TOWER HAMLETS

PENSIONS COMMITTEE

Tuesday, 24 July 2018 at 6.30 p.m.

Room MP702, 7th Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG

This meeting is open to the public to attend.

Members:
Chair: Councillor Muhammad HM Harun

Councillor Ehtasham Haque, Councillor Leema Qureshi, Councillor Rachel Blake
Councillor Sabina Akhtar, Councillor Shad Chowdhury and Councillor Andrew Wood

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

Substitutes:
Councillor Sufia Alam, Councillor Val Whitehead, Councillor Shah Ameen and Councillor Peter Golds

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

Contact for further enquiries:
Georgina Wills, Democratic Services.
1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, E14 2BG
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Web:http://www.towerhamlets.gov.uk/committee

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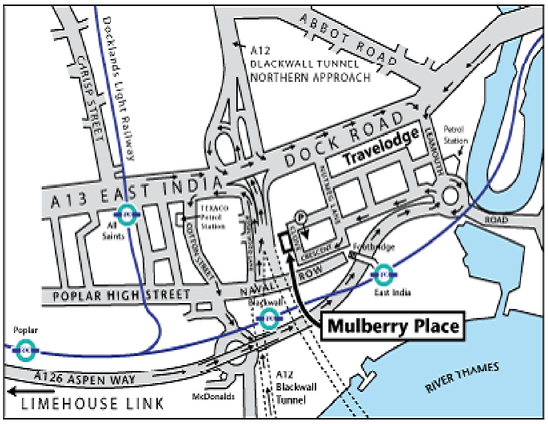

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8. TRAINING EVENTS

- Roles and Responsibilities in Management of LGPS
- Training Events

9. DATE OF FUTURE MEETINGS

To note the scheduled Pension Board dates which are also set out at Agenda 7.1.The dates are:

- 24 July 2018
- 18 September 2018
- 29 November 2018
- 13 March 2019

10. ANY OTHER BUSINESS CONSIDERED TO BE URGENT

11. UPDATE ON EQUITY PROTECTION PROVIDER SEARCH

The Committee to receive a verbal presentation from Mercer.

Next Meeting of the Committee:
Tuesday, 18 September 2018 at 6.30 p.m. to be held in the Room MP702, 7th Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London E14 2BG

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.

<u>Further advice</u>

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 vacation carried on for profit or gain.
Sponsorship	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. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	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— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
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	Any tenancy where (to the Member's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (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.

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE PENSIONS COMMITTEE

HELD AT 7.05 P.M. ON WEDNESDAY, 14 MARCH 2018

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

Name	
Councillor Clare Harrison (Chair)	Member
Councillor Candida Ronald (Vice-Chair)	Member
Councillor Andrew Wood	Member
Councillor Sabina Akhtar	Substitute for Shiria Khatun
Steve Turner	Mercers
Sam Yeandle	Mercers
Neville Murton	Divisional Director – Finance, Procurement and Audit
Kehinde Akintunde	Union Representative
John Jones	Chair Pension Board
Jon Ames and attending for CQS.	CQS
Craig Scordellis	CQS
Kevin Miles	Chief Accountant
Bola Tobun	Investment & Treasury Manager
Tim Dean	Pensions Manager
Ngozi Adedeji	Legal Services
Rushena Miah	Democratic Services

Apologies	
Councillor Md. Maum Miah	Member
Councillor Shiria Khatun	Member
Councillor Rabina Khan	Member

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

The Chair disclosed an interest in that she was a board member of Tower Hamlets Community Housing which would be discussed under item 6.2, Pension Scheme Administration Update. It was agreed that the Chair would be excused from the meeting whilst THCH was being discussed and the Vice-Chair would take responsibility for chairing that segment of the meeting.

2. PETITIONS

There were no petitions.

3. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the open meeting on the 27 November 2017 were approved as an accurate record. The Chair declassified the 'exempt' minutes as there was no exempt information contained in them. Both sets of minutes were signed as an accurate record of the meeting.

4. SUBMISSIONS / REFERRALS FROM PENSION BOARD

The Committee received an update from John Jones, Independent Chair of Tower Hamlets Pension Fund. To summarise:

- The Pension Board met on Monday 12 March 2018. It heard a presentation from the Pensions Regulator (TPR). They advised on the importance of good governance, data quality, record keeping and administration. The TPR is taking a stricter approach on deadlines.
- There is a focus at the national level on the governance of Pension Funds.
- The Pension Board held a discussion on the role and responsibility of the board on service improvements and reporting breaches to TPR.
- TPR also raised the issue of cyber security and the importance of the Council implementing robust arrangements to protect data. EU data protection regulations will come into force in May 2018. It was recommended that this should be the subject of a report to the Pensions Committee and Board.
- There was an offer from TPR to speak to the new Members of the Committee for the next municipal year.
- The Board considered the Regulators Compliance Checklist and asked for a report on progress to improve the arrangements for an internal dispute resolution procedure and improved performance in providing information. This is linked to the report on Pensions Administration where there were still concerns over staffing resources and progress in achieving the deadline at the end of 2018 for the GMP calculations.
- The Board considered and agreed its work plan for 2018/19 and discussed training and development issues. The membership of the Board will change during 2018 and this may impact on the training programme.
- Non-engagement with trade unions as part of the ESG policy, and how this will operate via the London CIV will be followed up at a future meeting.
- Two Board Members will be standing down and will need to be replaced. The Chair of the Pension Board thanked Councillor Dave Chesterton and Minesh Jani for their positive and helpful contributions to the work of the Board.

RESOLVED
To note the update.

5. DISCUSSION AND PRESENTATION FROM MULTI ASSET CREDIT (MAC) MANAGER AND INVESTMENT CONSULTANT

The Committee heard a presentation from Jon Ames and Craig Scordellis, CQS. The Committee set an aim of making a recommendation on MAC by the end of the meeting.

Summarised points from the presentation:

- CQS is a London-based global multi-strategy credit asset management firm. It specialises in convertibles, asset backed securities, credit, loans and equities.
- They manage $15.2 billion in a range of long, alternative and bespoke vehicles in multi-strategy credit portfolios. They have been running MAC funds for 5 years, their overall assets under management in long-only MAC is $5.9 billion.
- MAC offers the opportunity to access different credit asset classes liquidity profiles over time and provides access to substantial floating rate product facilities, focuses on credit risk and mitigates volatility associated with interest rate uncertainty.
- They have adopted a conservative approach in managing funds. Their strategy is for capital preservation with minimal risk.
- They are confident of a 5% return rate p.a..

Questions and comments from Members:

- **Why was CQS chosen to work with the Collective Investment Vehicle (CIV)?** CQS officers responded that it was likely due to their defensive position on asset management. CQS avoids risks and emerging market debt, it is on the conservative end of a conservative asset class.
- **Which other local authorities have appointed CQS?** Wandsworth, Haringey and Merton. Ten local authorities have expressed interest, they are likely to join when the CIV platform goes live in May 2018.
- **Why is there so little investment in the Asian market?** It is not CQS's area of expertise as it is difficult to get access to local information about Asia. There is a Global Convertible for the US and Japan and they are better placed to work with the Asian market.
- It was noted a credit rating of CCC was generally considered to carry substantial risk.
- **How soon can we access our money?** A client can access their money after 30 days' notice is provided.
- **Regarding governance what procedures are in place to make decisions such as changing limits?** The fund is a listed vehicle so CQS would have to consult Mercers and its Trustees when making substantive changes.
- The Pension Board were invited to attend an asset allocation meeting with CQS for further information.

The Chair thanked CQS speakers for their presentation.

RESOLVED

To note the MAC presentation from CQS

6. REPORTS FOR CONSIDERATION:

6.1 REVISED INVESTMENT STRATEGY STATEMENT AND INVESTMENT OPTIONS CONSIDERATIONS

The Committee received a report on the revised Investment Strategy presented by Bola Tobun, Investment and Treasury Manager. Revisions were made to the social and environmental impact and carbon emission sections of the Statement as outlined on page 41- 42 of the agenda and reports pack.

The report also outlined the work done in achieving further diversification of the Fund's return seeking portfolio and protecting its buoyant equity asset value by considering:

- An allocation to MAC
- Equity gains protection
- Allocation to long-term illiquid asset classes (long lease, private debt and infrastructure).

The Committee decided to appoint CQS as its MAC manager and the portfolio to be funded when the CIV add the manager to its platform, LCIV is planning to launch this sub-fund in May 2018.
This is being funded from rebalancing of LGIM equity portfolio and reduction of the Bond portfolio with Insight and GSAM to 3% each.

There was a discussion on equity protection which the CIV platform did not offer. Members were in agreement that there should be equity protection for the Fund. [Councillor Ronald arrived at this point, 8.10pm].

There was a discussion on the protection of assets. The Committee were advised that they may wish to consider liability hedge assets, long-lease assets and renewable energy. Members asked for long-lease and other infrastructure options to be put on the Committee's Forward Plan.

RESOLVED

- To approve the revised Investment Strategy Statement.
- To delegate to the Corporate Director of Resources the ability to implement a downside protection with regard to the equity risk of the Fund as deemed appropriate; subject to officers working with advisors to identify and implement a suitable strategy for the fund.
- To agree a target allocation of 6% to Multi-Asset Credit.
- To approve the recommended MAC strategy/manager (a sub-fund to be launched on the London CIV platform).
- To approve reduction of Fund assets allocation from 6% to 3% for each absolute return manager.
- To note the research for illiquid asset classes on page 21 of the agenda and reports pack; officers will present findings for discussion at a future meeting.

ACTION:
For long-lease and other infrastructure options to be put on the Committee's Forward Plan.

6.2 PENSION SCHEME ADMINISTRATION UPDATE

It was reiterated that the Chair would be exempted from the discussion pertaining to Tower Hamlets Community Housing and that the Vice-Chair would lead the meeting during that time.

The Committee heard an update on the pension scheme administration from Tim Dean, Pensions Manager.

Key points from discussion:

- The Committee requested to see data on the number of employees who decide to opt out of the scheme.
- In principle, Tower Hamlets Youth Sports Foundation was admitted into the Fund however, the Committee asked for Officers to investigate appropriate protection in relation to this organisation as a condition to formal admission. This could be in the form of a bond or other suitable approach to minimise the potential for a cessation event having an adverse impact on the Pension Fund..
- KM Cleaning and Maintenance was admitted into the Fund.
- East London Arts and Music Academy was admitted into the Fund.
- One Housing - the Committee accepted One Housing's withdrawal from the Fund, however, they requested it be noted that the decision was improperly consulted on. Ideally One Housing should have discussed their intention to withdraw from the Fund with the Pension Committee before they independently took the decision. The Committee also said they would have liked to see the business case for withdrawal. They asked officers to feedback their comments to One Housing.
- The Committee welcomed the roll out of the i-connect system, it was noted it would be useful in benchmarking.
- The Committee noted the three schools cited in pages 55-56 of the report pack had been turned into academies, a number of staff members will retain their local government pension.
- Tower Hamlets Community Housing – (THCH) made a proposal to convert from a company to a community benefit society. Santander bank THCH's lender have asked for priority status as a creditor, this could impact on the Councils ability to recoup any pension deficit. It was suggested the proposal be delegated to the Chief Financial Officer (CFO) and Monitoring Officer (MO) for decision, subject to assurances that the pension fund would not be disadvantaged. The legal officer said that the delegation would need to be checked for legality so the Committee agreed to the proposal on the condition that the CFO and

MO could assure there would be no impact to recouping the pension fund deficit.

RESOLVED

- To note the information provided in the report.
- To note the change of status of the following schools: Ian Mikardo Academy, Letta Trust, Clara Grant/Stepney Green College, to academies.
- To note the intention of One Housing to close their scheme.
- To accept the transfer of East London Arts and Music Academy into the Fund.
- To agree in principle the admission of the following bodies into the Fund; KM Cleaning and Maintenance Limited, Tower Hamlets Youth Sports Foundation. The admission of THYSF to be subject to appropriate protection being in place to protect the Pension Fund.
- To approve the Communications Strategy as set out in the appendix to the report.
- To agree to the conversion of THCH from a company to a community benefit society, subject to the Chief Finance Officer and Monitoring Officer satisfying themselves that there would be no impact on recouping the Pension Fund deficit.

6.3 LONDON COLLECTIVE INVESTMENT VEHICLE (CIV) LATEST DEVELOPMENT

The Chair briefed the Committee on a London CIV meeting she attended earlier in the day. Key points included:

- Many boroughs had concerns that the CIV was not functioning as well as it could. They talked about what the CIV should look like in the long term and what boroughs wanted out of it.
- Several proposals and recommendations came out of the meeting. There was a suggestion to hold the shareholder meeting twice a year. The first meeting will be held in July 2018.
- The formation of a Shareholder and Treasury Advisory Group. Made up of 8 Members, 4 treasurers and 1 Trade Union Representative with observer status. This would not be a decision making body but could make recommendations to the CIV Board.
- There are 2 local authority Member positions to be filled on the CIV Board.
- With regard to investment, more detailed consultation was requested with more options to be presented.
- The meeting reminded Members to sign up to the City of London Pension Scheme. The Chair requested Finance Officers to confirm sign off on this via Council as Tower Hamlets may be one of a few that has not yet confirmed.
- The meeting notes will be circulated to CIV Members.

RESOLVED

- To note the outcome of the governance review of the London CIV undertaken by Willis Towers Watson.
- To note issues that exist within the LCIV.
- To note a number of recommendations for change and improvement to LCIV's current governance arrangements.
- To note the London CIV Consultation process.
- And to fund launch progress.

ACTION – Officers to progress sign up to the LCIV participation in the City of London Pension Scheme.

6.4 UPDATE ON PENSION FUND PROCUREMENT PLANS 2017/18

The report, presented by Bola Tobun – Investment and Treasury Manager, sought assistance with the interview process for an independent advisor to the pension fund. An update was given on the progress of the new appointed global custodian contract. Councillors Candida Ronald, Clare Harrison and Andrew Wood volunteered to attend the scheduled interview for 9-11 April 2018 to assist in interviewing candidates.

RESOLVED:

- To note the report.
- For Councillors Clare Harrison and Andrew Wood to be involved in interviews for an independent advisor.

6.5 PENSION FUND BUSINESS PLAN, PENSIONS COMMITTEE WORK PLAN AND BUDGET FOR 2018/19

The Committee considered the report of Zena Cooke, Corporate Director of Resources. Comments from Members included:

- The need for joint training exercises in the new municipal year for those on Pension Board and Pension Committee.
- That infrastructure consideration should be incorporated into the plans before September 2018 and this should be on the agenda for the first meeting of the municipal year.

RESOLVED:

- To note the Business Plan attached as Appendix 1 to the report.
- To note the work plan for 2018/19 attached as Appendix 2 to the report.
- To approve the Revenue Budget for 2018/19 as attached as Appendix 3 to the report.

6.6 INVESTMENT AND FUND MANAGERS PERFORMANCE REVIEW FOR QUARTER ENDING 31ST DECEMBER 2017

The Committee considered the report of Zena Cooke, Corporate Director of Resources presented by Bola Tobun, Investment and Treasury Manager. Ms

Tobun summarised the report noting that the Fund is in line with the strategic benchmark.

RESOLVED:
To note the Investment and Fund Managers Performance Review for Quarter ending 31 December 2017 report.

7. TRAINING AND EVENTS

There were no training or events discussed.

8. DATE OF FUTURE MEETINGS

The Council meetings diary will be presented to Council on the 21 March 2018. Dates will be published shortly after.

9. ANY OTHER BUSINESS

Councillor Woods thanked the Chair and Vice-Chair for their contributions towards the Pensions Committee. Councillor Harrison, Chair, said it had been a pleasure to work as an elected Member and that she would miss learning and working with the team. She wished everyone the best of luck.

10. EXCLUSION OF THE PRESS AND PUBLIC

Not applicable to the meeting.

11. RESTRICTED MINUTES

Not applicable – refer to minute 3.

12. ANY OTHER RESTRICTED BUSINESS

None.

The meeting ended at 9.07 p.m.

Chair, Councillor Clare Harrisson
Pensions Committee

Non-Executive Report of the: **Pensions Committee** 24 July 2018	TOWER HAMLETS
Report of: Asmat Hussain, Corporate Director for Governance	**Classification:** [Unrestricted]
Pensions Committee Terms of Reference, Membership, Quorum and Dates of Meetings	

Originating Officer(s)	Georgina Wills, Committee Officer
Wards affected	All wards

Executive Summary

This report sets out the Terms of Reference, Membership and Quorum of the Pensions Committee for the Municipal Year 2018/19 for Members' information.

Recommendations:

The Pensions Committee is recommended to:

1. Note its Terms of Reference, Membership and Quorum as set out in Appendix A to this report.

2. Determine the preferred time at which the scheduled meetings will start

1. REASONS FOR THE DECISIONS

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

2. ALTERNATIVE OPTIONS

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

3. DETAILS OF THE REPORT

Background

3.1 At the Annual Council Meeting on 23 May 2018, Members were appointed to the various Committees and Panels established for the new municipal year as set out in the Constitution.

3.2 The terms of reference for the Pensions Committee together with the appointed Membership and Quorum thereof are set out in Appendix A.

4. MEMBERSHIP

4.1 Council on 23 May 2018 agreed that the Membership of the Committee be set at 7 Members in line with the recommendations of the Constitutional Working Party adopted by Council in April 2010 to ensure the proportionality arrangements are upheld.

4.2 Council also agreed that one Admitted Body and one Trade Union representative be invited to join the Committee on a non-voting basis in line with the recommendations of the Constitutional Working Party. Officers will verbally update Members on the process for appointing to these positions at the meeting.

5. PROGRAMME OF MEETINGS

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

- 24 July 2018
- 18 September 2018
- 29 November 2018
- 13 March 2019

5.2 Meetings are scheduled to take place at 6.30pm in line with the decision of Council except where the meeting falls within the month of Ramadan where they will aim to take place at 5.30pm. Members may wish to determine their own meeting time in the forthcoming municipal year and are permitted to offer their views to the Chair.

6. EQUALITIES IMPLICATIONS

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

7. OTHER STATUTORY IMPLICATIONS

7.1 There are no specific statutory implications arising from the recommendation in the report.

8. COMMENTS OF THE CHIEF FINANCE OFFICER

8.1 There are no specific financial implications arising from the recommendations within this report.

9. COMMENTS OF LEGAL SERVICES

9.1 The terms of reference, membership and quorum provided for the Pension Committee to note are in line with section 3.3.12 of Part 3 of the Council's Constitution.

Linked Reports, Appendices and Background Documents

NONE

`Appendices

Appendix A – Pensions Committee Terms of Reference, Membership and Quorum

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

NONE

Officer contact details for documents:
N/A

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APPENDIX A

PENSIONS COMMITTEE - TERMS OF REFERENCE

Terms of Reference:

- To consider pension matters and meet the obligations and the duties of the Council under the Superannuation Act 1972, and the various statutory requirements in respect of investment matters.

Membership:

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

At the Annual General Meeting of the Council held on 23 May 2018 the following appointments were made to the Pensions Committee.

Labour Group (6)	***Conservative Group (1)***	***Ungrouped (0)***
Councillor Ehtasham Haque Councillor Leema Qureshi Councillor Muhammad HM Harun Councillor Rachel Blake Councillor Sabina Akhtar Councillor Shad Chowdhury Substitutes:- Councillor Sufia Alam Councillor Val Whitehead Councillor Shah Ameen	Councillor Andrew Wood Substitutes:- Councillor Peter Golds	*(not applicable)*

The quorum of the Pensions Committee is three Members.

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`Non-Executive Report of the: **Pensions Committee** 24 July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	**Classification:** Unrestricted
Draft Pension Fund Annual Report and Accounts 2017/18	

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

Summary

There is a Statutory Requirement to prepare Pension Fund Annual Report and Accounts	This report updates members on the arrangements for the preparation of the Pension Fund Annual Report and Accounts 2017/18 in accordance with regulations and the arrangements for the separate audit engagement, opinion and certificate for the Fund.
External audit resulting in the auditor's opinion and certificate for the Fund. **Audit to be completed before 31st July 2018**	The Draft Pension Fund Accounts 2017/18 are attached in annex 1 to this report. The Pension Fund Accounts are subject to the normal audit of accounts process, which is in progress at the time of writing this report as it forms part of the overall external audit programme for the Council.
Fund assets increased by £112.979m over the year	The net asset statement represents the net worth (£1,481m) of the Fund. The improvement results from the increase in investment values plus the pre-payment of 2 years deficit lump sum contributions of £28m by the Council.
The return on investment for the Fund was 6% in 2017/18 placing it 7th in the performance league table for local authority pensions funds	The average local authority Pension Fund return in 2017/18 was 4.5%. This is significantly lower than 2016/17 where there was an average return of 21.4%. In 2016/17, the Tower Hamlets Fund had a return on investment of 20.7% which was 51st in the performance league. Overall returns for all funds over the year have gone down but the performance of the Tower Hamlets

	fund has improved. In longer term comparisons over 3, 5 and 10 year periods, the Fund was ranked in the 37th (71st), 35th (71st) and 75th (79th) percentile respectively. Equivalent rankings for 3, 5 and 10 year for 2016/17 are shown in brackets.
Funding level at 31st March 2018 increased by 5.4% to 88.2%	At the last formal valuation (31st March 2016) the Fund assets were £1,126m and the liabilities were £1,361m. This represents a deficit of £235m and equates to a funding level of 82.8%. Since the valuation the funding level has increased by 5.4% to 88.2%.

Recommendations:
The Committee is recommended to:

- Note the contents of this report and the Annual Report for 2017/18 attached as Appendix A to this report;
- Note the Tower Hamlets Pension Fund position and outcome of the Pensions & Investment Research Consultants Ltd (PIRC) UK Local Authority League table for 2017/18, set in section 3.5 of this report; and
- Note the Tower Hamlets Pension Fund Funding Level as at 31st March 2018, prepared by the Fund actuary as set in section 3.6.

1. REASONS FOR THE DECISIONS

1.1 The Committee acts as quasi-trustee to the Pension Fund and as such acts in the capacity of the Administering Authority of the Pension Fund. The Committee’s terms of reference requires that the Annual Report and Accounts on the activities of the Fund are presented and approved prior to their publication. The Local Government Pension Scheme Regulations 2013, Regulation 57 require the Pension Fund to publish its report and accounts by 1st December following the financial year end and for the Report to contain a number of standard items.

1.2 The publication of the Pension Fund Annual Report and Statement of Accounts helps to keep Fund members informed, shows good governance and also helps to demonstrate effective management of Fund assets

2. ALTERNATIVE OPTIONS

2.1 There are no alternative options in so far as the publication of the Statement of Accounts and Annual Reports is a legislative requirement.

3. DETAILS OF REPORT

3.1 The Council as an administering authority under the Local Government Pension Scheme Regulations and is therefore required to produce a separate set of accounts for the scheme’s financial activities and assets and liabilities.

3.2 The contents and format of the accounts are determined by statutory requirements and mandatory professional standards as established by the Chartered Institute of Public Finance (CIPFA) in their Service Code of Recommended Practice (SERCOP). The annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 and includes all the items required.

3.3 The London Borough of Tower Hamlets is the Administering Authority for the London Borough of Tower Hamlets' Pension Fund and the Pensions Committee act as trustees of the Pension Fund which includes overseeing the accounting and financial management of the Pension Fund.

3.4 **The Annual Report and Statement of Accounts**

3.4.1 The Accounts comprise two main statements with supporting notes. The main statements are:

- Dealings with Members Employers and Others which is essentially the fund's revenue account; and
- The Net Assets Statement which can be considered as the fund's balance sheet.

3.4.2 The return on investment section of the accounts sets out the movement in the net worth of the fund in the year by analysing the relevant financial transactions and movements in the market value of the investment portfolio. The statement has two main sections:

- The financial transactions relating to the administration of the fund; and
- The transactions relating to its role as an investor.

3.4.3 The fund income section of the report principally relates to the receipt of contributions, from employers and active members, and the payment of pensions benefits. The section indicates that the Fund is cash positive in that the receipt of contributions exceeds the pension payments which were £31.5m for 2017/18 compared to £8.56m in 2016/17.

3.4.4 The Fund net cash flow position at the end of financial year 2017/18 was 268% more than the previous year. Investment income increased slightly over the year by £0.5m. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) was relatively static. It is not possible to predict the value of transfer value payments as they are dependent on an individual's length of service and salary and as such may vary significantly. The total employee contributions fell by £330k. Total employer contributions went up significantly by £24.3m. This can be attributed to 3 years prepayment deficit lump sum contribution of some £43m paid by the Council into the Fund in December 2017.

3.4.5 In 2017/18 the overall expenditure increased substantially by £4.8m. The major contributors were the overall benefits paid including the lump sum benefits paid that increased substantially by £4.1m and an increase in transfers out of the fund by £1.2m over the year. The investment management costs slightly went up by £372k whilst the administration costs went down significantly by £463k. The reduction was due to costs being paid by the

London CIV rather than the Council demonstrating one of the benefits of being part of a pooled arrangement.

3.4.6 Overall, fund membership has decreased from 21,969 to 20,659, a decrease in membership number of 1,310. The number of active members reduced by 620 (9%) whilst deferred members increased by 417 (5%). Retired membership increased moderately by 244 (5%). This reduction in membership is due to auto enrolment rules which means that individuals who are automatically enrolled into the scheme as per the changes to pension regulations can opt out of the scheme.

3.4.7 The investment performance section of the report details returns on the investment portfolio, the impact of managers' activities and investment markets on the value of investments. The Fund achieved a return of 6% in 2017/18 on its investment portfolio outperforming the benchmark return of 4.1% by 1.9%. The Fund posted a 3 year return of 8.1% which is marginally above the benchmark return of 7.9% and also delivered a 5 year return of 8.9% outperforming the benchmark return of 8.4% by 0.5%.

3.4.8 Overall, fund assets increased by £112.979m. The improvement was due to the performance of the financial markets in which the Fund held its investments plus the pre-payment of 2 years deficit lump sum contributions of some £28m by the Council.

3.4.9 The net asset statement represents the net worth (£1,481m) of the Fund as at the 31st March 2018. The statement reflects how the transactions outlined in the other statement have impacted on the value of the Fund's assets.

3.4.10 The annual report also includes three key statements (Funding Strategy Statement, Investment Strategy Statement that replaced Statement of Investment Principles and Governance Compliance Statement) relating to the management and governance of the scheme and each statement serves a different purpose.

3.4.11 The Funding Strategy Statement undergoes a detailed review and was updated after the triennial valuation. The 2016 triennial valuation outcome was reported, discussed and approved at the Pensions Committee meeting of 16th March 2017.

3.4.12 The purpose of the Funding Strategy statement is threefold:

- To establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory framework to maintain as nearly constant employer contributions rates as possible; and
- To take a prudent longer-term view of funding those liabilities.

3.4.13 The Investment Strategy Statement (ISS). The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.

3.4.14 This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. This document was last reviewed and approved by the Committee at its meeting of 14th March 2018.

3.4.15 The Governance Compliance Statement sets out the Council's policy as the administering authority in relation to its governance responsibilities for the Fund.

3.4.16 The Audit Plan for the Pension Fund and any reports arising from the audit will be reported to the Pensions Committee. However, as the pension fund accounts remain part of the financial statements of the Council as a whole, the Audit Committee retain ultimate responsibility for receiving, considering and agreeing audit plans as well as receiving any reports arising from the audit.

3.4.17 The External Auditor provides an independent assessment of the Council's Pension Fund financial statements, systems, procedures and performance.

3.4.18 The audit plan outlines their intended work on the financial statements for 2017/18, and is in progress at the time of writing this report. This work is due to be concluded before 31st July 2018 and it is part of the Audit programme for the Council. The outcome of this will be reported to this Committee later in the year.

3.4.18 KPMG, as external auditor, is required to issue an ISA 260 report and opinion on the Council's accounts and this will include an opinion on the Pension Fund accounts. The ISA 260 report sets out their opinion and any issues which they believe the Committee should be aware of.

