undertaken. The report is expected shortly. We are also investigating the use of Member Self Service. This will enable scheme members to log directly into the system to access their own pension records, update contact details and have the capability to produce on line annual benefit statements. This will reduce and ultimately remove the need to produce paper statements.
- 3.13 A formal breach report was submitted to TPR January 2017; no action has been taken on this occasion. The matter was also raised with the Information Commissioner's Office who has concluded their review and will be taking no action against the Council because of the corrective action that has been taken.
- 3.14 The 2017 Statements to deferred members were issued 18th August 2017 and it is envisaged that the statements to active members will be issued by 6th September 2017.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 There are no immediate direct financial consequences arising as a result of this report. However, understanding the risks that exist in respect of the Pension Fund and the management of those risks is important to the overall strategic management of the Pension Fund and the governance role of this Board. Not all risks are quantifiable from a financial perspective however should they not be appropriately managed they could impact on the reputation of the Fund or of the Council.

5. LEGAL COMMENTS

- 5.1 The Pensions Regulator Code of Practice for Public Sector Pensions came into force on the 1st April 2015. The Code introduces the framework for the governance and administration of public service pension schemes and provides an extended regulatory oversight by the regulator. Codes of practice provide practical guidance in relation to the exercise of functions under relevant pensions legislation and set out the standards of conduct and practice expected of those who exercise the functions. It is essential the Pensions Committee undertakes regular monitoring of the management and performance of the fund and use of the compliance checklist will assist with this.

5.2 The regulator is required under section 90(2) of the Pensions Act 2004, to issue one or more codes of practice covering specific matters relating to public service pension schemes. The Code is not a statement of the law and there are no penalties for failure to comply with its provisions. However the Authority must ensure that it complies with the underlying legal duties in respect of those matters specified in section 90(2). It is possible to adopt an alternative approach to that set out in the Code, however any such approach must meet any underlying legal duties of the scheme manager. Failure to do so may result in a penalty being imposed and the regulator also has the power to issue an improvement notice under section 13 of the Pensions Act 2004. The notice may be drafted with reference to the code of practice.

5.3 When exercising its functions, the Pensions Board, 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).

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The Pension Fund Accounts demonstrate financial stewardship of the fund's assets. A financially viable and stable pension fund is a valuable recruitment and retention incentive for the Council.

7. BEST VALUE (BV) IMPLICATIONS

7.1 Any costs associated with delivering the requirements of this Code and the related legal changes are immaterial in the context of the Pension Fund and any such costs are recharged to 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 A good standard of governance is crucial in minimising the key risks involved in managing the Pension Fund. Although there are clear benefits for many schemes of the greater oversight powers that have been given to TPR, ensuring compliance with these areas and the much greater focus on governance results in additional work for officers and advisers of the Fund.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no any Crime and Disorder Reduction implications arising from this report.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – LBTH Compliance Checklist as at 31st August 2017

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

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Date of Completion: 30/08/2017

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Introduction

This document outlines how the London Borough of Tower Hamlets complies with the Pensions Regulator's (TPR) Code of Practice No 14 Governance and administration of public service pension schemes ('the TPR Code') in relation to the management of the London Borough of Tower Hamlets Pension Fund which is part of the Local Government Pension Scheme (LGPS). It will be updated regularly by officers of the Fund and reported annually to the Pensions Committee and Pension Board (generally in February/March/April each year).

This document highlights all the key elements of the TPR Code and then evidences whether Tower Hamlets Council meets these areas of best practice. As part of this evidence it shows when the element was last checked and whether, at that point, it was considered fully, partially or not compliant. Where they are partially or not compliant, it also highlights whether Tower Hamlets Council have identified actions to be carried out to improve their current practices. Where an element is not yet active, the commentary will generally still highlight where advanced progress is being made.

Those reading this document should be mindful that the TPR Code applies equally to all public service pension schemes and therefore it is generic in nature. There may be a number of elements that are more specifically stipulated within LGPS legislation and it is not the purpose of this compliance checklist to consider that level of detail.

Further, Tower Hamlets Council may also incorporate key elements of national guidance from the LGPS Scheme Advisory Board into this compliance checklist. This version contains the checklists included as part of the Shadow Scheme Advisory Boards "Guidance on the creation and operation of Local Pension Boards in England and Wales".

Key

Frequency of review and last review date: Where a process, policy or practice is officially reviewed at a set interval, the actual interval will be shown as well as the last interval date. However, in many circumstances processes and procedures are ongoing and part of the day – to - day operation of the Fund. In these circumstances, an annual check will be carried out to ensure that the ongoing process meets the TPR Code expectations and therefore the date shown will be the date that annual check was carried out and the frequency will be shown as "ongoing (annual check)".

Completed:	Compliant:	Where responsibility relates to employers:
Fully completed	Fully compliant	Employers - Fully compliant
In progress	Partially compliant	Employers - Partially compliant
Not started	Non-compliant	Employers - Non-compliant
Not yet relevant	Not yet relevant	Not yet relevant

Definitions:

<i>PSPA13</i>	Public Service Pensions Act 2013
<i>LGPS</i>	Local Government Pension Scheme
<i>TPR</i>	The Pensions Regulator
<i>TPR Code</i>	The Pensions Regulator's Code of Practice No 14 Governance and administration of public service pension schemes
<i>Scheme Manager</i>	For the London Borough of Tower Hamlets Pension Fund, this is Tower Hamlets Council (sometimes referred to as LBTH).
<i>Administering Authority / LBTHPF</i>	The LGPS specific term for Scheme Manager. For the London Borough of Tower Hamlets Pension Fund, this is Tower Hamlets Council (sometimes referred to as London Borough of Tower Hamlets or LBTH).
<i>IDRP</i>	Internal Dispute Resolution Procedure
<i>SAB</i>	The national LGPS Scheme Advisory Board
<i>PC</i>	Pensions Committee
<i>LPB</i>	Local Pension Board

Summary Dashboard

A dashboard showing the summary of the results of the latest compliance checklist is shown below:

No.	Check Completed	Compliant
Reporting Duties		
A1	Fully completed	Fully compliant
A2	In progress	Partially compliant
A3	In progress	Partially compliant
A4	Fully completed	Partially compliant
Knowledge and Understanding		
B1	Fully completed	Fully compliant
B2	Fully completed	Fully compliant
B3	Fully completed	Fully compliant
B4	Fully completed	Fully compliant
B5	Fully completed	Fully compliant
B6	Fully completed	Fully compliant
B7	Fully completed	Fully compliant
B8	Fully completed	Fully compliant
B9	Fully completed	Fully compliant
B10	Fully completed	Partially compliant
B11	Fully completed	Fully compliant
B12	Fully completed	Partially compliant
Conflicts of Interest		
C1	Fully completed	Fully compliant
C2	Fully completed	Fully compliant
C3	Fully completed	Fully compliant
C4	Fully completed	Fully compliant
C5	Fully completed	Fully compliant
C6	Fully completed	Fully compliant
C7	Fully completed	Fully compliant
C8	Fully completed	Fully compliant
C9	Fully completed	Fully compliant
C10	Fully completed	Fully compliant
C11	Fully completed	Fully compliant
Publishing Information		
D1	Fully completed	Fully compliant
D2	Fully completed	Fully compliant
D3	Fully completed	Fully compliant
D4	Fully completed	Fully compliant

No.	Check Completed	Compliant
Risk and Internal Controls		
E1	Fully completed	Partially compliant
E2	Fully completed	Fully compliant
E3	Fully completed	Fully compliant
E4	Fully completed	Fully compliant
E5	Fully completed	Fully compliant
E6	Fully completed	Fully compliant
E7	Fully completed	Fully compliant
E8	Fully completed	Partially compliant
Maintaining Accurate Member Data		
F1	Fully completed	Partially compliant
F2	Fully completed	Partially compliant
F3	Fully completed	Partially compliant
F4	Fully completed	Fully compliant
F5	Fully completed	Fully compliant
F6	Fully completed	Fully compliant
F7	Fully completed	Partially compliant
F8	Fully completed	Fully compliant
F9	Fully completed	Fully compliant
F10	Fully completed	Fully compliant
F11	Fully completed	Partially compliant
Maintaining Contributions		
G1	Fully completed	Fully compliant
G2	Fully completed	Fully compliant
G3	Fully completed	Partially compliant
G4	Fully completed	Partially compliant
G5	Fully completed	Partially compliant
G6	Fully completed	Fully compliant
G7	Fully completed	Employers - Fully compliant
G8	Fully completed	Fully compliant
G9	In progress	Partially compliant
Providing Information to Members and Others		
H1	Fully completed	Fully compliant
H2	Fully completed	Fully compliant
H3	Fully completed	Fully compliant
H4	In progress	Partially compliant
H5	Fully completed	Partially compliant
H6	Fully completed	Fully compliant

No.	Check Completed	Compliant
H7	In progress	Employers - Non-compliant
H8	Fully completed	Non-compliant
H9	In progress	Non-compliant
H10	In progress	Partially compliant
H11	Fully completed	Fully compliant
H12	In progress	Partially compliant
H13	Fully completed	Partially compliant
Internal Dispute Resolution		
I1	Fully completed	Partially compliant
I2	Fully completed	Non-compliant
I3	Fully completed	Fully compliant
I4	Fully completed	Non-compliant
I5	Fully completed	Fully compliant
I6	Fully completed	Partially compliant
I7	Fully completed	Fully compliant
I8	In progress	Non-compliant
I9	Fully completed	Partially compliant
Reporting Breaches		
J1	Fully completed	Fully compliant
J2	Fully completed	Fully compliant
J3	Fully completed	Fully compliant
Scheme Advisory Board Requirements		
K1	Fully completed	Fully compliant
K2	Fully completed	Fully compliant
K3	Fully completed	Fully compliant
K4	Fully completed	Fully compliant
K5	Fully completed	Fully compliant
K6	Fully completed	Fully compliant
K7	Fully completed	Partially compliant
K8	Fully completed	Fully compliant
K9	Fully completed	Fully compliant
K10	Fully completed	Fully compliant
K11	Fully completed	Fully compliant
K12	Fully completed	Partially compliant
K13	Fully completed	Fully compliant
K14	Fully completed	Fully compliant
K15	Fully completed	Fully compliant

A - Reporting Duties

Note the requirements in this section are not included in the TPR Code but they are a fundamental to the relationship with TPR.

Legal Requirements

All public service pension schemes have to be registered with TPR. In addition, all schemes must provide a regular scheme return to TPR, containing prescribed information. A return is required when the scheme receives a scheme return notice from the regulator. The scheme manager must also keep the regulator informed of any changes to registrable scheme details.

