

Non-Executive Report of the: <b>PENSIONS COMMITTEE</b>  <b>21 September 2017</b>	
<b>Report of:</b> Zena Cooke, Corporate Director, Resources	<b>Classification:</b>
<b>Review of Tower Hamlets Pension Fund Governance Policy and Compliance Statement</b>	

<b>Originating Officer(s)</b>	Bola Tobun, Investment and Treasury Manager
<b>Wards affected</b>	All

### Introduction

This report outlines the changes to and regulations guiding the Pension Fund Governance Policy and Compliance Statement. The Governance Policy and Compliance Statement have been prepared in accordance with the Local Government Pension Scheme Regulations. It sets out the governance procedures for the Fund and indicates where it is compliant with best practice as laid down in statutory guidance issued by the Secretary of State.

### Recommendations:

Members of the Pensions Committee are recommended to:

- Approve the draft Pension Fund Governance Policy and Compliance Statement, and agree that officers may now proceed with the consultation with the Fund's employers and Tower Hamlets Council union officials; and
- Approve the Scheme of Delegation which is included as appendix A of the attached draft Statement

## **1. REASONS FOR THE DECISIONS**

- 1.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Tower Hamlets Council, as the administering authority for the Tower Hamlets Pension Fund, to prepare a written statement setting out details of the authority's delegation of functions under the LGPS Regulations. The statement sets out the governance procedures for the Fund and indicates where it is compliant with best practice as laid down in statutory guidance issued by the Secretary of State. This document presents an update to the existing statement as part of the review programme set out in the Pension Fund Business Plan.

## **2. ALTERNATIVE OPTIONS**

- 2.1 This is a legislative requirement so there is no alternative option to consider.

## **3. DETAILS OF REPORT**

- 3.1 Since 1st April 2006, administering authorities have been required to publish and maintain a pension fund governance statement setting out the governance arrangements for their Fund including details of membership, how often they meet and the decision making process. This requirement has been maintained in the LGPS Regulations 2013, with Regulation 55 requiring funds to prepare and maintain a governance compliance statement.
- 3.2 Regulation 55 requires that:
- (1) An administering authority must prepare a written statement setting out
    - (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
    - (b) if the authority does so-
      - (i) the terms, structure and operational procedures of the delegation,
      - (ii) the frequency of any committee or sub-committee meetings,
      - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
    - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
    - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards establishment).
  - (2) An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

- (3) Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.
- (4) An administering authority must publish its statement under this regulation, and any revised statement.
- 3.3 This document therefore presents an update to the Governance Policy and Compliance Statement, under the programme of regular policy review set out in the Fund's business plan. It is recommended that the Committee approve the policy and statement for consultation with key stakeholders, including employers and other interested parties. It is intended that the final version be brought to the November Pensions Committee for final approval.
- 3.4 The key amendments that have been made are:
- Updating the Policy and Statement to reflect new regulations (including the LGPS (Management and Investment of Funds) Regulations 2016)
  - Updating officer delegations to reflect staff changes within the Pension Fund
  - Updating delegations to reflect changes to roles as a result of asset pooling
- 3.5 Appendix B of the document includes the Fund's Statement of Compliance against best practice as laid down in statutory guidance issued by the Secretary of State. It is pleasing to note that the Fund continues to be fully compliant in all areas

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 The Chief Finance Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed and that there are no direct financial implications arising as a consequence of the revised Policy and Statement. The cost of compliance with the necessary regulations with regards to governance is minimal in comparison to the value of the fund, and the risks arising through failure to do so.

#### **5. LEGAL COMMENTS**

- 5.1 Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Tower Hamlets Council, as the administering authority for the Tower Hamlets Pension Fund, to prepare a written statement setting out details of the authority's delegation of functions under the LGPS Regulations. The statement sets out the governance procedures for the Fund and indicates where it is compliant with best practice as laid down in statutory guidance issued by the Secretary of State. This document presents an update to the existing statement as part of the review programme set out in the Pension Fund Business Plan.
- 5.2 It is a matter for the Pensions Committee to agree all Fund policies and strategies as well as recommending changes to the Terms of Reference. It is therefore appropriate for the Committee to formally approve this Governance

Policy and Statement of Compliance. However, prior to any such approval there is a requirement to consult with appropriate stakeholders.

- 5.3 When exercising its functions in relation to the 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). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

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

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The effective and efficient management of Fund assets and achievement of performance targets are key to the achievement of the funding strategy objectives and this is considered to be a good decision which can result in greater cost savings to the 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 The rigorous robust management of LBTH Pension Fund results in better quicker and more effective decision making which can lead to better Fund performance and reduction in the contribution required from the Council towards the Fund. The monitoring arrangement for the Pension Fund and the work of the Pensions Committee should ensure that the Fund optimises the use of its resources in achieving the best returns for the Council and members of the Fund.

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

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

---

### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE

### **Appendices**

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

**List of “Background Papers” used in the preparation of this report**

APPENDIX 1 – LBTH Governance Policy and Compliance Statement

### **Officer contact details for documents:**

- Bola Tobun - Investment & Treasury Manager 0207 364 4733
- Mulberry House, 5 Clove Crescent E14 2BG