3.4.19 The Pension Fund audit is being undertaken by KPMG and the audit fee has been maintained at £21,000 which is charged to the Pension Fund.

3.5 PIRC League Table Performance

3.5.1 PIRC measures the performance of the Fund against its benchmark and against the Local Authority Universe data. The PIRC Local Authority Universe is an aggregation of Funds within the LGPS sector that is used for peer group comparisons. The performance results set out in this section are from the league tables.

3.5.2 The average local authority Pension Fund was just positive in 2017/18 with a fund return of 4.5% compared to an exceptional return of 21.4% in 2016/17. This has brought the 3-year performance down to 8.3% per annum from 11.2% per annum in 2016/17.

3.5.3 The Fund was ranked in 7th place with a Fund return of 6% in the PIRC Local Authority Universe League Table compared to 51st position in 2016/17 with a Fund investment return of 20.7%. However, over the longer 3, 5 and 10 year period, the Fund is ranked in the 37th (71st), 35th (71st) and 75th (79th) place respectively. 2016/17 equivalent rankings for 3, 5 and 10 year are shown in brackets.

3.6 **Funding Update**

3.6.1 This funding update has been provided to illustrate the estimated development of the funding position from 31 March 2016 to 31 March 2018. At the last formal valuation the Fund assets were £1,126m and the liabilities were

£1,361m. This represents a deficit of £235m and equates to a funding level of 82.8%. Since the valuation the funding level has increased by 5.4% to 88.2%, with Fund assets of £1,442m and liabilities of £1,636m, producing a deficit of £194m.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The Council as Administering Authority has the responsibility of ensuring that the Pension Fund is administered effectively and efficiently and that arrangement for financial management are properly scrutinised. The performance of the fund affects the level of employer's contribution to the fund

4.2 Paragraph 3.4.4 above details the additional employer contributions made during 2017/18. This was as a result of making payments in advance for 3 years deficit contributions which helped maximise return on investment for the Pension Fund.

5. LEGAL COMMENTS

5.1 Regulation 57 of the Local Government Pension Scheme Regulations 2013 imposes a duty on the Council as an administering authority to prepare a pension fund annual report. The report must be published by 1st December following the financial year end.

5.2 The report should deal with the following matters:

(a) management and financial performance during the year of the pension;
(b) an explanation of the investment policy for the fund and a review of performance;
(c) a report on arrangements made during the year for administration of the fund;
(d) a statement by an actuary who carried out the most recent valuation of the fund and the level of funding disclosed by that valuation;
(e) a Governance Compliance Statement;
(f) a Fund Account and Net Asset Statement;
(g) an Annual Report dealing with levels of performance set out in the pension administration strategy and any other appropriate matters arising from the administration strategy;
(h) the Funding Strategy Statement;
(i) the Investment Statement Strategy;
(j) statements of policy concerning communications with members and employing authorities; and
(k) any other material which the authority considers appropriate.

5.3 When performing its functions as administrator of the LBTH 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).

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 The monitoring arrangement for the Pension Fund and the work of the officers, advisers and consultants should ensure that the Fund optimises the use of its resources in achieving the best returns for members of 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 Accounts provide an effective mechanism to safeguard the Council's assets and assess the risks associated with its activities.

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 A – Draft Pension Fund Annual Report and Accounts 2017/18
Appendix B - PIRC UK Local Authority League table for 2017/18
Appendix C – Funding Level Update as at 31st March 2018

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:
Bola Tobun(Investment & Treasury Manager) x4733

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TOWER HAMLETS

London Borough of Tower Hamlets Pension Fund Draft Annual Report and Accounts 2017/18

WWW.TOWERHAMLETS.GOV.UK

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Foreword by Chair, Pensions Committee

Councillor Mohammed H Harun

Chair, Pensions Committee

Governance of the Pension Scheme

The London Borough of Tower Hamlets Pension Fund is part of the Local Government Pension Scheme (LGPS) and is governed by Statute.

The London Borough of Tower Hamlets is the Administering Authority for the London Borough of Tower Hamlets Pension Fund. The Pensions Committee has delegated responsibility for the management of the Fund and oversees the general framework within which the Fund is managed and sets investment policy on behalf of the Council and other employers in the Fund. Therefore, the Pensions Committee considers all investment aspects of the Pension Fund. The Corporate director of Resources has delegated authority for the day to day running of the Fund.

MANAGEMENT AND ADVISERS TO THE PENSION FUND as at 31st March 2017

The Pensions Committee during 2016/17 was made up of seven Councillor Members, an Employer Representative and a Scheme Member representative.

Pensions Committee:

Councillors:	Councillor Andrew Cregan (Chair) Councillor Clare Harrisson (Vice Chair) Councillor Gulam Kibria Choudhury Councillor Mohammed Mufti Miah Councillor Abdul Mukit MBE Councillor Candida Ronald Councillor Andrew Wood
Trade Union Representative (non-voting):	Kehinde Akintunde (GMB)
Admitted Bodies Representative (non-voting):	Tony Childs (Tower Hamlets Homes)

Contact details for the Pensions Committee:-

Pensions Committee
London Borough of Tower Hamlets
Town Hall,
Mulberry Place
5 Clove Crescent
London, E14 2BG

Staff, Advisers & Investment Managers

The management and administration of the pension Fund is delegated to the Corporate Director of Resources, having responsibility for the day to day management of the Fund.

London Borough of Tower Hamlets Responsible Officers:

Bola Tobun – Investment & Treasury Manager

Neville Murton – Divisional Director Finance, Procurement & Audit

Zena Cooke – Corporate Director, Resources

Advisers:

Consulting Actuary - Hymans Robertson LLP
Barry McKay - Actuarial Consultant/Adviser

Investment Consultant – Mercer Limited
Steve Turner – Senior Investment Consultant

Independent Investment Adviser - Colin Robertson

Custodial Services – Northern Trust

Performance Measurement Services - Northern Trust

Legal Advisers - Legal Services
London Borough of Tower Hamlets, Town hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

Auditor - KPMG LLP (UK)

Investment Managers:

GMO UK Limited
1 London Bridge, London, SE1 9BG

Goldman Sachs Asset Management (GSAM)
River Court, 120 Fleet Street, London, EC4A 2BE

Insight Investment
160 Queen Victoria Street, London EC4V 4LA

Legal & General Investment Management Limited
One Coleman Street, London, EC2R 5AA

London LGPS CIV Ltd
70 Great Bridgewater Street, Manchester, M1 5ES.

Ruffer LLP
80 Victoria Street, London SW1E 5JL

Schroder Investment Management Limited
31 Gresham Street, London EC2V 7QA.

Governance and Oversight Review

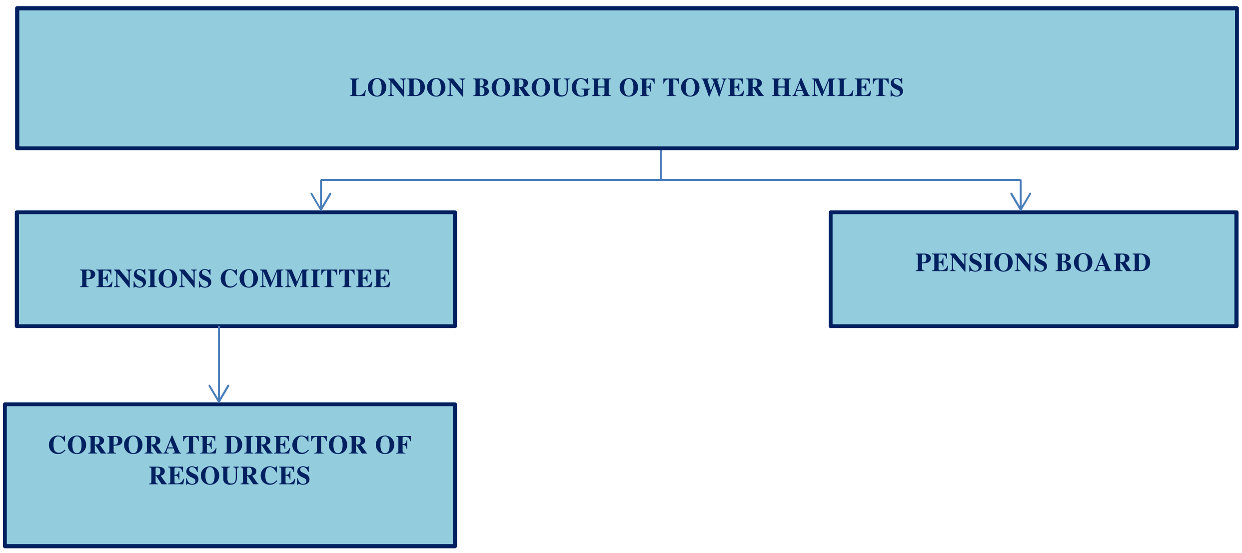
The Pension Fund Regulations require a new additional governance arrangement (Pensions Board) to be in place from 1 April 2015.

London Borough of Tower Hamlets is the Administering Authority of the pension Fund, the delegated responsibility for the management of the pension fund is with the Pensions Committee and the new regulatory requirement is for a Pensions Board to assist the Authority in monitoring compliance with regulations by overseeing the Pensions Committee work in how the Fund is administered.

Full Council approved the establishment of the Pensions Board at its meeting in September 2015 with delegation authority for the composition of it and terms of reference to the Pensions Committee. Pensions Committee agreed the composition of the board comprising three Employer Representatives, three Employee Representatives and an Independent Chairman.

Please see below chart illustrating the new governance arrangement.

<u>From Financial Year 2015/16</u>



At the onset of Committee meetings, Committee members are required to make declarations of interest both in relation to membership of the Local Government Pension Scheme and relationship to any employer bodies within the Pension Fund. Further declarations are required as and when agenda items arise where a member may have a conflict of interest. The Governance Officer maintains a record of the Conflicts of Interest which covers Pensions Committee and Pensions Board Members as well as officers closely connected with the Fund.

A legal officer is present at the Committee meetings to provide guidance on legal matters and is also required to comment on other items where there could be conflicts of interest.

Pensions Committee Attendance 2017/18

Attendee	Voting Rights	31-Jul	21-Sep	29-Nov	14-Mar
Member					
Cllr Clare Harrisson	√	Present	Present	Present	Present
Cllr Andrew Cregan	√	Absent	Absent	Absent	Absent
Cllr Andrew Wood	√	Present	Present	Present	Present
Cllr M'med Maium Miah	√	Absent	Present	Absent	Absent
Cllr Candida Ronald	√	Present	Present	Present	Present
Cllr Rabina Khan	√	Absent	Present	Absent	Absent
Cllr Shiria Khatun	√	Absent	Absent	Absent	Absent
Substitute					
Cllr Sabina Akhtar	√	Absent	Absent	Absent	Present
Non-voting Member					
Tony Childs	x	Absent	Absent	Absent	Absent
Kehinde Akintunde	x	Present	Absent	Present	Present
Public					
Raymond Haines (Adviser)	x	Absent	Present	Present	Present
Officers					
Bola Tobun	x	Present	Present	Present	Present
Kevin Miles	x	Present	Present	Present	Present
Neville Murton	x	Present	Absent	Absent	Present
Ngozi Adedeji	x	Absent	Present	Present	Present
Rushena Miah	x	Absent	Absent	Absent	Present
Georgina Willis	x	Present	Present	Present	Absent

Training was provided to the Committee at the Committee meetings of 31st July, 21st September 2017 and 29th November 2017. The topics covered in the training programme for the Committee in 2017/18 were provided in line with the Knowledge and Skills Framework to help ensure that the Committee are able to achieve high levels of the specialist knowledge required of them.

Topics covered during the financial year were:

- Overview of Local Government Pension Scheme (LGPS)
- LGPS 2014 – Benefit Structure
- New LGPS Governance Structure
- The Pensions Regulator (tPR)
- Roles and Responsibilities of Service Providers, Pensions Board & Committee
- Statutory Documents
- An overview of Investment Strategy and Asset Allocation
- Fiduciary Management and Engaging for a low carbon transition

Knowledge and Skills Policy Statement

CIPFA Code of Practice on Public Sector Pensions – Finance Knowledge and Skills

The adoption of the CIPFA "Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector" (2010) provides the basis for a training and development programme for the Pensions Committee based on the latest national guidance.
London Borough of Tower Hamlets Pension Fund adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

London Borough of Tower Hamlets recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

London Borough of Tower Hamlets will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.

These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

London Borough of Tower Hamlets will report on an annual basis how these policies have been put into practice throughout the financial year.

London Borough of Tower Hamlets has delegated responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Corporate Director of Resources, who will act in accordance with the organisation's policy statement, and where they are a CIPFA member with CIPFA Standards of Professional Practice.

London Borough of Tower Hamlets recognises the importance of ensuring that it has the necessary resources to discharge its pension administration responsibilities and that all staff and members charged with the financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

London Borough of Tower Hamlets therefore seeks to utilise individuals who are both capable and experienced and it will provide and/or arrange training for staff and members of the pensions decision making and governance bodies, to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

PENSIONS KNOWLEDGE AND SKILLS FRAMEWORK FOR PENSIONS COMMITTEE MEMBERS

Core technical areas and areas of knowledge

Legislative and governance framework

- General pensions framework
- Scheme-specific legislation for LGPS
- Pensions regulators and advisors
- Constitutional framework for pension fund committees within administering authorities
- Pension scheme governance

Accounting and auditing standards

- Accounts and Audit regulations
- Role of internal and external audit

Procurement of financial services and relationship management

- Procurement requirements of UK and EU legislation
- Supplier risk management

Investment performance and risk management

- Monitoring of investment performance
- Performance of advisors
- Performance of the Pensions Committee
- Performance of support services

Financial markets and investment products

- Investment strategy
- Financial markets
- Regulatory requirements regarding investment products

Actuarial methods, standards and practices

- Valuations, funding strategy and inter-valuation monitoring
- Ill-health and early retirement
- Admitted bodies
- Outsourcing and bulk transfers

Risk Management

Risk management forms a key part of Pension Fund Governance and is part of the ongoing decision making process for the Committee. The benefits of successful risk management are clear for the Fund; improved financial performance, better delivery of services, and improved Fund governance and compliance.

There are four general approaches to treating risk: avoid, reduce, transfer or accept.

- Avoidance of risk – not undertaking the activity that is likely to trigger the risk
- Reducing the risk – controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur.
- Transferring the risk – handing the risk on elsewhere, either totally or in part – e.g. through insurance.
- Accepting the risk – acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.

The types of risk that the Fund is exposed to fall into the following broad categories:

- Financial – These relate to investment related risks including market, currency, credit and interest rate risks – these are outlined in detail in the Statement of Accounts.
- Strategic – Failure to meet strategic objectives such as performance targets, Funding Strategy Statement objectives, etc.
- Regulatory – Regulatory changes impacting on the Fund, or failure to comply with legislation or meet statutory deadlines.
- Reputational – Poor service damaging the reputation of the Fund.
- Operational – Data maintenance, service delivery targets.
- Contractual – 3rd party providers, failure to deliver, effective management of contracts.
- Communication – Failure to keep all stakeholders notified of things that affect them, be they employers, scheme members or contractors.

The Funding Strategy Statement (appendix 3) explains the fund’s key risks and how they are identified, mitigated, managed and reviewed.

The Fund’s investment managers and custodian are audited separately and at different times. The Council receives audited assurance reports AAF01/06, SSAE16 and ISAE3402 from their independent auditors. Any exceptions highlighted by their auditors are evaluated by officers.

The council is the primary employer in the Fund and the risks of late payment of contributions are with admitted and scheduled bodies who are treated by the Pension Regulations as part of the Council for pension purposes. All contributions received from external payroll providers are reconciled monthly.

Market and Investment Performance Review

Over the last twelve months the average Local Authority pension fund has returned 21.4%. This return is well ahead of the 30 year average of 8.7% p.a. and well ahead of actuarial assumptions which are currently estimating around 5% p.a. With the full LGPS currently valued at around £200bn this year's return represents a net gain of some £40bn for the public sector schemes.

Local authority funds have retained a high commitment to equities which, this year, has been extremely favourable. The strong overall returns have been driven by the excellent performance from equity markets in the last twelve months.

UK equities performed well despite the large fall in the value of Sterling. Whilst initially counterintuitive, this reflects the importance of large overseas earnings of many of the UK quoted companies. The UK returned 21.4% for the year with large companies, as represented by the FTSE100, outperforming their smaller peers (within the FTSE250 and Small Cap indices) for the first time in eight years.

Overseas returns were better still, boosted for those funds who did not hedge their assets, by the marked decline in Sterling following the surprise decision to leave the EU. Local authority funds saw returns of around 35% across their US, Japanese and Pacific Rim investments with a marginally lower 33% from Emerging Markets and 27% from Europe. Most funds invest on an unhedged basis –funds that were fully hedged would have produced returns around 15% lower on their overseas assets.

Despite the increased political instability and resulting volatility, bond markets produced positive results. Funds achieved an average return from UK government bonds of 10.1% with corporates rather better at 11.7%. Index Linked gilts returned 18.2%

Diversified Growth funds, with an average return of 7.2%, outperformed their benchmarks but produced returns well below most other investments.

Property produced a return of 6.2%.

LCIV (BG) Diversified Growth Fund - In the year to 31st March 2017, the fund delivered a net return of 10.35% a reasonable performance compared to base rate +3.5% (+3.8%), which is an objective of the underlying direct fund manager. Listed equities remained the largest asset class during the year representing with an average exposure of 19.7% in the portfolio during the period with emerging market bonds (9.8% average) and high yield credit (13.9% average) representing the next largest asset classes for the fund during the year.

Listed equities, following strong performance from the global equity funds held within the portfolio contributed 4% to the performance of the fund. Also performing well were high yield bonds (+1.8%) and active currency (+1.1%) where the long US dollar position was particularly helpful. Infrastructure and emerging market debt also contributed around 1% each. The majority of asset classes delivered a positive contribution, with the exception of a small negative contribution from absolute return (-0.1%).

LCIV Ruffer Absolute Return - The LCIV took over the management of the Fund portfolio from 21st June 2016 with assets transitioned across. Since inception with LCIV, the fund has delivered 11.5%, with all of the performance coming in the period between June and December, with the final quarter being flat. The fund adopts a single discretionary investment approach, namely absolute return with a long only, asset allocation and stock selection focus with exposure across all conventional asset classes. The focus is on capital preservation with the aim not to lose money on a twelve month basis with the potential to grow funds at a higher rate than cash deposits.

Performance has been driven by the fund's exposure to index linked bonds which performed particularly well following the Brexit decision and the associated fall in sterling.

The equity portion of the portfolio has aided performance and in particular the fund's exposure to Japanese equities. The fund has remained defensively positioned throughout the period with less than 40% of the fund exposed to equity markets looking to take advantage of unloved stocks and the remainder of the portfolio in defensive positions such as index linked, gold and gold securities and short term cash instruments.

GMO - The benchmark return for the 12 month period to 31 March 2017 was 32.2%, and the assets invested with GMO were broadly in line with this with a return of 31.4% (net of fees). Looking at returns by region over the period, the U.S. and emerging markets led the way with Europe being the laggard. The significant underweight to the U.S. and smaller overweight to Europe thus proved a headwind to performance, but they were offset by the meaningful overweight to strongly performing emerging markets.
Stock selection was largely to blame for the modest underperformance, and this was most evident in the U.S. when viewed from a country perspective. Being underweight Financials in the US detracted as these got a significant boost following the election on speculation that the Trump administration would introduce a more benign regulatory environment – indeed, the zero holding in Bank of America was the single biggest detractor from relative performance. Two of the stocks that the portfolio was overweight in, Valero Energy and Chipotle Mexican Grill were the next biggest detractors. There are some successes in the U.S. and the holding in Amazon was the biggest single contributor to relative performance.

Baillie Gifford Global Alpha - LCIV Global Alpha Growth Fund was launched in early April 2016, with the fund outperforming the benchmark over the year to end March 2017 by 2.41% (net) delivering against the performance objective on annual basis. However, this disguises some volatile quarters over the period (both for the market and fund) where the fund underperformed against benchmark over quarters one and three, but recovering that underperformance and adding value over quarters two and four against the benchmark, reflecting market moves into and out value stocks, most notably in the third quarter following the Trump rally, where the fund has little exposure. The fund is focused on bottom up stock-picking with a quality bias with a diversified portfolio (typically 90-110 stocks).
The fund's sector positioning, overweight in information technology, financials and consumer discretionary and underweight positions in energy and telecoms helped performance as technology and financials performed strongly over the period. Over the year, the biggest individual contributors to performance were holdings exposed to US growth, technology and Asian consumption, notably Amazon (+0.8%), NVIDIA (+0.8%), First Republic Bank (+0.5%), Samsung Electronics (+0.4%). Stocks that detracted from performance over the year included Myriad Genetics, Novo Nordisk, Stericycle, Ryanair and Brambles.

Schroder (Property) – Returns are in-line with the benchmark over one year, although the portfolio has underperformed the benchmark over three years (-0.7% per annum), five years (-0.8% per annum) and since inception (-0.6% per annum). Holdings in Continental Europe have been the main detractors from returns over the longer term, with the UK (98% of the portfolio by value) outperforming the benchmark over three and five years. At a sector level, alternatives (i.e. not retail, office and industrial) and industrials have typically performed well, whilst central London offices have generally detracted from returns.
There were circa £35.7 million of transactions in the year to end Q1 2017, representing a turnover of circa 25% by value of the portfolio. This transactional activity has repositioned the fund away from Central London offices and weaker balanced funds and towards preferred sectors including industrials, regional offices and alternatives.

There were circa £19.5 million of purchases in the year to end Q1 2017 and circa £16.2 million of sales / returns of capital. Acquisitions were in-line with the House View, increasing exposure to multi-let industrials, regional offices, convenience retail and alternative property sectors. Sales were made to reduce exposure to weaker performing balanced funds and central London offices, the market segment we expect to be most negatively impacted by the fallout from the EU referendum vote.

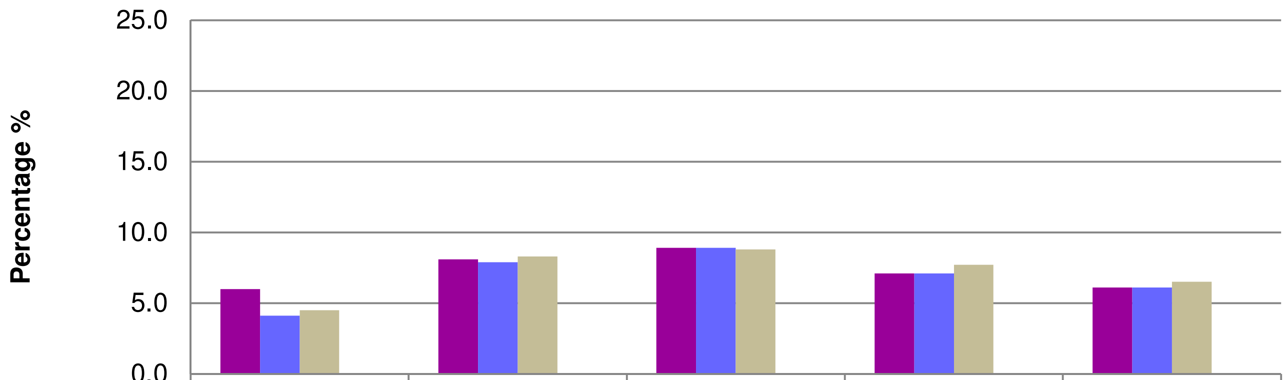
Goldman Sachs - The portfolio outperformed the benchmark over the review period, predominantly driven by the Country strategy and the Government/swap selection strategy, while the Duration strategy underperformed over the period.
The Country strategy was the largest contributor towards positive excess returns over the period mainly driven by the relative value trades such as the long positioning in Canada versus short positioning in US rates, their long positioning in Europe versus short positioning in Japan and US rates along with their long positioning in Australia versus short positioning in UK. The Government/swap selection strategy also contributed towards positive excess returns mainly driven by the European and US curve steepened trades. Additionally the overweight to US TIPS along with the specific selection of Japanese government securities aided the positive performance.
The Duration strategy, however, underperformed over the period mainly due to the underweight US rates in June 2016 as rates rallied in response to surprise UK referendum results on Brexit. The manager maintained adjusted tactical positions in US rates over the period and are currently underweight US rates and expect one further Fed rate hike this year due to positive economic data releases, particularly with regards to the labour market. At its March meeting, the Fed's Summary of Economic Projections showed upward revisions to core inflation and GDP growth forecasts.

Investment Performance of the Fund

The Fund's Investment Strategy Statement (ISS) is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. This document was reviewed following the completion of the Fund investment strategy review and the updated approved version was published shortly after the Committee meeting of March 2018.

The fund performance improved over the latest year, with the fund recording an absolute return of 6%, 1.9% ahead its benchmark and 1.5% above the local authority (LA) average return as shown below. For the three year return the Fund was marginally ahead by 0.2% the Fund benchmark return of 7.9% per annum but lagged behind the LA average return of 8.3% per annum by 0.2% per annum and for 5 year, the Fund was 0.5% per annum ahead its benchmark and marginally ahead the LA average by 0.1% per annum. The Fund return for 10 year and 20 year continued to lag the LA average by 0.6% and 0.4% respectively.

Fund Performance (One, Three, Five Ten and 20 Years)



	One Year	3 Years	5 Years	10 Years	20 Years
Fund	6.0	8.1	8.9	7.1	6.1
Benchmark	4.1	7.9	8.9	7.1	6.1
LA Average	4.5	8.3	8.8	7.7	6.5
Rank	7	37	35	75	55

Fund Management Activity

The London Borough of Tower Hamlets Pension Fund has been actively managed on a specialist basis by: Global Equities being managed by London Collective Investment Vehicle (CIV) and GMO, Goldman Sachs Asset Management (GSAM) pooled fund and Insights Investment pooled fund replaced Investec Asset Management (Corporate Bonds), Schroders Property Capital Partners (Property), the DGF mandates are being managed by LCIV and the passive management of UK Equities and UK Gilt & Index Linked are being managed by Legal & General Investment Management (LGIM).

In February 2016, the Baillie Gifford DGF mandate, June 2016 Baillie Gifford Global Equity and Ruffer Absolute Return portfolios were transferred to the London CIV platform with the same benchmark target. On 22nd March 2016, the Fund redeemed out of Investec mandate of corporate pooled bonds and in April 2016 invested in Goldman Sachs Asset

Management (GSAM), Strategic Absolute Return Bond II Pooled Investment Fund and in July 2017 invested in BNY Mellon Absolute Return Bond Fund with Insights Investment.

The volatility in the equity markets and strong returns from the fund's global equity managers and absolute return funds was a major contributor to the outperformance.
The underperformance from GMO, Ruffer and Baillie Gifford Diversified Growth was unfavourable.
.
The main driver of GMO underperformance over the period stems from being underweight the U.S. and overweight Emerging Markets, although individual stock selection was also a detractor over the period, with Amazon's outperformance being outweighed by underperformance from Valeant Pharmaceuticals. The manager advised that they retain conviction in their U.S. vs Emerging view but have reduced the concentration of single stock positions, so would not expect single names to dominate performance attribution in future periods.

The fund continues to participate in the Collective Investment Vehicle (CIV) and at the time of writing this report, Baillie Gifford (Global Equity) mandate and Ruffer LLP mandate have been transferred to LCIV platform.

The fund was in a positive cash flow from dealings with members by £3.1.5m at the end of 2017/18, this is and the 2017/18 cash flow forecast predicts that it will continue to be positive.

Asset Allocation

The asset allocation within the portfolio is in line with or within the agreed tolerance of the benchmark asset allocation as at 14 March 2018 as set out below. The Committee has agreed to take corrective action and rebalance asset allocation where bond to equity allocation moves by +/-5%.