Note the requirements in this section are not included in the TPR Code but are a requirement for all schemes.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
A1	Is your scheme registered with the Pension Regulator?	Will be assessed annually to ensure new registration not required	n/a already registered	25/08/2017	Fully completed	Fully compliant	New registration will only be required if a new LGPS is created that is deemed to be a separate scheme	
A2	Is the information held on the Pensions Regulator's website about the scheme up-to-date?	Intention will be to update as employers join or leave the scheme and check annually for overall accuracy.	Ongoing (annual check)	25/08/2017	In progress	Partially compliant		
A3	Have you completed this latest Scheme Return in the required timescale?		as and when received	25/08/2017	In progress	Partially compliant		Tim Dean to check if George Bruce completed this and report back
A4	Have you responded to the latest TPR public service pension scheme survey/questionnaire?	Plan is to complete future required survey.	as and when received	25/08/2017	Fully completed	Partially compliant		Tim Dean to check if George Bruce completed this and report back

B - Knowledge and Understanding

Legal Requirements

A member of the pension board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a pension board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
B1	Are there policies and arrangements in place to support pension board members in acquiring and retaining knowledge and understanding?	Training policy with appropriate objectives and measurements in place, with reference to the TPR requirements and any other additional requirements for the pension board, such as the recent CIPFA Pension Board knowledge and skills framework.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant	Next review scheduled for March 2018	
B2	Has a person been designated to take responsibility for ensuring the framework is developed and implemented?	Corporate Director of Resources is responsible for the implementation of the policy a. This is detailed in the policy. On a day to day basis (e.g. the work plan) the Investment and Treasury Manager arranges and manages training for PC and LPB members.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B3	Is the Fund providing assistance to pension board members to determine the degree of knowledge and understanding required?	Dedicated induction training will be provided based on CIPFA requirements and TPR Toolkit also incorporated – final details to be determined. Also all new members will be provided with key documents as per Training Policy. Ongoing PB members will be required to attend further training with Pensions Committee in addition to carrying out additional ad - hoc training as other needs arise. Annual self -assessment will be completed through the effectiveness survey.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B4	Are the roles and responsibilities of pension boards and members of pension board clearly set out in scheme documentation?	Board members Terms of Reference sets out the roles and responsibilities of the Board Members and it forms part of the initial training session (induction) explaining the roles of the different parties involved with the Fund.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B5	Are pension board members aware of their legal responsibility in terms of Knowledge and Understanding?	This is detailed in Terms of Reference and the induction training session has a specific governance training which covers roles and responsibilities and the key statutory documents.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B6	Have all pension board members got access to copies of the scheme rules and relevant Fund documentation?	Will be part of induction training including welcome pack with key documents included.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B7	Is there an up-to-date list of the Fund specific documents with which pension board members need to be conversant in?	Yes listed in the induction handout and also in the annual report and accounts and training. The training policy also include these items	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B8	Are all pension board members investing sufficient time in their learning and development?	Much of the training has been provided as part of LPB meetings and attendance to date is good. A log is maintained of who has been to which meeting and training and the record will be reported in annual report and accounts as for committee.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B9	Does the Fund offer pre-appointment training for new pension board members or mentoring by existing members?	Pre-appointment training is on offer (also mentoring), and once members start they are given training. PB members are all motivated and have been keen to get hold of the required information to date.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
B10	Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?	See comments in B3 - the knowledge and skills analysis will be carried out annually, albeit to date not all LPB members have completed it.	Annual	25/08/2017	Fully completed	Partially compliant		
B11	Are records of learning activities being maintained?	A log is maintained of who has been to which meeting and training and the record will be reported in annual report and accounts as for committee.	Ongoing (each meeting)	25/08/2017	Fully completed	Fully compliant		

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
B12	Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?	It has been mentioned to LPB members and formally set as a requirements. It is agreed this is a useful training tool and need to check with PB members annually, as the modules are being used in training sessions in meetings.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Will recommend board members carry it out - put in policy, and consider going through as group in meeting.

C - Conflicts of interest

Legal Requirements

The Public Service Pensions Act 2013 sets out the legal requirements for scheme managers and pension boards for conflicts of interest.

In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:

- that a person to be appointed as a member of the pension board does not have a conflict of interest and
- from time to time, that none of the members of the pension board has a conflict of interest.

Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above.

Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
C1	Does the Fund have a conflict of interest policy and procedure, which include identifying, monitoring and managing potential conflicts of interest?	Yes - this was prepared and approved June 2016.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C2	Do pension board members have a clear understanding of their role, the circumstances in which they may have a conflict of interest and how to manage potential conflicts?	The pension board (and committee) have had training on the TPR requirements and the requirements in relation to conflicts and this also is briefly set out in the Terms of Reference.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C3	Have all Pension Board members provided appropriate information for the Administering Authority to determine whether a conflict exists (on appointment and from time to time)?	PC and LPB have made declarations in line with the Council's Code of Conduct requirements	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C4	Does the appointment process for pension board members require disclosure of interests and responsibilities which could become conflicts of interest?	Yes - this will be declared on application and signing a declaration form before commencing appointment this is to minimise the risk of appointing potentially conflicted members.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C5	Is the conflicts policy regularly reviewed?	Yes (annually).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C6	Does the Fund have a conflicts register and it is circulated for ongoing review and published?	Yes	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C7	Is appropriate information included in the register?	Yes	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C8	Is there a standing item on the agenda for declaring conflicts of interest?	There is a standing item	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C9	Do those involved know how to report a conflict of interest?	Members trained at induction and provided with copy of Conflicts Policy annually. Also Policy referred to at start of each meeting	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C10	Is the number of employer and member representatives on the board in line with legal requirements?	The board is made up of 3 member representatives, 3 employer representatives (including 1 Admission Body) and 1 independent chair which meets scheme regulation requirements. There is a vacant post for admitted body employer representation.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
C11	Is the board made up of the appropriate mix of representatives in order to minimise potential conflicts?	It is believed that the make up includes suitable representation from membership and employers and includes an independent chair. It also includes a wide range of quite different backgrounds.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		

D - Publishing information about schemes

Legal Requirements

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.

The information must include:

- who the members of the pension board are
- representation on the board of members of the scheme(s), and
- the matters falling within the pension board's responsibility

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
D1	Does the Administering Authority publish information about the pension board?	The Fund website and the Council website provides information relating to the LPB	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
D2	Does the Administering Authority publish other useful related information about the pension board?	The responsibilities/TOR of the members are on the website The appointment process is not included on the website at this stage (albeit a broad overview of how the members were appointed would be sufficient at this stage).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
D3	Is all the information about the Pension Board kept up-to-date?	All information which is put onto the website is up - to - date so far. The clerk for the committee is responsible for making sure information is uploaded to the website after meetings - and this is also being carried out for the pension board.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
D4	Does the Administering Authority public information about pension board business?	All meetings and papers (PB and PC) are public (some PC items may be restricted).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		

E - Managing risk and internal controls

Legal Requirements

The scheme manager must establish and operate internal controls which adequately ensure the scheme is administered and managed in accordance with the scheme rules and the requirements of the law.

Internal controls are defined in the legislation as:

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme

The legal requirements apply equally where a scheme outsources services connected with the running of the scheme.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
E1	Is there an agreed process for identifying and recording scheme risks?	The Fund Risk Management and Internal Controls Policy to be tabled for approval at the September 2017 Committee meeting. The Pension Manager has fed into the identification of the administration risks with the Council's risk manager for LBTH and also formally for the pension fund.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		
E2	Does the Fund have an adequate process to evaluate risks and establish internal controls?	Yes	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
E3	Does the Administering Authority have a risk register to record all risks identified and action taken?	Yes	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
E4	Does the Administering Authority review the effectiveness of the risk management and internal control systems of the Fund?	There are substantial internal controls in place including a number of ongoing monitoring areas that are reported to PB and PC (investment matters and administration).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
E5	Does the Administering Authority regularly review the risk register?	There is at least annual review of the risk register by PB and possibly PC	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
E6	Is there a standing item on the Pension Board agenda to review scheme risks?	There is at least annual review of the scheme risks by PB based on outcome of internal audit	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
E7	Does the Administering Authority have adequate systems, arrangements and procedures (internal controls) in place for the administration and management of the Fund and are they documented ?	There is a large range of internal controls in place which may transpire to be adequate (examples shown below).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
E8	Do these procedures apply equally to outsourced services, are internal controls reflected in contracts with third party providers and is there adequate reporting in relation to those controls?	AVCs are provided by external providers. There is a low take up of this option, and contracts with current providers have been in place for a long time so contracts have not recently been reviewed. The providers of AVCs (Aviva and Equitable Life) as well as the custodians and fund managers are not providing regular reporting/information and so this may be an area for consideration. However Equitable Life has recently provided information relating to its internal controls. Otherwise, annual AAF reports (internal control reports) are obtained from Fund Managers and from State Street (Custodian).	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Consider development of contracts with AVC providers and consider inclusion of KPIs/SLAs and regular reporting on their audit reports and confirmation of their internal controls.

F - Maintaining accurate member data

Legal Requirements

Scheme managers must keep records of information relating to:

- member information
- transactions, and
- pension board meetings and decisions.

The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').

The Data Protection Act 1998 and the data protection principles set out additional requirements for using, holding and handling personal information. Other requirements are set out in the:

- Pensions Act 1995 and 2004
- Pensions Act 2008 and the Employers' Duties (Registration and Compliance) Regulations 2010
- Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715)
- Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (SR 1997 No 94)
- Registered Pension Schemes (Provision of Information) Regulations 2006 (SI 2006/567)

