

Meeting of the

# PENSIONS AND ACCOUNTS COMMITTEE

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Thursday, 16 March 2006 at 6.35 p.m.

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## A G E N D A

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### VENUE

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

Members:	Deputies (if any):
Chair: Councillor Richard Brooks Vice-Chair:(none)	
Councillor Manir U Ahmed Councillor Fanu Miah Councillor Kevin Morton Councillor Oliur Rahman Councillor Marian Williams	Councillor James Sanderson, (Designated Deputy for Councillor Marian Williams)
<b>[Note: The quorum for this body is 2 Members].</b>	

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact: Guy Butterworth, Democratic Services, Tel: 020 7364 4651, E-mail: [guy.butterworth@towerhamlets.gov.uk](mailto:guy.butterworth@towerhamlets.gov.uk)

**LONDON BOROUGH OF TOWER HAMLETS**  
**PENSIONS AND ACCOUNTS COMMITTEE**

**Thursday, 16 March 2006**

**6.35 p.m.**

**1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**2. DECLARATIONS OF INTEREST**

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

**Note from the Chief Executive**

In accordance with the Council's Code of Conduct, Members must declare any **personal interests** they have in any item on the agenda or as they arise during the course of the meeting. Members must orally indicate to which item their interest relates. If a Member has a personal interest he/she must also consider whether or not that interest is a **prejudicial personal interest** and take the necessary action. When considering whether or not they have a declarable interest, Members should consult pages 181 to 184 of the Council's Constitution. Please note that all Members present at a Committee meeting (in whatever capacity) are required to declare any personal or prejudicial interests.

A **personal interest** is, generally, one that would affect a Member (either directly or through a connection with a relevant person or organisation) more than other people in London, in respect of the item of business under consideration at the meeting. If a member of the public, knowing all the relevant facts, would view a Member's personal interest in the item under consideration as so substantial that it would appear likely to prejudice the Member's judgement of the public interest, then the Member has a **prejudicial personal interest**.

**Consequences:**

- If a Member has a **personal interest**: he/she must declare the interest but can stay, speak and vote.
- If the Member has **prejudicial personal interest**: he/she must declare the interest, cannot speak or vote on the item and must leave the room.

When declaring an interest, Members are requested to specify the nature of the interest, the particular agenda item to which the interest relates and to also specify whether the interest is of a personal or personal and prejudicial nature. This procedure is designed to assist the public's understanding of the meeting and is also designed to enable a full entry to be made in the Statutory Register of Interests which is kept by the Head of Democratic Renewal and Engagement on behalf of the Monitoring Officer.

	<b>PAGE NUMBER</b>	<b>WARD(S) AFFECTED</b>
<b>3. UNRESTRICTED MINUTES</b>		
To confirm as a correct record of the proceedings the unrestricted minutes of the ordinary meeting of the Pensions and Accounts Committee held on 15 <sup>th</sup> December 2005.	<b>1 - 4</b>	
<b>4. DEPUTATIONS &amp; PETITIONS</b>		
To receive any deputations or petitions.		
<b>5. UNRESTRICTED REPORTS FOR CONSIDERATION</b>		
<b>5.1 Pension Fund: Further Review of Asset Allocation</b>	<b>5 - 10</b>	<b>All Wards</b>
<b>5.2 Communication and Governance Policy Statement</b>	<b>11 - 34</b>	<b>All Wards</b>
<b>6. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT</b>		
<b>7. RESTRICTED MINUTES</b>		
To confirm as a correct record of the proceedings the restricted minutes of the ordinary meeting of the Pensions and Accounts Committee held on 15 <sup>th</sup> December 2005.	<b>35 - 36</b>	

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London Borough of Tower Hamlets  
Meeting of the

**Pensions and Accounts Committee**  
**Thursday 15<sup>th</sup> December 2005 at 6.30 pm**

Room M78, Seventh Floor, Town Hall, Mulberry Place,  
5 Clove Crescent, London E14 2BG

**Minutes**  
**(Section One)**

**MEMBERS PRESENT**

Councillors R. Brooks (Chair)  
Councillor O. Rahman  
Councillor M. Williams

**OTHER MEMBERS PRESENT**

None.

**OFFICERS PRESENT**

A. Finch - Service Head Corporate Finance  
D. Hudson - Democratic Services

**1. APOLOGIES FOR ABSENCE**

**RESOLVED** that apologies for absence be received on behalf of  
Councillor M. Ahmed.

**2. DECLARATIONS OF INTEREST**

No declarations of interest were made.

**3. ELECTION OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2005/06**

Councillor R. Brooks sought nominations for the position of Vice-Chair of the  
Pensions and Accounts Committee for the Municipal Year 2005 – 2006.

He nominated Councillor M. Williams as the Vice - Chair and was seconded by Councillor O. Rahman, with no other nominations it was: -

**RESOLVED**

That Councillor M. Williams be appointed Vice - Chair of the Pensions and Accounts Committee for the Municipal Year 2005 - 2006.

**4. UNRESTRICTED MINUTES**

**RESOLVED** that the minutes of the meeting held on 27<sup>th</sup> July 2005 be confirmed and signed as a correct record of the proceedings.

**5. DEPUTATIONS & PETITIONS**

None were received.