Analysis of Asset Allocation

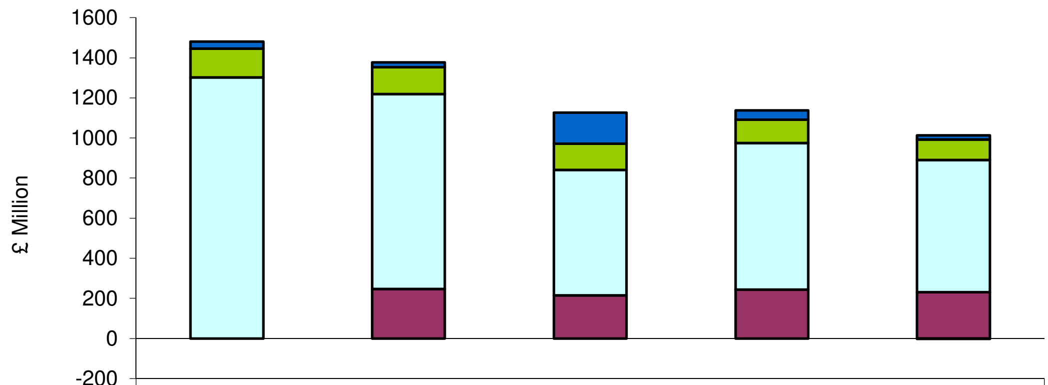
Asset Class	Benchmark	Fund Position	Variance
Global Equities	50.0%	54.4%	4.4%
UK Index Linked	6.0%	5.1%	-0.9%
Pooled Bonds	6.0%	10.0%	4.0%
Multi Asset Credit	6.0%	0%	-6.0%
Property	12.0%	10.5%	-1.5%
Alternatives	20.0%	18.0%	-2.0%
Cash	0.0%	2.0%	2.0%

All investment activity is regulated by the Fund's Investment Strategy Statement which together with the Myners Compliance Statement are set out in Appendix 2.

Financial Accounts

During the financial year 2017/18 the value of the Fund improves significantly by £113m from £1,368m to £1,481m, an increase of 8%. This is mainly attributable to the outperformance of the Fund global equity managers.

ANALYSIS OF ASSET CLASS



	2018	2017	2016	2015	2014
Cash	35.3	23.9	154.6	47.2	21.6
Derivatives	0	0	0	0	-0.4
Property Units	142.8	133.6	129.9	116.9	102.1
Unit Trusts	1302.8	971.6	626.9	730	658.7
Equities	0	247.5	214.6	244.3	231

Fund Income

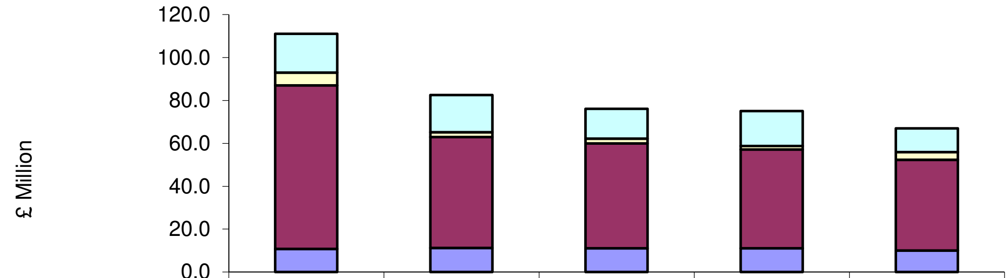
There was an overall improvement of £28.5m in the amount of income received by the Fund in 2017/18 compared to 2016/17.

Fund Income Variance Analysis

Type of Income	2018 £m	2017 £m	Variance %
Employees Contributions	10.8	11.2	-3.6%
Council Related Contributions	76.2	51.8	47.1%
Transfer Values	6.0	2.2	172.7%
Investment Income	18.1	17.4	4.0%
Total Fund Income	111.1	82.6	34.5%

Investment income increased over the year slightly by £700k. Transfer Values received (amounts paid over when a fund member transfers their benefits from one fund to another) remained stable. It is not possible to predict the value of transfer value payments as they are dependent on individual's length of service and salary and as such may vary significantly. Employee contributions decreased slightly. Employer contributions went up by £24.4m (47.1%) this is substantially due to a two year advance payment of the Council's deficit funding payment.

Fund Income Analysis



	2018	2017	2016	2015	2014
Investment Income	18.1	17.4	13.9	16.3	11.1
Transfer Values	6.0	2.2	2.2	1.7	3.5
Council Related Contributions	76.2	51.8	49	46.1	42.4
Employees Contributions	10.8	11.2	11.0	11.0	10

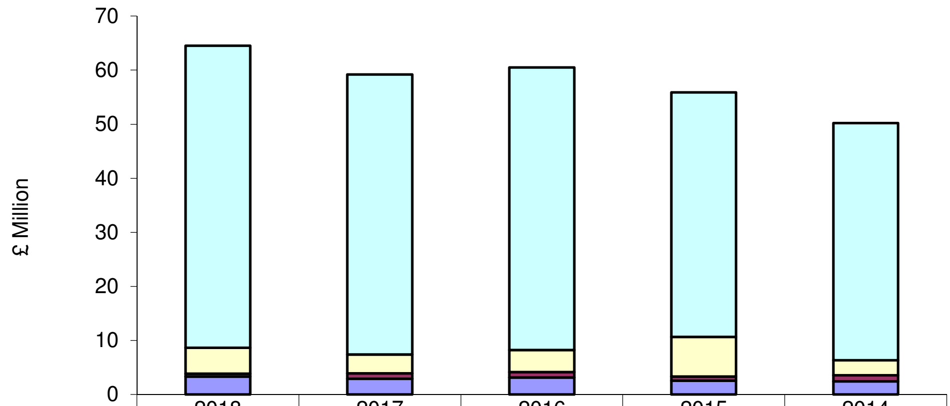
Fund Expenditure

In 2017/18 the overall Fund expenditure increased by £5.3m (9%). The major contributor to this reduction was the rise in benefits paid rose by £4.1m (7.9%) and transfer out, rose by £1.3m (37.1%). There was also a modest rise in investment management costs. The investment management fees has risen in line with the market appreciation of the Fund assets.

Expenditure Variance Analysis

Type of Expenditure	2018	2017	Variance £m	Variance %
Investment Management	3.3	2.9	0.4	13.8%
Administration	0.5	1	-0.5	-50.0%
Transfer Values	4.8	3.5	1.3	37.1%
Benefits Payable	55.9	51.8	4.1	7.9%
Total Fund Expenditure	64.5	59.2	5.3	9.0%

Fund Expenditure Analysis Chart



	2018	2017	2016	2015	2014
Benefits Payable	55.9	51.8	52.3	45.3	43.9
Transfer Values	4.8	3.5	4.1	7.3	2.8
Administration	0.5	1.0	1.0	0.8	1.1
Investment Management	3.3	2.9	3.1	2.5	2.4

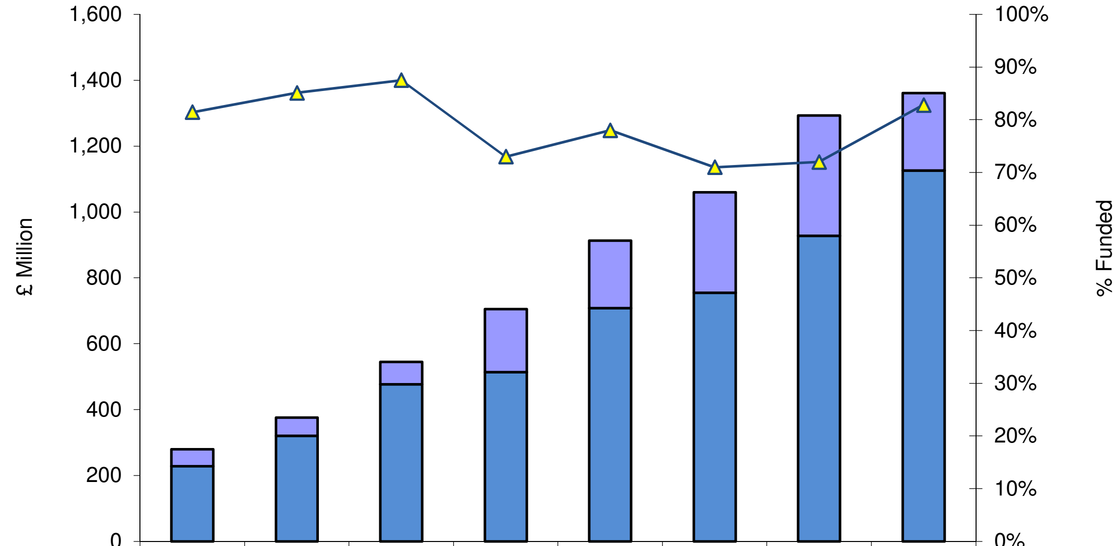
The reduction in transfers out was a reflection of the value of transfer out payments being made, it could be combination of different things the number of staff leaving had reduced and or lower salary paid leavers.

Funding Level

The Council is required to value the Pension Fund every three years.

The fund was valued by the scheme actuary Hymans Robertson LLP as at the 31st March 2016. The Actuary calculated that the Pension Fund is 82.8% funded and has a deficit of £235m.

Movement in Funding Level



	1995	1998	2001	2004	2007	2010	2013	2016
Deficit	52.0	56.0	68.1	191.0	204.8	305.0	365.0	235.0
Assets	228.0	320.0	477.2	514.0	708.4	755.0	928.0	1,126.0
Funding	81%	85%	88%	73%	78%	71%	72%	83%

The funding level has improved from 71.8% in 2013 to 82.8% in 2016. Additionally, the funding deficit has decreased by £130m. The main reasons for the change in the funding level over the period were better than anticipated investment returns, receipt of deficit repair contributions, and positive membership experience.

The liabilities have also increased due to a reduction in the future expected investment return, although this has been offset by lower than expected pay and benefit growth.

On the recommendation of the Actuary, the Council adopted a strategy to recover the deficit over a 20-year period. This will involve the Council paying a lump sum of £15m per annum from 2017/18 to 2019/20 into the pension fund specifically to recover the deficit.

Although there is a reduction in lump sum payment towards deficit recovery (secondary rate) from £22m for 2016/17 to £15m for 2017/18 but the primary rate contribution has increased from 15.8% of employee pay for 2013 valuation outcome to 19.9% of employee pay for 2016 valuation result.

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force, hence a contribution rate that is directly comparable to the 2016 valuation rates cannot be provided.

The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance. Changes to employer contributions targeted to ensure full funding have been variable across employers.

It should be emphasised that the deficit does not affect employees' pension entitlement. The Council is under a statutory obligation to provide sufficient funds to pay pensions and has adopted a strategy recommended by the Actuary to achieve full funding in twenty years. Councils can take a long-term perspective because of their financial stability and statutory backing. It should be recognised that the position is not unique to the Tower Hamlets Fund. All Pension Funds in both the public and private sectors have been subject to declining investment returns and increasing life expectancy, which has resulted in rising deficits in many cases. The 2016 valuation exercise has shown the fund to be gradually maturing as the proportion of employee members has fallen whilst the deferred and pensioner numbers have risen.

The Scheme Details

The London Borough of Tower Hamlets Pension Fund is part of the Local Government Pension Scheme (LGPS) and is governed by Statute. The main regulations governing the operation of the scheme during the year were the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2013. The Local Government Pension Scheme Regulations 2013 introduced the new 2014 LGPS which amongst other things changed the benefits structure from a final salary to career average revalued earning (CARE) scheme. In addition the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 covers the investment aspects of the funds.

The London Borough of Tower Hamlets is the Administering Authority for the Pension Fund and pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council including school employees with the exception of teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status; their employees may also be able to participate in the LGPS. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund, with the next valuation due to take place as at 31 March 2019.

The conditions of the Local Government Pension Scheme (LGPS) Regulations made it clear that the benefits that are payable to Scheme members and as such the benefits are guaranteed for those members and therefore members are not reliant on investment performance for their pension benefits. The contributions payable by Scheme members are also defined in the Regulations. Employing Authorities are required to pay contributions into the Scheme in order to meet the cost of funding employee benefits and as such, are required to meet any shortfall in funding the pension liabilities of Scheme members.

The Pension Scheme as applying during the financial year 2016/17 was a defined benefit career average revalued earnings scheme which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

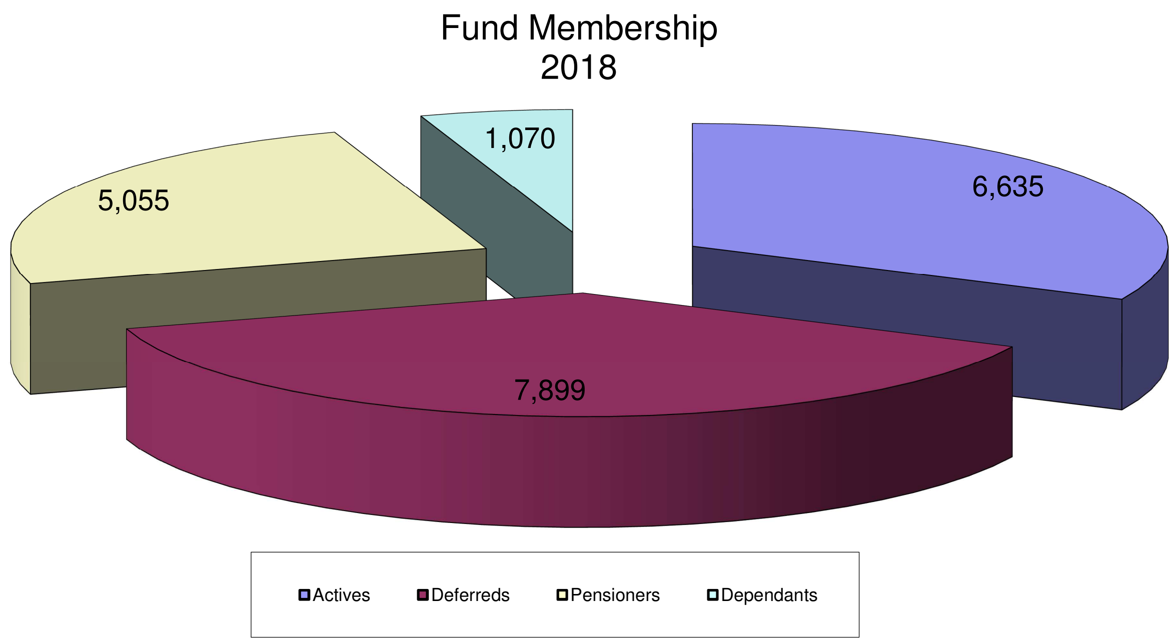
- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.
- Pre-2014 benefits guaranteed with a final salary link for any benefits earned prior to 1 April 2014.
- Option to pay 50% of the contribution rate to accrue 50% of the benefits.
- Option to convert some pension to lump sum on retirement on a 1:12 ratio.
- Life assurance cover 3x member final pay applicable from the day of joining scheme.
- Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living.

It should be noted that the foregoing is not an exhaustive list and that certain conditions have to be met for an individual to be entitled to the benefits outlined.

The foregoing benefit structure came into effect on 1 April 2014 and saw the start of significant changes to the public sector pension schemes, with most other schemes introducing their changes a year later on 1 April 2015. The previous LGPS introduced in 2008 was a defined benefit final salary scheme and was in operation until 31 March 2014, although it should be recognised that a large number of scheme members will have benefits accrued under both schemes and indeed some under the pre-2008 scheme. The key benefits under the 2008 scheme are outlined below:

- A guaranteed pension based on final pay and length of time in the scheme and an accrual rate of 1/60th per annum.
- Tax free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax free lump sum on post 1 April 2008 service.
- Life assurance cover 3x member final pay applicable from the day of joining scheme.
- Pensions for spouses/civil and co-habiting partners and children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the CPI.

Scheme Membership
The Fund currently has a membership of 20,659 comprising the following categories as set out in the below chart. Membership to the scheme is automatic for full and part-time employee unless they opt out.



The total pension fund membership has increased slightly by 0.2% between 2017/18 and 2016/17. The number of actives members (those currently contributing to the fund) has reduced by 621 members (8.6%). The deferred membership category (members who have contributed in the past but who have not yet become entitled to their benefits) has increased by 417 (5.6%) and pensioner members by 244 (5.1%). The dependants' category saw an increase of 11 (1%).

The table below sets out the movement in membership number between the different categories in 2017/18 and 2016/17.

Movement in Fund Membership

Membership Type	31-Mar-18	31-Mar-17	Variance No.	Variance %
Actives	6,635	7,256	-621	-8.6%
Deferreds	7,899	7,482	417	5.6%
Pensioners	5,055	4,811	244	5.1%
Dependants	1,070	1,059	11	1.0%
Total	20,659	20,608	51	0.2%

The membership of the fund over the last five years is as set out below.

Membership Type	31-Mar-18	31-Mar-17	30-Mar-16	31-Mar-15	31-Mar-14
Actives	6,635	7,256	7,022	6,860	6,792
Deferreds	7,899	7,482	7,145	6,786	6,664
Pensioners	5,055	4,811	4,599	4,352	4,246
Dependants	1,070	1,059	1,044	1,011	975
Total	20,659	20,608	19,810	19,009	18,677

Fund Employers

London Borough of Tower Hamlets is the administering authority for the fund. The scheme is open to all council employees and scheduled bodies. Admitted bodies require the agreement of the administering authority to participate in the fund. The admitted bodies and scheduled participating in the fund are set out below.

Admitted Bodies

- Agilisys
- City Gateway
- East End Homes
- Gateway Housing Association
- Greenwich Leisure Ltd
- One Housing Group
- Swan Housing Association
- Tower Hamlets Community Housing
- Vibrance (formerly Redbridge Community Housing Ltd)

* Circle Anglia Ltd ceased to be an admitted body of the fund in September 2016

Scheduled Bodies

- Bethnal Green Academy
- Canary Wharf College
- Culloden Primary School
- London Enterprise Academy
- Old Ford Primary School
- Sir William Burrough School
- Solebay Academy
- St Pauls Way Communuity School
- Tower Hamlets Homes Ltd
- Wapping High School

Contributions to the Fund

Employees pay contributions based on the level of pay they receive with rates being set between 5.5% to 12.5% of pensionable pay. The employers contribution rate used during the financial year ranged from 15.9% to 41.4% of pensionable pay.

The following table shows the contributing employers and the contributions received from each during the year.

Contributing Employers	Active Members	Contributions from Members £	Contributions from Employers £
London Borough of Tower Hamlets	5,859	9,366,657	26,098,898
Agilisys	25	74,782	173,873
Letta Trust (Stebon and Bygrove)	38	38,828	144,026
Canary Wharf College	11	19,231	48,838
City Gateway	32	56,539	150,957
Compass Contract	11	0	0
Tower Trust (Clara Grant and Stepney Green)	45	7,083	32,493
Culloden Academy	17	22,032	110,289
East End Homes	26	81,321	330,275
East London Arts & Music	4	0	0
Energy Kidz	1	99	488
Gateway Housing Association	1	1,201	34,212
Greensprings Academy	39	80,188	126,659
Greenwich Leisure Limited	5	14,694	53,732
Attwood Academy (Ian Mikardo High School)	10	2,975	10,345
London Enterprise Academy	9	16,958	46,554
Mulberry Academy	43	66,303	215,484
Old Ford Academy	28	22,367	118,890
One Housing Group	7	11,688	74,504
Sir William Burrough School	10	19,889	52,463
Solebay Academy	5	7,574	40,109
Total	**6,635**	**10,818,325**	**30,311,064**

* The Council contributed an additional £22m in respect of deficit funding

The full accounts are as set out in Appendix 1.

The Council is required to publish a number of statements relating to the operation of the fund. The statements and the associated reports are as set out in the following appendices.

Appendix 2 Investment Strategy Statement
Appendix 3 Funding Strategy Statement
Appendix 4 Communications Strategy Statement
Appendix 5 Governance Compliance Statement

The above listed policy documents can also be found by clicking below link:
http://www.towerhamletspensionfund.org/governance-documents

For further information on the Local Government Pension Scheme and your entitlement, please contact pensions@towerhamlets.gov.uk or by telephoning 020 7364 4248.

Statement from the Actuary

An actuarial valuation of the London Borough of Tower Hamlets Pension Fund was carried out by Hymans Robertson LLP as at 31 March 2016 to determine the contribution rates that should be paid into the Fund by the employing authorities as from 1 April 2017 to 31 March 2020 in order to maintain the solvency of the Fund.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets represented 82.8% of the Funding Target and the estimated deficit on the Fund at the valuation date was £235m. The Actuary has determined that the deficit can be recovered over a period of 20 years and the agreed monetary contribution to recover the deficit for the term of the revaluation is £15m (2017/18) rising to £15m (2018/19) and £15m (2019/20).

The Common Rate of Contribution payable by each employing authority under Regulation 77 for the period 1 April 2017 to 31 March 2020 is 29.4% of pensionable pay.

Individual Adjustments are required under Regulation 77 for the period 1 April 2017 to 31 March 2020 resulting in a Minimum Total Contribution Rates expressed as a percentage of pensionable pay are as set out below:

		Minimum Contribution for the year ending				
Employer Name as per 31 March 2017	Year ending 31 March 2018	Additional Monetary Deficit Payment £	Year ending 31 March 2019	Additional Monetary Deficit Payment £	Year ending 31 March 2020	Additional Monetary Deficit Payment £
London Borough of Tower Hamlets	19.9%	15m	19.9%	15m	19.9%	15m
Tower Hamlets Community Housing Limited	37.6%		37.6%		37.6%	
Paridigm Trust	30.9%		26.1%		21.3%	
Redbridge Community Housing Limited	17.7%		17.7%		17.7%	
East End Homes Limited	29.4%		29.4%		29.4%	
Greenwich Leisure Limited	20.0%	13k	20.0%	14k	20.0%	14k
Swan Housing Association Limited	30.5%	11k	30.5%	11k	30.5%	11k
Gateway Housing Association (Bethnal Green & Victoria Park)	30.0%	28k	30.0%	28k	30.0%	28k
One Housing Group (Toynbee Island Homes)	41.4%		41.4%		41.4%	
Tower Hamlets Homes	18.4%		18.4%		18.4%	
Bethnal Green Academy	24.5%		24.5%		24.5%	
Sir William Burrough School	16.4%		16.4%		16.4%	
St Pauls Way Community School	18.9%		18.9%		18.9%	
Canary Wharf College	15.9%		15.9%		15.9%	
Agilisys	16.8%		16.8%		16.8%	
London Enterprise Academy	17.6%		17.6%		17.6%	
Wapping High School	16.1%		16.1%		16.1%	

In addition to the certified contribution rates, payments to cover the additional liabilites arising from early retirements (other than ill-health) will be made to the Fund by the employers.

The results of the triennial valuation depend on the actuarial assumptions made about the future of the Fund. The effect on the valuation of the Fund of changes to the main assumptions are set out in the table below.

Sensitivity of valuation results to changes in asumptions

		Impact	
Assumption	Change	Deficit (£m)	Future service rate (% of pay)
Discount rate	Increases by 0.5%	Falls by £112m	Falls by 3%
Salary increases	Increases by 0.5%	Rises by £31m	Rises by 2%
Price inflation/pension increases	Increases by 0.5%	Rises by £92m	Rises by 2%
Life expectancy	Increases by 1 year	Rises by £39m	Rises by 1%

This is not an exhaustive list of assumptions but those that are likely to have the biggest impact. The effect of changes are shown in isolation and it is possible that the Fund could experience changes to more than one assumption simultaneously.

The next triennial valuation of the Fund is due as at 31 March 2019. The contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Statement of Responsibilities

The London Borough of Tower Hamlets as Administering Authority of the London Borough of Tower Hamlets Pension Fund is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this council, that officer is the Corporate Director, Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts

Responsibilities of the Corporate Director, Resources

The Corporate Director, Resources is responsible for the preparation of the Pension Fund Statement of Accounts in accordance with proper practices as set out in CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Corporate Director, Resources has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice, except where otherwise stated.

The Corporate Director, Resources has;

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Responsible Financial Officer's Certificate:

I certify that the Accounts set out on pages 31 to 46 have been prepared in accordance with proper practices and that they give a true and fair view of the financial transactions of the Pension Fund during the year ended 31st March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018.

Zena Cooke
Corporate Director, Resources

Independent auditor's report to the members of the London Borough of Tower Hamlets on the pension fund financial statements published with the Pension Fund Annual Report and Accounts

TOWER HAMLETS

The London Borough of Tower Hamlets Pension Fund

Appendix 1

Draft Statement of Accounts 2016/17

PENSION FUND ACCOUNTS

PENSION FUND ACCOUNT	Note	2016/17 £'000	2017/18 £'000
DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED IN THE SCHEME			
Contributions			
From employers			
Normal	3	28,524	30,311
Augmentation	3	1,288	2,462
Deficit funding	3	22,000	43,388
From members	3	11,151	10,819
Transfers in			
Transfers in from other pension funds	4	2,195	5,966
Benefits			
Pensions	4	(39,485)	(42,711)
Lump sum benefits	4	(12,341)	(13,192)
Payments to and on account of leavers			
Refunds of contributions		(259)	(274)
State scheme premiums		(29)	0
Transfers out to other pension funds		(3,517)	(4,761)
Administrative expenses	13,14b	(972)	(509)
NET ADDITIONS FROM DEALINGS WITH MEMBERS		**8,555**	**31,499**

RETURN ON INVESTMENTS		2016/17 £'000	2017/18 £'000
Investment income	11	17,776	18,281
Taxes on Income		(363)	(167)
Change in market value of investments			
Realised		415,494	(9,174)
Unrealised	10	(197,036)	75,791
Investment management expenses	13	(2,879)	(3,251)
NET RETURN ON INVESTMENTS		**232,992**	**81,480**
Net increase in the Fund during the year		241,548	112,979
Add: Opening net assets of the scheme		1,126,129	1,367,677
CLOSING NET ASSETS OF THE SCHEME		**1,367,677**	**1,480,656**

NET ASSETS STATEMENT AS AT 31ST MARCH		2017 £'000	2018 £'000
Investments Assets			
Equities		247,485	0
Pooled Investment Vehicles			
Unit Trusts		971,562	1,302,839
Property		133,609	142,803
Other		0	0
		1,352,656	1,445,642
Cash deposits	6	4,096	8,733
Other investment balances	5	1,673	833
Investments Liabilities			
Other investment balances	5	(45)	0
Current Assets	5	19,847	27,662
Current Liabilities	5	(10,550)	(2,214)
TOTAL NET ASSETS		**1,367,677**	**1,480,656**

NOTES TO THE PENSION FUND ACCOUNTS

1. INTRODUCTION

The Council is the administering authority for the Pension Fund and has executive responsibility for it. The Council delegates its responsibility for administering the Fund to the Pensions Committee which is responsible for considering all pensions matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and other statutes relating to investment issues. The Committee meets quarterly to determine investment policy objectives, appoint investment managers, monitor investment performance and make representations to the Government on any proposed changes to the Local Government Pension Scheme. The Committee is required to obtain proper advice on the investment strategy of the Fund for which it has appointed external professional investment advisors. The advisers meet Committee Members and officers to determine the general investment strategy, monitor the performance of the Fund and individual managers and consider technical reports on investment issues. The Fund employs six specialist investment managers with mandates corresponding to the principle asset class.

The day to day administration of the Fund and the operation of the management arrangements and administration of the investment portfolio is delegated to the Corporate Director of Resources.

The Fund is operated as a funded, defined benefits scheme which provides for the payment of benefits to former employees of the London Borough of Tower Hamlets and those of bodies admitted to the Fund. These individuals are referred to as "members". The benefits include not only retirement pensions, but also widows' pensions, death grants and lump sum payments in certain circumstances. The Fund is financed by contributions from members, employers and from interest and dividend receipts and gains on the Fund's investments.