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F1	Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?	LBTH use Altair as their main administration system. It records all member and beneficiary information set out in Record Keeping Regulations apart from: - requirement to record AVC information. This is an element that is effectively outsourced to the AVC provider. AVC statements are produced by the providers and LBTH issue them to the members once scanning them (so they are held on each LBTH Altair member record). Other than this, very little information is held on Altair. It will be necessary for LBTH to obtain assurance from AVC providers (Aviva and Equitable Life) regarding complying with the requirements in relation to AVCs.	Ongoing (annual check)	25/08/2016	Fully completed	Partially compliant		Emails sent to AVC providers asking if they comply - responses outstanding.
F2	Does the Fund have the appropriate processes in place so employers can provide timely and accurate information?	Procedures are not formally documented. However, at the beginning of the year all employers are provided with an updated contribution table, a guide to accompany the monthly return spreadsheet explaining in full the format and requirements and where further guidance can be found, and required timescales, and even provides format verifications to assist employers. It also explains what is required at year end. However, data is considered to be quite accurate due to the ways of working with employers, which varies by employers e.g.: '- Monthly interface files from the LBTH payroll system in relation to all employers who are paid by LBTH, ensures all changes (joiners, leavers etc.) are identified at least monthly, Employers have been asked to fill in the standard spreadsheet but this is not always returned in the required format. - Other employers (about 22 in total) have a standard excel to keep up to date albeit some still use forms for notification of changes. Some concerns over the accuracy of pay data for some employers. - interfaces between pensioner records on payroll and Altair ensure things such as addresses are up to date. - All correspondence relating to members is scanned onto Altair and linked to the member record, but older correspondence may be stored on a different system. - Members records are updated annually for contributions and monthly for pay figure - the team are considering moving to monthly for contributions as well. Currently the processes often result in the administration team identifying any information requirements and then proactively chasing employers for information required. However it is noted that more documented instructions could help improve the flow of timely and accurate information. There are central guides produced by LGE that could be circulated to employers.	Ongoing (annual check)	25/08/2016	Fully completed	Partially compliant		Send LGE guide around on annual basis, or create an alternative administration guide, and distribute to employers so aware of requirements. Consider monthly update of contributions on member records.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F3	Does the Fund keep records of and reconcile transactions as required by the Record Keeping Regulations?	The specific requirements of the record keeping regulations are adhered to except: - Employer contributions are not recorded to the member record on Altair and Pension Fund records are not maintained with this information for all employers (albeit, for LBTH paid employers, the information can be extracted from the LBTH payroll) - this is not a compliance matter relating to the record keeping legislation but more best practice to clarify delegated responsibilities. Other points identified of note are: '- Pension increases are detailed in resource link including breakdown of elements, but there is currently no comparing to member records so there is possibly some inaccuracies in the data held on Altair. - Although information is held for all write offs, officers have identified it would be helpful to have a fund specific policy in relation to write offs.	Ongoing (annual check)	25/08/2016	Fully completed	Partially compliant		- Change processes so employer contributions are held at member level. - Consider introducing additional reconciliation between Altair and Resourcelink pensioner payroll records. - Consider a Fund specific formal policy/procedure for dealing with write offs
F4	Are records kept of pension board meetings as required by the Record Keeping Regulations?	Clerk for Committee also does this for PB meetings and all details are posted on LBTH website.	Ongoing (annual check)	25/08/2016	Fully completed	Fully compliant		
F5	Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?	No decisions made by LPB are outside normal meetings.	Ongoing (annual check)	25/08/2016	Fully completed	Fully compliant		
F6	Are records retained for as long as they are needed?	Records are retained indefinitely, i.e. no member records are archived or removed from the systems as there is enough storage capacity to retain them and it is considered necessary to do so. There are no remaining paper files, all historic files including microfiche have been scanned onto an electronic system. Some records are kept on historic systems. Agresso is relatively new so all historic information is retained on there and will be kept indefinitely.	Ongoing (annual check)	25/08/2016	Fully completed	Fully compliant		
F7	Does the Administering Authority have policies and processes to monitor data on an ongoing basis?	There is no formal policy or documented procedure for the checks that are carried out, but there is confidence in the accuracy and completeness of the vast majority of data required. Checks that are carried out include: - Annual posting of contributions, where checks are made with data versus member records to pick up any anomalies and this flows through to the benefit statements process. - There are no formal "common" data (as defined by TPR) checks, but Altair won't allow a record to be set up without common data items so this is not felt to be regularly necessary. - Triennial valuation exercise - amend records on 3 yearly basis if any issues identified by actuaries doing their data cleaning. - Only 2 pensioners are still paid by cheque not BACS so reduces risk - 2 yearly National Fraud Initiative exercise is carried out to identify deceased members. - Payslips sent in March and April and then at other times if changes in amounts occur, otherwise not sent. When payslips are returned the team then investigates any possible address errors. - Life certificate exercise is carried out every year for overseas pensioners as won't be picked up via other exercises. - All benefits are checked twice when calculated and a third time before being put into payment No checking is carried out for the setting up of new joiners but most are electronic uploads which remove manual input error risk. There are some areas where the checking procedures could be better documented and this is discussed in section E under internal controls.	Ongoing (annual check)	25/08/2016	Fully completed	Partially compliant	We are currently undertaking data review with the software providers(aquila Heywood)	Consider formalising/formally documenting the checking procedures carried out.
F8	Does the Administering Authority carry out a data review at least annually?	The steps carried out in item F7 ensure that data is reviewed at least annually. Further, issues can be identified as part of the triennial valuation exercise.	Ongoing (annual check)	25/08/2016	Fully completed	Fully compliant		
F9	Is a data improvement plan in place which is being monitored with a defined end date?	Currently there is no plan in place as there are no significant issues with data. However when issues arise, such as identification of possible deceased members following NFI checks or missing data on a monthly return, the team will allocate the work to the number of staff required to fix the issues within a suitable timescale. This approach is currently not formally documented. It is noted that should any future issues arise e.g. with meeting the deadlines for annual benefit statements, a plan would be set out for how to resolve the issue and this would be monitored and formally documented. It was further noted that this could be incorporated into their team plan.	Ongoing (annual check)	25/08/2016	Fully completed	Fully compliant		Ensure, if any future data issues should arise, the are formally documented in an improvement plan.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
F10	Are processes and policies in place to reconcile scheme data with employer data?	Monthly return process helps identify the new joiners and leavers on a regular basis and monthly information includes postal information for members from employers - differences are investigated. This is done via Resourcelink interface for LBTH payroll paid employers. For employers not paid through LBTH payroll, spreadsheets are sent to employers with current details for them to check. These all include elements such as home addresses.	Ongoing (annual check)	25/08/2016	Fully completed	Fully compliant		
F11	Do the Administering Authority's member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles?	<p>Authority as a whole asks people to make declaration on regular basis.</p> <p>There is a LBTH DPA Officer who attended and presented/discussed on the topic recently in a team meeting.</p> <p>Egress or GSX is used for sending data to/from employers which is fully secure. Focal point is used for secure transfer of data to/from actuaries at triennial valuation time.</p> <p>It has been identified that email correspondence with members is not secure at present . However sending information to LBTH internal email addresses is OK as the systems are secure.</p> <p>Aviva might use WinZip as not one contact they deal with.</p>	Ongoing (annual check)	25/08/2016	Fully completed	Partially compliant		Check Council DPA policy about info to the public and make sure that's followed. Ensure member data is not sent to email addresses unprotected, even if member requests this. Consider putting in place additional controls which prevents unsecure emails from being sent.

G - Maintaining contributions

Legal requirements

Contributions must be paid as detailed below, and where not done, they should be reported to TPR in circumstances where the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to TPR in the exercise of any of its functions. Reporting must be carried out as detailed below.

Contribution Type	Contributions must be paid	When a failure should be
Employer	On or before the due date as defined by the scheme regulations	To The Regulator: As soon as reasonably practicable
Employee	Paid within the prescribed period (19 th day of the month, or 22 nd day if paid electronically) or earlier date if required by the scheme regulations	Regulator: Within a reasonable period – 10 working days

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
G1	Does the Fund have procedures and processes in place to identify payment failures?	There is a Treasury team contribution monitoring spreadsheet which is explicit about what is required on a monthly basis in terms of checking, and there is a procedure note to explain what to do. It's objective is to focus on identifying and notifying late or incorrect contributions.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
G2	Do those processes and procedures include a contributions monitoring record to determine whether contributions are paid on time and in full?	<p>As outlined above, this is all incorporated into a Treasury team spreadsheet. It automatically flags if there is a late payment, as the sheet includes entries for dates expected and paid - the Treasury team will go in and update the sheet for dates paid when the payments arrive on the bank statement - roughly this is looked at daily around the usual payment dates. The spreadsheet would therefore indicate if an employer was a continual/regular late payment offender.</p> <p>In relation to payments being made in full, there are checks carried at both employer and employee contribution amount. These are generally carried out at total level per month, i.e. no individual spot checks unless there appears to be a bigger problem. For the Admitted bodies, the information is broken down by staff, but for LBTH there are so many members individual member checks are not carried out and only totals are therefore considered. LBTH checks are slightly different as there are so many members - these involve broad checks on the totals and only investigated if there are significant differences to expected amounts (or amounts in previous months). It is considered this is adequate as the payroll system for LBTH is considered to be more reliable. However it is noted that using this approach, there is no way to check the right contribution rate is being charged other at the year end.</p> <p>In addition, at the start of the financial year, Treasury team will look at the rates changes and check the amounts being paid agree with expectations (employers are notified of required changes in advance of the year start). In relation to LBTH paid employers, the Head of Payroll is asked to confirm the rate to pay - and the Treasury team will check its what's agreed in valuation rates and adjustments certificate.</p>	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		Recommend more spot checks to ensure contributions actually correct member by member (for LBTH) - even without payroll this check can be carried out to ensure the ratio of employer to each employee contribution rate are correct, for example.
G3	Do those processes and procedures include monitoring payments against the contributions monitoring record on an ongoing basis?	For admitted bodies, checks of the money in bank account vs amounts provided in the information for each employer and employee are carried out. The LBTH is not explicitly checked by the Treasury Team as this should be covered by separate payroll team processes, but any issues would be picked up at year end. Monthly reconciliation to start from September 2017	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Recommend process is updated to explicitly check amounts credited to accounts in relation to internal payroll on a monthly basis.
G4	Are these procedures regularly reviewed to ensure they are effective?	Other than via internal and external audit (which should identify areas for concern), the processes are now being review quarterly. There are relatively few employers in the Fund and a good relationship exists with them, so the risk of deliberate underpayment or fraudulent behaviour is considered to be minor.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
G5	Do the Administering Authority's processes include managing overdue contributions in line with TPR's suggested approach?	Not formally documented, but the Pension Manager has a procedure to follow if any contributions were materially late. This involves escalating the issue to PC and possibly the Regulator. The Treasury department passes cases to the Pension Manager to follow up when late payments are identified through their monitoring. AVC providers contact administration team by email if they expect a contribution which is not then paid. This is then investigated - typically it will be due to a member leaving the Fund.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Formalise process to follow in situations of late or incorrect payments
G6	Does the Fund maintain a record of any investigations and communications with employers?	Where in relation to specific member information this will be retained on the member's record. For generic contributions information the Treasury department keeps a record of communications with employers but the Pension Manager is copied in. The Pension Manager is a key contact for admitted bodies, and there's a shared area for all such emails.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
G7	Do employers provide sufficient information to monitor contributions and is this in accordance with the LGPS regulations?	A monthly return is provided by employers to the administration team such as pay information	Ongoing (annual check)	25/08/2017	Fully completed	Employers - Fully compliant		
G8	Is there a satisfactory process in place to assess the materiality of any payment failures and ensure that those which are material are reported to the Regulator within a reasonable period?	This is included in reporting breaches policy	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
G9	If the administration of contributions outsourced to a service provider, is there a process in place to obtain regular information on the payment of contributions to the scheme?	AVCs are paid to AVC providers - confirmation is being obtained on the checks that are carried out. It has been agreed that there could be greater checking of contribution payments to ensure the amounts paid are agreed by the AVC provider, though it is expected any discrepancies would be picked up during the annual accounts audit.	Ongoing (annual check)	25/08/2017	In progress	Partially compliant		