**6. UNRESTRICTED REPORTS FOR CONSIDERATION**

**6.1 Statement of Accounts 2004-05 (PA001/056)**

Subsequent to a brief introduction for the Service Head Corporate Finance, during which the issues relating to the outstanding ILEA debt were reported, it was **RESOLVED** that

- (i) the final Statement of Accounts for the financial year ending 31<sup>st</sup> March 2005, and the change resulting from the audit, be noted;
- (ii) it be noted that the Audit Commission has issued an unqualified opinion and an audit certificate on the accounts; and
- (iii) the ongoing discussion with the auditor over the proper treatment for former ILEA debt, be noted.

**ACTION BY: Service Head Corporate Finance (A. Finch)**

**7. EXCLUSION OF THE PRESS AND PUBLIC**

The Committee **RESOLVED** 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”.

The meeting ended at 6.51 p.m.

**Councillor Richard Brooks**  
**Chair of the Pensions and Accounts Committee**

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# Agenda Item 5.1

COMMITTEE: <b>Pension and Accounts Committee</b>	DATE: <b>16<sup>th</sup> March 2006</b>	CLASSIFICATION: <b>Unrestricted</b>	REPORT NO.	AGENDA NO.
REPORT OF: <b>Director of Resources</b>  ORIGINATING OFFICER(S): <b>Investment Panel</b>	TITLE: <b>Pension Fund :Further Review of Asset Allocation</b>  Ward(s) affected: <b>N/A</b>			

## 1. SUMMARY

- 1.1. This report details the potential to enhance the long term investment performance by allocating 5% of the fund for investment in private equity and introducing an active currency manager and to reduce the volatility of investment returns through the use of currency hedging for the overseas equity element of the portfolio.
- 1.2. The recommendations to diversify the investment portfolio into these asset classes resulted from a review of the current asset allocation by the Council's investment advisors Hymans Robertson. This review concluded that :-
  - The increased exposure to overseas equities requires a currency hedge to reduce risk and increase the overall portfolio efficiency.
  - A strategic allocation of 5% of the fund to private equity will potentially enhance performance without materially increasing aggregate portfolio risk.
  - Appointing an active currency manager has the potential to enhance return without materially increasing the aggregate portfolio risk.
- 1.3. To implement the strategy it is recommended that a appointment process similar to that for previous manager appointments be adopted.

## 2. RECOMMENDATIONS

- 2.1 Members are recommended to :
  - 2.1.1 Establish a private equity investment portfolio with a target allocation of 5% of the fund.
  - 2.1.2 Implement a currency hedging programme to a proportion of the fund. This will be determined in discussion with the investment advisors.
  - 2.1.3 Authorise the Director of Resources to appoint advisors to administer the manager selection process on the advice of the Chair of the Investment Panel.
  - 2.1.4 Appoint a Selection Panel comprising the following members to consider the presentations by prospective managers:

- Chair of the Investment Panel
  - Independent Investment Advisor
  - Chair of Pension and Accounts Committee or nominee.
  - A member of the Minority Group
  - Director of Resources or representative
- 2.1.5 Authorise one Trade Union representative to attend each appointment interview as an observer.
- 2.1.6 Authorise the Director of Resources to appoint the managers on the recommendation of the Selection Panel.

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**LOCAL GOVERNMENT ACT, 2000 (SECTION 97)**

**LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT**

Brief description of "background papers"	Name and telephone number of holder And address where open to inspection
Hymans Robertson Report	Jim Ricketts Ext. 4733 Mulberry Place, 5 <sup>th</sup> Floor.

### **3. BACKGROUND**

3.1 The Pension Fund currently has an investment portfolio of £599 million, administered by four management firms.

3.2 The Council, on the advice of the Investment Advisor, determines the allocation of these funds over the different classes of investment. The managers select the individual investments within the parameters specified by the Council.

3.3 A review of the asset and management structure of the fund's investment portfolio by the Council's investment advisors in April 2004 had concluded that scope existed to Council to achieve higher investment returns by increasing the exposure to equities and altering the management structure.

3.4 The management structure involved the transition from a two balanced fund manager to a five specialist manager mandate approach. This element has been implemented with the appointment of GMO, Martin Currie and Aberdeen.

3.4 The current asset allocation was established as part of this review process. The current target asset allocation is as set out in table 1.

	Target %
UK Equities	35.0%
Overseas Equities	35.0%
Total Equities	70.0%
UK Gilts	2.5%
UK Corporate Bonds	5.5%
Indexed Linked Bonds	10.0%
Property	12.0%

3.6 The original review by Hymans had suggested that part of the equity element be allocated to private equity but considered that because of the number of changes to the management structure of the fund it was not appropriate to implement it at that time. As the management changes are now complete Hymans now consider the appointment process can be undertaken.

3.6 The target allocation has a higher allocation to overseas equity and has thus increased the fund's exposure to currency fluctuations. The advisors consider that because of the volatility of currency markets it is appropriate to appoint a manager to develop and implement strategies to hedge the currency related risks.

### **4. PRIVATE EQUITY**

4.1 Private equity is essentially the provision of long-term equity finance to establish or develop a business

4.2 The principal private equity investments comprise: -

Venture Capital Private Equity firms provide start up finance for developing businesses, which have not floated on the Stock Exchange. Private equity invests in such companies in anticipation of disposing of their shareholdings when the company develops..

Buyout Conventionally providing the finance to enable employees to purchase their company or a subsidiary company, which is being sold by the holding company.