The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the Fund. They show the results of the stewardship of management - that is the accountability of management for the resources entrusted to it - and the disposition of its assets at the period end.

2. ACCOUNTING POLICIES

(a) **Accounts**

The accounts summarise the transactions and net assets of the Pension Fund and comply in all material respects with Chapter 2 ("Recommended Accounting Practice") of the Statement of Recommended Practice (Financial Reports of Pensions Schemes) 2007 and the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Fund is administered in accordance with the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

(b) **Basis of preparation**

Except where otherwise stated, the accounts have been prepared on an accruals basis, that is income and expenditure are recognised as earned or incurred, not as received or paid.

(c) The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after the 31 March 2018. The actuarial present value of promised retirement benefits, valued on an IAS19 basis, is disclosed in Note 12 of the accounts as permitted under IAS 26.

Fund Account - Revenue Recognition

Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which it relates. Any amount due in the year but unpaid will be classified as a current asset.

Employer deficit contributions are accounted for in accordance with the agreement under which they are paid.

(d) **Investments**

Investments are shown in the Net Assets Statement at market value on the following bases.

(i) Listed securities are shown by reference to bid price at the close of business on 31st March 2018

(ii) Pooled investment vehicles are valued at bid price, middle market price or single price at close of trading on 31st March 2018.

(iii) Property unit trusts are shown by reference to bid price at close of business on 31st March 2018.

(iv) The Fund does not hold any direct property holdings and therefore does not employ a separate property valuer.

(v) Investments designated in foreign currencies are valued in sterling at the exchange rates ruling on 31st March 2018. Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

(vi) Cash is represented by deposits held with financial institutions repayable on demand without penalty.

(e) **Investment Income**

(i) Interest income is recognised in the Fund account as it accrues.

(ii) Dividend income is recognised in the Fund account on an accruals basis. Any amount not received by the end of the reporting period is disclosed in the net asset statement as a current financial asset.

(iii) Distributions from pooled funds are re-invested and as such are recognised in the change in market value.

(iv) Changes in the net market value of investments held at any time during the year are recognised as income and comprise all realised and unrealised gains/losses.

NOTES TO THE PENSION FUND ACCOUNTS

2 ACCOUNTING POLICIES Cont…

Fund account - expense items

(f) **Management Expenses**

The Code of Practice does not require any breakdown of pension fund administrative expenses. However in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance on accounting for LGPS management costs.

Administrative Expenses
Staff costs of the pensions of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight & Governance Costs

Staff costs relating to oversight and governance are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment Management Expenses

Fund managers' fees are paid in accordance with the terms of each individual management agreement. The fees are based mainly on a percentage of the value of funds under their management and increase or reduce as the value of the investments change.

(g) **Benefits Payable**

Pensions and lump sums payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Net assets statement

Financial Assets

(h) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the assets are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

(i) Market-quoted investments

Market quoted investments – the value of an investment for which there is a readily available market price is determined by the bid price ruling on the final day of the accounting period.

(ii) Fixed interest securities

Fixed Interest Securities – are recorded at net market value based on their bid price.

2.a CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

There is just one item in the pension fund account notes (specifically note 12 - Actuarial Position) for which there is a significant risk of material adjustment in the forthcoming financial year.

Pensions Liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund investments. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The assumptions interact in complex ways. During 2017/18, the Council's actuaries advised that the net pensions liability had decreased by £51.5 million to £560.9 million as a result of increased investment values.

3. CONTRIBUTIONS

Contributions represent the total amounts receivable from the employing authority in respect of its own contributions and those of its pensionable employees. Employees pay contributions based on the level of pay they receive, with contribution rates set between 5.5% and 12.5% dependent on pensionable pay. The employer's contributions are made at a rate determined by the Fund's actuary necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rates used during the financial year ending the 31 March 2018 range from 15.8% to 41.4% of pensionable pay. The Council paid an agreed additional monetary contribution of £22.0m to recover the deficit. Contributions shown in the revenue statement may be categorised as follows:-

	2016/17 £'000	2017/18 £'000
Members normal contributions		
Council	9,835	9,367
Admitted bodies	157	128
Scheduled body	1,159	1,324
Total members	**11,151**	**10,819**
Employers		
Normal contributions		
Council	22,655	26,099
Admitted bodies	1,992	598
Scheduled bodies	3,877	3,614
Deficit funding contributions		
Council	22,000	43,388
Other contributions		
Council	1,288	2,462
Total employers	**51,812**	**76,161**
Total contributions	**62,963**	**86,980**

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Note: The Council is required to operate an Additional Voluntary Contribution (AVC) scheme for employees. In 2017/18 employees made contributions of £11,924.48 into the AVC Scheme operated by Aviva (Norwich Union) and £4,643.47 to Equitable Life. The contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) but are deducted from salaries and remitted directly to the provider.

4. BENEFITS, REFUNDS OF CONTRIBUTIONS AND TRANSFER VALUES

Benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims approved during the year. Benefits are index linked to keep pace with inflation. In April 2011 the method of indexation changed from the retail prices index to the consumer prices index. Transfers out/in are those sums paid to, or received from, other pension schemes and related to the period of previous pensionable employment. Transfer values have been brought into the accounts on a cash basis. Benefits payable are analysed below.

	2016/17				2017/18			
	Council £'000	Admitted Bodies £'000	Scheduled Bodies £'000	Total £'000	Council £'000	Admitted Bodies £'000	Scheduled Bodies £'000	Total £'000
Pensions	(37,650)	(679)	(1,156)	(39,485)	(40,548)	(761)	(1,402)	(42,711)
Lump sum retirement benefits	(9,688)	(300)	(839)	(10,827)	(10,012)	(451)	(1,059)	(11,522)
Lump sum death benefits	(1,514)	0	0	(1,514)	(1,670)	0	0	(1,670)
Total Pensions and Benefits	**(48,852)**	**(979)**	**(1,995)**	**(51,826)**	**(52,230)**	**(1,212)**	**(2,461)**	**(55,903)**
Transfer Values Received (Individual)	2,195	0	0	2,195	5,966	0	0	5,966
Transfer Values Paid (Individual)	(3,517)	0	0	(3,517)	(4,761)	0	0	(4,761)
Total	**(50,174)**	**(979)**	**(1,995)**	**(53,148)**	**(51,025)**	**(1,212)**	**(2,461)**	**(54,698)**

5. DEBTORS AND CREDITORS

Unless otherwise stated, all transactions are accounted for on an accruals basis. The following amounts were debtors or creditors of the Pension Fund as at 31st March.

	2016/17 £'000	2017/18 £'000
Debtors		
Other Investment Balances		
Investment sales	0	0
Dividends receivable	961	0
Tax recoverable	712	832
	1,673	832
Current Assets		
Contributions due from admitted bodies	241	115
London Borough of Tower Hamlets	1,176	1,063
	1,417	1,178
Total Debtors	**3,090**	**2,010**
Creditors		
Other Investment Balances		
Investment purchases	45	0
Current Liabilities		
Admitted Bodies	0	32
Unpaid benefits	1,664	1,154
Administrative expenses	747	0
London Borough of Tower Hamlets Pension	3,940	0
HMRC Creditor Income Tax Deducted	4,199	1,028
	10,550	2,214
Total Creditors	10,595	2,214
Net Debtors	**(7,505)**	**(204)**

6. CASH

The deposits held by fund managers can be further analysed as follows:

	2016/17 £'000	2017/18 £'000
GMO	1,075	0
Schroders: Property Portfolio	3,021	8,733
London Borough of Tower Hamlets Pension Fund	18,428	26,484
TOTAL CASH	**22,524**	**35,217**

7. TAXATION

UK Income Tax
Investment income is subject to UK tax which the Fund cannot recover under current tax legislation, except for tax deducted at source from Property unit trusts.

Value Added Tax
As Tower Hamlets Council is the Administering Authority for the Fund, VAT input tax is recoverable on all Fund activities.

Overseas Tax
Taxation agreements exist between the UK and certain other European countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved varies from country to country.

8. INVESTMENT STRATEGY STATEMENT

The Council, as the Administering Authority of the Pension Fund, is required to prepare, maintain and publish an Investment Strategy Statement (ISS) in accordance with The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The ISS which is published as part of the Local Government Pensions Scheme Annual Report was approved by the Council's Pensions Committee on 16th March 2017.

9. MEMBERSHIP OF THE FUND

The following table sets out the membership of the Fund at 31st March:

	2017	2018
London Borough of Tower Hamlets		
Active Members	6,605	5,859
Pensioners	4,536	4,723
Deferred Pensioners	7,076	7,443
Dependants	1,030	1,038
	19,247	**19,063**
Admitted & Scheduled Bodies		
Active Members	651	776
Pensioners	275	332
Deferred Pensioners	406	456
Dependants	29	32
	1,361	**1,596**

The following bodies have been admitted into the Fund:

Admitted Bodies
Agilisys
City Gateway
Compass Contract
East End Homes
Energy Kidz
Gateway Housing Association (formerly Bethnal Green and Victoria Park Housing Association)
Greenwich Leisure Limited
One Housing Group (formerly Island Homes)
Swan Housing Association
Tower Hamlets Community Housing
Vibrance (formerly Redbridge Community Housing Limited)
Wettons Cleaning Ltd

Scheduled Bodies
Attwood Academy (Ian Mikardo School)
Canary Wharf College
Culloden Primary School
East London Academy
Green Spring Academy
London Enterprise Academy
Letta Trust (Stebon and Bygrove Schools)
Mulberry Academy
Old Ford Primary School
Sir William Burrough
Solebay Academy
St. Pauls Way Community School
Tower Hamlets Homes Limited
Tower Trust (Clara Grant and Stepney Green Schools)
Wapping High School

10. INVESTMENTS

The Fund employs six specialist investment managers with mandates corresponding to the principal asset classes.

Manager	**Mandate**
GMO UK Ltd	Global Equity
Schroders Asset Management Property Fund	Property
Legal & General Investment Management	UK Equity, Index Linked Gilts
Insight Investment Management (Global) Ltd	Absolute Return Fund
London LGPS CIV	Pooled
Goldman Sachs Asset Management	Absolute Return Fund

The value of the Fund, by manager, as at 31st March was as follows:

	2017		2018	
	£ million	%	£ million	%
GMO UK Ltd.	326.9	24.1	0.9	0.1
Goldman Sachs Asset Management Property Fund	77.9	5.7	77.1	5.3
Insight Investment Management (Global) Ltd	71.7	5.3	71.8	4.9
Legal & General Investment Management - Equities	265.9	19.6	493.2	33.9
Legal & General Investment Management	74.0	5.4	75.0	5.2
London CIV	405.2	29.8	585.8	40.3
Schroders Asset Management Property Fund	136.7	10.1	151.5	10.4

10. INVESTMENTS (continued)

The movement in the opening and closing value of investments during the year, together with related direct transaction costs, were as follows:

	Market Value as at 1 Apr 2017 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Market Value as at 31 Mar 2018 £'000
Equities	324,294	46,636	(314,634)	(56,296)	0
Pooled Investments	894,752	145,198	135,306	127,583	1,302,839
Pooled Property Investments	133,610	13,943	(9,215)	4,466	142,804
	1,352,656	**205,777**	**(188,543)**	**75,753**	**1,445,643**
Other Investment Balances					
Cash Deposits	4,096	0	0	4,637	8,733
Amounts receivable for sales of investments					
Investment income due	1,673	0	(841)		832
Amounts payable for purchases of investments	(45)	0	45	0	0
Net Investment Assets	**1,358,380**	**205,777**	**(189,339)**	**80,390**	**1,455,208**

	Market Value as at 1 Apr 2016 £'000	Purchases £'000	Sales £'000	Change in Market Value £'000	Market Value as at 31 Mar 2017 £'000
Bonds	0	0	0	0	0
Equities	214,616	222,584	(183,549)	42,463	296,114
Pooled Investments	626,883	804,730	(273,727)	(234,953)	922,932
Pooled Property Investments	129,933	19,897	(11,675)	(4,545)	133,610
	971,432	**1,047,211**	**(468,951)**	**(197,035)**	**1,352,656**
Other Investment Balances					
Cash Deposits	5,647	0	0	(1,551)	4,096
Investment income due	1,973	0	0	(300)	1,673
Amounts payable for purchases of investments	(35)	0	0	(10)	(45)
Net Investment Assets	**7,585**	**0**	**0**	**(1,861)**	**5,724**

10. INVESTMENTS (continued)

A further analysis of investments assets is as follows.

	Market Value as at 31 Mar 2017 £'000	Market Value as at 31 Mar 2018 £'000
Equities		
UK		
Quoted	21,564	0
Overseas		
Quoted	225,922	0
	247,486	0
Pooled Funds - Additional Analysis		
UK		
Fixed Income Unit Trust	73,978	81,152
Unit Trusts	820,774	1,221,687
Overseas		
Unit Trusts	76,809	0
	971,561	1,302,839
Pooled Property Investments	133,609	142,803
	133,609	142,803
Cash Deposits	4,096	8,733
Investment Income Due	1,673	832
	5,769	9,565
Total Investment Assets	1,358,425	1,455,207
Investment Liabilities		
Amounts Payable for Purchases	(45)	0
Total Investment Liabilities	(45)	0
Net Investment Assets	**1,358,380**	**1,455,207**

The market value per investment manager is as follows:

	Market Value 31 Mar 2017		Market Value 31 Mar 2018	
	£'000	%	£'000	%
GMO UK Ltd	324,295	24.0%	0	0.0%
Insight Investment Management (Global) Ltd	71,743	5.3%	71,779	5.0%
Legal & General	339,865	25.1%	568,209	39.3%
London LGPS CIV	405,215	30.0%	585,774	40.5%
Goldman Sachs Asset Management	77,929	5.8%	77,077	5.3%
Schroders Asset Management Property Fund	133,609	9.9%	142,803	9.9%
	1,352,656	**100.0%**	**1,445,642**	**100.0%**

11. INVESTMENT INCOME

Investment income is broken down as follows.

	2016/17 £'000	2017/18 £'000
Dividends from overseas equities	11,917	10,824
Dividends from UK equities	89	647
Net rents from properties	5,002	6,395
Interest on cash deposits	130	52
Foreign tax	275	196
TOTAL	17,413	18,114

TAXES ON INVESTMENT INCOME

	2016/17 £'000	2017/18 £'000
Withholding tax - equities	286	167
Withholding tax - pooled	77	0
TOTAL	363	167

12 ACTUARIAL POSITION

The Local Government Pension Scheme Regulations require a triennial revaluation of the Fund to assess the adequacy of the Fund's investments and contributions in relation to its overall and future obligations. The contribution rate required for benefits accruing in the future is assessed by considering the benefits that accrue over the course of the three years to the next valuation. The employer's contribution rate is determined by the Actuary as part of the revaluation exercise.

The 2016 statutory triennial revaluation of the Pension Fund completed by the Actuary (Hymans Robertson) in the year estimated the deficit on the Fund to be £235 million and the funding level to be 82.8%. This compares to a deficit at the previous revaluation in 2013 of £365 million and a corresponding funding level of 71.8%.

The Actuary has determined that the deficit can be recovered over a period of 20 years and the agreed contributions to recover the deficit for the term of the revaluation is as set out below :-

	£m
2017/18	15.00
2018/19	15.00
2019/20	15.00

The Pension Committee agreed to accept the three year deficit payment in advance at a net present value. The net present value of this payment was £43.38m paid on 1 December 2017.

The FSS requires that the Fund operates the same target funding level of all on-going employers of 100% of its accrued liabilities valued on the on-going basis, to be achieved over a 20 year period (a period equivalent to the expected future working lifetime of the remaining scheme members). The valuation of the Fund as at 31st March 2016 determined that this would require a contribution (additional to the future contribution rate) of 9.1% of members' pensionable pay equivalent to £15.0 million per annum.

The Council, as Administering Authority, prepares a Funding Strategy Statement (FSS) in respect of the Fund in collaboration with the Fund's Actuary and after consultation with the employers and investment advisors. The Actuary is required to have regard to this statement when carrying out the valuation. The FSS includes the Fund's funding policy, the objectives of which are:

- to ensure the long-term solvency of the Fund
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment
- not to restrain unnecessarily the investment strategy of the Fund so that the Council can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk.

The basis of valuing the Fund's assets (see note 2) is compatible with the basis of placing a value on members' benefits as both are related to market conditions at the valuation date.

12. ACTUARIAL POSITION (continued)

In accordance with the funding policy, the Actuary determines the employer contribution requirement for future service for the Fund as a whole, and for employers who continue to admit new members. The cost of future service benefits is assessed, taking into account expected future salary increases. In order to place a current value on future benefit cashflows the Actuary "discounts" the future cashflows to the valuation date at a suitable rate. The Actuary adopts a "gilt-based" valuation which uses the yield on suitably dated Government bonds as the discount rate. This is then uplifted to the "funding basis discount rate" taking into account the Fund's current and expected future investment strategy to reflect the percentage by which the Fund is anticipated to "outperform" the yield on Government bonds. The contribution rate required to meet the expected cost of future service benefits is derived as this value less expected member contributions expressed as a percentage of the value of members' pensionable pay. This is known as the "Projected Unit method". The future contribution rate for 2017/18 was 19.9%.

In addition, the Actuary compares the value of the Fund's assets with the estimated cost of members' past service. The ratio of the asset value to the estimated cost of members' past service benefits is known as the "funding level". If the funding level is more than 100% there is a "surplus"; if it less than 100% there is a "shortfall".

Although the funding shortfall is significant, it should be noted that current legislation provides that the level of members' basic pension entitlement and contributions are not affected by the financial position of the Fund. It is the Council's responsibility to ensure that pension entitlements are fully funded and that the impact on Council Tax is minimised. It should also be recognised that the Council is a long-term investor both because a high proportion of pension benefits do not become payable until far in the future and the Council has a relatively secure long-term income stream.

The latest full triennial actuarial valuation of the Fund's liabilities in accordance with IAS26 took place at 31st March 2016. The main actuarial assumptions used in revaluation and applied during the intervaluation period were as follows:

Financial Assumptions	Nominal
Price inflation (CPI)	2.1%
Pay increases	2.0%
Funding basis discount rate	4.2%

Longevity (in years)	Male	Female
Average future life expectancy for a pensioner aged 65 at the valuation date	22.1	24.1
Average future life expectancy at age 65 for a non-pensioner aged 45 at the valuation date	23.9	25.8

Actuarial Value of Promised Retirement Benefits

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed and for this purpose the actuarial assumptions and methodology should be based on IAS19.

The actuarial present value of promised retirement benefits calculated in line with IAS19 assumptions is estimated to be £2,007 million (£1,983 million in 2016/17). This includes both vested and non-vested benefits.

Assumptions

To assess the value of the employer's liabilities the actuary rolls forward the values from the liabilities calculated from the funding valuation as at 31st March 2016 using financial assumptions that comply with IAS 19

Demographic assumptions

The demographic assumptions used are consistent with those used for the funding valuation as at March 2016

Average future life expectancies at age 65 years	Males	Females
Current pensioners	22.1	24.1
Future pensioners	23.9	25.8

Financial assumptions

Year ended	**31st March 2017**	**31st March 2018**
Pension increase rate	2.4%	2.4%
Salary increase rate	2.2%	2.2%
Discount rate	2.5%	2.6%

13. MANAGEMENT EXPENSES

	2016/17 £'000	2017/18 £'000
Administration costs	789	377
Investment management expenses	2,879	3,251
Oversight & governance	183	111
	3,851	3,739

14. INVESTMENT EXPENSES

	2016/17 £'000	2017/18 £'000
Management fees	2,722	3,229
Custody fees	35	22
Transaction Costs	122	38
	2,879	3,289

14b. EXTERNAL AUDIT FEE

	2016/17 £'000	2017/18 £'000
Audit Fee	21	21
	21	21

15. RISK MANAGEMENT

Nature and extent of risks arising from financial instruments

Risk and Risk Management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities. The aim of investment risk management is to minimise the risk of a reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level.

Credit risk

Credit risk is the risk that a counter party to a financial instrument may fail to pay amounts due to the Pension fund. The market value of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities. The fund carries out a review of its investment managers annual internal control reports to ensure that managers are diligent in their selection and use of counterparties and brokers. Deposits are made with banks and financial institutions that are rated independently and meet the Council's credit criteria.

The Fund employs a custodian to provide secure safe-keeping of the Fund's assets and to ensure all trades are settled in a timely manner.

Liquidity risk

This is the risk that the Fund might not have the cash flow required in order to meet its financial obligations when they become due. Over the years contributions have tended to be greater than benefits and this has ensured that sufficient cash has been available to meet payments.

The Fund currently operates two bank accounts. One is held by the Fund's custodian (State Street Bank) and holds cash relating to the investment activities and the other is the LBTH Pension Fund bank account and this is used to hold cash relating to member activities.

Should the Fund have insufficient money available to meet its commitments it may, under Regulation 5.2 borrow cash for up to 90 days. If there was a longer term shortfall then the Fund's assets could be sold to provide additional cash. A significant proportion of the Fund is made up of readily realisable assets.

Market risk

This is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises; interest rate risk, currency risk and other price risk. The Fund mitigates these risks as follows:

Interest rate risk

Cash deposits held in the Pension Fund bank account are invested in accordance with the Council's approved Treasury Management Strategy.

The Fund holds a percentage of its portfolio in fixed interest securities to mitigate this risk should interest rates fall.

The Fund's direct exposure to interest rate movements as at 31st March 2017 and 31st March 2018 is set out below.

Interest Rate Risk	As At 31st March 2017	As At 31st March 2018
Asset Type	**£'000**	**£'000**
Cash and cash equivalents	4,096	8,733
Cash balances	19,846	27,619
Fixed interest securities	73,978	142,805
Total	**97,920**	**179,157**

Interest Rate Risk - Sensitivity Analysis	Carrying Amount As At 31st March 2018	Change in year in net assets available	
		+100 BPS	-100 BPS
Asset Type		**£'000**	**£'000**
Cash and cash equivalents	8,733	87	(87)
Cash balances	27,619	276	(276)
Fixed interest securities	142,805	(1,428)	1,428
Total change in net assets available	**179,157**	**(1,065)**	**1,065**

Interest Rate Risk - Sensitivity Analysis	Carrying Amount As At 31st March 2017	Change in year in net assets available to pay benefits	
		+100 BPS	-100 BPS
Asset Type		**£'000**	**£'000**
Cash and cash equivalents	4,096	41	(41)
Cash balances	19,846	198	(198)
Fixed interest securities	73,978	(740)	740
Total change in net assets available	**97,920**	**(501)**	**501**

Interest rate risk - sensitivity analysis

Interest rates can vary and can affect both income to the fund and the value of net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The table below shows the effect of a +/- 100 BPS change in interest rates.

RISK MANAGEMENT (continued)

Currency risk

The Fund invests in financial instruments denominated in currencies other than Sterling and as a result is exposed to exchange rate risk. This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. To alleviate this risk the Fund allows investment managers to use derivative contracts, in accordance with the contract conditions:

Following analysis of historical data in consultation with the fund's investment advisors, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.0%. This analysis assumes all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2018 and as at the previous year end.

Currency Exposure - Asset Type	As At 31st March 2017	As At 31st March 2018
Asset Type	£'000	£'000
Overseas quoted securities	306,252	0
Overseas unit trusts	0	1,080
Cash	0	0
Total overseas assets	**306,252**	**1,080**

Currency Exposure - Sensitivity Analysis	Carrying Amount As At 31st March 2018	Change in year in net assets available to pay benefits	
		+9.0%	-9.0%
Asset Type	£'000	£'000	£'000
Overseas quoted securities	0	0	0
Overseas unit trusts	1,080	1,177	983
Cash	0	0	0
Total change in net assets available	**1,080**	**1,177**	**983**

Currency Exposure - Sensitivity Analysis	Carrying Amount As At 31st March 2017	Change in year in net assets available to pay benefits	
		+8.8%	-8.8%
Asset Type		£'000	£'000
Overseas quoted securities	306,252	333,202	279,302
Overseas unit trusts	0	0	0
Cash	0	0	0
Total change in net assets available	**306,252**	**333,202**	**279,302**

Other Price risk

To mitigate the risk of a loss owing to a fall in market prices the Fund maintains a diverse portfolio of investments. Diversification ensures that the Fund has a balance of investments that offer different levels of risk and return.

The Fund employs a number of investment managers, with differing but complementary styles, to mitigate the risk of underperformance of any single manager and to ensure that any fall in market prices should not affect the Fund as a whole.

Manager performance and asset allocation policy is regularly reviewed by the Pensions Committee. The Fund also uses certain derivative instruments as part of efficient portfolio management.

Other price risk - sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates remain the same.

Price Risk - sensitivity analysis	Potential Market Movements (+/-)
Asset Type	
Equities	9.7%
Bonds	8.2%
Multi Asset	4.1%
Property	1.8%
Alternatives	4.2%
Cash	0.4%

15. RISK MANAGEMENT (continued)

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows:

Asset Type	Value as at 31 March 2018 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	35,217	0.0%	35,217	35,217
Investment portfolio assets				
UK equities	493,650	9.7%	541,616	445,684
Bonds				
Global equity	0	0.0%	0	0
Total fixed interest	74,559	8.2%	80,687	68,431
Alternatives	734,629	4.2%	765,156	704,102
Pooled Property Investments	142,805	1.8%	145,339	140,271
Net derivative assets	0	0.0%	0	0
Investment income due	832	0.0%	832	832
Amounts receivable for sales	0	0.0%	0	0
Amounts payable for purchases	0	0.0%	0	0
Total assets available to pay benefits	**1,481,692**		**1,568,846**	**1,394,538**

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows:

Asset Type	Value as at 31 March 2017 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	22,524	0.0%	22,524	22,524
Investment portfolio assets				
UK equities	265,886	7.9%	286,997	244,775
Global equity	324,294	11.0%	360,064	288,524
Total fixed interest	73,978	4.9%	77,588	70,368
Alternatives	554,887	6.0%	588,402	521,372
Pooled Property Investments	133,611	2.1%	136,457	130,765
Net derivative assets	0	0.0%	0	0
Investment income due	1,673	0.0%	1,673	1,673
Amounts receivable for sales	0	0.0%	0	0
Amounts payable for purchases	(45)	0.0%	(45)	(45)
Total assets available to pay benefits	**1,376,808**	**0%**	**1,473,660**	**1,279,956**

Refinancing risk

The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

16. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Fair Value Hierarchy

IFRS7 requires the Fund to classify fair value instruments using a three-level hierarchy.
The three levels are summarised as follows:

Level 1 - inputs that reflect quoted prices for identical assets or liabilities in active markets. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts

Level 2 - inputs other than quoted prices for identical assets or liabilities in active markets

Level 3 - inputs that are not based on observable data. Such instruments would include unquoted equity investments and hedge fund of funds.

The following sets out the Fund's assets and liabilities according to the fair value hierarchy as at 31st March 2018.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities		0	0	0
Pooled Funds				
Unit Trusts	1,302,839	0	0	1,302,839
Property Unit Trust	142,803	0	0	142,803
Other	0	0	0	0
Derivative Contracts				
Forward Foreign Exchange Contracts		0	0	0
Cash and bank Deposits	36,237	0	0	36,237
Current Assets	947	0	0	947
Current Liabilities	(2,713)	0	0	(2,713)
	1,480,114	**0**	**0**	**1,480,114**

During the year ended 31st March 2017 there were no transfers between the levels of the fair value hierarchy.