H - Providing information to members and others

Legal requirements

The law requires schemes to disclose information about benefits and scheme administration to scheme members and others. This includes requirements relating to benefit statements and certain other information which must be provided under the requirements of the 2013 Act, HM Treasury directions and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ('the Disclosure Regulations 2013'). In addition to these duties, there are other legal requirements relating to the provision of information to members and others under other legislation.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
H1	Has an annual benefit statement been provided to all active members within the required timescales?	Yes	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
H2	Do these meet the legal requirements in relation to format?	The statements have been designed to follow the LGA template. The statements have been checked and include the required information in the Regulations. HMT Directions apply from next years' statements but these statements comply regardless.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?	All deferred statements are automatically done. This is only where the address is available -i.e. not for Gone Aways where Altair has an identifier for returned mail as GA and a statement is not then automatically produced. DWP tracing is carried out roughly every year to help identify missing address for members over SPA. In relation to pension credit members, no requests have been received for statements.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
H4	Does this meet the legal requirements in relation to format?	The statements have been checked and include the required information except in the following areas: - Deferred statements /pension credit statements missing the start date for pensionable service, the method of calculating member and survivor benefits, the survivor pension on death of the member and the date the pensionable service ended (no details on any deductions are mentioned as there are no accompanying notes). However it is possible information on individual requests does provide this information and this will need further investigated and verified.	Ongoing (annual check)	25/08/2017	In progress	Partially compliant		Consider updating statements to include the required additional information so as to ensure fully compliance.
H5	Has an annual benefit statement been provided to all members with AVCs within the required timescales?	Currently the statements are sent to LBTH to send out to members and this meets the required deadline. However there are no checks that the statements are provided for all members with AVCs - this could be an additional check to ensure data quality, using the summary information provided by the AVC providers along with the physical statements.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Consider checking if a statement is produced by AVC providers for all members where this is expected - use summary information from AVC providers.
H6	Do these meet the legal requirements in relation to format?	The Aviva statements include all required information. The Equitable Life statements do not include any projected benefits under paragraphs 6 to 8 of Schedule 6 but this is acceptable as the statements are for members who are no longer paying contributions.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	It is not clear whether all new employees are receiving appropriate information about the scheme and on time. There is a brief guide to the scheme but the admin team do not now issue statutory notices and therefore they are relying on it being issued prior to that point as part of the induction process. Terms and condition letters include reference to the LBTH intranet site where basic scheme information is held, but this is for LBTH employees only, and this information does not include the required level of information It is not clear on what is provided for employees of other employers or whether it meets timescales, it is known that in general a link to the LGPS 2014 scheme page is provided. Statutory notices (i.e. legal notices about joining the scheme) are no longer sent (ceased a few years ago) which would be one means to ensure information is being provided in the right timescales. Intrafund transfers and TV ins do result in correspondence to members	Ongoing (annual check)	25/08/2017	In progress	Employers - Non-compliant		Review how information is circulated to new joiners, such as perhaps reinstate the use of statutory notices with a brief guide.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
H8	Does this meet the legal requirements in relation to format?	There is a brief guide to the scheme which provides the required information other than a few minor exceptions: - The statement regarding whether any charges are applied to leaving service benefits and where further information can be obtained - The comments about transfers out do not give the statement about the 1993 Act (i.e. protection for early leavers) - the conditions for re-entry after leaving could be more explicit - We aren't able to check the comments provided by the AVC provider for new AVC members as we do not have examples - e.g. on life styling and that the value may depend on the range of different possibilities. - The IDRPs leaflet is referred to but the contact details aren't provided at this early stage However, as mentioned above, it is not clear on what is provided for employees of other employers or whether it meets timescales, it is known that in general a link to the LGPS 2014 scheme page is provided (which would provide the key details about the LGPS benefits).	Ongoing (annual check)	25/08/2017	Fully completed	Non-compliant		As above (H8)
H9	Is all other information provided in accordance with the legal timescales?	It is not fully apparent whether all disclosure timescales are being met, for example: . although there is some internal reporting on KPIs, these do not necessarily measure in the same manner as legal timescales for elements such as transfers credit notifications or retirements. However, 2015 performance for Q3 is above 90% for most tasks and it is therefore expected that average times are well within the statutory requirements. - other communications include a pensioner newsletter every year with pension increase letter, deferred members received a newsletter with their statements in 2015 and active members were sent a newsletter this year with the benefit statements. Key scheme changes would generally be included in there but no strict monitoring of compliance is checked. - LBTH are waiting verification from the AVC providers regarding their compliance with these disclosure requirements	Ongoing (annual check)	25/08/2017	In progress	Non-compliant		Ongoing consideration of how better to identify if these requirements are met.
H10	Is all other information provided in the format and methods required by law?	Internal communications comply with the regulations but this cannot be confirmed until confirmation from AVC providers.	Ongoing (annual check)	25/08/2017	In progress	Partially compliant		Waiting confirmation that requirements are met from AVC providers
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?	No information is exclusively provided electronically (note comments above re new joiner information where there is some lack of clarity on what and how it is provided, but initial contact is via mail and hard copies can be provided of intranet material if required). Correspondence with members via email is carried out at member request and benefit notifications and annual statements sent by post. Newsletters are sent with pension increase notifications or benefit statements.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
H12	Does the Administering Authority aim to design and deliver communications in a way that ensures scheme members are able to engage with their pension provision?	This can not be fully evidenced at this stage but there is also a plan to provide a questionnaire with questions about the communications with the next communications that go to members as there has not been a survey for some time. Communications are produced internally with the LBTH's council design team. Benefit statements are based on the LGA template, and have a paragraph which welcomes feedback in relation to the statement or any other aspect of the pension service. There are no communications related complaints, other than a few queries regarding materials for partially sighted members, where alternative materials were provided.	Ongoing (annual check)	25/08/2017	In progress	Partially compliant		Submit surveys with communications to review engagement and understanding
H13	Does the Administering Authority use a tracing service?	See F7 for checks carried out (NFI on 2 yearly basis and life certificates). In addition pensioner cases investigated when post (payslips etc.) returned. Deferred members are generally investigated when communications are attempted close to retirement. However a tracing service is not used for younger deferred members who have unknown addresses.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Consider carrying out regular tracing service checks on other deferred members.

I - Internal Dispute Resolution

Legal requirements

The Pensions Act 1995 requires scheme managers to set up and implement an Internal Dispute Resolution Procedure (IDRP) to help resolve disputes between the scheme manager and people with an interest in the scheme.

The act states that a person has an interest in the scheme if they:

- are a member or beneficiary
- are a prospective member
- have ceased to be a member, beneficiary or prospective member
- claim to be any of the above and the dispute relates to this claim.

The Act also states that the procedure must include:

- how an application is to be made
- what must be included in an application
- how decisions are to be reached and notified
- a specified period (which is reasonable) within which applications must be made.

The procedure may require people with an interest in the scheme to first refer matters in dispute to a 'specified person' in order for that person to consider and give their decision on those matters. This decision may then be confirmed or replaced by the decision taken by the scheme manager after reconsideration of the matters. However, legislation provides flexibility for scheme managers to decide the details of these.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
I1	Has the Administering Authority put in place an internal dispute resolution procedure?	There is a formal process in place. This is documented in IDRP leaflet. The procedure includes 2 stages for references and the IDRP leaflet and all related correspondence provides the required contact details at each stage. Stage one goes to a LBTH officer first for adjudication, who will then issue the decision letter which includes more information including information on stage 2, TPAS and the Pensions Ombudsman.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		IDRP could be updated to ensure it is up to date, and includes all required and additional helpful information. Current version is based on old DCLG sample.
I2	Does the Administering Authority's process highlight or consider whether a dispute is exempt?	This is not currently included (explicitly - some elements are implied) although those involved in the IDRP process know what circumstances are exempt and will notify the member immediately if that is the case. It is noted the IDRP leaflet is due for updating and this will be one area to be included to save members time in submitting an exempt dispute case.	Ongoing (annual check)	25/08/2017	Fully completed	Non-compliant		This detail will be included as and when the IDRP policy, procedure and leaflet /correspondence is updated.
I3	Does the information made available to applicants about the procedure clearly state the procedure and process to apply for a dispute to be resolved including: - who it applies to - who the specified person (stage 1) is - the timescales for making applications - who to contact with a dispute - the information that an applicant must include - the process by which decisions are reached?	The information to applicants includes the required items, including the target timescales (on back of IDRP leaflet), what information is required (form to complete in leaflet) and the contact details for the IDRP process. If responses are to be delayed, the member is informed with the reason for the delay and the expected new response timescale.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		Recommend the IDRP is updated to include as much helpful information as possible to the members and to ensure the TPR and legal recommendations/ requirements are met.
I4	Has the Administering Authority ensured that employers who make first stage decisions also have IDRP in place?	This has not been done. However, no other employers outside LBTH have had IDRP cases, but it is expected that if they were to arise, employers would pass them to LBTH for stage 1.	Ongoing (annual check)	25/08/2017	Fully completed	Non-compliant		Liaise with employers to agree a stage 1 process (which could be use of the LBTH stage 1 appointed person).

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
15	Are the timescales in the procedure adhered to including sending an acknowledgment on receipt of an application?	The expected timescales are set out in the IDRP leaflet. Although these are not formally monitored (as it is outside of pension team initially) the pensions team do try to keep an eye on timescales. They have examples of cases where there has been a delay and the member is informed with reason and expected new timescales. An acknowledgement is sent for all new cases (example evidenced).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
16	Does the Administering Authority notify and advertise the procedure appropriately?	Standard paragraph in all standard letters for notification of benefit letters (as evidenced on death benefit notification, retirement and correspondence relating to non-refund payment). The guide is also on the intranet for LBTH employees. However it is unlikely this information is being provided for new scheme members.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		Ensure IDRP information is included for new joiners to the scheme
17	Are the notification requirements in relation to TPAS and the Pensions Ombudsman being adhered to?	The TPAS and Ombudsman details are provided at the required stages - evidence of standard letters have been shown at acknowledgement of dispute, and both decision stages	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
18	Does the Administering Authority regularly assess the effectiveness of its arrangements?	No formal reporting as such is in place (IDRP cases are quite rare and are almost exclusively Tier 3 Ill health cases), but the PB has recently asked for reports of all complaints and IDRP cases. The reporting of this information is now in progress - the team is currently updating their KPI performance monitoring items for the PB and will include this in the reporting. It is intended the reporting will start from new financial year i.e. April 2016.	Ongoing (annual check)	25/08/2017	In progress	Non-compliant		Recommend the PB monitors whether all disputes seem to come from one particular area, suggesting a systemic issue, and monitor timescales for dealing with IDRP cases.
19	Does the Administering Authority regularly assess the effectiveness where employers carry out a stage one process?	There have been no employer stage 1 IDRP's to monitor	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		

J - Reporting breaches of the law

Legal Requirements

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

- a legal duty 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 functions.

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

- scheme managers
- members of pension boards
- any person who is otherwise involved in the administration of a public service pension scheme
- employers: 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 advisers 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 scheme.

The report must be made in writing as soon as reasonably practicable.

No.	TPR Requirement	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Completed	Compliant	Notes	Action
J1	Is the Administering Authority satisfied that those responsible for reporting breaches under the legal requirements and TPR guidance understand the requirements?	A formal breaches procedure is in place and also available on the fund website.	Ongoing (annual check)	02/02/2016	Fully completed	Fully compliant		
J2	Does the Administering Authority have appropriate procedures in place to meet their legal obligations for identifying and assessing breaches?	A formal breaches procedure is in place and also available on the fund website.	Ongoing (annual check)	02/02/2016	Fully completed	Fully compliant		
J3	Are breaches being recorded in accordance with the agreed procedures?	A formal breaches procedure is in place and also available on the fund website.	Ongoing (annual check)	02/02/2016	Fully completed	Fully compliant		

K - Scheme Advisory Board - Guidance on the creation and operation of Local Pension Boards in England and Wales

Legal Requirements

Clause 7 of the Public Service Pensions Act provides that the national Scheme Advisory Board (SAB) may provide advice to scheme managers or pension boards in relation to the effective and efficient administration and management of the scheme.