Restructuring Distressed Debt	Relates to investment in companies, which the Private equity companies believe they can turnaround either through partial asset disposal or the introduction of new management.
Subordinated debt	Provision of specialist finance for the acquisition or expansion of companies.

4.3 The level of activity and return achievable in each of these segments of the market is cyclical and is determined by which stage of the business cycle the economy is in.

4.4 Private equity investment has the following characteristics: -

- It potentially provides higher returns than that of a quoted equity portfolio.
- It is a long-term investment, which conventionally has a maturity period of up to fifteen years.
- It is illiquid because there is no marketable asset until the company has developed.
- It is risky because of the potential failures of the companies which form the underlying investments.
- Private equity has developed a higher profile for pension funds in recent years as a result of the Myners report, which criticised the role of pension funds in providing finance for new enterprises. .

4.5 The Council's investment advisor considers investment in private equity to be appropriate for the fund for the following reasons: -

- The Council can take a long-term perspective on investment because it will not have to realise investments in the short term to fund pension liabilities.
- Investment will be restricted to a target allocation of 5% of the fund, which will limit risk.
- A fund of Funds approach will be adopted which will enable the investment to be diversified over a wider investment base.

4.6 The private equity cycle differs from that of conventional equities. Consequently the swings in the equity cycle may be partially offset by counterbalancing swings in the private equity cycle. This means that the risks inherent in private equity may be partially offset by the net reduction in cyclical risk. The investment consultants consider that aggregate risk will not be significantly increased because of these factors.

## **5. CURRENCY MANAGEMENT**

5.1 Approximately 35% of the total value of the fund will be held in investments denominated in foreign currencies, which will have to be converted into sterling to enable the Council to meet its liability to pay pensions.

5.2 The exchange rates between the currencies and sterling are volatile and these fluctuations can considerably reduce or increase the real returns earned on foreign investments.

- 5.3 The use of currency hedging techniques will enable these currency gains and losses to be managed, the aggregate level of risk to be marginally reduced and portfolio efficiency to be improved.
- 5.4 The benefits from currency hedging are limited by the potential cashflow effects of operating within that market. There is as such a certain level of activity which optimises the potential benefits of currency hedging. It is recommended that the proportion of currencies hedged be determined in discussion with the professional investment advisors and the appointed manager.
- 5.5 Introducing active currency management alongside a currency hedging programme has the potential to enhance investment returns by enabling the manager to exploit short term anomalies in the currency markets. There are several technical reasons to believe that pricing within the currency markets is not efficient and historic evidence suggests that currency managers are able to exploit these inefficiencies.

## **6. THE APPOINTMENT PROCESS**

- 6.1 The appointment process for managers is complex and requires the participation of professional advisors. This participation is necessary both because of the legislative requirement to take proper advice and to access the database of information on prospective managers.
- 6.2 It is proposed that the Director of Resources be delegated authority to appoint the advisors on the recommendation of the Chair of the Investment Panel.
- 6.1 European legislation requires that these appointments be subject to public tender by placing a notice in the Official Journal of the European Communities. These expressions of interest by investment managers would then be evaluated by the advisors to compile a long list for each mandate of up to seven managers to complete a comprehensive questionnaire for further evaluation.
- 6.2 On the basis of these questionnaires short lists for both mandates would be compiled and the successful managers be invited to present before a selection panel comprising members of the investment panel.
- 6.3 It is proposed to continue the previous arrangement and establish a Selection Panel comprising :-
- The Chair of the Investment Panel
  - The Chair of Pensions and Accounts Committee or their nominee
  - A member of the minority group
  - The independent investment advisor Hymans Robertson
  - The Director of Resources or their representative.
  - One trade union representative for each mandate as observer.

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

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

## **8. RISK MANAGEMENT IMPLICATIONS**

- 8.1 There is inevitably a relatively high degree of risk associated with investment in financial markets.
- 8.2 Modelling by the investment advisors indicate that the management of currencies can reduce the volatility of returns and increase the overall portfolio efficiency.
- 8.3 The inherent risk associated with private equity is can be reduced by the use of a fund of funds approach, which diversifies the underlying investments.

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

- 9.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 require Councils, which administer Pension Funds to invest contributions until such time as they are required to pay pensions.
- 9.2 The Regulations require that when undertaking such investment Councils are required to ensure that such investments are diversified to minimise risk and to obtain and consider proper advice.
- 9.3 This report sets out the advice of the Councils investment advisor, which has been considered by the Investment Panel including an independent professional Chair.
- 9.4 The report recommends that the Council restructure its portfolio amongst a number of asset classes and managers to enable risk to be reduced through such diversification.

## **10. ANTI POVERTY IMPLICATIONS**

- 10.1 There is no specific anti poverty implications.

## **11. EQUAL OPPORTUNITIES IMPLICATIONS**

- 11.1 There are no equal opportunities implications.

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

- 12.1 There are no Sustainable Action for A Greener Environment implications.