The equivalents at 31st March 2017 were as follows:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities	247,485	0	0	247,485
Pooled Funds				
Unit Trusts	971,562	0	0	971,562
Property Unit Trust	133,609	0	0	133,609
Other	0	0	0	0
Derivative Contracts				
Forward Foreign Exchange Contracts	0	0	0	0
Cash and bank Deposits	23,701	0	0	23,701
Current Assets	1,914	0	0	1,914
Current Liabilities	(10,595)	0	0	(10,595)
	1,367,676	**0**	**0**	**1,367,677**

16. FINANCIAL INSTRUMENTS DISCLOSURES

Net gains and losses on financial instruments

	Long-term	
	2016/17 £'000	2017/18 £'000
Financial Assets		
Loans and receivables	148	4,637
Financial assets at fair value through profit or loss	218,459	71,287
Financial assets at amortised cost	0	4,466
Total Financial Assets	**218,607**	**80,390**

17. CURRENT ASSETS

	2016/17 £'000	2017/18 £'000
Contributions due - employees	0	115
Contributions due - employers	241	0
Transfer values receivable	0	1,020
Sundry debtors	1,177	0
Cash balances	18,428	26,484
	19,846	**27,619**

Analysis of debtors	2016/17 £'000	2017/18 £'000
Other entities and individuals	19,846	27,619
	19,846	**27,619**

18. CURRENT LIABILITIES

	2016/17 £'000	2017/18 £'000
Sundry creditors	4,687	1,060
HMRC creditor	4,199	499
Benefits payable	1,664	1,154
	10,550	**2,713**

Analysis of creditors	2016/17 £'000	2017/18 £'000
Central government bodies	0	499
Other entities and individuals	10,550	2,214
	10,550	**2,713**

19. RELATED PARTY TRANSACTIONS

The London Borough of Tower Hamlets Pension Fund is administered by The London Borough of Tower Hamlets.

In accordance with IAS24 'Related Party Disclosure', material transactions with related parties not disclosed elsewhere in the financial statements are detailed below.

The Council incurred costs of £669k (£669k 2016/17) relating to administration of the Fund and has been reimbursed by the Fund for these expenses. The Council contributed £43.38m to the Fund in respect of back funding for the three year period to 31st March 2020. The2016/17 contribution was £22m for one year. All monies owing to and from the fund were paid in the year.

During the year no Committee Members or Council Chief Officers with direct responsibility for pension fund issues, have undertaken any declarable transactions with the Pension Fund, other than administrative services undertaken by the Council on behalf of the Pension Fund.

The pension fund cash held by London Borough of Tower Hamlets is invested on the money markets by the treasury management operations of the Council. During the year to 31 March 2016, the Fund held an average investment of £11.4m (£26.1m 31 March 2017), earning interest of £90k, (£148k 2016/17)

The Council has a subsidiary company, Tower Hamlets Homes, who are within the Fund. During the year the Fund received contribution payments totalling £2.8m (£3.3m 2016/17) from this company.

Fund administration expenses payable to the administrating authority are as set out in the table below.

Fund Administration Expenses	2016/17 £'000	2017/18 £'000
Payroll / HR Support	494	494
Corporate Finance	175	320
	669	814

Key Management Personnel

Employees holding key positions in the financial management of the fund as at 31st March 2018 include:

Service Head - Finance and Procurement
Chief Accountant

The financial value of their relationship with the fund is as set out below

	2016/17 £'000	2017/18 £'000
Short term benefits	30	37
Long term/post retirement benefits	13	22

Governance

Each member of the pension fund committee is required to declare their interests at each meeting of the Committee. These are recorded as part of the public record of each meeting. For 2017/18 there were no Members of the Pension Fund Committee who had involvement with other organisations.

Compensation of key management - It was not practical to include costs relating to key management personnel within the Pension Fund Accounts, principally as they are charged to the Council's Accounts and have not been charged to the Pension Fund. All costs are disclosed within note 33 of the Council's main accounts.

20. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31/03/2018.

21. CONTINGENT ASSETS

Admitted body employers in the Fund hold insurance bonds to guard against the possibility of not being able to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in event of employer default.

22. IMPAIRMENT LOSSES

During 2017/18 impairment losses were nil (impairment losses in 2016/17 were also nil).

The London Borough of Tower Hamlets Pension Fund

Appendix 2

Investment Strategy Statement

Revised March 2018

Investment Strategy Statement (March 2018)

1. Introduction and background

1.1 This is the Investment Strategy Statement ("ISS") of the Tower Hamlets Pension Fund ("the Fund"), which is administered by Tower Hamlets Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

1.2 The Administering Authority has delegated all its functions as administering authority to the Pensions Committee ("the Committee"). The ISS, which was approved by the Committee on 29th November 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate – for example, pensions board, independent adviser, local authority employers such as admitted bodies and scheduled bodies.

1.3 The Committee will invest in accordance with the ISS, any Fund money that is not needed immediately to make payments from the Fund.

1.4 The Pensions Committee is charged with the responsibility for the governance and stewardship of the Fund. The Fund has adopted a prudent, risk aware investment strategy, which is kept continually under review. Asset allocation decisions are taken in the best long term interest of Fund employers and member beneficiaries.

1.5 The ISS should be read in conjunction with the Fund's Funding Strategy Statement, which sets out how solvency risks will be managed with regard to the underlying pension liabilities.

2.0 Long-term view of investments

2.1 The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

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

2.3 The strength of the respective employers' covenant and the present cash flow positive nature of the Fund allow a long-term deficit recovery period and enable the Fund to take a long-term view of investment strategy.

2.4 The most important aspect of risk is not the volatility of returns, but the risk of absolute loss, and of not meeting the objective of facilitating low, stable contribution rates for employers. Illiquidity and volatility are risks which offer potential sources of additional compensation to the long term investor. Although, it is more important to avoid being a forced seller in short term market setbacks.

2.5 Participation in economic growth is a major source of long term equity return. Over the long term, equities are expected to outperform other liquid assets, particularly government bonds and cash. Well governed companies that manage their business in a responsible manner will likely produce higher returns over the long term.

2.6 The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. (See section 5.6) This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

2.7 The Fund carried out an Asset Outperformance Assumption modelling exercise in conjunction with the 2016 actuarial valuation. The Committee set a target range of 66%-75% chance of achieving their long term funding target – returning to a fully funded position within the next 20 years. (The probability required for each employer to reach its funding target within its time horizon. In general, higher probabilities of success are achieved by paying higher contributions and relying less on volatile investment returns. The probability required for each employer is largely based on each employer's assessed covenant. For instance, a lower probability of success (e.g. 66%) may be required for a secure body as they may be considered to be able to pay higher contributions (or current rates for longer) should they not reach their funding target over their time horizon.

2.8 This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

2.9 In line with the above overall objective the Fund will invest money in a wide variety of investments, having assessed the suitability of particular investments; the investment objectives, the impact of different economic scenarios on achieving required total Fund returns, and the resulting diversity across the whole Fund. Prior to any such decisions being made the Fund will take appropriate external independent advice.

2.10 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. The Fund will invest in accordance with its investment strategy, any Fund money that is not needed immediately to make payments from the Fund. Any deviations within guidelines from the agreed strategy will be reported to the Pensions Committee, the Pensions Board and the Section 151 Officer so that appropriate corrective actions can be undertaken.

3.0 The investment objectives of the Fund

a) The long-term objective is for the Fund to achieve a funding level of 100% over a maximum fund recovery period of 20 years from April 2016. This target will be reviewed following each triennial actuarial valuation and consultation with Fund employers.

b) The outcome of the last valuation carried out as at 31st March 2016:

- The funding level has improved from 71.8% to 82.7%.
- In monetary terms the deficit has reduced by £130m from £365m (at March 2013) to £235m (March 2016). This was based on the Fund having assets of £1,126m and liabilities of £1,361m.

c) The actuarial valuation, at 31 March 2016, was prepared on the basis of an expected real return on assets of 2% over the long term, a nominal return of 4.2% assuming inflation (CPI) to be 2.2%.

d) The Fund's objective is to perform in line with this target over 10 years, by investing in a diversified portfolio of return-generating assets.

e) In order to monitor the investment objective, the Pensions Committee requires the provision of detailed performance measurement of the Fund's investments. This is provided by the Fund's custodian, State Street, on a quarterly basis. In addition, the Pensions Committee conducts a formal annual performance review of each of its investment managers.

f) The actuarial funding target is reviewed after periodic actuarial valuations and consultation with Fund employers and may undergo a partial or full review at other times should circumstances warrant it.

4. Strategy Review and Strategic Benchmark

4.1 A full Strategic Investment Review will be undertaken by the Fund every three to six years by specialist professional advisors. The investment strategy (including the core investment objectives and asset allocations) will be sufficiently flexible to meet longer term prevailing market conditions and address any short term cash flow requirements. Interim reviews may be undertaken to ensure that the Strategy remains appropriate.

4.2 The Fund will operate a fund-specific benchmark for the investment portfolio, with long-term allocations to the various investment asset classes, which reflect the circumstances of the Fund.

4.3 As is appropriate all asset classes and products will be kept under continual review. In addition to considering the benefits of individual products and asset classes for introduction into the strategy, consideration will be given to how the inclusion affects the overall risk/return characteristics of the total portfolio. Before any investment decisions are made by the Pensions Committee, professional advice will be sought. If there are any instances where advice received is not to be acted upon reporting to both the Committee and the Pensions Board will ensue.

Asset classes

4.4 The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, infrastructure and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

4.5 The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

4.6 The Fund's target investment strategy is set out below. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

4.7 The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, s151 officer and her officers have the delegated authority to rebalance the Fund to its strategic asset allocation.

Asset class	Targeted Strategic Asset Allocation %	Investments Range (%)
Global equities	50%	(45% - 55%)
Total equities	**50%**	**(45% - 55%)**
Property	12%	(10% - 15%)
Diversified Growth Funds	20%	(15% - 25%)
Absolute Return Bonds	12%	(10% - 15%)
Index Linked Gilts	6%	(3% - 9%)
Total	**100%**	**100%**

5. Restrictions on investment

5.1 The Regulations do not permit more than 5% of the Fund's value to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e). The investment policy of the Fund does not permit any employer-related investment, other than is necessary to meet the regulatory requirements with regards to pooling.

5.2 The Pensions Committee believes that the Fund's portfolio is adequately diversified, and has taken professional advice to this effect from their investment consultant and independent advisor.

5.3 The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the Pensions Committee will be informed and the Fund's officers will endeavour to bring the asset allocation back within the range within an appropriate period of time.

5.4 The Pensions Committee reviews the suitability of the asset allocation of the Fund on a yearly basis, following advice from the officers, investment consultant and independent advisor.

5.5 It is intended that the Fund's investment strategy will be reviewed at least every three years, following the latest actuarial valuation of the Fund. The investment strategy takes due account of the maturity profile of the Fund and the current funding position.

5.6 The Pensions Committee has set the following benchmark against which performance of the Fund will be measured:

Asset class	Benchmark
Equities	
Passive Global Equity	FTSE All World Equity Index
Passive Global Equity Hedged	FTSE All World Equity Index GBP Hedged
Passive Global Equity Low Carbon Hedged	MSCI World Low Carbon Target Index GBP Hedged
Active Global Equity	MSCI AC World Index
Bonds and Cash	
UK Index Linked Gilts Over 5 Years	FTSE UK Gilts Index-Linked Over 5 Years Index
Absolute Return Bonds (Insight)	3 Months LIBOR plus 3%
Absolute Return Bonds (GSAM)	3 Months LIBOR plus 4%
Cash	LIBID 7 Day
Alternatives	
Property Unit Trusts	UK IPD Monthly Index Property
Diversified Growth Funds	3 Months LIBOR plus 3%

6.0 Managers

6.1 The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

6.2 The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund.

6.3 The Fund's investment managers will hold a mix of investments which reflect their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles.

6.4 The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects their respective benchmark indices as set out in section 5.6.

6.5 The Fund's current structure and performance targets are set out in the table below.

Current Managers and Mandates				
Manager	**Mandate**	**Benchmark Allocation**	**Investment Ranges**	**Performance Target**
Baillie Gifford (LCIV)	Global Equities (Active & Growth) Diversified Growth	20% 10%	15%-25% 7.5%-12.5%	Outperform benchmark by 2-3% over a rolling 3 year period 3 Months LIBOR +3% per annum
Insight	Pooled Bonds (Absolute Return)	6%	4%-8%	3 Months LIBOR +3% per annum
Goldman Sachs	Pooled Bonds (Absolute Return)	6%	4%-8%	3 Months LIBOR +4% per annum
Legal & General	UK Index Linked (Passive) Global Equities (Passive) Global Equities (Passive Low Carbon)	6% 15% 15%	3%-9% 12%-18% 12%-18%	FTSE A Gov Index Linked >5yrs 33% FTSE All World Equity Index, 67% FTSE All World Equity Index GBP Hedged MSCI World Low Carbon Target Index GBP Hedged
Ruffer (LCIV)	Diversified Growth	10%	7.5%-12.5%	3 Months LIBOR +3% per annum
Schroders	Property	12%	10%-15%	Outperform benchmark by 0.75% over a rolling 3 year period

7.0 The approach to risk

7.1 The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has a programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken.

7.2 The principal risks affecting the Fund and the Fund's approach to managing these risks and the contingency plans that are in place are set below:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities. (The impacts is reducing the value of investments/assets and requiring increased employer's contributions).

7.3 The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk.

7.4 The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

7.5 The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

7.6 The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

7.7 Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).

- Environmental, social and governance ("ESG") – The risk that ESG related factors reduce the Fund's ability to generate the long-term returns.

- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

7.8 The Committee measure and manage asset risks as follows:

a) The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has delegated rebalancing arrangements to s151 officer and her officers to ensure the Fund's "actual allocation" does not deviate from its maximum limits. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property; the Committee has recognised the need for access to liquidity in the short term.

b) The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; in addition, the Committee has agreed to hedge 50% of the overseas currency exposure relating to the global equity allocation. This is achieved by investing in pooled currency hedged funds managed by LGIM. Detail of the Fund's approach to managing ESG risks is set out later in this document.

c) The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a proportion of the Scheme's assets managed on a passive basis. The Committee assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

7.9 Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

7.10 The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

7.11 A more comprehensive breakdown of the risks to which the Fund is exposed and the approach to managing these risks is set out in the Fund's risk register and policy documents.

8. Pooling of investments

8.1 The Fund is a participating scheme in the London Collective Investment Vehicle (LCIV) Pool. The proposed structure and basis on which the LCIV Pool will operate was set out in the July 2016 submission to Government.

8.2 The London CIV has been operational for some time and is in the process of opening a range of sub-funds covering liquid asset classes, with less liquid asset classes to follow.

8.3 The Fund has already transitioned assets into the London CIV with a target allocation of 30% of total assets, and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

8.4 The Fund has a target allocation of 50% in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being.

8.5 *The Fund is monitoring developments and the opening of investment strategy funds on the London CIV platform with a view to transitioning liquid assets across to the London CIV as soon as there are* ***suitable*** *sub-funds to meet the Fund's investment strategy/ asset allocation requirements.*

8.6 *Any assets not currently invested in the Pool will be reviewed at least annually to determine whether the rationale remains appropriate, and whether it continues to demonstrate* ***value for money****.*

Structure and governance of the LCIV Pool

8.7 The July 2016 submission to Government of the LCIV Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured.

8.8 The below diagrams sets out the governance structure for the London CIV. The governance structure of the CIV has been designed to ensure that there are both formal and informal routes to engage with all the Authorities as both shareholders and investors. This is achieved through a combination of the London Councils' Sectoral Joint Committee, comprising nominated Member representatives from the London Local Authorities (in most cases the Pensions Committee Chair), and the Investment Advisory Committee ("IAC") formed from nominated borough officers, which includes both London Local Authority Treasurers and Pension Officers from a number of Authorities.

8.9 As an AIFM, London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and reporting regime of the Financial Conduct Authority ("FCA"). This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management.

8.10 The Pensions Sectoral Joint Committee ("PSJC") has been established under the governing arrangements of London Councils. The PSJC effectively fulfils two roles, one is as a mechanism for convening elected Member representation from each borough (generally the borough's Pension Committee Chair), and the other is as the route to convening the Authorities as shareholders in London CIV. This Committee will provide scrutiny and oversight of the CIV for the Authorities, with each Borough represented on the Committee with voting rights.

8.11 Borough Pension Committees – In most instances the Chair of the Pensions Committee at a Borough level will be the delegated representative on the PSJC and will be able to provide an overview back to the individual Committee on the work of the London CIV and its effectiveness from attending the PSJC. In addition the London CIV will provide regular updates to Authorities through its written reports and will also attend Committee meetings as and when required and in this way will help to ensure that the individual Pensions Committee are able to provide scrutiny of the London CIV.

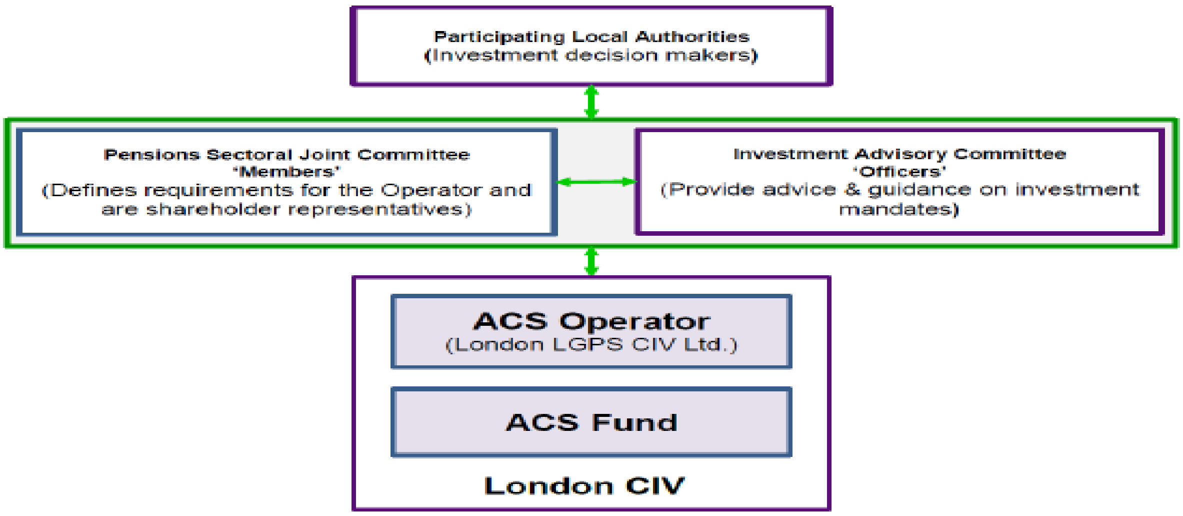
8.12 The Investment Advisory Committee (IAC) was formed in September 2015 with the remit to:

- To support the Joint Committee in the investment decision making process
- To liaise with the Fund Operator of the CIV in defining Shareholders' investment needs.

8.13 Membership of the IAC was renewed in July 2016 with London Treasurers being asked to nominate themselves and or their officers, 24 nominations were received. Whilst this was greater than allowed for under the Terms of Reference, after consideration, it was agreed that the full complement of nominations should be included in the Committee.

8.14 This was to ensure at a time of rapid development for the London CIV, as many Pension Funds could be engaged fully in the process and that this would also enable a wide range of pension managers to work closely alongside officers of the CIV. The new Committee comprised 9 London Treasurers and 15 Pension Managers.

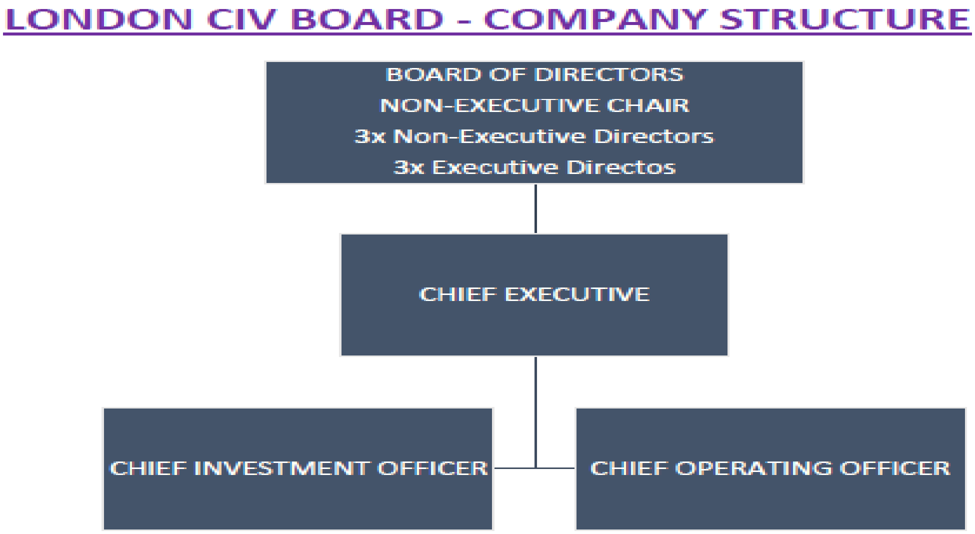
LONDON CIV GOVERNANCE STRUCTURE



8.14 At the company level for London CIV, it is the Board of Directors that is responsible for decision making within the company, which will include the decisions to appoint and remove investment managers. The Board of the CIV has ultimate responsibility for all aspects of management of the Company. The board will at all times retain and exercise overall control. As a result the board composition seeks to achieve a balance of skills, competencies and expertise to govern on behalf of the shareholders.

8.15 The board will challenge the business, has a strong focus on oversight of both the organisation and third parties, and understands its duties as a regulated Company. The board have a mix of relevant investment, operational and financial experience having held senior roles at regulated entities combined with a strong understanding of local government and the requirements of its shareholders. The governance practices will be commensurate with the business and nature of the investment funds it manages.

8.16 The board is comprised of seven members both executive and non-executive with a range of skills. The non-executive directors are independent third parties with experience gained from either local government or careers in financial services and each have in-depth understanding of their respective fields. The executive team are responsible for the day-to-day operations of the business and setting the strategic direction of the Company. The non-executive directors will provide independent judgment and challenge to the board based on their respective experience.



Performance measurement

8.17 Fund performance is measured at a number of different levels. The objective of the Fund is to outperform the actuarial discount rate. The policy portfolio is selected by the Committee, with advice from the Fund Investment Advisers and Officers, and investment managers including LCIV, is expected to generate returns above the discount rate.

8.18 The performance of the pooling arrangements is monitored via regular reporting and through periodic meetings. Performance for LCIV is measured against the policy portfolio. LCIV seeks to outperform the policy portfolio on a risk adjusted basis, via active sub-funds creation/selection and or selecting the best managers for each of the sub-funds and by implementing investments in a low cost manner. Performance for the investment sub-funds is measured against widely used and transparent benchmarks.

8.19 Where performance falls short of expectations the Committee, Officers and the Investment Advisers for the Fund will identify the cause of this underperformance and will respond appropriately either to alter its policy portfolio (where asset allocation is the underlying cause) or to require changes to the management of the sub fund vehicles (where management skill within LCIV is the underlying cause).

9. Social, Environmental and Corporate Governance

9.1 It is recognised that ESG factors can influence long term investment performance and the ability to achieve long term sustainable returns. The Committee consider the Fund's approach to responsible investment in two key areas:

- *Sustainable investment / ESG factors* – considering the financial impact of environmental, social and governance (ESG) factors on its investments.
- *Stewardship and governance* – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

Sustainable investment / ESG

9.2 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include training on and information sessions on matters of social, environmental and corporate governance.

9.3 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

9.4 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

9.5 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

9.6 The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

9.7 Where appropriate, the Committee considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. The Committee considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting The exposure that the Fund has to fossil fuels is largely through investments in equity portfolios which aim to outperform, or track the performance of, broad market indices which themselves include allocations to companies that are responsible for carbon emissions.

9.8 Taking into account the ratification in October 2016 of the Paris Agreement, the Committee considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk. In spring 2017, a Carbon Risk Audit for the Fund was carried out, quantifying the Fund's exposure through its equity portfolio to fossil fuel reserves and power generation and where the greatest risks lie.

9.9 When a full review of the investment strategy was undertaken, as a result of this strategic review, the following changes to the equity portfolio was agreed, and implemented:

- A reduction in the total equity exposure from 60% to 50% of total assets. With the proceeds invested into multi-asset funds with much lower equity holdings (and hence lower exposure to carbon-intensive assets).
- Of the remaining 50% of the equity portfolio, 15% has been invested into a Low Carbon index-tracking strategy which aims to reduce the carbon exposure of the portfolio by around 70%, relative to the broad market index, whilst still expecting to perform broadly in line with the wider market over the long term

9.10 This will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

9.11 Where necessary, the Fund will also engage with its Investment Managers and or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs. However, the Fund does not at this time operate a blanket exclusion policy in respect of specific sectors or companies.

9.12 At the present time the Committee does not take into account non-financial factors when selecting, retaining, or realising its investments. The Committee reviews its approach to nonfinancial factors periodically, taking into account relevant legislation and the Law Commission's guidance on when such factors may be considered. Additionally, the Committee monitors legislative and other developments with regards to this subject and will review its approach in the event of material changes.

9.13 The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

9.14 The Fund does not at the time of preparing this statement hold any assets which it deems to be social investments; however, this ISS places no specific restrictions on the Fund in respect of such investments beyond those of suitability within the Investment Strategy as a whole and compatibility with the Committee's fiduciary duties. In considering any such investment in the future, the Committee will have regard to the Guidance issued by the Secretary of State and to the Law Commission's guidance on financial and non-financial factors.

9.15 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

Voting rights

9.16 The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

9.17 The Fund has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

9.18 The Committee has delegated the exercise of voting rights to the investment manager(s) on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The managers are strongly encouraged to vote in line with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f). The Committee has elected to monitor the voting decisions made by all its investment managers on a regular basis.

9.19 The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

9.20 The Fund will incorporate a report of voting activity as part of its Pension Fund Annual report which is published on the Council / Pension Fund website.

Stewardship

9.21 The Fund complies with the UK Stewardship Code ('the Code') and is preparing a formal statement of commitment with the Code for assessment. The current draft is set out in Appendix A.

9.22 The Fund expects its external investment managers to be signatories of the Stewardship Code and reach Tier One level of compliance or to be seeking to achieve a Tier One status within a reasonable timeframe. Where this is not feasible the Fund expects a detailed explanation as to why it will not be able to achieve this level.

9.23 In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

9.24 The Committee recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes.
The Fund:

(a) is a member of the Local Authority Pension Fund Forum (LAPFF) and in this way joins with other LGPS Funds to magnify its voice and maximise the influence of investors as asset owners;

(b) is a member of the Pension and Lifetime Savings Association (PLSA) and in this way joins with other investors to magnify its voice and maximise the influence of investors as asset owners;

(c) gives support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interest; and

(d) joins wider lobbying activities where appropriate opportunities arise.

Myners principles for investment decision making

9.25 The old regulation requiring administering authorities to state the extent to which they comply with Myners principles for investment decision making no longer applies. However, they should still have regard to the guidance. This section has been kept in this document as Appendix B for Tower Hamlets Funds, with some small amendments to keep the responses current.

Full compliance

The Fund's annual report includes all of the Fund's policies including the governance policy statement, governance policy compliance statement, communications policy statement, responsible investment and stewardship policy, funding strategy statement and statement of investment principles. The annual report can be found on the council's website.

Quarterly reports to the Pensions Committee and Pensions Board on the management of the Fund's investments are publicly available on the council's website. http://democracy.towerhamlets.gov.uk/mgCommitteeDetails.aspx?ID=392

Prepared by: - Bola Tobun (Investment & Treasury Manager)
(For and on behalf of LBTH Pensions Committee)

Appendices

Appendix A – Draft Statement of Commitment with the UK Stewardship code
Appendix B – Myners Investment Principles – Compliance Statement

Appendix A - *Draft Statement of Commitment with the UK Stewardship Code*

Principle 1: ***Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.***

The Fund takes its responsibilities as a shareholder seriously and has made a commitment to the informed exercise of its ownership rights as detailed in the Fund's Investment Strategy Statement.

The Fund invests via pooled funds and therefore expects its underlying investment managers to exercise voting and engagement rights on its behalf. The Fund encourages its underlying investment managers to comply with the UK Stewardship Code.