It also provides that a person to whom advice is given by virtue of subsection (1) or (2) must have regard to the advice.

The Scheme Advisory Board has published guidance on the creation and operation of Local Pension Boards in England and Wales which incorporates a number of action point check lists at the end of some of the sections. The following are the items in those checklists.

No.	SAB Requirement	SAB Section	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
K1	Administering Authority to have approved the establishment (including Terms of Reference) of the Local Pension Board by 1 April 2015.	5	Established 26 November 2014	One off - no further review necessary	25/08/2017	Fully completed	Fully compliant		
K2	The Local Pension Board must be operational (i.e. had its first meeting no later than 4 months after the 1 April 2015).	5	Quarterly meetings	One off - no further review necessary	25/08/2017	Fully completed	Fully compliant		
K3	Once established a Local Pension Board should adopt a knowledge and understanding policy and framework (possibly in conjunction with the Pensions Committee if appropriate).	6	PB approved the training framework annually.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K4	A Local Pension Board should designate a person to take responsibility for ensuring that the knowledge and understanding policy and framework is developed and implemented.	6	Corporate Director of Resources is named as responsible person in policy statement	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K5	The Administering Authority should offer access to high quality induction training and provide relevant ongoing training to the appointed members of the Local Pension Board.	6	PB engaged in continuous training internally and externally.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K6	A Local Pension Board should prepare (and keep updated) a list of the core documents recording policy about the administration of the Fund and make the list and documents (as well as the rules of the LGPS) accessible to its members.	6	The key documents are included in the annual report and accounts and also on the scheme website.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K7	Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.	6	There is a Training Plan (annual) but it is focussed at whole PC/P B level. Annual self -assessment will be completed through effectiveness survey.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant	A model is being developed to capture individual training needs against CIPFA requirements/TPR toolkits and to monitor against those specific requirements.	

No.	SAB Requirement	SAB Section	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
K8	An Administering Authority should prepare a code of conduct and a conflicts policy for its Local Pension Board for approval in accordance with the Administering Authority's constitution and at the first meeting of the Local Pension Board. The Local Pension Board should keep these under regular review.	7	The Terms of Reference have been approved which include a short section on conflicts. A formal conflicts policy for the Fund was approved by PC June 2016 and this cover the TPR requirements (see section C for details).	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K9	Training should be arranged for officers and members of a Local Pension Board on conduct and conflicts.	7	This was covered in part in the initial meeting and subsequent meetings	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K10	A Local Pension Board should establish and maintain a register of interests for its members.	7	This has been implemented in June 2016 for the PC and PB members and also declarations are being made at each meeting in line with Council requirements.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K11	An Administering Authority should agree the ongoing reporting arrangements between the Local Pension Board and the Administering Authority.	8	These are outlined in the LPB terms of reference.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K12	A Local Pension Board should understand the Administering Authority's requirements, controls and policies for FOIA compliance so that the Local Pension Board is aware of them and can comply with them.	8	Copy of Council's FOI policy will be provided to all PB members as part of induction pack.	Ongoing (annual check)	25/08/2017	Fully completed	Partially compliant		
K13	A Local Pension Board should put in place arrangements to meet the duty of its members to report breaches of law.	8	There is a formal breaches policy in place and members received training	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K14	A Local Pension Board should consider (with its Administering Authority) the need to publish an annual report of its activities.	8	The Chairman of the LPB is required to prepare an annual report which is published in annual report and accounts (this is in the LPB terms of reference). The first report will be due summer 2016.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		
K15	An Administering Authority should consult on, revise and publish its governance compliance statement to include details of the terms, structure and operational procedures relating to its Local Pension Board.	8	The Governance Compliance Statement (as included in the 2014/15 annual report and accounts) includes the required information.	Ongoing (annual check)	25/08/2017	Fully completed	Fully compliant		

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<p>Non-Executive Report of the: PENSIONS BOARD 16 October 2017</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Zena Cooke, Corporate Director of Resources</p>	<p>Classification:</p>
<p>Pension Fund Administration Update</p>	

<p>Originating Officer(s)</p>	<p>Tim Dean, Pensions Team Leader</p>
<p>Wards affected</p>	<p>All</p>

Introduction

This report covers the activities and performance of the Pensions administration team.

Recommendations:

The Pensions Board is recommended to:

Note the contents of this report in respect of the update on the administration of the pension fund.

1. STAFFING

- 1.1 Interim Pensions Manager George Bruce has now left the team.
- 1.2 Tim Dean has been designated as the Senior Team Leader and is now responsible for the day-to-day tasks of the team.
- 1.3 Sue Grimstead has been seconded from Surrey County Council for two days a week starting from 4 September 2017 to provide support – focusing on the upcoming Member Self Service, iConnect and GMP Reconciliation exercises.

2. IDRP

- 2.1 There is currently one outstanding IDRP appeal. This relates to the award of a lump sum Death Grant payment.
- 2.2 The case has been review by our actuaries.

3. BENEFIT STATEMENTS

- 3.1 Statements for deferred members were sent on 22 August 2017.
- 3.2 The data for the statements for active members was sent to the printers on 31 August 2017. However, due to problems with the statement template, printing did not begin until 5 September 2017.
- 3.3 Statements were returned to the Pensions Admin team, checked and posted by 8 September 2017.

4 ACTIVITY AND PERFORMANCE

- 4.1 The activity levels and performance against service standards are reported in the appendices to this report.
- 4.2 Activity levels and performance are monitored on a monthly basis.

5. PROJECTS

- 5.1 The projects to introduce member self-service, payroll data-interface (iConnect) and GMP Reconciliation were delay while priority was given to the issue of benefit statement.
- 5.2 **GMP reconciliation** – ITM have been appointed to complete Stage 2 of the GMP reconciliation project. This stage of the project will take up to 3 months to complete.
- 5.3 **Member Self Service** – Staff training on the Member Self Service will be completed by the end of October. Scheme members will be notified of the new service following the completion of the staff training.

- 5.4 **Transfer Amnesty** – Regulations permit new scheme members 12 months to transfer in past pension rights or such longer period as the council agrees. Not all members have been notified of this deadline and the council has therefore agreed to accept transfer payments where the 12 month deadline has passed. It is proposed that we write to all members notifying them that they will be given 12 months to complete any transfers. The 12 month deadline will then be strictly enforced.
- 5.5 **iConnect** – A trial of the iConnect system will begin in October with one of our scheme employers. Assuming no problems are identified the system will be in use by all employers by the end of the year.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 There are no expenditure proposals within the paper. All the projects that are noted in this report are already funded from within existing resources

7 LEGAL COMMENTS

- 7.1 The Pensions Board is required to consider pension matters and ensure that the Council meets its statutory duties in respect of the fund. It is appropriate having regard to these matters for the Board to receive information from the Pensions Administration team about the performance of the administration function of the pension fund.
- 7.2 When carrying out its functions as the administering authority of its pension fund, 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).

8 ONE TOWER HAMLETS CONSIDERATIONS

- 8.1 The administration costs of running the pension scheme are a very small part of the contributions paid. An efficient administration function will contain costs over the long term, minimising the costs falling on the scheme employers, including the Council.
- 8.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

9 BEST VALUE (BV) IMPLICATIONS

- 9.1 In each case decisions to acquire additional services have followed the Council's procurement procedures. All costs are paid for from the assets of the Pension Fund.

10 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

11 RISK MANAGEMENT IMPLICATIONS

- 11.1 Risks arising from poor administration tend to be reputational but can include additional expenditure through inaccurate benefits, delays in collecting contribution, fines and interest on late payments. This and future reports are designed to provide the Pensions Committee with assurance that pension risks are being adequately managed.

12 CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1- Activity and performance data

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:

- Tim Dean – Senior Pensions Team Leader Ext. 4530
- 3rd Floor Mulberry Place, 5 Clove Crescent E14 2BG

Appendix 1 – Performance Information

Summary of first half of year 2017/18 – Percentages meeting target

	Address Changes %	Bank Account Changes %	Death of a Pensioner %	Deferred Calculations %	Estimates %	General Enquiries %	Lump Sum Payments %	Nomination Updates %	Refund Calculations %	Refund Payments %	Retirements %	Transfers In (Actual) %	Transfers In (Quotes) %	Transfers Out (Actual) %	Transfers Out (Quotes) %	Overall %
April	92.86	83.33	42.86	33.33	90.91	86.96	52.17	100.00	98.36	100.00	100.00	60.00	78.57	80.00	50.00	76.62
May	89.19	100.00	100.00	71.43	88.89	76.11	50.00	95.65	97.22	100.00	66.67	66.67	63.64	62.50	100.00	81.86
June	100.00	100.00	83.33	93.55	79.31	73.08	76.92	100.00	86.67	93.94	90.00	100.00	81.25	100.00	100.00	90.54
July	88.24	90.91	83.33	81.48	81.82	92.16	93.33	88.00	85.00	67.74	100.00	75.00	100.00	100.00	83.33	87.36
August	94.59	90.91	88.24	81.25	80.00	70.97	72.73	95.65	88.24	76.00	100.00	85.71	100.00	100.00	69.23	86.23
September	97.37	81.25	75.00	92.45	80.00	77.14	80.00	81.82	74.36	72.22	87.10	100.00	100.00	83.33	100.00	85.47

Monthly performance data

April 2017

	Target	Number	Outside Target	% in Target	Average Days
Address Changes	10	28	2	92.86	3.71
Bank Account Changes	10	6	1	83.33	5.17
Death of a Pensioner	5	7	4	42.86	3.71
Deferred Calculations	15	15	10	33.33	22.73
Estimates	10	11	1	90.91	5.82
General Enquiries	10	69	9	86.96	4.67
Lump Sum Payments	5	23	11	52.17	5.13
Nomination Updates	10	20	0	100.00	1.65
Refund Calculations	15	61	1	98.36	3.39
Refund Payments	10	18	0	100.00	2.89
Retirements	10	4	0	100.00	6.00
Transfers In (Actual)	10	5	2	60.00	6.20
Transfers In (Quotes)	10	14	3	78.57	7.71
Transfers Out (Actual)	10	5	1	80.00	12.80
Transfers Out (Quotes)	10	4	2	50.00	9.00

May 2017

	Target	Number	Outside Target	% in Target	Average Days
Address Changes	10	37	4	89.19	4.05
Bank Account Changes	10	14	0	100.00	2.21
Death of a Pensioner	5	4	0	100.00	1.00
Deferred Calculations	15	49	14	71.43	10.10
Estimates	10	9	1	88.89	5.33
General Enquiries	10	113	27	76.11	7.35
Lump Sum Payments	5	32	16	50.00	6.25
Nomination Updates	10	23	1	95.65	2.74
Refund Calculations	15	36	1	97.22	2.39
Refund Payments	10	41	0	100.00	5.68
Retirements	10	12	4	66.67	11.58
Transfers In (Actual)	10	3	1	66.67	12.33
Transfers In (Quotes)	10	11	4	63.64	7.45
Transfers Out (Actual)	10	8	3	62.50	8.75
Transfers Out (Quotes)	10	5	0	100.00	1.60