# Agenda Item 5.2

<b>COMMITTEE:</b> <b>Pensions and Accounts Committee</b>	<b>DATE:</b> <b>16th March 2006</b>	<b>CLASSIFICATION:</b> <b>Unrestricted</b>	<b>REPORT NO.</b>	<b>AGENDA NO.</b>
<b>REPORT OF:</b> <b>Director of Resources</b> <b>ORIGINATING OFFICER(S):</b> <b>Anant Dodia: Pensions Manager/ Jim Ricketts: Corporate Accounting Manager</b>		<b>TITLE:</b> <b>Communication &amp; Governance Policy Statements</b> <b>Ward(s) affected:</b> <b>N/A</b>		

## 1. SUMMARY

- 1.1 To comply with new legislation the Council is required to publish a Communications Policy Statement and a Governance Policy Statement by the 1<sup>st</sup> April 2006.
- 1.2 The Communications Policy Statement relates to the Council's communications with scheme members, scheme member's representatives, prospective members and admitted bodies.
- 1.3 The Governance Policy Statement sets out how the Council administers the fund and specifically if it delegates functions, how such delegation operates and the level of participation by admitted bodies in administering the fund.
- 1.4 The Council is required to review both statements and if there are material changes publish revised statements.

## 2. RECOMMENDATIONS

- 2.1 Members are recommended to:
- 2.2 To adopt the Communications Policy Statement as set out in Appendix 1 of this report.
- 2.3 To adopt the Governance Policy Statement as set out in Appendix 2 of this report.

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### LOCAL GOVERNMENT ACT, 2000 (SECTION 97)

#### LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

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

The LGPS (Amendment) Regulations  
2005

Anant Dodia Ext. 4248  
Mulberry Place, 2<sup>nd</sup> Floor.

### **3. BACKGROUND**

- 3.1 The Government have issued Regulations which require Council's administering the Local Government Pension Scheme (LGPS) to prepare, maintain and publish policy statements setting out their communications and governance arrangements.
- 3.2 The communications policy statement sets out the policy on communication to employees, scheme members and employing authorities, as well as its policy on the provision of information, the format and frequency of communication and the promotion of the scheme.
- 3.3 The Council's communications policy has been developed in conjunction with the independent pensions advisor Hymans Robertson and Co.
- 3.4 The governance policy statement sets out policy on the delegation of pension fund functions to committees and officers together with the frequency of meetings, terms of reference and whether the committee includes representatives of admitted bodies and the associated voting arrangements.
- 3.5 The Regulations require the first statements to be published before 1 April 2006 and revised policies published whenever there is a material change.
- 3.6 Copies of the Council's statements will be submitted to The Office of the Deputy Prime Minister (ODPM).
- 3.7 This report seeks the Committee's approval of the initial policies as set out in Appendix 1 (Communications Policy Statement) and Appendix 2 (Governance Policy Statement).

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

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

### **5. RISK MANAGEMENT IMPLICATIONS**

- 5.1 There are no risk assessment implications.

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

- 6.1 This report sets out the Statements required under the Local Government Pension Scheme (Amendment)(No.2) Regulations 2005.
- 6.2 The Regulations require the first statements to be published by 1 April 2006 and specify the issues, which must be addressed within the documents.
- 6.3 The contents of both documents comply with the requirements of the Regulations and adoption by this Committee will enable the Statements



to be put on the Council's website, thereby facilitating publication by the required date.

- 6.4 There are no further direct legal implications arising from the report.

## **7. ANTI POVERTY IMPLICATIONS**

- 7.1 Inadequate pension provision for retirement is a major contributor to poverty. The communication strategy by publicising the benefits of membership of the LGPS may increase participation rates.

## **8. EQUAL OPPORTUNITIES CONSIDERATIONS**

- 8.1 The information contained in the communications policy statement reflects the Authority's policy of promoting membership of the Local Government Pension Scheme to all eligible participants.

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

- 9.1 There are no Sustainable Action for A Greener Environment implications.

**Communications Policy Statement**

Contents

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COMMUNICATION WITH KEY AUDIENCE GROUPS

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Policy on promotion of the pension scheme to Prospective Members and their Employing Authorities

Policy on communication with Employing Authorities

Policy on communication with senior managers

Policy on communication with union representatives

Policy on communication with elected members/the Pensions Committee

Policy on communication with pension section staff

Policy on communication with tax payers

Policy on communication with other stakeholders/interested parties

PERFORMANCE MEASUREMENT

Timeliness

Quality

Results

REVIEW PROCESS

## **Introduction**

This is the Communications Policy Statement of London Borough of Tower Hamlets Pension Fund.

The Fund liaises with over 8 employers and approximately 12,500 scheme members in relation to the Local Government Pension Scheme. The delivery of the benefits involves communication with a number of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

It is effective from **1 April 2006**.

Any enquiries in relation to this Communication Policy Statement should be sent to:

London Borough of Tower Hamlets  
Town Hall  
Chief Executive's Directorate  
Human Resources  
Payroll & Pensions Services  
Mulberry Place  
5 Clove Crescent  
London E14 2BG

**Telephone:** 020 7364 4251

**Facsimile:** 020 7364 4593

**Email:** [pensions@towerhamlets.gov.uk](mailto:pensions@towerhamlets.gov.uk)

## Regulatory Framework

This policy statement is required by the provisions of Regulation 106B of the Local Government Pension Scheme Regulations 1997. The provision requires us to:

“...prepare, maintain and publish a written statement setting out their policy concerning communications with:

- (a) members.
- (b) representatives of members.
- (c) prospective members.
- (d) employing authorities.”

In addition it specifies that the statement must include information relating to:

- “(a) the provision of information and publicity about the Scheme to members, representatives of members and employing authorities;
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employing authorities.”