The Fund is subject to the ESG and voting policies of its underlying investment managers. The Pensions Committee ('the Committee') considers these policies when appointing a new manager and when monitoring investment managers, the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policy.

In considering its stewardship activities, the Fund monitors the activities of its investment managers with regard to the following:

- The exercise of voting rights
- The integration and management of Environmental, Social and Corporate Governance (ESG) issues
- Engagement activities and progress

The Fund is a long-term investor and is committed to being an active owner. It wishes to promote a policy of dialogue on responsible investment issues, through its investment managers, with company management.

The Committee has identified the following ESG issues as a focus for engagement:

- Environmental issues: including conserving energy, promoting alternative energy sources, recycling, avoiding pollution and using environmentally friendly and sustainable resources
- Human rights: including child labour issues in foreign subsidiaries of UK companies or operations in countries with oppressive regimes
- Employment standards: including equal opportunities, health and safety, trade union recognition and employee participation

The Fund recognises that taking a collaborative approach with other investors can help to achieve wider and more effective outcomes and is a member of the Local Authority Pension Fund Forum (LAPFF), which aims to promote best practice on corporate governance and RI issues through co-operative action with other local authority funds.

The Fund regularly reviews its approach to responsible investment and the exercise of its stewardship activities.

Principle 2: ***Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.***

The Fund expects its investment managers to have effective policies addressing potential conflicts of interest related to stewardship.

In respect of potential conflicts of interest within the Fund, the Committee members are required to make declarations of interest prior to panel meetings.

All declarations are captured in the minutes of the meeting, which are publicly available, potential conflicts, based on declarations, are managed accordingly by the Chair of the Committee.

Principle 3: ***Institutional investors should monitor their investee companies.***

While the day-to-day responsibility for managing the Fund's equity holdings is delegated to the Fund's appointed investment managers, the Fund recognises that it cannot delegate its stewardship obligations. The Fund's Committee and Officers monitor the Fund's investment managers on a regular and ongoing basis, including with respect to stewardship activities.

As such the Fund expects its investment managers to monitor investee companies, intervene where necessary, and report back regularly on activity undertaken. This may be via written reports, phone calls, or meetings with the Officers and the Committee.

In addition, the Committee receives an annual report from the Fund's investment consultant on the ESG credentials, including active ownership, of its investment managers.

Principle 4: ***Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.***

Responsibility for day-to-day interaction with companies is delegated to the Fund's investment managers, including the escalation of engagement when necessary.

The Fund's Officers and Committee monitor the escalation activities undertaken by the Fund's investment managers through the regular reporting provided by the Fund's managers. On occasion, the Fund may itself choose to escalate activity; this will typically be through its membership of LAPFF or via one of the underlying investment managers.

Escalation activities undertaken by LAPFF may include writing a letter to the board or additional meetings with company management.

Principle 5: ***Institutional investors should be willing to act collectively with other investors where appropriate.***

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies.

The Fund undertakes collective engagement activities through its membership of LAPFF as well as through initiatives proposed by the Fund's investment managers or advisors.

In addition, the fund has formally agreed to join the London Collective Investment Vehicle (CIV) and regularly collaborates with other members of the CIV with respect to ESG and stewardship issues.

Principle 6: ***Institutional investors should have a clear policy on voting and disclosure of voting activity.***

The Fund invests via pooled funds and is therefore subject to the underlying investment managers' policies. The Fund expects its investment managers to exercise all votes associated with the Fund's equity holdings where practicable. The Fund encourages its investment managers to publicly disclose their voting records.

Generally, the Fund expects its investment managers to support resolutions that are consistent with the UK Corporate Governance Code and represent best practice. In overseas markets, the Committee expects the managers to take account of local best practice principles.

Where resolutions or issues fall short of the expected standards, the Committee expects managers will either abstain or vote against, depending on the individual circumstances of the company and the issues presented. The Committee expects the investment managers to report on their voting activities on a regular basis and the Fund's Officers consider whether each manager's actions and engagement activities have been appropriate and in keeping with the Fund's policy.
The policy is reviewed at least annually in order to take account of regulatory developments and timely or controversial issues may be discussed at Committee meetings.

Principle 7: ***Institutional investors should report periodically on their stewardship and voting activities.***

The Fund expects its underlying investment managers to report regularly to both the Officers and the Committee with respect to voting and engagement activities, including examples of company engagement, progress on engagement over time and collaborative activities. The Fund encourages its investment managers to publicly report on their stewardship activities.

The Fund will report on its stewardship activity to the Committee on an annual basis. In addition, quarterly reports of voting actions are posted as part of the funds reporting to Committee and are available on the Council's website:
http://democracy.towerhamlets.gov.uk/ieListMeetings.aspx?CommitteeId=392
The Committee will provide an annual report on how the Fund satisfies its UK Stewardship Code obligations requirements, which will be made available publicly.

This statement has been approved by the Committee on 16 March 2017.

Compliance and monitoring

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement. The Pensions Committee will require an annual written statement from the investment managers that they have adhered to the principles set out in this statement.

If you have any questions on this statement or the Fund's approach to stewardship, please contact Bola Tobun, Investments and Treasury Manager by e-mail at the following address Bola.Tobun@towerhamlets.gov.uk

Appendix B - Myners Investment Principles – Compliance Statement

Principle 1: Effective Decision-making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Full compliance

The Pensions Committee and Pensions Board are supported in their decision making/assisting roles by the Corporate Director, Resources and the Investment and Treasury Manager.

Members of the both Committee and Board participate in regular training delivered through a formal programme. Training is provided at every quarterly meeting.

Principle 2: Clear Objectives

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Full compliance

The Fund's overall objectives are defined in the Funding Strategy Statement and are directly linked to the triennial actuarial valuation. The investment objectives are clearly stated in the Statement of Investment Principles/Investment Strategy Statement.

The content of the Funding Strategy Statement reflects discussions held with individual scheme employers during the actuarial valuation process. Employers understand that contribution rates are set, having given consideration to the key tenets of affordability, sustainability and stability but also with the understanding that any decisions made must be prudent. To this end, the strength of the employer covenant is considered when setting contribution rates.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for the local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Full compliance

The Fund's actuary reviews the funding position of each employer every three years and this valuation includes an assessment of the gap between the employer's share of the Fund assets and the liabilities specific to each employer. The strength of the employer covenant is considered when setting contribution rates.

The Fund's investment strategy is reviewed following each triennial valuation to ensure that the investment strategy will achieve the expected returns assumed during the valuation process.

As a member of Club Vita, a bespoke set of assumptions are specifically tailored to fit the membership profile of the Tower Hamlets Fund. The assumptions selected are intended to make an appropriate allowance for future improvements in longevity, based on the actual experience of the Fund.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Full compliance

Each manager's performance is measured quarterly against benchmark targets, which are specified in the contract between the Fund and the manager. The Fund's global custodian produces performance data for each manager and for the Fund as a whole. The target outperformance for the Fund as a whole is specified within the Statement of Investment Principles/Investment Strategy Statement. The Fund performance is also assessed with reference to the local authority peer group.

Performance data is reported to the Committee on a quarterly basis. Fund managers present to the officers or the Committee on at least an annual basis and officers hold four additional meetings with managers per quarter to discuss the portfolio composition, strategy and performance.

Consideration has been given to quantitative measures to assess the performance of the Committee, although options other than measuring meeting attendance and the success of the Committee's implemented strategies are limited.

Principle 5: Responsible ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Stewardship Code.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Full compliance

All new investment mandates will be expected to include a statement of a manager's adoption of the Stewardship Code.

The Council wishes to have an active influence on issues of environmental or ethical concern with companies in which the Pension Fund is a shareholder. It will seek to codify its approach with Fund Managers and will use the services of specialist agencies as necessary to identify issues of concern.

The Council requires the Fund Managers to take into account the implications of substantial “extra financial” considerations, e.g., environmental, social or reputational issues that could bring a particular investment decision into the public arena.

The Fund wishes to be an active shareholder and exercise its voting rights to promote and support good corporate governance principles. In addition, the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), thus demonstrating a commitment to sustainable investment and the promotion of high standards of corporate governance and responsibility.

All of the Fund’s managers are signed up to the Stewardship Code, which provides a framework for investors to consider environmental, social and corporate governance issues when making investment decisions.

Principle 6: Transparency and reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives
- Provide regular communication to scheme members in the form they consider most appropriate

The London Borough of Tower Hamlets Pension Fund

Appendix 3

Funding Strategy Statement

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Tower Hamlets Pension Fund ("the Fund"), which is administered by London Borough of Tower Hamlets Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 1 April 2017.

1.2 What is the London Borough of Tower Hamlets Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Tower Hamlets Pension Fund, in effect the LGPS for the London Borough of Tower Hamlets area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are determined in accordance with the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and with no certainty. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- Long term solvency of the Fund,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- ;all Fund's policies which can be found on the Fund's website [Client URL]
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact the Pensions Manager email: pensionsLBTH@towerhamlets.gov.uk or call telephone number 020 7364 4251.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

- Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a large part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the DCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8..

2.5 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;

- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund will seek to moderate short term increases in contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution is likely to lead to higher contributions in the long-term; and
- it is likely to take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	**Scheduled Bodies**			**Community Admission Bodies and Designating Employers**		**Transferee Admission Bodies**
Sub-type	**Council**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)			Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)					
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	20 years	Future working lifetime	Future working lifetime	Outstanding contract term
Secondary rate – Note (d)	% of payroll or monetary amount	Monetary amount	% of payroll	% of payroll or monetary amount	% of payroll or monetary amount	% of payroll or monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority				Preferred approach: contributions kept at future service rate. However, contractors may be permitted to reduce contributions by spreading the surplus over the remaining contract term
Probability of achieving target – Note (e)	66%	70%	70%	66% if guaranteed, 75% otherwise	66% if guaranteed, 75% otherwise	66% if guaranteed, 75% otherwise
Phasing of contribution changes	Covered by stabilisation arrangement	At the discretion of the Administering Authority		None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)
Cessation of participation: cessation debt payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies to London Borough of Tower Hamlets Council as a tax raising body:

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), total contributions have been set to ensure that stabilised employers have at least a 66% chance of being fully funded in 20 years under the 2016 formal valuation assumptions.

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the three year period until the next valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between valuations and/or to require these payments in monetary terms instead.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's initial contribution rate will be calculated using market conditions, the council funding position and membership data, all as at the day prior to conversion;

The Fund's policies on academies are subject to change in the light of any amendments to DCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, agreed in conjunction with the Administering Authority, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

The Fund's standard approach is for the TAB to be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus it should be noted that current legislation does not permit a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a “gilts cessation basis”, which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee. The approach to calculating the cessation payment will be as per the Admission Body's Admission Agreement.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced probability of achieving funding target, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

The payment will be paid immediately, unless otherwise agreed with the Administering Authority.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

- Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;
- Affordability – how much can employers afford;

- Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and
- Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, annually. It reports this to the regular Pensions Committee meetings.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Department of Communities & Local Government (DCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional DCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, DCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

DCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Department for Communities and Local Government (DCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers 13th February 2017 for comment;

b) Comments were requested within 21 days;

c) Following the end of the consultation period the FSS was updated where required and then published, on 31st March 2017.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at April 2017;
- A copy sent by /e-mail to each participating employer in the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Statement of Investment Principles/Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.towerhamletspensionfund.org.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Statement of Investment Principles/Investment Strategy Statement (SIP/ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- prepare and maintain a FSS and a SIP/ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and SIP/ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's SIP/ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the SIP/ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.

Risk	Summary of Control Mechanisms
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.

Risk	Summary of Control Mechanisms
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.

Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	**Summary of Control Mechanisms**
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another

Risk	Summary of Control Mechanisms
	scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D:

1. The **funding target** is based on a set of assumptions about the future, eg investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation of participation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;

3. The required **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to DCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. DCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
- within the determined time horizon (see 3.3 Note (c) for further details)
- with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

The Administering Authority, after taking advice from the Fund's actuary, may choose to calculate Primary and Secondary contribution rates differently if particular circumstances apply to an employer.

D4 What affects a given employer's valuation results?
The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?
The Administering Authority does not account for each employer's assets separately. Instead, the Fund's actuary is required to apportion the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

- the actual timing of employer contributions within any financial year;

- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment is capable of verification but not to audit standard. The Administering Authority recognises the limitations in the process, but it considers that the Fund actuary's approach addresses the risks of employer cross-subsidisation to an acceptable degree.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 2.0% per annum greater than gilt yields at the time of the valuation (this is higher than that used at the 2013 valuation, which therefore gives a lower funding target, all other things being equal). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this “pay freeze” does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by
2. 0.7% p.a. below the retail prices index (RPI) p.a. thereafter.

This gives a single “blended” assumption of Consumer Price Index (CPI) less 0.1% (equivalent to RPI less 1.2%) per annum. This is a change from the previous valuation, which assumed a flat assumption of RPI plus 0.5% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we have used a reduction of 1.0% per annum. This is a larger reduction than at 2013 (which was 0.8%), which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The combined effect of the above changes from the 2013 valuation approach, is to reduce life expectancy by around 0.4 years on average, which reduces the funding target all other things being equal. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **the funding target**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **funding target** which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the **Primary and Secondary rates**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding target	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective

	measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal

Certificate	**valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. In broad terms, this relates to the shortfall of its asset share to its **funding target**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.
Valuation	An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

The London Borough of Tower Hamlets Pension Fund

Appendix 4

Communications Strategy Statement

CONTENTS

Introduction

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

The Fund liaises with over 12 employers and approximately 15,000 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.

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

London Borough of Tower Hamlets
Town Hall
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

Regulatory Framework

This Policy Statement is required by the provisions of Regulation 106B of the Local Government Pension Scheme (LGPS) 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 remains 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[1] 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.

Responsibilities and Resources

Within the Pension Section, the responsibility for communication material is performed by our Pensions 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 admitted bodies);
- senior managers;
- union representatives;
- elected members/the Pension Panel;
- Pensions 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 Department for Communities and Local Government, 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

[1] Code of Practice – Reasonable periods for the purposes of the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 issued September 2005

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 to 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:

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
Road shows/ 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 addresses	Active members
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 road shows, 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.

Road shows/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 Team Section, 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:

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:

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 – is a detailed guide that provides guidance on the employer responsibilities, including the forms and other necessary communications with the Pensions Section and Scheme members.

Newsletters – A technical briefing newsletter that will include recent changes to the scheme, the way the Pensions 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.

Pensions 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 tool.

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.

Pensions 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/Pensions Committee
Our objectives with regard to communication with elected members/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 there is a new Pensions Committee and as and when required	Face to face or via the Employers Organisation for local government	All members of the Pensions 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 Pensions Committee
Pension Committee	Meeting	Quarterly	Members elected onto Pension Committee	All members of the Pensions Committee

Explanation of communications
Training sessions – to provide a broad overview of the main provisions of the LGPS to elected members and their 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's 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 Additional Voluntary Contributions (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 • Rates and Adjustments (R&A) certificates • Revised R&A certificates • Cessation valuations	Electronic	Every three years	Via email	Government Departments)/ 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	Government Departments /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 representative s, the Pensions Advisory Service/the Pensions Ombudsman
Completion of questionnaires	Electronic or hard copy	As and when required	Via email or post	Government Departments /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:

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	Within two months of the change	Within one month of change coming

	members, as required	coming into effect	into effect
Annual Pension Fund Report and Accounts	All	Within two months of request	Within ten working days

Quality

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.

The London Borough of Tower Hamlets Pension Fund

Appendix 5

Governance Compliance Statement

Governance and Compliance Statement

The London Borough of Tower Hamlets Council is the Administering Authority of the London Borough of Tower Hamlets Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Policy and Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under to review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Aims and Objectives
Tower Hamlets Council recognises the significance of its role as Administering Authority to the London Borough of Tower Hamlets Pension Fund on behalf of its stakeholders which include:

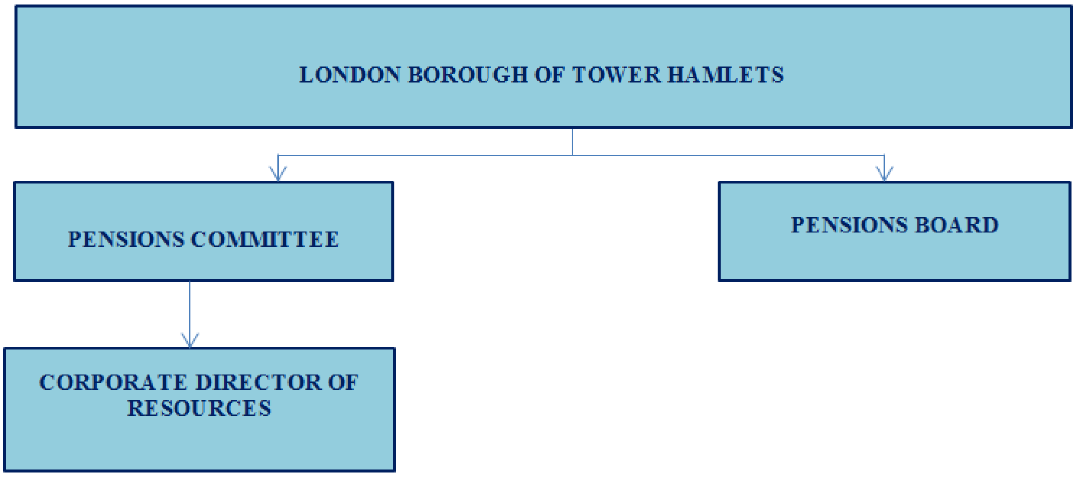
- around 20,000 current and former members of the Fund, and their dependants
- over 20 employers within the Tower Hamlets Council area or with close links to Tower Hamlets Council
- the local taxpayers within the London Borough of Tower Hamlets.

In relation to the governance of the Fund, our objectives are to ensure that:

- all staff and Pensions Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

Structure
The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people.

The Council delegates its responsibility for administering the Fund to the Pensions Committee. The terms of this delegation are as set out in the Council Constitution and provide that the Committee is responsible for consideration of all pension matters and discharging the obligations and duties of the Council under the Superannuation Act 1972 and various statutory matters relating to investment issues.
The Constitution sets out the framework under which the Pension Fund is to be administered as depicted in the diagram below.



Terms of Reference for the Pensions Committee

The Constitution allows for the appointment of a Pensions Committee which has responsibility for the discharge of all non-executive functions assigned to it.

The following are the terms of reference for the Pensions Committee:

1) To act as Trustees of the Council's Pension Fund, consider pension matters and meet the obligations and duties of the Council under the Superannuation Act 1972, the Public Service Pensions Act 2013, and the various pensions' legislation.
2) To make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, actuaries, advisers, investment managers and custodians and periodically to review those arrangements.
3) To formulate and publish an Investment Strategy Statement.
4) To set the overall strategic objectives for the Pension Fund, having taken appropriate expert advice, and to develop a medium term plan to deliver the objectives.
5) To determine the strategic asset allocation policy, the mandates to be given to the investment managers and the performance measures to be set for them.
6) To make arrangements for the triennial actuarial valuation, to monitor liabilities and to undertake any asset/liability and other relevant studies as required.
7) To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
8) To set an annual budget for the operation of the Pension Fund and to monitor income and expenditure against budget.
9) To receive and approve an Annual Report on the activities of the Fund prior to publication.
10) To make arrangements to keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.
11) To keep the terms of reference under review.
12) To determine all matters relating to admission body issues.

13) To focus on strategic and investment related matters at two Pensions Committee meetings.

14) To review the Pension Fund's policy and strategy documents on a regular basis and review performance against the Fund's objectives within the business plan

15) To maintain an overview of pensions training for Members.

In addition the Pensions Committee will also co-opt a non-voting employer representative and a non-voting scheme member representative.

Membership of the Pensions Committee

The Council decides the composition and makes appointments to the Pensions Committee. Currently the membership of the Pensions Committee is a minimum of 7 elected Members from Tower Hamlets Council on a politically proportionate basis and the Pensions Committee will elect a Chair and Vice Chair. All Tower Hamlets Council elected Members have voting rights on the Committee and three voting members of the Committee are required to be able to deem the meeting quorate.

In addition there are two co-opted non-voting members representing employer and Scheme member interests. Although the co-opted representatives do not have voting rights they are treated as equal members of the Committee, they have access to all Committee Advisers, officers, meetings and training as if they were Council Members and have the opportunity to contribute to the decision making process.

Voting rights are restricted to elected Members as they are deemed to be fulfilling the role of Trustees as the Pension Fund with all the legal responsibilities that this entails, it was not felt appropriate to apply the same legal definition to the lay members of the Committee and hence their role as non-voting members.

Members of the Pensions Committee, including co-opted members, are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties; meetings are open to members of the public who are welcome to attend. However, there may be occasions when members of the public are excluded from meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

Meetings

The Pensions Committee shall meet at least four times a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. Work for the year will be agreed with the Committee to include dedicated training sessions for Committee members.

Agendas for meetings will be agreed with the Chair and will be circulated with supporting papers to all members of the Committee, Officers of the Council as appropriate and the Fund's Investment Advisor.

The Council will give at least five clear working days' notice of any meeting by posting details of the meeting at the Tower Hamlets Town Hall and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report.

There may on occasions be items which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts.

The Council will make available copies of the minutes of the meeting and records of decisions taken for six years after a meeting. Minutes of meetings and records of decisions are available for inspection on the Council's website:
http://moderngov.towerhamlets.gov.uk/ieListMeetings.aspx?CommitteeId=392

Other Delegations of Powers

The Pensions Committee act as quasi trustees and oversee the management of the Pension Fund. As quasi trustees the Committee has a clear fiduciary duty in the performance of their functions, they have to ensure that the Fund is managed in accordance with the regulations and to do so prudently and impartially and to ensure the best possible outcomes for the Pension Fund, its participating employers, local taxpayers and Scheme members. Whilst trustees can delegate some of their powers, they cannot delegate their responsibilities as trustees. Appendix A outlines the areas that the Pensions Committee has currently delegated though these may be added to from time to time.

Under the Council's Constitution delegated powers have been given to the Corporate Director, Resources in relation to all other pension fund matters, in addition to his role as Chief Financial Officer (often called S151 Officer). As Chief Financial Officer he is responsible for the preparation of the Pension Fund Annual Report & Accounts and ensuring the proper financial administration of the Fund. As appropriate the Corporate Director, Resources will delegate aspects of the role to other officers of the Council including the Investment & Treasury Manager and to professional advisors within the scope of the LGPS Regulations.

Pension Board

With effect from 1 April 2015, each Administering Authority is required to establish a local Pension Board to assist them with:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator
- ensuring the effective and efficient governance and administration of the Pension Fund

Such Pension Boards are not local authority committees; as such the Constitution of Tower Hamlets Council does not apply to the Pension Board unless it is expressly referred to in the

Board's terms of reference. The Tower Hamlets Pension Board established by Tower Hamlets Council and the full terms of reference of the Board can be found within the Council's Constitution. The key points are summarised below.

Role of the Pension Board

The Council has charged the Pension Board with providing oversight of the matters outlined above. The Pension Board, however, is not a decision making body in relation to the management of the Pension Fund and the Pension Fund's management powers and responsibilities which have been delegated by the Council to the Pensions Committee or otherwise remain solely the powers and responsibilities of them, including but not limited to the setting and delivery of the Fund's strategies, the allocation of the Fund's assets and the appointment of contractors, advisors and fund managers.

Membership of the Pension Board

The Pension Board consists of 7 members as follows:

- Three Employer Representatives
- Three Scheme Member Representatives
- One Independent Member (non-voting) to act as chair of the Pension Board

Pension Board members, (excluding any Independent Member), have individual voting rights but it is expected the Pension Board will as far as possible reach a consensus.

A meeting of the Pension Board is only quorate when two of the six Employer and Scheme Member Representatives are present, and where the Board has an Independent Member they must also be present.

The members of the Board are appointed by an Appointments Panel which consists of:

- the Cabinet Member for Resources
- the Corporate Director, Resources
- the Divisional Director Finance, Procurement and Audit
- the Corporate Director, Governance

Members of the Pension Board are required to declare any interests that they have in relation to the Pension Fund or items on the agenda at the commencement of the meeting.

Meetings

The Pension Board meets at least twice a year in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. The Pension Board will be treated in the same way as a Committee of Tower Hamlets Council and, as such, members of the public may attend and papers will be made public in the same was as described above for the Pension Committee.

Policy Documents
In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website: http://www.towerhamletspensionfund.org/

Funding Strategy Statement
The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement
The Investment Strategy Statement (ISS) replaced the Statement of Investment Principles from 1st April 2016. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State.
This ISS is designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused.
This document will be reviewed following the completion of the Fund investment strategy review and updated revised version will be tabled at the November Pensions Committee meeting for approval.

Governance Policy Compliance Statement
This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix B and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy
Tower Hamlets Council has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pensions Committee members, Pension Board members and senior officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.
To assist in achieving these objectives, the London Borough of Tower Hamlets Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and
- the Pensions Regulator's (TPR) Code of Practice for Public Service Schemes.

As well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or pension fund officers which may be issued from time to time.

Members of the Pensions Committee, Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least on annual basis.

Annual Report and Accounts
As part of the financial standing orders it is the duty of the Chief Financial Officer to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pensions Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the websites:
http://www.towerhamletspensionfund.org/
http://moderngov.towerhamlets.gov.uk/ieListMeetings.aspx?CommitteeId=392

Communication Policy
This document sets out the communications policy of the administering authority and sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website:
http://www.towerhamletspensionfund.org/

Discretions Policies
Under the Local Government Pension Scheme regulations, the Administering Authority has a level of discretion in relation to a number of areas. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and the London Borough of Tower Hamlets' Employing Authority Discretions can be found on the website: http://www.towerhamletspensionfund.org/

Pension Administration Strategy and Employer Guide
In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy and Employer Guide encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: http://www.towerhamletspensionfund.org/

This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Approval, Review and Consultation
This Governance Policy and Statement was approved at the London Borough of Tower Hamlets Pensions Committee meeting on 23 July 2015 following consultation with all the participating employers in the Fund and other interested parties. It will be formally reviewed

and updated at least every year or sooner if the governance arrangements or other matters included within it merit reconsideration. In August 2017, this document has been reviewed and updated for Pensions Committee consideration and approval at its meeting of 21st September 2017.

Contact Information

Further information on the London Borough of Tower Hamlets Pension Fund can be found as shown below:

London Borough of Tower Hamlets Pension Fund
Mulberry Place
5 Clove Crescent
London
E14 2BG

Email: pensions@towerhamlets.gov.uk
Website: http://www.towerhamletspensionfund.org/

Appendix A

Delegation of Functions to Officers by Tower Hamlets Pensions Committee

Key:
PC – Pensions Committee OAP-Officers & Advisers Panel ITM – Investment & Treasury Manager
CDR – Corporate Director, Resources & Officers DDoFPA -Divisional Director Finance, Procurement & Audit
IC – Investment Consultant FA – Fund Actuary IA – Independent Adviser

Function delegated to PC	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Investment strategy - approving the Fund's investment strategy, Investment Strategy Statement and Myners Compliance Statement including setting investment targets and ensuring these are aligned with the Fund's specific liability profile and risk appetite. Monitoring the implementation of these policies and strategies on an ongoing basis.	Rebalancing and cash management Implementation of strategic allocation including use of ranges To formally review the Scheme's asset allocation at least every three year's taking account of any changes in the profile of Scheme liabilities and will assess any guidance regarding tolerance of risk. It will recommend changes in asset allocation to the Pensions Committee	CDR, DDoFPA & ITM (having regard to ongoing advice of the IC, IA, FA and OAP)	High level monitoring at PC with more detailed monitoring by OAP and or ITM

Function delegated to PC	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
	New mandates / emerging opportunities To consider the Scheme's approach to social, ethical and environmental issues of investment, corporate governance and shareholder activism and recommend revisions to the Pensions Committee.	CDR, DDoFPA and ITM (having regard to ongoing advice of the IC & IA)	High level monitoring at PC with more detailed monitoring by OAP & ITM
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, pension funds administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers	CDR, DDoFPA and ITM (having regard to ongoing advice of the IA & IC) and subject to ratification by PC	High level monitoring at PC with more detailed monitoring by OAP & ITM
	Selection, appointment, addition, replacement and dismissal of Fund Managers To evaluate the credentials of potential managers and make recommendations to the Pensions Committee To review the Scheme's AVC arrangements annually. If it considers a change is appropriate, it will make recommendations to the Pensions Committee.	OAP, CDR and ITM (having regard to ongoing advice of the IA & IC) and subject to ratification by PC	Notified to PC via ratification process.