June 2017

	Target	Number	Outside Target	% in Target	Average Days
Address Changes	10	35	0	100.00	2.09
Bank Account Changes	10	12	0	100.00	2.83
Death of a Pensioner	5	6	1	83.33	2.83
Deferred Calculations	15	31	2	93.55	6.71
Estimates	10	29	6	79.31	5.92
General Enquiries	10	78	21	73.08	8.19
Lump Sum Payments	5	13	3	76.92	3.38
Nomination Updates	10	14	0	100.00	1.29
Refund Calculations	15	30	4	86.67	6.10
Refund Payments	10	33	2	93.94	5.72
Retirements	10	10	1	90.00	3.10
Transfers In (Actual)	10	6	0	100.00	5.33
Transfers In (Quotes)	10	16	3	81.25	7.25
Transfers Out (Actual)	10	3	0	100.00	2.33
Transfers Out (Quotes)	10	17	0	100.00	2.53

July 2017

	Target	Number	Outside Target	% in Target	Average Days
Address Changes	10	37	2	94.59	3.81
Bank Account Changes	10	11	1	90.91	3.81
Death of a Pensioner	5	17	2	88.24	7.53
Deferred Calculations	15	16	3	81.25	10.06
Estimates	10	5	1	80.00	5.20
General Enquiries	10	31	9	70.97	6.81
Lump Sum Payments	5	11	3	72.73	9.00
Nomination Updates	10	23	1	95.65	4.35
Refund Calculations	15	17	2	88.24	6.47
Refund Payments	10	25	6	76.00	7.88
Retirements	10	13	0	100.00	3.38
Transfers In (Actual)	10	7	1	85.71	7.29
Transfers In (Quotes)	10	7	0	100.00	5.14
Transfers Out (Actual)	10	3	0	100.00	1.33
Transfers Out (Quotes)	10	13	4	69.23	7.46

August 2017

	Target	Number	Outside Target	% in Target	Average Days
Address Changes	10	37	2	94.59	3.81
Bank Account Changes	10	11	1	90.91	3.81
Death of a Pensioner	5	17	2	88.24	7.53
Deferred Calculations	15	16	3	81.25	10.06
Estimates	10	5	1	80.00	5.20
General Enquiries	10	31	9	70.97	6.81
Lump Sum Payments	5	11	3	72.73	9.00
Nomination Updates	10	23	1	95.65	4.35
Refund Calculations	15	17	2	88.24	6.47
Refund Payments	10	25	6	76.00	7.88
Retirements	10	13	0	100.00	3.38
Transfers In (Actual)	10	7	1	85.71	7.29
Transfers In (Quotes)	10	7	0	100.00	5.14
Transfers Out (Actual)	10	3	0	100.00	1.33
Transfers Out (Quotes)	10	13	4	69.23	7.46

September 2017

	Target	Number	Outside Target	% in Target	Average Days
Address Changes	10	38	1	97.37	2.39
Bank Account Changes	10	16	3	81.25	4.56
Death of a Pensioner	5	20	5	75.00	5.55
Deferred Calculations	15	53	4	92.45	4.08
Estimates	10	5	1	80.00	6.60
General Enquiries	10	35	8	77.14	6.06
Lump Sum Payments	5	10	2	80.00	6.40
Nomination Updates	10	22	4	81.82	5.77
Refund Calculations	15	39	10	74.36	7.18
Refund Payments	10	18	5	72.22	6.67
Retirements	10	31	4	87.10	4.29
Transfers In (Actual)	10	0	0	100.00	0.00
Transfers In (Quotes)	10	2	0	100.00	1.50
Transfers Out (Actual)	10	6	1	83.33	7.66
Transfers Out (Quotes)	10	6	0	100.00	1.50

PENSIONS BOARD

Work Plan

2017/18

Date of Meeting	Title of Report	In-line with PB Terms of Reference (no.)	Responsible Officer
June 2017	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Review of The Pensions Regulator Code of Practice	55a-55e	Investment & Treasury Manager/Pensions Manager
	Review of Risk Management Policy and Risk Register	56f	Investment & Treasury Manager
	Review of Pensions Administration Policy	55f & 55g	Pensions Manager
	Review of Funding Strategy Statement	55d & 55i	Investment & Treasury Manager
	Review of Investment Strategy Statement	55d & 55i	Investment & Treasury Manager
September 2017	Received and Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Review Draft Account and Fund Annual Report	55l, 55m & 56e	Investment & Treasury Manager
	Review of Governance Compliance Statement	55d, 55e & 56g	Investment & Treasury Manager
	Review of The Pensions Regulator Code of Practice	55a-55e	Investment & Treasury Manager/Pensions Manager
	Review of Risk Management Policy and Risk Register	56f	Investment & Treasury Manager

November 2017	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Review of Communications Policy Statement	55e & 55i	Pensions Manager
	Review Asset Voting, Engagement Processes & Compliance with the UK Stewardship Code	56j	Investment & Treasury Manager
	Monitor Internal and External Audit Reports	56e & 55i	Investment & Treasury Manager
	Review the outcome of actuarial reporting and valuations	56h	Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various
March 2018	Received, Note/Review Pensions Committee Meetings agenda (reports & minutes)	55a	Investment & Treasury Manager
	Quarterly Monitoring Report of Pension Administration Performance Targets & Indicators	55c & 56b	Pensions Manager
	Review of Customer Services Survey	56a	Pensions Manager
	Monitoring Report of Investments Costs	56d	Investment & Treasury Manager
	Review the Performance and Contracts of Service Providers to the Fund	56c	Investment & Treasury Manager
	Member Training - Training Needs Analysis	55j	Investment & Treasury Manager
	Pension Fund Work Plan 2018/19	55i & 55j	Investment & Treasury Manager
	Other Ad-hoc items for consideration		Various

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LOCAL PENSION BOARD OF LONDON BOROUGH OF TOWER HAMLETS

TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Local Pension Board of [LONDON BOROUGH OF TOWER HAMLETS] (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972 (i.e. the Pensions Committee at LBTH).
'the Fund'	means the Fund managed and administered by the Administering Authority.
'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.

'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist¹ the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
- (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members².

Establishment

The Board is established on [01 APRIL 2014] subsequent to approval by [FULL COUNCIL] on [26 NOVEMBER 2014]. (subject to the agreement of the Pensions Committee on 24 February 2015).

¹ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

² See paragraphs 7.9 to 7.11 of the Guidance for more information on a Code of Conduct for Boards.

8. As stated above, the Pensions Board is not explicitly bound by the rules governing Committees established under Section 101 of the Local Government Act 1972, however, for consistency and best practice, the Pensions Board will, where practicable and subject to specific rules set out in these Terms of Reference, operate in the same way as the Council's other Committees as set out in the Constitution. This includes:
- Rules 6 - 10, 17.3, 17.6 and 18 to 25 of the Council Procedure Rules (Part 4 – Rules of Procedures) relating to :
 - Notice and summons to meetings
 - Chair of meeting (except in relation to casting votes)
 - Quorum
 - Duration of meetings
 - Cancellation of meetings
 - Voting (certain rules)
 - Minutes
 - Petitions
 - Record of Attendance
 - Exclusion of the Public
 - Members' Conduct
 - Disturbance by Public
 - Suspension of Amendment of Council Procedure Rules
 - Access to Information Procedure Rules (Part 4.2 of the Constitution)
 - Code of Conduct for Members (Part 5.1 of the Constitution) – with specific reference to registering and disclosing interests.
 - Members' Allowance Scheme (Part 6 of the Constitution) – with particular reference to allowances and expenses payable.

Membership

9. The Board shall consist of [SIX] voting members, as follows:

[THREE] Member Representatives; and

[THREE] Employer Representatives.

10. There shall be an equal number of Member and Employer Representatives.

11. There shall also be [ONE] other representatives who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members³ or have capacity to represent scheme members of the Fund.

13. Member representatives should be able to demonstrate their capacity⁴ to attend and complete the necessary preparation for meetings and participate in training as required.

³ Active, deferred or pensioner members

⁴ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

14. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
15. A total of [THREE] member representatives shall be appointed⁵ from the following sources:
 - a) [ONE] member representative shall be appointed by the recognised trade unions representing employees who are scheme members of the Fund.
 - b) [ONE] member representative shall be appointed by [ADMITTED BODIES FORUM] where that body is independent of the Administering Authority and open to and representative of all scheme members of the Fund.
 - c) [ONE] member representative shall be appointed following a transparent recruitment process which should be open to all pensioners and be approved by the Administering Authority.

Employer representatives

16. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
17. Employer representatives should be able to demonstrate their capacity⁶ to attend and complete the necessary preparation for meetings and participate in training as required.
18. Substitutes [SHALL] be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
19. A total of [THREE] employer representatives shall be appointed⁷ to the Board from the following sources:
 - a) [ONE ELECTED MEMBER] employer representatives shall be appointed by [FULL COUNCIL] to and representative of all employers in the Fund.
 - b) [ONE] employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority.

⁵ See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing member representatives.

⁶ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

⁷ See paragraphs 5.25 to 5.28 of the Guidance for further information on the process for appointing employer representatives.

- c) [ONE] employer representatives shall be appointed by the Administering Authority where all employers will have been asked to submit their interest in undertaking the role of employer representative on the Board.

Other members⁸

20. [ONE] other member shall be appointed to the Board by the agreement of both the Administering Authority and the Board to act as an Independent Chair.
21. Other members do not have voting rights on the Board.

Appointment of chair

22. Subject to the meeting arrangements in paragraphs 35 to 37 below a chair shall be appointed for the Board as set out below:
- a) *An independent chair to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20-21 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund.*

Duties of chair

23. The chair of the Board:
- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Notification of appointments

24. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office⁹

⁸ When considering whether to have other members on the Board regard should be given to the advice provided in paragraphs 5.21 to 5.24 of the Guidance.

25. The term of office for Board members is [FOUR] years.
26. Extensions to terms of office may be made by the Administering Authority with the agreement of the Board.
27. A Board member may be appointed for further terms of office using the methods set out in paragraphs 15 and 19.
28. Board membership may be terminated prior to the end of the term of office due to:
 - (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund¹⁰.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to [LONDON BOROUGH OF TOWER HAMLETS] their capacity to attend and prepare for meetings or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Pensions Committee.
 - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.

Conflicts of interest¹¹

29. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
30. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
31. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure

⁹ See paragraphs 5.29 and 5.30 of the Guidance which outlines points to consider when setting out the term of office for Board members. In particular consideration should be given to allowing members to retire on a rolling basis to ensure experience is retained.

¹⁰ This includes active, deferred and pensioner members.

¹¹ See section 7 of the Guidance for more information on Conflicts of Interest.

that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code.

Knowledge and understanding (including Training)¹²

32. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
33. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
34. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

35. The Board shall as a minimum meet [FOUR] times¹³ each year.
36. Meetings shall normally take place between the hours of [09:00] and [21:00] at [LBTH TOWNHALL].
37. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

38. A meeting is only quorate when at least one person of each member and employer representatives are present including an independent chair. Or 50% of both member and employer representatives are present.
39. A meeting that becomes inquorate may continue but any decisions will be non-binding.