As a provider of an occupational pension scheme, we are already obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other legislation, for example the Pensions Act 2004. Previously the disclosure requirements have been prescriptive, concentrating on timescales rather than quality. From 6 April 2006 more generalised disclosure requirements are to be introduced, supported by a Code of Practice. The type of information that pension schemes are required to disclose will remain very much the same as before, although the prescriptive timescales are being replaced with a more generic requirement to provide information within a “*reasonable period*”. The draft Code of Practice<sup>1</sup> issued by the Pensions Regulator in September 2005 sets out suggested timescales in which the information should be provided. While the Code itself is not a statement of the law, and no penalties can be levied for failure to comply with it, the Courts or a tribunal must take account of it when determining if any legal requirements have not been met. A summary of our expected timescales for meeting the various disclosure of information requirements are set out in the Performance Management section of this document, alongside those proposed by the Pension Regulator in the draft Code of Practice.

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<sup>1</sup> Code of Practice – Reasonable periods for the purposes of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 issued September 2005

## **Responsibilities and Resources**

Within the Pension Section, the responsibility for communication material is performed by our Pension Manager with the assistance of two Principal Pensions Officers

Although, the team write all communications within the section, all design work is carried out by the Council's Creative & Technical team. The Pensions team are also responsible for arranging all forums, workshops and meetings covered within this statement.

All printing is carried out by an external supplier, which is usually decided upon by the Council's Creative & Technical team.

## Communication with key audience groups

### Our audience

We communicate with a number of stakeholders. For the purposes of this communication policy statement, we are considering our communications with the following audience groups:

- active members;
- deferred members;
- pensioner members;
- prospective members;
- employing authorities (scheme employers and admission bodies);
- senior managers;
- union representatives;
- elected members/the Pension Panel;
- Pension Section staff;

In addition there are a number of other stakeholders with whom we communicate on a regular basis, such as Her Majesty's Revenue and Customs, the Office of the Deputy Prime Minister, solicitors, the Pensions Advisory Service, and other pension providers. We also consider as part of this policy how we communicate with these interested parties.

## **How we communicate**

### **General communication**

We will continue to use paper based communication as our main means of communicating, for example, by sending letters to our scheme members. However, we will compliment this by use of electronic means such as our intranet. We will accept communications electronically, for example by e-mail and, where we do so, we will respond electronically where possible. Our pension section staffs are responsible for specific tasks. Any phone calls or visitors are then passed to the relevant person within the section. Direct line phone numbers are advertised to allow easier access to the correct person

### **Branding**

As the Pension Fund is administered by London Borough of Tower Hamlets, all literature and communications will conform with, the branding of the Council.

### **Accessibility**

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically. However, on all communication from the Pension Fund office we will include a statement offering the communication in large print, Braille, on cassette or in another language on request.

## Policy on Communication with Active, Deferred and Pensioner Members

Our objectives with regard to communication with members are:

- for the LGPS to be used as a tool in the attraction and retention of employees.
- for better education on the benefits of the LGPS.
- to provide more opportunities for face to face communication.
- as a result of improved communication, for queries and complaints to be reduced.
- for our employers to be employers of choice.
- to increase take up of the LGPS employees.
- to reassure stakeholders.

Our objectives will be met by providing the following communications, which are over and above individual communications with members (for example, the notifications of scheme benefits or responses to individual queries). The communications are explained in more detail beneath the table:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group (Active, Deferred, Pensioner or All)
Scheme booklet	Paper based and on intranet	At joining and major scheme changes	Post to home address/via employers	Active
Newsletters	Paper based and on intranet	Annually and after any scheme changes	Via employers for Actives. Post to home address for deferred & pensioners	Separately for active, deferred and pensioners
Pension Fund Report and Accounts	Paper based and on intranet	Annually	On request	All
Pension Fund Accounts – Summary	Paper based	Annually	Via employers for actives. Post to home address for deferred and pensioners	All
Estimated Benefit Statements	Paper based/via intranet	Annually	Post to home address/via employers for active members. To home address for deferred members.	Active and Deferred.
Factsheets	Paper based and on intranet	On request	On request	Active, deferred & pensioners
Intranet	Electronic	Continually available	Advertised on all communications	All
Roadshows/Workshops	Face to face	Annually	Advertised in newsletters, via posters and pensioners payslips	All
Face to face education sessions	Face to face	On request	On request	All
Joiner packs	Paper based	On joining	Post to home	Active members



			addresses	
Pay advice slip/P60	Paper based	Conditional	Post to home address	Pensioners

### Explanation of communications

**Scheme booklet** - A booklet providing a relatively detailed overview of the LGPS, including who can join, how much it costs, the retirement and death benefits and how to increase the value of benefits.

**Newsletters** - An annual/biannual newsletter which provides updates in relation to changes to the LGPS as well as other related news, such as national changes to pensions, forthcoming roadshows, a summary of the accounts for the year, contact details, etc.

**Pension Fund Report and Accounts** – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers. This is a somewhat detailed and lengthy document and, therefore, it will not be routinely distributed except on request. A summary document, as detailed below, will be distributed.

**Pension Fund Report and Accounts Summary** – provides a handy summary of the position of the Pension Fund during the financial year, income and expenditure as well as other related details.