Function delegated to PC	Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PC.	CDR, DDoFPA and ITM, subject to agreement with Chairman and Vice Chairman (or either, if only one available in timescale)	PC advised of consultation via e-mail (if not already raised previously at PC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PC for noting.
Agreeing the Fund's Knowledge and Skills Policy for all Pensions Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the CIPFA Code of Practice[2]	CDR & DDoFPA	Regular reports provided to PC and included in Annual Report and Accounts.
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pensions Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pensions Committee.	Other urgent matters as they arise	CDR, DDoFPA and ITM subject to agreement with Chairman and Vice Chairman (or either, if only one is available in timescale)	PC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PC and subject to monitoring agreed at that time.

[2] **CIPFA Code of Practice recommends each administering authority delegates responsibility for implementation to a senior officer.**

Appendix B

PRINCIPLE	REQUIREMENT	COMPLIANCE	COMMENT
STRUCTURE	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council	Compliant	The Council's Constitution states that the Pensions Committee is responsible for the management of the Pension Fund
	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Trade union representatives and representatives of admitted bodies sit on the Pension Committee.
	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	A report of the Pensions Committee is presented at the following Pensions Committee. All key recommendations of the Pensions Committee are ratified by the Pensions Committee.
	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	All members of the Pensions Committee are also members of the Pensions Committee.
REPRESENTATION	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- • employing authorities (including non-scheme employers, e.g. admitted bodies), • scheme members (including deferred and pensioner scheme members), • independent professional observers,	Compliant	Trade unions and admitted bodies are represented on the Pensions Committee.

PRINCIPLE	REQUIREMENT	COMPLIANCE	COMMENT
	• expert advisors (on an ad-hoc basis).		
	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	Papers for Committee and the Pensions Committee are made available to all members of both bodies at the same time and are published well in advance of the meetings in line with the council's committee agenda publication framework.
SELECTION & ROLE OF LAY MEMBERS	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	Members of the Pensions Committee/ Pensions Committee have access to the terms of reference of each body and are aware of their roles and responsibilities as members of these bodies/ Panel.
VOTING	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Members of the Pensions Committee/ Pensions Committee does not currently confer voting rights on non-Councillors in line with common practice across the local government sector.
TRAINING/FACILITY TIME/EXPENSES	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	Regular training is arranged for members of the Pensions Committee. In addition members are encouraged to attend external training courses. The cost of any such courses attended will be met by the Fund.
	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The rule on training provision is applied equally across all members of the Pensions Committee.

PRINCIPLE	REQUIREMENT	COMPLIANCE	COMMENT
MEETINGS (FREQUENCY/ QUORUM)	That an administering authority's main committee or committees meet at least quarterly.	Compliant	Meetings of the Pensions Committee are arranged to take place quarterly.
	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	Meetings of the Pensions Committee are arranged to take place quarterly.
	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	Union representatives on the Pensions Committee are lay members. Other stakeholders of the Fund are able to make representations at the Annual General Meeting of the Pension Fund.
ACCESS	Subject to any rules in the Council's Constitution, all members of the main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.	Compliant	Panel meeting papers are circulated at the same time to all members of the Pensions Committee/ Pensions Committee.
SCOPE	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	Pensions Committee considers are range of issues at its meetings and therefore has taken steps to bring wider scheme issues within the scope of the governance arrangements.
PUBLICITY	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	This Governance Compliance Statement is a public document that is attached as an appendix to the annual pension fund report.

London Borough of
Tower Hamlets Pension Fund
Appendix 6
Training & Development Policy

Introduction

This is the Training & Development Policy of the London Borough of Tower Hamlets Pension Fund in relation to the Local Government Pension Scheme (LGPS), which is managed and administered by Tower Hamlets Council. The Policy details the training strategy for members of the Pensions Committee and Pension Board, and senior officers responsible for the management of the Fund.

This Training & Development Policy is established to assist Pensions Committee and Pensions Board members and senior officers in developing their knowledge and capabilities in their individual roles, with the ultimate aim of ensuring that the London Borough of Tower Hamlets Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.
Tower Hamlets Council has delegated responsibility for the implementation of this Training & Development Policy to the Corporate Director, Resources.

Aims and Objectives

Tower Hamlets Council recognises the significance of its role as Administering Authority to the London Borough of Tower Hamlets Pension Fund on behalf of its stakeholders which include:

- over 20,000 current and former members of the Fund, and their dependants
- about 20 employers within the Tower Hamlets Council area or with close links to Tower Hamlets Council
- the local taxpayers within the London Borough of Tower Hamlets.

In relation to the governance of the Fund, the objectives are to ensure that:

- all staff and Pensions Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately

This Policy has been put in place to assist the Fund in achieving these objectives and all Pensions Committee Members, Pension Board members and senior officers to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the London Borough of Tower Hamlets Pension Fund will aim to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and The Pensions Regulator's (TPR) Code of Practice for Public Service Schemes

As well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or pension fund officers which may be issued from time to time.

This Training & Development Policy applies to all Members of the Pensions Committee, Pensions Board, including scheme member and employer representatives. It also applies to all managers in the Tower Hamlets Council Pension Fund Management Team and the Chief Finance Officer (Section 151 Officer) (from here on in collectively referred to as the senior officers of the Fund).

Other officers involved in the daily management of the Pension Fund will also be required to have appropriate knowledge and skills relating to their roles, which will be determined and managed by the Pension Fund Manager and Investment & Treasury Manager and his/her team.
The advisers to the Fund that provides the day to day and strategic advice to the London Borough of Tower Hamlets Pension Fund are also expected to be able to meet the objectives of this Policy, as are all other officers of employers participating in the London Borough of Tower Hamlets Pension Fund who are responsible for pension matters are also encouraged to maintain a high level of knowledge and understanding in relation to LGPS matters, and Tower Hamlets Council will provide appropriate training for them.
This is considered separately in the London Borough of Tower Hamlets Pension Fund Administration Strategy.

CIPFA and TPR Knowledge and Skills Requirements - *(CIPFA Knowledge and Skills Framework and Code of Practice)*

In January 2010 CIPFA launched technical guidance for Representatives on Pensions Committees and non-executives in the public sector within a knowledge and skills framework. The Framework details the knowledge and skills required by those responsible for pension scheme financial management and decision making.

In July 2015 CIPFA launched technical guidance for Local Pension Board members by extending the existing knowledge and skills frameworks in place. This Framework details the knowledge and skills required by Pension Board members to enable them to properly exercise their functions under Section 248a of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013.

The Framework covers eight areas of knowledge and skills identified as the core requirements (which include all those covered in the existing Committee and nonexecutives' framework):

i) Pensions legislation
ii) Public sector pensions governance
iii) Pension accounting and auditing standards
iv) Pensions administration
v) Financial services procurement and relationship management
vi) Investment performance and risk management
vii) Financial markets and products knowledge
viii) Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that Local Government Pension Scheme administering authorities -

- formally adopt the CIPFA Knowledge and Skills Frameworks (or an alternative training programme)
- ensure that the appropriate policies and procedures are put in place to meet the requirements of the Frameworks (or an alternative training programme);
- publicly report how these arrangements have been put into practice each year.

The Pensions Act 2004 and the Pension Regulator's Code of Practice

Section 248a of the Pensions Act 2004, as amended by The Public Service Pensions Act 2013 (PSPA13) requires Pension Board members to:

- be conversant with the rules of the scheme and any document recording policy about the administration of the scheme, and
- 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.

These requirements are incorporated and expanded on within the TPR Code of Practice which came into force on 1 April 2015. It is expected that guidance will also be issued by the Local Government Pension Scheme Advisory Board which will explain further how these requirements will relate to LGPS administering authorities.

Application to the London Borough of Tower Hamlets Pension Fund

Tower Hamlets Council recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills. Accordingly it fully supports the use of the CIPFA Knowledge and Skills Frameworks, and TPR's Code of Practice. Tower Hamlets Council adopts the principles contained in these publications in relation to the London Borough of Tower Hamlets Pension Fund, and this Training and Development Policy highlights how the Council will strive to achieve those principles through use of a Training Plan together with regular monitoring and reporting.

The London Borough of Tower Hamlets Pension Fund Training and Development Plan

Tower Hamlets Council recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for Pensions Committee members, Pension Board members and senior officers, and that training is a key element of this process. Tower Hamlets Council will develop a rolling Training Plan based on the following key elements:

1) **Individual Training Needs**: A training needs analysis will be developed for the main roles of Pensions Committee members, Pension Board members and senior officers customised appropriately to the key areas in which they should be proficient. Training will be required in relation to each of these areas as part of any induction and on an ongoing refresher basis.

2) **Hot Topic Training**: The Training Plan will be developed to ensure appropriately timed training is provided in relation to hot topic areas, such as a

high risk area or a specific area where decisions need to be made. This training may be targeted at specific roles.

3) **General Awareness**: Pensions Committee members, Pension Board members and senior officers are expected to maintain a reasonable knowledge of ongoing developments and current issues, which will allow them to have a good level of general awareness of pension related matters appropriate for their roles and which may not be specific to the London Borough of Tower Hamlets Pension Fund.

Each of these training requirements will be focussed on the role of the individual i.e. a Pensions Committee member, a Pension Board member or the specific role of the officer.
The Pensions Committee agrees a training plan on an annual basis at the first meeting of the Municipal Year. The training plan is developed taking into consideration the needs of the Committee, the Board and officers to both enhance existing knowledge and skills and to develop new areas of understanding. This ensures that training is accessible to all Committee and Board members and key officers involved in the management of the Pension Fund.

Training will be delivered through a variety of methods including:

- In-house training days provided by officers and/or external providers
- Training as part of meetings (e.g. Pensions Committee) provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry-wide bodies
- Attendance at meetings and events with the London Borough of Tower Hamlets Pension Fund's investment managers and advisors
- Links to on-line training
- Access to the London Borough of Tower Hamlets Pension Fund website where useful London Borough of Tower Hamlets Pension Fund specific material is available.

In addition London Borough of Tower Hamlets Pension Fund officers and advisers are available to answer any queries on an ongoing basis including providing access to materials from previous training events.

Initial Information and Induction Process

On joining the Pensions Committee, the Pension Board or the London Borough of Tower Hamlets Pension Fund Management Team, a new member or officer will be provided with the following documentation to assist in providing them with a basic understanding of London Borough of Tower Hamlets Pension Fund:

- The members' guide to the Local Government Pension Scheme (LGPS)
- The latest Actuarial Valuation report
- The Annual Report and Accounts, which incorporate:
    - The Funding Strategy Statement
    - The Governance Policy and Compliance Statement

    - The Statement of Investment Principles including the London Borough of Tower Hamlets Pension Fund's statement of compliance with the LGPS Myners Principles
    - The Communications Policy
    - The Administration Strategy
- The administering authority's Discretionary Policies
- The Training Policy

In addition, an individual training plan will be developed to assist each Pensions Committee member, Pension Board member or officer to achieve, within six months, their identified individual training requirements.

Monitoring Knowledge and Skills

To identify if Pensions Committee members, Pension Board members and senior officers are meeting the objectives of this policy we will:

1) Compare and report on attendance at training based on the following:

i. Individual Training Needs – ensuring refresher training on the key elements takes place for each individual at least once every three years.

ii. Hot Topic Training – attendance by at least 80% of the required Pensions Committee members, Pension Board members and senior officers at planned hot topic training sessions. This target may be focussed at a particular group of Pensions Committee members, Pension Board members or senior officers depending on the subject matter.

iii. General Awareness – each Pensions Committee member, Pension Board member or officer attending at least one day each year of general awareness training or events.

iv. Induction training – ensuring areas of identified individual training are completed within six months.

2) Consider whether the objectives have been met as part of the annual self-assessment carried out each year which is completed by all Pensions Committee members, Pension Board members and senior officers.

The key risks to the delivery of this Policy are outlined below:

i. Changes in Pensions Committee and/or Pension Board membership and/or senior officers' potentially diminishing knowledge and understanding.

ii. Poor attendance and/or a lack of engagement at training and/or formal meetings by Pensions Committee Members, Pension Board Members and/or other senior officers resulting in a poor standard of decision making and/or monitoring.

iii. Insufficient resources being available to deliver or arrange the required training.

iv. The quality of advice or training provided not being to an acceptable standard.

The Pensions Committee members, with the assistance of London Borough of Tower Hamlets senior officers and Pension Board members will monitor these and other key risks and consider how to respond to them.

Reporting

A report will be presented to the Pensions Committee on an annual basis setting out:

i. The training provided / attended in the previous year at an individual level
ii. Attendance at Pensions Committee and Pension Board meetings
iii. The results of the measurements identified above.

This information will also be included in the London Borough of Tower Hamlets Pension Fund's Annual Report and Accounts.
At each Pensions Committee and Pensions Board meeting, members will be provided with details of forthcoming seminars, conferences and other relevant training events as well as a summary of the events attended since the previous meeting.

Costs

All training costs related to this Training and Development Policy are met directly by the London Borough of Tower Hamlets Pension Fund.

Approval, Review and Consultation

This Training and Development Policy was originally approved at the London Borough of Tower Hamlets Pensions Committee meeting of September 2015 and amendments to incorporate the requirements of the CIPFA Local Pension Boards Framework would be approved on 9th March 2016. This Training and Development Policy was also adopted by the London Borough of Tower Hamlets Pension Board at its first meeting. It will be formally reviewed and updated at least every year or sooner if the training arrangements or other matters included within it worth re-evaluation.

Further Information

If you require further information about anything in or related to this Training and Development Policy, please contact:

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Investment & Treasury Manager
London Borough of Tower Hamlets Pension Fund
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LONDON BOROUGH OF TOWER HAMLETS

Administering Authority for Tower Hamlets Pension Fund

Appendix 7

Procedure for Recording and Reporting Breaches of the Law

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Tower Hamlets Pension Fund, the Local Government Pension Scheme managed and administered by Tower Hamlets Council, in relation to reporting breaches of the law to the Pensions Regulator.

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

1.3 This Procedure document applies, in the main, to:

- all members of the Tower Hamlets Pensions Committee and Board;
- all officers involved in the management of the Pension Fund ;
- personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Tower Hamlets Pension Fund who are responsible for pension matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 ***Pensions Act 2004***

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

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

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

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

2.3 *The Pension Regulator's Code of Practice*

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

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

2.4 *Application to the Tower Hamlets Pension Fund*

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

3 The Tower Hamlets Pension Fund Reporting Breaches Procedure

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

3.1 *Clarification of the law*

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

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

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

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

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

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

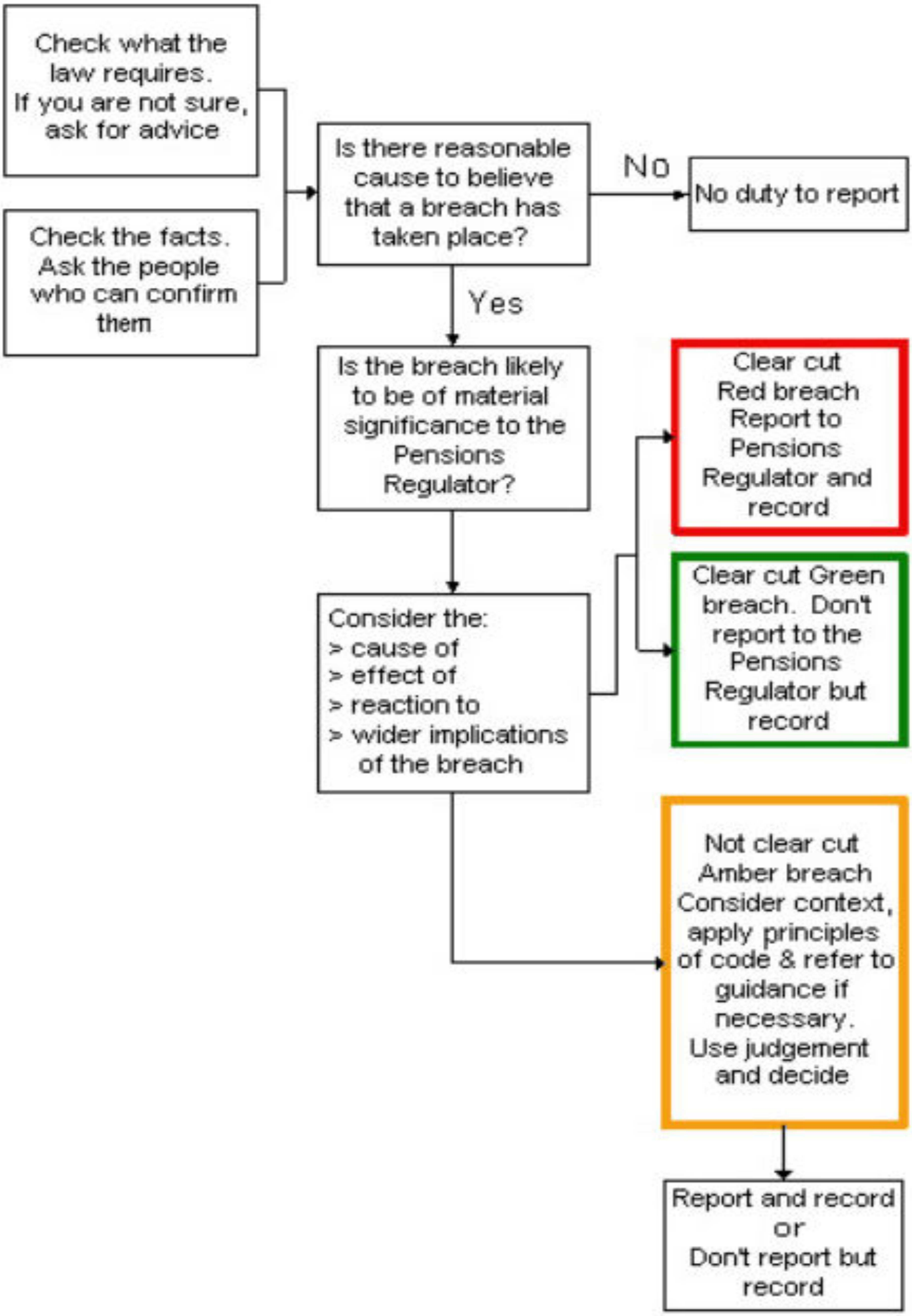
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

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

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

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

Decision-tree: deciding whether to report



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

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

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

3.6 ***Dealing with complex cases***

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

3.7. ***Timescales for reporting***

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

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

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

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

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

3.10 ***Reporting a breach***

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

As a minimum, individuals reporting should provide:

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

If possible, reporters should also indicate:

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

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

3.11 *Confidentiality*

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

3.12 *Reporting to Pensions Committee and Pensions Board*

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

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

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

3.13 *Review*

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

Further Information

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

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

Designated officer contact details:

1) Divisional Director Finance and Procurement – Neville Murton
Email: Neville.Murton@towerhamlets.gov.uk

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

3) Monitoring Officer/Corporate Director, Governance – Asmat Hussain
Email: Asmat.Hussain@towerhamlets.gov.uk

Appendix A

Determining whether a breach is likely to be of material significance

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

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

The cause of the breach

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

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

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

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

The effect of the breach

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

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

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

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

The reaction to the breach

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

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

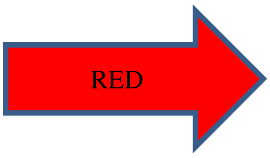
The wider implications of the breach

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

Appendix B

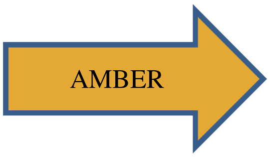
Traffic light framework for deciding whether or not to report

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



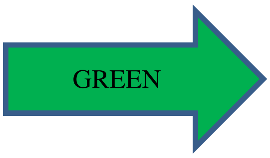
This where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

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



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

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



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

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

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

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

Appendix C

Example Record of Breaches

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

*New breaches since the previous meeting should be highlighted

TOWER HAMLETS

LONDON BOROUGH OF TOWER HAMLETS

Administering Authority for Tower Hamlets Pension Fund

Appendix 8
CONFLICTS OF INTEREST POLICY

June 2016

CONFLICTS OF INTEREST POLICY

Introduction

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of the Tower Hamlets Pension Fund, which is managed by London Borough of Tower Hamlets. The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Tower Hamlets Pension Fund whether directly or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the Pensions Committee members, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to stakeholders for all decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success

The identification and management of potential and actual conflicts of interest is integral to the Administering Authority achieving its governance objectives.

To whom this Policy Applies

This Conflicts of Interest Policy applies to all members of the Pensions Committee and the Pension Board, including scheme member and employer representatives, whether voting members or not. It applies to all managers in the management of London Borough of Tower Hamlets Pension Fund, the Chief Finance Officer (Section 151 Officer), Corporate Directors, and the Service Heads (from here on in collectively referred to as the senior officers of the Fund).

The Pension Manager/Investment Manager will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as he/she considers appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

The Policy also applies to all advisers and suppliers to the Fund, whether advising the Pension Board, Pensions Committee or Fund officers.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a Pension Board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires Pension Board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each Administering Authority to satisfy itself that Pension Board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each Administering Authority must have regard to guidance issued by the Secretary of State in relation to Pension Boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to Administering Authorities and Pension Boards. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of Pension Boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is created by statute and possibly also by the Secretary of State. This Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

Local Government Act 2000

All members and co-opted members of the Tower Hamlets Pensions Committee are required by the Local Government Act 2000 to abide by Flintshire's Members' Code of Conduct. Part 3 of that Code contains provisions relating to personal interests, personal and prejudicial interests, their disclosure and limitations on members' participation where they have any such interest.

The Public Services Ombudsman for Wales' Ten Guiding Principles

The Local Government Act 2000 empowered the National Assembly to issue principles to which local authority elected members must have regard in undertaking their role as a member. These principles draw on the 7 Principles of Public Life which were set out in the Nolan Report "Standards of Conduct in Local Government in England, Scotland and Wales". Three more were added to these; a duty to uphold the law, proper stewardship of the Council's resources and equality and respect for others.

The current principles were set out in a statutory instrument and are detailed below. Many of the principles are integral to the successful implementation of this Policy.

CODE OF CONDUCT & CONFLICT OF INTEREST POLICY

1. **Code of conduct**

1.1 As members of a publicly funded body with a responsibility to discharge public business, members of the Tower Hamlets Pension Board should have the highest standards of conduct.

1.2 Pension Board members should have regard to the Seven Principles of Public life:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

1.3 All Tower Hamlets Pension Board members must:

- Act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

- Not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

- Make all choices on merit and must be impartial and seen to be impartial, when carrying out your public duties.

- Co-operate fully with whatever scrutiny is appropriate to your role.

- Not, without proper authority, reveal any confidential and sensitive information that is provided to you, such as personal information about someone, or commercially sensitive information which, if disclosed, might harm the commercial interests of the Council or another person or organisation.

- Ensure when using or authorising the use by others of the resources of the authority that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

- Promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

- Sign the Conflict of Interest Declaration and declare any further potential conflicts of interest that may arise once appointed as a member.

- Comply with the Tower Hamlets Pension Fund Code in addition to all other existing Codes of Conduct or Protocols (e.g. The Member Code of Conduct).

2. **Conflict of interest**

2.1 The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a "conflict of interest", which is defined in Section 5(5) as a "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme."

2.2 A conflict of interest exists where a decision on a matter might reasonably be regarded as affecting (to a greater extent than other persons who may be affected by the decision) the well-being or financial position of the Councillor, a relative or a friend or

- the employment or business carried out by those persons, or in which they might be investors (above a certain level)
- any of the bodies with which the decision maker is associated, and which decision maker will have registered in the appropriate register of interests.

It does not need to be shown that a conflict of interest actually exists. It is sufficient if it appears to a fair and informed observer that there was a real possibility of conflict.

..

2.3 Examples of potential conflicts of interest, not only for the Board but also for all those involved in managing the Pension Fund, are listed at appendix 1.

2.4 All prospective Pension Board members are required to complete the Tower Hamlets Pension Fund Conflict of interest declaration before they are appointed to the Pension Board, attached at appendix 2.

2.5 All appointments to the Pension Board should be kept under review by the Corporate Director, Resources.

2.5 It is the duty of any appointed Pension Board member to declare any potential conflict of interest. This declaration should be made to the Chair of the Pension Board in the first instance or to the Scheme Manager, and recorded in a register of interests.

2.7 The Pension Board shall identify and monitor any potential conflict of interests in a register of interests (attached at appendix 3). The register of interests should be circulated to the Tower Hamlets Pension Board and Scheme Manager for review and publication.

2.8 If the Pension Board suspects any conflict of interest it should report its concerns to the Scheme Manager.

2.9 When seeking to prevent a potential conflict of interest becoming detrimental to the conduct and decisions of the Pension Board, the Tower Hamlets Pension Board must consider obtaining legal advice when assessing its course of action and response. The Tower Hamlets Pension Board should consult the Monitoring Officer or the Service Head, Legal Services in the first instance.

2.10 Education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Knowledge and Understanding policy.

3. Operational procedure for officers, Pensions Committee members and Pension Board members

3.1 The following procedures must be followed by all individuals to whom this policy applies.

What is required	How this will be done
Step 1 - Initial identification of interests which do or could give rise to a conflict	On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 2. This is in addition to the requirement to register disclosable pecuniary interests and other registerable interests. The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 3.
Step 2 - Ongoing notification and management of potential or actual conflicts of interest	At the commencement of any Pensions Committee, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chairman will ask all those present who are covered by this Policy to declare any new potential conflicts. These will be recorded in the Fund's Register of conflicts of interest. In addition, the latest version of the Register will be made available by the Governance Officer to the Chairman of every meeting prior to that meeting. At Tower Hamlets Pensions Committee meetings there will also, at the start of the meeting, be an agenda item for Members to declare any interests under the Members' Code in relation to any items on that agenda. Any individual, who considers that they or another individual has a potential or actual conflict of interest, as defined by this Policy, which relates to an item of business at a meeting, must advise the Chairman and the Governance Officer prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chairman, in consultation with the Officers, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter. If such a conflict is identified outside of a meeting the notification must be made to the Governance Officer and where it relates to the business of any meeting, also to the Chairman of that meeting. The Officers, in consultation with the Chairman where relevant, will consider any necessary action to manage the potential or actual conflict. Where information relating to any potential or actual conflict has been provided, the Pensions Manager/Investment & Treasury Manager may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on to how to address any identified conflicts. Any such potential or actual conflicts of interest and the action taken must be recorded on the Fund's Register of conflicts of interest.
Step 3 - Periodic review of potential and actual conflicts	At least once every 12 months, the Officers will provide to all individuals to whom this Policy applies a copy of the Fund's Register of conflicts of interest. All individuals will complete a new Declaration of Interest (see Appendix 2) confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration. Following this exercise, the updated Register will then be circulated by the Officers to all individuals to whom it relates.

4. Operational procedure for advisers

4.1 All of the key advisers are expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with London Borough of Tower Hamlets.

4.2 Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to the Pensions Manager/Investment & Treasury Manager in relation to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to London Borough of Tower Hamlets
- notify the Pensions Manager/Investment & Treasury Manager immediately should a potential or actual conflict of interest arise.