¹² See section 6 of the Guidance for more information on Knowledge and Understanding.

¹³ See 5.35.11 in Guidance for more advice on the number of meetings to hold each year.

Board administration

40. The Chair shall agree with [AN OFFICER FROM DEMOCRATIC SERVICES] (the 'Board Secretary') an agenda prior to each Board meeting.
41. The agenda and supporting papers will be issued at least [SEVEN] working days (where practicable) in advance of the meeting except in the case of matters of urgency.
42. Draft minutes of each meeting including all actions and agreements will be recorded and published within [TWENTY - ONE] working days of the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.

Where necessary any information considered exempt as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or considered confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998 shall be included in a Part II minute that is not made available to the public.

43. The Board Secretary, in consultation with [Investment & Treasury Manager] shall support Board members in maintaining their knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
44. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
45. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
46. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

47. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
48. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) *Members of the Pensions Committee,*
 - (b) *Any person requested to attend by the Board.*

Any attendees will be permitted to speak at the discretion of the Chair.

49. In accordance with the Act the Administering Authority shall publish information about the Board to include:

- (a) The names of Board members and their contact details.
- (b) The representation of employers and members on the Board.
- (c) The role of the Board.
- (d) These Terms of Reference.

50. The Administering Authority shall also publish other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

51. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Fund's website.
- (b) As part of the Fund's Annual Report.
- (c) As part of the Governance Compliance Statement.

52. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances¹⁴

53. The Administering Authority [SHALL] meet the expenses of Board members in line with the Administering Authority's policy on expenses as set out in the Members Allowances Scheme

Budget

54. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund and determined by:

- a) *The Board will seek approval from the Corporate Director of Resources for any expenditure it wishes to make.*

¹⁴ Provision for the payment of expenses and allowances is a decision to be made locally by each Administering Authority. Full consideration should be given to information in Guidance - see section 9 and paragraphs 5.18 and 5.35.17 for more information. Administering authorities should aim to ensure that no Board member is either better or worse off as a result of fulfilling their duties as a member of the Board.

Core functions¹⁵

55. The first core function of the Board is to assist¹⁶ the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.*
- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
- c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
- d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
- e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
- f) *Monitor complaints and performance on the administration and governance of the scheme.*
- g) *Assist with the application of the Internal Dispute Resolution Process.*
- h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
- i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
- j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
- k) *Review the complete and proper exercise of employer and administering authority discretions.*
- l) *Review the outcome of internal and external audit reports.*
- m) *Review draft accounts and Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

56. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core

¹⁵ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

¹⁶ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Assist with the development of improved customer services.*
- b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*
- c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
- d) *Monitor investment costs including custodian and transaction costs.*
- e) *Monitor internal and external audit reports.*
- f) *Review the risk register as it relates to the scheme manager function of the authority.*
- g) *Assist with the development of improved management, administration and governance structures and policies.*
- h) *Review the outcome of actuarial reporting and valuations.*
- i) *Assist in the development and monitoring of process improvements on request of Committee.*
- j) *Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
- k) *Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*

57. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

58. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting¹⁷

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.

60. Requests and recommendations should be reported under the provisions of paragraphs 59 and 60 above.

61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

62. On receipt of a report under paragraph 63 above the Committee should, within a reasonable period, consider and respond to the Board.

¹⁷ See section 8 of the Guidance for more information on Reporting.

63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 63 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
65. The appropriate internal route for escalation is to the Monitoring Officer and/or Acting Corporate Director of Resources, the Section 151 Officer.
66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

Review of terms of reference

68. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every [THREE] years.
69. These Terms of Reference were [adopted on [01 APRIL 2015]].

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published 24 February 2015

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.05 P.M. ON MONDAY, 31 JULY 2017

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

Members Present:

Councillor Clare Harrisson (Chair)
Councillor Andrew Wood
Councillor Candida Ronald

Union and Admitted Bodies, Non-Voting Members Present:

None –

Other Councillors Present:

None

Apologies:

Councillor Andrew Cregan
Councillor Md. Maium Miah
Councillor Rabina Khan
Councillor Shiria Khatun
Kehinde Akintunde
Apologies was noted from Raymond Haines, Investment Specialist

Others Present:

Steve Turner – Mercer
Sam Yeandle – Mercer

Officers Present:

Neville Murton	(Divisional Director, Finance, Procurement & Audit)
Suzanne Jones	(Support to Neville Murton, Resources)
Ngozi Adedeji	(Team Leader Housing Services, Legal Services, Law Probity & Governance)
George Bruce	(Interim Pensions Manager, Resources)
Kevin Miles	(Chief Accountant, Resources)
Bola Tobun	(Investments and Treasury Manager, Resources)
Stuart Young	(Workforce Development, Resources)
Georgina Wills	(Committee Officer, Governance)

1. APPOINTMENT OF VICE-CHAIR

The Chair proposed that Councillor Candida Ronald be appointed Vice-Chair of Pensions Committee for the duration of the municipal year. The proposal was seconded by Councillor Andrew Wood and, there being no other nominations, it was

RESOLVED:

That Councillor Candida Ronald be appointed Vice-Chair of Pensions Committee for the duration of the municipal year.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

The Chair declared a personal interest in item 6.8, Pension Fund Administration Update by virtue of her being Chair of the Tower Community Housing Board. The Chair remained in the meeting and took part of the discussion whilst the item was being discussed.

3. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous Pensions Committee held on 16 March 2017 was approved as a correct record, subject to the following amendments.

Minute item 10, Election of Chair for the Pensions Committee – the word ‘some’ be included in the first bullet point to read:

‘Some Members expressed concerns about the need to re-elect to the position of Chair of the Committee on the grounds that previous Chair of the Committee Councillor Andrew Cregan had changed political groups’.

4. PETITIONS

None received.

5. SUBMISSIONS / REFERRALS FROM PENSION BOARD

Suzanne Jones, Support to the Divisional Director Finance, Procurement and Audit, provided the following feedback from the Pensions Board meeting held on Monday 31 July 2017.

The Board considered reports and held discussions about the Administration of the Pensions Funds and the quality of data received.

Members also reflected on their work programme, in particular how they conduct their business and agreed that their members should attend the Pensions Committee.

The Board has a vacant post, Representative for Admitted Bodies – Employers. Admitted Bodies will be contacted about the vacancy and requested to nominate a representative.

The Chair thanked Suzanne for the feedback and agreed that members of Pensions Committee should attend the Pensions Board.

6. REPORTS FOR CONSIDERATION

6.1 Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings

The Clerk presented a report which set out the Terms of Reference, Membership and Quorum of the Pensions Committee for the Municipal Year 2017/2018. The Committee agreed that 7pm was the preferred start time for their scheduled meetings.

RESOLVED:

1. That the contents of the report be noted.
2. That all scheduled meetings start at 7pm.

6.2 Investment Strategy Review

The Committee received a presentation from Steve Turner of Mercer, on the Investment Strategy Review. The aim of the review is to consider the allocation between asset classes; risk and returns, ensure that there is a reasonable balance between the two objectives and to identify improvements to the investment strategy to help achieve these objectives.

There are a number of reasons to undertake a review and these range from funding changes, legislation change, new solutions, consolidation, Liabilities change, outlook change, change to employee and providing a clear plan.

When making investment decision the Committee will need to remain cognisant of pooling and options that are available on the current Collective Investment Vehicle (CIV) platform. The review will be the key determinant of overall investment performance. The Committee during a question and answer session: Noted:

- That there was an opportunity to reduce risk and volatility of their past deficit by £26m or more.
- That more diversification of their portfolio would potentially lead to better returns and reduce their exposure and that their Investment Policy must be aligned
- The forward looking equity market returns were unlikely to be as strong as they have been over the last 7 years and that it was a good opportunity to address the equity risk; the reduction will help the funding position.

- That Bonds accounted for 18% of their Portfolio and was divided into two distinctive types; return seeking bonds and liability hedging bonds.
- The best estimate expected return for Gilts was + 4.1% p.a. and this return surpassed the requirements of their Actuaries. There is a 73% probability of achieving Gilts +2.0%
- The Level of liability hedging was 7% and that currency hedging should be considered.
- That their Asset Portfolio should be increased; this is linked to inflation. A long term strategy would need to be agreed and should be guided by the CIV, the asset allocation would need to be determined as this will have the biggest impact on the CIV.
- That the current funding level had improved over a 5 year period and at current was at 86%, this was attributed to strong asset returns. As funding levels approach nearer to 100% this period should be used as an opportunity to decrease risks.
- The assessed Value at Risk (VaR) indicates that there is a 5% chance that the current deficit £223m could be increased by at least £329m over a 1 year period to £552m. This is based on the deficit as at March 2017.
- Equities are expected to provide 75% of the Funds excess returns and account for 56% of the Fund's risk on the VaR.
- That they consider reducing the allocation to equities by 10%, in light of strong performance, an increase in the funding level and level of risk concentration in equities.
- That an increase in allocation to both Ruffer and Baillie Gifford be considered; they are 'best in class' managers and this would achieve additional diversification and would be relatively quick and easy to achieve. Members raised questions about both managers and asked what percentage was driven by their equity. Baillie Gifford had 40% in their portfolio and Ruffer 50%. The Committee were reminded that allocations should be reduced from poor performing managers.
- That investments in high grade and long-lease properties be considered; it is anticipated that between 66% - 80% of returns will come from income and will be linked to inflation rather than capital appreciation, which at current is poor. Members questioned whether these investments would be at risk from potential government changes to housing and were advised that portfolio would comprise of 'extremely high quality commercial properties' and that the UK Fund have performed ok. The income expected will account for 60 – 80% of total return and a high portion of the income will act as a cushion. The assets are resilient to both financial and economic shocks.
- That half of Absolute Return Bonds (ARB) be allocated to Multi-Asset Credit (MAC), this will ensure returns are driven by markets and not wholly reliant on investment managers and are multi-based. The returns which have been based on the decisions of current investment managers have been poor.
- That current allocation to Index-linked gilts be continued and be increased over a period if current actuarial valuation approach is maintained.