**Estimated Benefit Statements** – For active members these include the current value of benefits as well as the projected benefits as at their earliest retirement date and at age 65. The associated death benefits are also shown as well as details of any individuals the member has nominated to receive the lump sum death grant. State benefits are also included. In relation to deferred members, the benefit statement includes the current value of the deferred benefits and the earliest payment date of the benefits as well as the associated death benefits.

**Factsheets** – These are leaflets that provide some detail in relation to specific topics, such as topping up pension rights, transfer values in and out of the scheme, death benefits and, for pensioners, annual pension's increases.

**Intranet** – The intranet will provide scheme specific information, forms that can be printed or downloaded, access to documents (such as newsletters and report and accounts), frequently asked questions and answers, links to related sites and contact information.

**Roadshows/Workshops** – Every year a number of staff will visit the schools/offices around the Borough, providing the opportunity to have a face to face conversation about your pension rights

**Face to face education sessions** – These are education sessions that are available on request for small groups of members. For example, where an employer is going through a restructuring, it may be beneficial for the employees to understand the impact any pay reduction may have on their pension rights.

**Joiner packs** – These complement the joiner booklet and enclose information on AVCs and the paperwork needed to join the scheme.

**Pay advice slip/P60** – The Pay advice slips are sent when the address, pension or tax code changes. The P60 information is communicated using this medium on an annual basis.

## Policy on promotion of the scheme to Prospective Members and their Employing Authorities

Our objectives with regard to communication with prospective members are:

- to improve take up of the LGPS.
- for the LGPS to be used as a tool in the attraction of employees.
- for our employers to be employers of choice.
- for public relations purposes.

As we, in the Pension Fund office, do not have direct access to prospective members, we will work in partnership with the employing authorities in the Fund to meet these objectives. We will do this by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Overview of the LGPS leaflet	Paper based	On commencing employment	Via employers	New employees
Educational sessions	As part of induction workshops	On commencing employment	Face to face	New employees
Promotional newsletters/flyers	Paper based	Annually	Via employers	Existing employees
Posters	Paper based	Ongoing	Via employers	New and existing employees

### Explanation of communications

**Overview of the LGPS leaflet** - A short leaflet that summarises the costs of joining the LGPS and the benefits of doing so.

**Educational sessions** – A talk providing an overview of the benefits of joining the LGPS.

**Promotional newsletters/flyers** – These will be designed to help those who are not in the LGPS to understand the benefits of participating in the scheme and provide guidance on how to join the scheme.

**Posters** – These will be designed to help those who are not in the LGPS understand the benefits of participating in the scheme and provide guidance on how to join the scheme.

## Policy on communication with Employing Authorities

Our objectives with regard to communication with employers are:

- to improve relationships.
- to assist them in understanding costs/funding issues.
- to work together to maintain accurate data.
- to ensure smooth transfers of staff.
- to ensure they understand the benefits of being an LGPS employer.
- to assist them in making the most of the discretionary areas within the LGPS.

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Employers' Guide	Paper based and intranet	At joining and updated as necessary	Post or via email	Main contact for all employers
Newsletters	Electronic (e-mail) and intranet	Annually or more frequent if necessary	E-mail	All contacts for all employers
Employers focus groups	Face to face	At least quarterly/half yearly	Invitations by e-mail	Either main contacts or specific groups (e.g. HR or payroll) depending on topics
Pension Fund Report and Accounts	Paper based and employer website	Annually	Post	Main contact for all employers
Meeting with adviser	Face to face	On request	Invite sent by post or email	Senior management involved in funding and HR issues.

### Explanation of communications

**Employers' Guide** - A detailed guide that provides guidance on the employer responsibilities including the forms and other necessary communications with the Pension Section and scheme members.

**Newsletters** – A technical briefing newsletter that will include recent changes to the scheme, the way the Pension Section is run and other relevant information so as to keep employers fully up to date.

**Employers' focus groups** – Generally workgroup style sessions set up to debate current issues within the LGPS.

**Pension Fund Report and Accounts** – Details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

**Adviser meeting** – Gives employers the opportunity to discuss their involvement in the scheme with advisers.

## Policy on communication with senior managers

Our objectives with regard to communication with senior managers are:

- to ensure they are fully aware of developments within the LGPS
- to ensure that they understand costs/funding issues
- to promote the benefits of the scheme as a recruitment/retention too.

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Committee papers	Paper based and electronic	In advance of committee	Email or hard copy	All

### Explanation of communications

**Briefing papers** – a briefing that highlights key issues or developments relating to the LGPS and the Fund, which can be used by senior managers when attending meetings

**Committee paper** – a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members

## Policy on communication with union representatives

Our objectives with regard to communication with union representatives are:

- to foster close working relationships in communicating the benefits of the scheme to their members
- to ensure they are aware of the Pension Fund's policy in relation to any decisions that need to be taken concerning the scheme
- to engage in discussions over the future of the scheme
- to provide opportunities to education union representatives on the provisions of the scheme

Our objectives will be met by providing the following communications:

Method of communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All
Face to face education sessions	Face to face	On request	On request	All
Pension Committee	Meeting	Quarterly	Via invitation when appropriate	All

### Explanation of communications

**Briefing papers** – a briefing that highlights key issues and developments relating to the LGPS and the Fund.

**Face to face education sessions** – these are education sessions that are available on request for union representatives and activists, for example to improve their understanding of the basic principles of the scheme, or to explain possible changes to policies.