- That a review of their current equity portfolio be undertaken and that the Fund invest more globally over a period of time. The passive global equity fund at LGIM should be utilised in the interim and the usage of the new global equity strategies available from the CIV should also be considered to achieve the above.
- That the fund has materially benefited from the fall in sterling and that consideration should be made to bank gains by hedging. Currency hedging would allow the Fund to bank a portion of these gains and move to a more neutral position of a 50% hedge. This move will slightly reduce the risk of the portfolio, relative to sterling based liabilities.
- That the Pensions Committee interest in low carbon investing was welcomed and that support would be given to incorporate this into the investment strategy. MSCI Low Carbon Target index was identified as the most appropriate index for the fund as it reduces the carbon (relative to the MSCI World) by around 70%. A 30% investment as a starting point was viewed as appropriate; other clients have used this percentage as their starting point. The long term tracking error target is 0.3%.
- That overall expected return of the portfolio would be expected to increase by 0.1% to gilts + 4.2 % p.a. following the proposed changes, predominately as a result of increased exposure to MAC.
- That there was a loss of confidence with GMO and that this matter could be reviewed with the CIV and noted recommendation on moving the passive global equity fund. This could be implemented in the new year(?)
- Asked about, Multi Asset Credit (MAC) and was advised that it was an unconstrained strategy which invests in a wide range of the credit markets. These include investment credits, high yield debts, bank loans and emerging market bonds. Returns are driven by market allocation plus active management from market and security selection. The target return; cash + 3 – 5% and the expected volatility; 5 – 10%. It was recommended that 12% of the Fund's assets be split between absolute return bonds and Multi Asset Credit.
- Noted that the Pension Fund has included Multi Asset Credit for the last 4 – 5 years and that MAC was a government solution to address access to the credit market following the financial crisis and encourage diversification and mitigates risk. MAC has performed above expectation.
- Members were supportive of Multi Asset Credit and agreed that they should receive further information and training in this area.
- Members commented on the recommendation to disinvest from UK equities and the poor performance of the GMO mandate and were advised that the transition from UK Equity to Global Equity was relatively easily and was a sensible way of achieving strategies and objectives.
- Members raised questions about currency hedging and its effect on cash flows and were advised that Legal and General manages funds and that contracts to sell currencies are taken out every 3 months and rolled over. During increases the currency will be held and equities are sold when there are losses. The Committee was advised that they could

review the currency hedging as part of their 3 years strategy and that this was a good strategic policy to have in place.

- Members commented that they had received a presentation about diversity and investment and at their previous committee had agreed to consider investing 5% of the fund in a sustainable / low carbon or clean agenda fund(s) and highlighted that the recommended initial investment in this area was below this percentage. In reply, it was noted that the returns for Low Carbon Funds may vary and other clients had invested the recommended amount as part of their risk mitigation strategy. An investment in renewable energy was advised to be preferred and it was estimated that it would take between 3 to 4 years to get a full return on investment. The Committee was advised that they should reduce their funding risk and be in a stable position before considering further investment. Investments should be phased and preferably be undertaken when oil prices are low. A 15% would be considered as a good return over a 3 year period, this percentage is equal to 30% of the equity portfolio. This can be reviewed annually or part of their 3 year strategy review. At current the oil market is outperforming low carbon market.
- That it was an ideal time for the Committee to bank equity and balance their portfolio.

Members thanked Steve Turner for his presentation and agreed that the presentation be converted into a strategy and implementation plan and that preliminary discussion be held with Mercer on achieving this.

RESOLVED:

1. Following consideration of the draft Investment Strategy and in the light of the committee's decision to terminate the Global Equities mandate for GMO the Committee agrees to:
 - a) Appoint LGIM to manage the GMO portfolio on a transitional basis;
 - b) Increase the investment in the Council's Diversified Global Funds mandate from 10% to 20% by topping up the existing DGF fund mandates (Baillie Gifford and Ruffer) by 5% each; to be achieved through a reduction to the GMO Global Equities mandate as part of the LGIM transitional management arrangements;
 - c) Reviews further all other aspects of the draft Investment Strategy at their September meeting.
2. Receive training on Multi Asset Credit.

6.3 Update on Market Outlook and Investments by the Independent Advisor

The item was deferred to the next meeting.

6.4 Draft Pension Fund Annual Report and Accounts 2016/17

Bola Tobun, Investment and Treasury Manager, presented a report which updated members on the arrangements for the preparation of the Pensions Fund Annual Report and Accounts 2016/17 in accordance with regulations and the arrangements for the separate audit engagements, opinion and certificate for the Fund.

Members were informed that assets had increased by over £200 million in the year and that funding levels had increased from 83% to 86%.

The Committee was advised that an updated version of the report will be circulated to members, prior to the report being submitted to Audit. The Pensions Fund Accounts are subject to the normal audit of accounts process; which is carried out in July and August 2017.

RESOLVED:

1. That the contents of the report be noted
2. Approve the Draft Pension Fund Accounts prior to submission for audit;
3. Agree publication and distribution to interested parties once approved; and
4. Delegate authority to the Corporate Director, Resources to make any amendments to the Pension Fund Statement of Accounts that arise as a result of the audit, in advance of the publication of the accounts.

6.5 Future Pension Administration Options

George Bruce, Interim Pensions Manager presented a report which detailed the current Pension Administration Services to the Tower Hamlets Pension Scheme, the advantages and challenges to the current arrangements and compared these with alternative arrangements.

Members sought clarification on whether the item should be considered by the Pensions Committee and was advised that initial feedback was being sought.

The current administrative service in place for Tower Hamlets Pension Scheme has been in operation since the Borough was established. At current services are delivered by the Council's HR and Finance Departments and comprises of small teams. This in-house service enables the direct control over the quality of service, ensures there is a direct relationship with scheme managers, avoids conflicts of needs of other clients and ensures certainty of staff.

The LGPS is becoming increasingly complex due to frequent changes in regulation and best practice guidelines and is now under greater scrutiny. Maintaining awareness of and implementing new regulations is a challenge to a small team; in conjunction the size of the current Team faces inherent risks from losing key staff.

Two main alternative means of delivering pension administration services to the scheme have been identified, co-operation with other Local Authorities or appointing an external third party administrator. The former option will grant

the Pension Scheme access to more resources, access to a larger and diverse pool of specialist staff, encourage standardised client reporting and reduce IT cost.

The above mentioned will enable more focus to be given to daily tasks and also be adaptive to the needs of the Scheme. The Committee noted the risks of switching from an in-house to a local authority grouping could result in the reverse of advantages that are found in retaining an in-house team.

The third option, appointing a third party administrator would be undertaken via a commercial tender. An appointment of a third part administrator will magnify both the advantages (cost and resilience) and disadvantages (compromise and loss of control) of local authority groups. Third Party administrators can be accessed through the National LGPS Framework.

Members noted all the proposals presented and the size of the administrative team and specialties of officers. The option to collaborate with other Local Authorities was discussed further and Members preferred this option to over the other options presented and agreed that further research be undertaken to ascertain what administrative systems were in place in neighbouring boroughs. Members agreed that if the option to co-operate with other Local Authorities is chosen; the other scheme participants should have a shared interest with Tower Hamlets.

Members were advised that the Pension Board had recommended that all options are fully explored and that resilience of the service remains paramount. The Committee were informed established networks would be used to gage views and experiences. Members can forward comments about the various options to Lead Officers.

RESOLVED:

That a further detailed evaluation of the options outlined in the paper, including discussion with other local authorities is undertaken and that the findings are analysed and presented at the next Committee.

6.6 Investment Performance Review for Quarter Ending 31 March 2017

Bola Tobun, Investment and Treasury Manager presented a report which informed Members of the Performance of the Fund and its investment managers for the quarter and year ending 31 March 2017.

The fund delivered a positive return of 4.4%, by outperforming its benchmark return of 3.6% by 0.8% for the reporting quarter. In addition 7 out of the 9 mandates matched or achieved returns above the benchmark in the quarter end. Ruffer and Goldman mandates lagged behind their respective benchmarks. Overall the Fund performance was ahead of its benchmark.

RESOLVED:

That the contents of the report be noted.

6.7 LGPS Latest Development and Update

Bola Tobun, Investment and Treasury Manager presented a report which provided an update on the general developments in the Local Government Pensions Scheme arena and the progress of the London CIV

Members commented and welcomed the Local Government Pension Scheme (LGPS) Scheme Advisory Board issue of the LGPS Investment Code of Transparency. The purpose of the Code is to improve the reporting and understanding of investment management charges and costs.

The Committee noted that the LCIV during the first quarter of 2017/18 was positive and that a majority of their quarterly KPI targets had been met.

RESOLVED:

That the contents of the report be noted.

6.8 Pension Fund Administration Update

George Bruce, Interim Pensions Manager, presented the report which covered current issues affecting scheme members and employers participating in the Tower Hamlets Pension Scheme.

The Committee was advised that Anant Dodia, Pensions Manager had retired. In the interim, Team Leaders will be responsible for overseeing the daily operation of the Team; in addition an experienced Pensions Manager from Surrey Council will provide support to the Service and act as a Mentor. Suzanne Jones, Deputy to the Divisional Director, will continue to attend Committees and assist with employee matters and act as link to team management. The Project Team will continue to work on the Member Self-Service Project.

The following Admin data was reported:-

During the period between April - May 2017 service standards increased and improved from 78% to 86% from the previous quarter. There has been steady progress made in relation to compliance.

Internal Disputes Resolution Procedures, an outstanding appeal has gone to an external reviewer; this is due to contractual information.

The Committee were advised that at their meeting in December 2016 they had discussed and agreed the recommendation to admit Energy Kidz into Pension Scheme and that the discussion and committees resolution was not included in the minutes meeting of 7 December 2017. This recommendation has again been repeated.

Members were advised that Compass Catering had recently advised that that they had employed over a dozen staff in September 2015 and that their

request for admitted body status had not been processed. The meeting was informed that deductions from employees have been made since 2015 and that Compass Catering was to be granted admitted body status.

Internal Audit are scheduled to return and will be reviewing the service as part of the 2016 /2017 agreed internal audit plan. Members were advised that the earnings of Active Members will need to be checked to ensure that benefits received are correct. The addresses of these individuals have been checked.

The Actuary has issued a report on the quality of data that was provided during the triennial actuarial valuation in March 2016. A total of 700 members were noted as not having a home address; to rectify this, a company has been commissioned to undertake searches to identify addresses. A charge of £12 will be levied for each address; this cost was viewed as justifiable and good use of budget. The Inland Revenue Service was liaised with.

At the recent Pensions Board, discussions were held about undertaking a formal review of data control and also a benchmarking exercise.

The Committee were reminded that two data matching exercises are carried out on annual basis to ensure that pensions are only paid to surviving scheme members; these include the National Fraud Initiative for UK pensioners and Life certificates for overseas pensions.

The HMRC will be writing to all persons who are entitled to a GMP (Guaranteed Minimum Pensions) to advise what amount and pension scheme will be paid. The GMP is part of the LGPS pension; the government pays the annual inflation increases on the GMP as part of the state pension and the pension funds awards pension increases on that element of the pensions that is not GMP. HMRC are giving schemes an opportunity to agree records prior to their notifications to individuals. There is consideration for the service to purchase external resources to undertake the above. The Committee was advised that the completion of the above would be a valuable exercise and was estimated to be of a value of a six figure sum.

The Committee noted that George Bruce was to leave the Service and thanked him for his work and contributions to the Pensions Committees.

Resolved:

1. That Energy Kidz Ltd. be admitted as an employer within the pension fund
2. That Compass Contract Services (UK) Ltd be admitted as an employer within the pension fund.
- 3.

7. TRAINING EVENTS

None

8. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

None.

9. EXCLUSION OF THE PRESS AND PUBLIC

The Chair moved and it was

RESOLVED

That press and public be excluded from the remainder 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 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." which relates to information relating to a particular employee, former employee or applicant to become an employee of, or a particular officeholder, former office-holder or applicant to become an officeholder under, the authority.

9.1 Pension Fund Procurement Plans and Update 2017/18

The meeting ended at 9.00 p.m.

Chair, Councillor Clare Harrisson
Pensions Committee

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By virtue of paragraph(s) 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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