**Pension Committee** – a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

## Policy on communication with elected members/the Pensions Committee

Our objectives with regard to communication with elected members/the Pensions Committee are:

- to ensure they are aware of their responsibilities in relation to the scheme
- to seek their approval to the development or amendment of discretionary policies, where required
- to seek their approval to formal responses to government consultation in relation to the scheme.

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Training sessions	Face to face	When new Pension Committee and as and when required	Face to face or via the Employers Organisation for local government	All members of the Pension Committee as well as other elected members
Briefing papers	Paper based and electronic	As and when required	Email or hard copy	All members of the Pension Committee
Pension Committee	Meeting	Quarterly	Members elected onto Pension Committee	All members of the Pension Committee

### Explanation of communications

**Training Sessions** – providing a broad overview of the main provisions of the LGPS, and elected member’s responsibilities within it.

**Briefing papers** – a briefing that highlights key issues and developments to the LGPS and the Fund.

**Pension Committee** - a formal meeting of elected members, attended by senior managers, at which local decisions in relation to the scheme (policies, etc) are taken.

## Policy on communication with pension section staff

Our objectives with regard to communication with pension section staff are:

- ensure they are aware of changes and proposed changes to the scheme
- to provide on the job training to new staff
- to develop improvements to services, and changes to processes as required
- to agree and monitor service standards

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Face to face training sessions	Face to face	As required	By arrangement	All
Staff meetings	Face to face	As required, but no less frequently than monthly	By arrangement	All
Attendance at seminars	Externally provided	As and when advertised	By email, paper based	All
Software User Group meetings	Face to face	Quarterly	By email, paper based.	Principal Administrators
Regional Officer Group meetings	Face to face	Quarterly	By email, paper based.	Pension Manager/ Principal Administrators

### Explanation of communications

**Face to face training sessions** – which enable new staff to understand the basics of the scheme, or provide more in depth training to existing staff, either as part of their career development or to explain changes to the provisions of the scheme

**Staff meetings** – to discuss any matters concerning the local administration of the scheme, including for example improvements to services or timescales

**Attendance at seminars** – to provide more tailored training on specific issues

**Software User Group meeting** – to discuss any issues concerning the computer software used to administer the scheme, including future upgrades and improvements

**Regional Officer Group meetings** - discussion group of principal officers from other administering authorities.

## Policy on communication with tax payers

Our objectives with regard to communication with tax payers are:

- to provide access to key information in relation to the management of the scheme
- to outline the management of the scheme

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Pension Fund Report and Accounts	Paper based and on website	Annually	Post	All, on request
Pension Fund Committee Papers	Paper based and on website	As and when available	Post	All, on request

### Explanation of communications

**Pension Fund Report and Accounts** – details of the value of the Pension Fund during the financial year, income and expenditure as well as other related details, for example, the current employing authorities and scheme membership numbers.

**Pension Fund Committee Papers** - a formal document setting out relevant issues in respect of the LGPS, in many cases seeking specific decisions or directions from elected members.



## Policy on communication with other stakeholders/interested parties

Our objectives with regard to communication with other stakeholder/interested parties are:

- to meet our obligations under various legislative requirements
- to ensure the proper administration of the scheme
- to deal with the resolution of pension disputes
- to administer the Fund's AVC scheme

Our objectives will be met by providing the following communications:

Method of Communication	Media	Frequency of Issue	Method of Distribution	Audience Group
Pension Fund valuation reports <ul style="list-style-type: none"> <li>• R&amp;A certificates</li> <li>• Revised R&amp;A certificates</li> <li>• Cessation valuations</li> </ul>	Electronic	Every three years	Via email	Office of the Deputy Prime Minister (ODPM)/Her Majesty's Revenue and Customs (HMRC)/all scheme employers
Details of new employers entered into the Fund	Hard copy	As new employers are entered into the Fund	Post	ODPM/HMRC
Formal resolution of pension disputes	Hard copy or electronic	As and when a dispute requires resolution	Via email or post	Scheme member or their representatives, the Pensions Advisory Service/the Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	ODPM/HMRC/the Pensions Regulator

### Explanation of communications

**Pension Fund Valuation Reports** – a report issued every three years setting out the estimated assets and liabilities of the Fund as a whole, as well as setting out individual employer contribution rates for a three year period commencing one year from the valuation date

**Details of new employers** – a legal requirement to notify both organisations of the name and type of employer entered into the Fund (i.e. following the admission of third party service providers into the scheme)

**Resolution of pension disputes** – a formal notification of pension dispute resolution, together with any additional correspondence relating to the dispute

**Completion of questionnaires** – various questionnaires that my received, requesting specific information in relation to the structure of the LGPS or the make up of the Fund

## Performance Measurement

So as to measure the success of our communications with active, deferred and pensioner members, we will use the following methods:

### Timeliness

We will measure against the following target delivery timescales:

Communication	Audience	Statutory delivery period	Target delivery period
Scheme booklet	New joiners to the LGPS	Within two months of joining	Within two weeks of joining the LGPS
Estimated Benefit Statements as at 31 March	Active members	On request	31 July each year
Telephone calls	All	Not applicable	95% of phone calls to be answered within 30 seconds
Issue of retirement benefits	Active and deferred members retiring	Within two months of retirement	95% of retirement benefits to be issued within 10 working days of retirement
Issue of deferred benefits	Leavers	Within two months of withdrawal	Within one month of notification
Transfers in	Joiners/active members	Within two months of request	Within one month of request
Issue of forms i.e. expression of wish	Active/Deferred members	N/A	Within five working days
Changes to scheme rules	Active/deferred and pensioner members, as required	Within two months of the change coming into effect	Within one month of change coming into effect
Annual Pension Fund Report and Accounts	All	Within two months of request	Within ten working days

### Quality

Audience	Method	To consider	Notes
Active and deferred members	Paper based survey with annual benefit statements	All services	
All member types	Annual paper based survey on completion of specific tasks	Service received during that task	One task to be chosen each quarter from: retirements new starts and transfers in transfers out deferred leavers
All member types	Focus group meeting on half yearly basis	All services and identify improvement areas/new services	Representative group of all member types. To include union representatives.
Employers	Focus Groups	Their issues	Regular feedback sessions.

## **Results**

Details of the performance figures are reported to the Head of Pay, Pension, & e-HR on a quarterly basis. Feedback is received from the Service Head and from various focus /discussion groups.

## **Review Process**

We will review our communication policy to ensure it meets audience needs and regulatory requirements at least annually. A current version of the policy statement will always be available on our intranet and paper copies will be available on request.

**London Borough of Tower Hamlets Pension Fund  
Governance Policy Statement**

1. Background

- 1.1 The Local Government Pension Scheme (Amendment)(No.2) Regulations 2005 require all Councils which administer a pension fund to publish a Governance Policy Statement by the 1<sup>st</sup> April 2006 and review and revise it if there is a material change in their policies.
- 1.2 The statement provides a framework for the leadership, direction and control of the pension service to ensure they achieve the agreed aims and objectives and in doing so serve the best interest of Council Taxpayers and the scheme members.
- 1.3 The Regulations provide that the Governance Policy Statement must set out if they delegate any part of their function to a Committee, sub committee or officer and if they do provide details of: -
  - The frequency of that Committee or subcommittees meetings
  - The terms of reference, structure and operational procedures of that committee or subcommittee and
  - The representation of admitted bodies on that Committee or subcommittee.

2. Executive Responsibility

- 2.1 The Council of the London Borough of Tower Hamlets is the administering authority under the Local Government Pension Scheme (LGPS) and has executive responsibility for the Fund.
- 2.2 The Council delegates its responsibility for administering the Fund to the Pensions and Accounts Committee. The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.
- 2.3 These terms of reference encompass: -
  - Determination of investment policy objectives
  - Appointment of investment managers
  - Monitoring investment performance
  - Making representations to Government on any proposed changes to the LGPS and
  - Considering reports of the Investment Panel
- 2.4 The Pensions and Accounts Committee which comprises five Members of the Council meets on a quarterly basis with special meetings arranged as necessary.
- 2.5 The Committee is subject to the Council's Financial Regulations and is advised on investment issues by an Investment Panel, which includes professional advisors.

- 2.6 The meetings of the Pensions and Accounts Committee are open to the Public and the procedures of that Committee is as set out in the Council Constitution.
- 2.7 Currently no provision exists in the Committee's terms of reference for participation by admitted bodies on the Committee. The number of admitted bodies is increasing as a result of the transfer of Council functions and it is proposed to review the position on admitted body representation.
3. Officer Delegation
- 3.1 The Council's Constitution provides that relevant Chief Officers have delegated authority to make any decision which is not a key decision as defined in that document. The relevant Chief Officer for pension fund issues is the Director of Resources.
- 3.2 In addition to this overall delegation the following functions have been formally delegated to officers by the Pensions and Accounts Committee: -
- The Director of Resources has delegated authority to admit external bodies to the Fund. (11<sup>th</sup> August 2004)
  - Specified officers are authorised to receive pension payments in trust. (20<sup>th</sup> December 2004)
- 3.3 The Pensions and Accounts Committee delegates specific functions on the appointment of managers on a case by case basis to the Director of Resources after consideration of reports by that Committee.
- 3.4 Committee retained responsibility for all policy decisions relating to the investment portfolio. Responsibility for the day to day operation of the management arrangements and administration of the portfolio is delegated to the Director of Resources.
4. Review of the Governance Policy Statement
- 4.1 The policy statement will be reviewed annually and revisited and re-published following any material changes in the above arrangements.

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London Borough of Tower Hamlets  
Meeting of the

**Pensions and Accounts Committee  
Thursday 15<sup>th</sup> December 2005 6.30 pm**

Room M78, Seventh Floor, Town Hall, Mulberry Place,  
5 Clove Crescent, London E14 2BG

**Minutes  
(Section Two)**

**MEMBERS PRESENT**

Councillors R. Brooks  
Councillor O. Rahman  
Councillor M. Williams

**OTHER MEMBERS PRESENT**

None.

**OFFICERS PRESENT**

A. Finch - Service Head Corporate Finance  
D. Hudson - Democratic Services

**8. RESTRICTED MINUTES**

**RESOLVED** that the restricted minutes of the meeting held on 27<sup>th</sup> July 2005 be confirmed and signed as a correct record of the proceedings.

The meeting ended at 6.51 p.m.

Councillor Richard Brooks  
Chair of the Pensions and Accounts Committee

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