4.3 All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

4.4 London Borough of Tower Hamlets will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

4.5 London Borough of Tower Hamlets will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

4.6 Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pensions Committee meeting)
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

4.7 Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, London Borough of Tower Hamlets shall endeavour to avoid the need for an individual to have to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from the Committee, Board or appointment.

4.8 *Minor Gifts*

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £10 per item and an overall maximum value of £20 from an individual company per event) obtained at events such as conferences, training events, seminars, and trade shows, that are offered equally to all members of the public attending the event do not need to be declared. Pensions Committee members should, however, be aware that they may be subject to lower limits and a separate notification procedure in the London Borough of Tower Hamlets Members' Code of Conduct.

5. Monitoring and Reporting

5.1 The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Governance Officer for the Fund. In addition, it will be published in the annual report and accounts

5.2 In order to identify whether the objectives of this Policy are being met the Administering Authority will:

- Review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity
- Provide its findings to the Administering Authority's Independent Adviser and ask him or her to include comment on the management of conflicts of interest in his or her annual report on the governance of the Fund each year.

6. Key Risks

6.1 The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Pensions Manager/Investment & Treasury Manager will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting.

7. Costs

7.1 All costs related to the operation and implementation of this Policy will be met directly by Tower Hamlets Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

8. Approval, Review and Consultation

8.1 This Conflicts of Interest Policy is to be approved using delegated responsibilities on 30 June 2016. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Bola Tobun,
Tower Hamlets Pension Fund Manager,
London Borough of Tower Hamlets
E-mail - Bola.Tobun@towerhamlets.gov.uk
Telephone – 020 7364 4733

Appendix 1

Examples of Potential Conflicts of Interest

a) An elected member on the Pension Committee is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.

b) A member of the Pension Committee is on the board of a Fund Manager that the Committee is considering appointing.

c) An officer of the Fund or member of the Pension Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process.

d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Local Pension Board is reviewing the standards of service provided by that company.

e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) An officer of the Fund is asked to provide guidance to the Local Pension Board on the background to an item considered at the Pension Committee. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that Pension Committee item.

g) The administering authority is considering buying its own payroll system for paying pensioners, rather than using the payroll system used for all employees of the Council. The Executive Director of Finance and Public Protection, who has responsibility for the Council budget, is expected to approve the report to go to the Pension Committee, which, if agreed, would result in a material reduction in the recharges to the Council from the Fund.

h) Officers of the Fund are asked to provide a report to the Pension Board or Pension Committee on whether the administration services should be outsourced which, if it were to happen, could result in a change of employer or job insecurity for the officers.

i) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

j) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, delegated consulting of fund monies or providing assistance with monitoring the covenant of employers.

k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pension Committee or Local Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pension Board.

Appendix 2

Declaration of Interests relating to the management of Tower Hamlets Pension Fund administered by London Borough of Tower Hamlets

Tick as appropriate

I, [insert full name], am:

- an officer involved in the management ☐
- Pensions Committee Member ☐
- Pension Board Member ☐

of Tower Hamlets Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under Tower Hamlets Pension Fund Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) Relating to me

B) Relating to family members or close colleagues

Undertaking:

I declare that I understand my responsibilities under the Tower Hamlets Pension Fund Conflicts of Interest Policy. I undertake to notify the Pensions Manager/Investment & Treasury Manager of any changes in the information set out above.

Signed ____ Date ____________________

Name (CAPITAL LETTERS) ____

Appendix 3

Tower Hamlets Pension Fund - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by London Borough of Tower Hamlets, the Administering Authority.

Date Identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified(1)	Action taken(2)	Follow up required	Date resolved

(1) E.g. verbal declaration at meeting, written conflicts declaration, etc.
(2) E.g. withdrawing from a decision making process, left meeting

TOWER HAMLETS

The London Borough of Tower Hamlets Pension Fund
Appendix 9
Pension Administration Strategy Statement
April 2017

Introduction

This is the pension administration strategy of London Borough of Tower Hamlets Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the London Borough of Tower Hamlets (the administering authority).

This document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. It has been developed following consultation with employers who participate in the Fund and schools who employ their own payroll providers.

The Fund comprises 17 employers and approximately 19,600 scheme members. The efficient delivery of the benefits of the LGPS is dependent on reliable administrative procedures being in place between the administering authority and scheme employers.

The effective date is 1st April 2017.

Any enquires in relation to the pension administration strategy should be sent to the Pensions Manager, London Borough of Tower Hamlets at:

Pensions.LBTH@towerhamlets.gov.uk

This strategy when approved (and any significant amendments thereafter) will be sent to all scheme employers and the Secretary of State.

Regulatory context

The LGPS is a statutory scheme, established by an Act of Parliament and governed by regulations. The most recent of such regulations, appertaining to administration are the LGPS (Administration) Regulations 2014. Regulation 59(1) of the (Administration) Regulations 2014 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a Pensions Administration Strategy. This regulation outlines the primary matters which should be covered to include:

- administration standards
- performance measures
- communication with scheme employers

In addition, Regulation 70 of the (Administration) Regulations 2014 covers the ability of an administering authority to recover additional costs arising from scheme employers' level of performance. Furthermore, Regulation 71 of the same regulations allows the administering authority to apply interest on late payments by scheme employers.

The administering authority and scheme employers must have regard to the pension administration strategy when carrying out their functions under the LGPS Regulations

Aims

The aim of this pension administration strategy is to set out the quality and performance standards expected of the Fund, its scheme employers and payroll providers. It seeks to promote good working relationships and improve efficiency between the Fund, scheme employers and payroll providers.

The efficient delivery of the benefits of the scheme is reliant upon sound administrative procedures being in place between stakeholders, including the Fund and scheme employers. This administration strategy sets out the expected levels of performance of the Fund and the scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where persistent non-compliance occurs.

Implementation

The administration strategy is effective from 1 April 2017 and is kept under review and revised to keep abreast of changes in scheme and Fund regulations.

London Borough of Tower Hamlets Pension Administration

Responsibility

The London Borough of Tower Hamlets, as administering authority, is responsible for administering the Council's LGPS fund. The administering authority has delegated this responsibility to the Pensions Committee (the Committee). The Committee monitors the activity and performance of the administration function on a quarterly basis. The Committee will monitor and review this administration strategy on a regular basis.

Objective

The Fund's objective in relation to administration is to deliver an efficient and value for money service to its scheme employers and scheme members. Operationally, the administration of the Fund is carried out by staff employed by the administering authority.

Communications

The Fund has published a Communication Policy Statement, which details the way the Fund communicates with Committee, scheme members, prospective scheme members, scheme employers and other stakeholders. The latest version is accessible from the Fund website:

http://towernet/staff_services/hr_workforce_development/pensions/

Telephone: 020 7364 4251

Performance Standards

Administration of the LGPS is maintained at local level by a number of regional pension funds and, as such, certain decisions must be made by either the Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Fund has service level agreements between itself and scheme employers which are set out below.

Overriding legislation

In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Fund and scheme employers will, as a minimum, comply with overriding legislation.

Internal quality standards

The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect, the standards to be met are:

- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions carried out, or information provided, within the timescales set out in this Administration strategy

Punctuality

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. The LGPS itself sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

Fund Responsibilities

This section outlines the key responsibilities of the Fund and the performance standards scheme employers and scheme members should expect. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

Fund administration

This details the functions which relate to the whole Fund, rather than individual scheme members' benefits.

Ref	Function / Task	Performance Target
1	Publish and keep under review the pensions administration strategy.	Within three months of any changes being agreed with scheme employers.
2	Publish and keep up to date all forms required for completion by scheme members, prospective scheme members or scheme employers.	30 days from any revision. New employers to receive within three months of admission.
3	Host meetings for all scheme employers.	Twice per annum (usually June/July and November/December each year).
4	Organise coaching sessions for scheme employers.	Upon request from scheme employers or as required.
5	Provide bespoke meetings for scheme employers.	As required.
6	Notify scheme employers and scheme members of changes to the scheme rules	Within one month of the change(s) coming into effect.
7	Issue scheme member / employer bulletin.	At least once a year.
8	Notify a scheme employer of issues relating to the scheme employer's non-compliance with performance standards.	Within ten days of a performance issue becoming apparent.
9	Notify a scheme employer of decisions to recover additional costs associated with the scheme	Within ten days of scheme employer failure to improve performance, as

	employer's poor performance (including any interest that may be due).	agreed.
10	Issue annual benefit statements to active and deferred members as at 31 March each year.	By 31 August following the year-end.
11	Issue formal valuation results (including individual employer details).	No later than 1 March following the valuation date.
12	Carry out valuation assessments on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
13	New admission agreement, where required (including the allocation of assets and notification to the Secretary of State).	Within three months of agreement to set up provided prospective employer adheres to certain prescribed timescales
14	Publish, and keep under review, the Fund's governance compliance statement.	By 30 September, following the year-end as part of the Fund's annual report and accounts, or within 30 days of the policy being agreed by the Pensions Committee.
15	Publish, and keep under review the Fund's funding strategy statement	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary. Revised statement to be published by 31 March following valuation date or as required.
16	Publish the Fund's annual statement of accounts.	By 30 September following the year-end or following the issue of the auditor's opinion.
17	Publish the Fund's annual report	By 30 September following the year-end
18	Publish, and keep under review, the Fund's communication policy statement.	By 30 September, following the year-end, as part of the Fund's annual report and accounts, or within 30 days of the policy being agreed by the Pensions Committee.
19	Publish, and keep under review, the Fund's termination policy statement.	Within 30 days of any changes being made to the policy
20	Publish, and keep under review, the Fund's charging policy.	Within 30 days of any changes being made to the policy.

Scheme administration

This details the functions which relate to scheme member benefits from the LGPS.

Ref	Function / Task	Performance Target
21	Provide an answer or acknowledgement to scheme members/scheme employers/ personal representatives/ dependents and other authorised persons.	Five days from receipt of enquiry.
22	Set up a new starter and provide statutory notification to the member.	Twenty days from receipt of correctly completed starter form from a scheme employer.
23	Non-LGPS inward transfers processed.	Ten days of receipt of request from scheme member.
24	Non-LGPS transfer out quotations processed.	Ten days of receipt of request.

25	Non-LGPS transfer out payments processed.	Ten days of receipt of completed forms.
26	Internal and concurrent transfers processed.	Ten days of receipt of request.
27	Estimates for divorce purposes.	Ten days of receipt of request.
28	Notify the scheme employer of any scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence.	Ten days of receipt of election from scheme member.
29	Process scheme member requests to pay/amend/ cease additional voluntary contributions.	Five days of receipt of request from scheme member.
30	Provide requested estimates of benefits to employees/employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency.	15 days from date of request. Note: bulk requests of more than 20 estimates per month will be subject to further agreement.
31	Deferred benefits calculated.	Fifteen days from receipt of all necessary information.
32	Deferred benefits processed for payment following receipt of election	Five days from receipt of all necessary information.
33	Refund payments	Five days from receipt of all necessary information.
34	Provision of new retirement letters detailing member options.	Fifteen days from receipt of all necessary information.
35	Payment of retirement benefits following receipt of election	Lump-sum payment within five days of receipt of all necessary documentation. First pension payment on next available payroll run.
36	Notification of death processed	Within ten days of receipt of all necessary documentation.
37	Calculate and pay death grant.	Within ten days of receipt of all necessary documentation.
38	Processing of dependants' pensions for payment.	Within ten days of receipt of all necessary documentation.
39	Calculate and pay transfer out payments to receiving fund and notify scheme member.	Ten days following receipt of election form from scheme member.
40	Provide payslips to scheme members in receipt of a pension.	Twice a year in paper format unless specifically requested, otherwise available online.
41	Process all stage 2 pension internal dispute resolution applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
42	Answer all calls to pensions during office hours.	85%.
43	Answer calls to pensions in office hours at first point of contact.	95%.
44	Formulate and publish policies in relation to areas where the administering authority may exercise a discretion within the scheme and keep under	Any changes to be published within one month.

	review.	

Scheme Employer Responsibilities

This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service. All information must be provided in the format prescribed by the Fund within the prescribed timescales.

Fund administration

This details the functions which relate to the whole Fund, rather than individual events.

45	Confirm a nominated representative to receive information from the Fund and to take responsibility for disseminating it within the organisation.	30 days of employer joining fund or change to nominated representative.
46	Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	To be kept under review and a revised statement published within one month of any changes.
47	Respond to enquiries from the Fund / Administering Authority.	Ten days from receipt of enquiry
48	Remit employer and employee contributions to the Fund and provide schedule of payments in the format stipulated by the Fund.	Schedules by the 19th calendar day of the month after deduction. Cleared funds to be received by 22nd calendar day of the month after deduction or 19th if by cheque.
49	Implement changes to employer contribution rates as instructed by the Fund.	At date specified on the actuarial advice received by the Fund.
50	Provide year-end information required by the Fund in the format stipulated in the instructions issued March each year.	By 30 April following the year-end.
51	To ensure optimum accuracy of year-end information	With no less than 98% accuracy across all members.
52	Distribute any information provided by the Fund to scheme members/potential scheme members	Within 10 days of its receipt.
53	Notify the Fund if contracting out services which will involve a TUPE transfer of staff to another organisation.	At the time of deciding to tender so that information can be provided to assist in the decision.
54	Work with the Fund to arrange for an admission agreement to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place no later than date of contract
55	Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund.	As soon as the decision is made, so that the Fund can instruct the actuary to carry out calculations, if applicable.
56	Refer new/prospective scheme members to the Fund's website.	Ten days of commencement of employment or change in contractual conditions.
57	Make additional fund payments in relation to early	Within 30 days of receipt of invoice

	payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	from the Fund.
58	Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	Within 30 days of receipt of invoice from the Fund.
59	All new prospective admitted bodies to undertake, to the satisfaction of the administering authority and the scheme employer, a risk assessment of the level of the bond required in order to protect other scheme employers.	To be completed before the body can be admitted to the Fund.
60	All admitted bodies to undertake a review of the level of the bond or indemnity required to protect the other scheme employers.	Annually, or such other period as may be agreed with the administering authority.

<u>Scheme administration</u>

This section details the functions which relate to scheme member benefits from the LGPS.

61	Use online forms or web portal for all relevant scheme administration tasks as required by the administering authority.	Within one month of employer being set up to use the online system.
62	Notify the Fund of new starters.	Six weeks of member joining or such shorter periods as required by auto-enrolment obligations under the Pensions Act 2008.
63	Arrange for the correct deduction of employee contributions from a member's pensionable pay.	Immediately on joining the scheme, opting in or out or change in circumstances.
64	Ensure correct employee contribution rate is applied.	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
65	Ensure correct deduction of pension contributions during any period of child related leave, strike absence or other forms of leave or absence from duty.	Immediately, following receipt of election from scheme member to make the necessary pension contributions
66	Commence deduction of additional regular contributions or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Fund.
67	Cease deduction of additional regular contributions.	Immediately following receipt of election from scheme member.
68	Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs in month following the month of election. Pay over contributions to the AVC provider(s) by the 22nd of the month following the month of election or 19th if by cheque.

69	Provide the Fund with details of all changes to members' working hours using the method stipulated by the Fund.	Six weeks of change for protected members only.
70	Notify the Fund of other material changes in employees' circumstances (e.g., marital or civil partnership status) using the method stipulated by the Fund.	Immediately, following notification by the scheme member of a change in circumstances
71	Notify the Fund of leaves of absence with permission (maternity, paternity, career break, etc) using the method stipulated by the Fund.	Within 20 days of notice from employee for protected members only.
72	Notify the Fund when a member leaves employment including an accurate assessment of final pay using the method stipulated by the Fund.	Six weeks of month end of leaving where payroll service not provided by the London Borough of Tower Hamlets.
73	Notify the Fund when a member is due to retire including an accurate assessment of final pay and authorisation of reason for retirement using the method stipulated by the Fund.	At least one month before retirement date.
74	Notify the Fund of the death of a scheme member using the method stipulated by the Fund.	As soon as practicable, but within ten days.
75	Appoint person for stage 1 of the pension dispute process and provide full details to the Fund	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator.
76	Review 3rd tier ill-health retirement cases.	Notify administering authority immediately a member retired with a third tier ill-health benefits returns to paid employment or outcome of the 18 month review, whichever is earlier.

Monitoring Performance and Compliance

Ensuring compliance with the LGPS regulations and this administration strategy is the responsibility of the Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

<u>Audit</u>

The Fund is subject to an annual external audit of the accounts by extension the processes employed in calculating the figures for the accounts. The key findings of their work are presented to the Pension Committee in an annual report, and the Committee / Administering Authority is provided with an action plan of recommendations to implement. In addition the Fund is subject to internal audits by the LB Tower Hamlets internal auditors of its processes and internal controls. Any subsequent recommendations made are considered by the Fund and, where appropriate, duly implemented.

Both the Administering Authority and Scheme Employers will be expected to comply with requests for information from internal and external audit in a timely manner.

<u>Performance monitoring</u>

The Fund monitors its performance utilising its own internal key performance indicators. Monitoring occurs on a monthly basis and the key performance indicators are reported to Committee via a quarterly report on administration of the Fund allowing them to monitor the performance of the Fund's in-house staff. A high level overview of performance is provided to Committee on an annual basis. The performance of Scheme Employers against the standards set out in this document will be incorporated into the reporting to the Committee, as appropriate, to include data quality.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments to Pensions.LBTH@towerhamlets.gov.uk This feedback will be incorporated into the quarterly reports to the Committee.

Annual report on the strategy

The scheme regulations require the Fund to undertake a formal review of performance against the administration strategy on an annual basis. This report will be produced annually and incorporated within the annual report and accounts.

Policy on Charging Employers for Poor Performance

The scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where a fund wishes to recover any such additional costs, they must give written notice stating:

- the reasons in their opinion that the scheme employer's poor performance contributed to the additional cost
- the amount of the additional cost incurred
- the basis on how the additional cost was calculated
- the provisions of the administration strategy relevant to the decision to give notice.

Circumstances where costs might be recovered

It is the policy of the Fund to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any scheme employer (including the administering authority). The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this administration strategy (either as a result of punctuality of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this administration strategy
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales
- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.

Approach to be taken by the Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of poor performance, provide the necessary support or training and put in place appropriate processes to improve the level of service delivery in the future. Therefore, scheme employers will be afforded the time to address the causes of non-compliance with performance standards in order that they do not become persistent, before any fines are levied. Employers should be aware that in the case of late payment of contributions and non-submission of monthly contribution forms, penalties will be incurred for persistent instances of non-compliance with performance standards.

The process for engagement with scheme employers will be as follows:

1) Write to the scheme employer, setting out area(s) of non-compliance with performance standards and offer support and, where applicable, further training.

2) If no improvement is seen within one month of the support or training or no response is received to the initial letter, the scheme employer will be asked to attend a conference call/meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.

3) If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of non-compliance with performance standards that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

4) An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.

A report will be presented to the quarterly Committee meeting detailing charges levied against scheme employers and outstanding payments.

<u>Charging scales for administration</u>

The table below sets out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each item is referenced to the 'Scheme Employer Responsibilities' section.

Item	Charge	Ref
Late payment of employee and employer contributions	£50 plus interest*	48
Non-provision of the correct schedule accompanying the contributions	£50 per occasion.	48
Underpayment of employee or employer contributions.	£50 plus interest*	49, 63, 64.
Late or non-provision of year-end information or the poor quality of year-end information.	£250 plus £100 for every month the information is late.	50
Failure to use the notified process to provide member amendment and earnings information to the administration authority.	Recharge of the additional costs incurred by the administering authority.	60
Late or non-provision of starter forms.	£100 per month for forms not received or late.	62
Late or non-provision leaver forms.	£100 per month for forms not received or late.	72, 73, 74.

*Interest will be charged in accordance with Regulation 44 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent.

Service and Communication Improvement Planning

As set out earlier in this administration strategy, the Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service. Communication between the Fund and scheme employers is key to providing the service and is, therefore, an important aspect of service improvement planning.

The Fund's staff work together on a programme of continuous improvement to the service and meet quarterly to review progress against the action plan agreed.

The monitoring of the performance standards set out in this document will inform the programme going forward, and feedback from scheme employers on the service and the way in which the Fund communicates is welcomed in developing plans. Feedback should be emailed to Pensions.LBTH@towerhamlets.gov.uk

The Fund will take responsibility for improving the service and determining the balance between implementing service improvements and the goal of providing a value for money service for the Fund.

Employers will be informed of any changes to the service provision which affect the way they interact with the Fund through the monthly briefing note.

Consultation and Review Process

In preparing this administration strategy, the Fund will place it upon its website and open up consultation with scheme employers with a closing date of 28 February 2017. The strategy will be reviewed every year and more frequently if there are changes to the scheme regulations or Fund policies. All scheme employers will be consulted before any changes are made to this document.

The latest version of this document can be accessed from the Fund website at:
http://towernet/staff_services/hr_workforce_development/pensions/

LONDON BOROUGH OF TOWER HAMLETS

Administering Authority for Tower Hamlets Pension Fund

Appendix 10

RISK POLICY

RISK POLICY

Introduction

This is the Risk Policy of the Tower Hamlets Pension Fund, which is managed and administered by London Borough of Tower Hamlets. The Policy details the risk management strategy for the Tower Hamlets Pension Fund, including

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk
- how risk management is implemented
- risk management responsibilities
- the procedures that are adopted in the risk management process.

London Borough of Tower Hamlets ("we") recognise that effective risk management is an essential element of good governance in the LGPS. By identifying and managing risks through an effective policy and risk management strategy, we can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats.

We adopt best practice risk management, which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Tower Hamlets Pension Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Policy applies to all members of the Pension Fund Committee and the local Pension Board, including scheme member and employer representatives. It also applies to all managers in the London Borough of Tower Hamlets Pension Fund Management Team, the Chief Finance Officer (Section 151 Officer) and the Chief Officer, People and Resources (from here on in collectively referred to as the senior officers of the Fund).

Less senior officers involved in the daily management of the Pension Fund are also integral to managing risk for the Tower Hamlets Pension Fund and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Pension Fund Manager and his/her team.

Advisers to the Tower Hamlets Pension Fund are also expected to be aware of this Policy, and assist senior officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

We recognise the significance of our role as Administering Authority to the Tower Hamlets Pension Fund on behalf of its stakeholders which include:

- around 20,000 current and former members of the Fund, and their dependants;
- around 20 employers; and
- the local taxpayers.

Our Fund's Mission Statement is:
- We will be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all our customers.
- We will have instilled a corporate culture of risk awareness, financial governance, and will be providing the highest quality, distinctive services within our resources.
- We will work effectively with partners, being solution focused with a can do approach.

One of our key governance objectives is to understand and monitor risk. In doing so, we will aim to:
- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Pension Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Tower Hamlets Pension Fund we will aim to comply with:
- the CIPFA Managing Risk publication and
- the managing risk elements of the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes.

Our Philosophy about Risk Management

We recognise that it is not possible or even desirable, to eliminate all risks. Accepting and actively managing risk is therefore a key part of our risk management strategy for Tower Hamlets Pension Fund. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives in the light of our risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, we will:
- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable us to anticipate and respond positively to change;
- minimise loss and damage to the Tower Hamlets Pension Fund and us, and to other stakeholders who are dependent on the benefits and services provided;
- make sure that when we embark upon new areas of activity (new investment strategies, joint-working, framework agreements etc), the risks they present are fully understood and taken into account in making decisions.

We also recognise that risk management is not an end in itself; nor will it remove risk from the Fund or us as the Administering Authority. However it is a sound management technique that is an essential part of how we manage the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

CIPFA and the Pensions Regulator Requirements

CIPFA Managing Risk Publication

CIPFA has published technical guidance on managing risk in the LGPS. The publication explores how risk manifests itself across the broad spectrum of activity that constitutes LGPS financial management and administration, and how, by using established risk management techniques, those risks can be identified, analysed and managed effectively.

The publication also considers how to approach risk in the LGPS in the context of the role of the administering authority as part of a wider local authority and how the approach to risk might be communicated to other stakeholders.

The Pension Regulator's Code of Practice

The Public Service Pensions Act 2013 added the following provision to the Pensions Act 2004 related to the requirement to have internal controls in public service pension schemes.

> ***"249B Requirement for internal controls: public service pension schemes***
> *(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed—*
> *(a) in accordance with the scheme rules, and*
> *(b) in accordance with the requirements of the law.*
> *(2) Nothing in this section affects any other obligations of the scheme manager to establish or operate internal controls, whether imposed by or by virtue of any enactment, the scheme rules or otherwise.*
> *(3) In this section, "enactment" and "internal controls" have the same meanings as in section 249A."*

Section 90A of the Pensions Act 2004 requires the Pensions Regulator to issue a code of practice relating to internal controls. The Pensions Regulator has issued such a code in which he encourage scheme managers to employ a risk based approach to assess the adequacy of their internal controls and to ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

The Pensions Regulator's code of practice guidance on internal controls require scheme managers to carry out a risk assessment and produce a risk register which should be reviewed regularly. The risk assessment should begin by:

- setting the objectives of the scheme;
- determining the various functions and activities carried out in the running of the scheme; and
- identifying the main risks associated with those objectives, functions and activities.

Schemes should then consider the likelihood of risks arising and the effect if they do arise as well as what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them

The code states risk assessment is a continual process and should take account of a changing environment and new and emerging risks. It further states that an effective risk assessment process will provide a mechanism to detect weaknesses at an early stage and that scheme should periodically review the adequacy of internal controls in:

- mitigating risks
- supporting longer-term strategic aims, for example relating to investments
- identifying success (or otherwise) in achieving agreed objectives, and
- providing a framework against which compliance with the scheme regulations and legislation can be monitored.

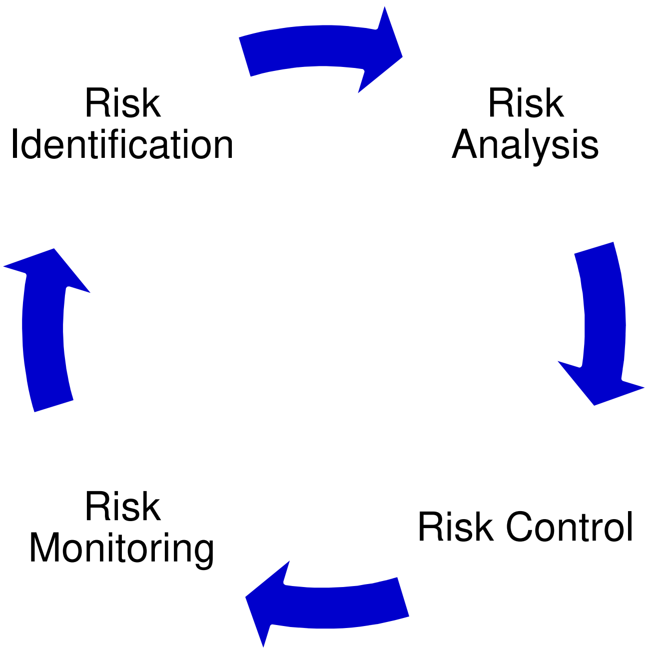
Under section 13 of the Pensions Act 2004, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to internal controls are not being adhered to.

Application to the Tower Hamlets Pension Fund
We adopt the principles contained in CIPFA's Managing Risk in the LGPS document and the Pension Regulator's code of practice in relation to Tower Hamlets Pension Fund, and this Risk Policy highlights how we will strive to achieve those principles through use of risk management processes incorporating regular monitoring and reporting.

Responsibility
As the Administering Authority for the Tower Hamlets Pension Fund, we must be satisfied that risks are appropriately managed. For this purpose, the Pension Fund Manager is the designated individual for ensuring the process outlined below is carried out subject to the oversight of the Pensions Committee.

However, it is the responsibility of each individual covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The Tower Hamlets Pension Fund Risk Management Process
Our risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figure below and detailed in the following sections.



Risk identification
Our risk identification process is both proactive and reactive one, looking forward i.e. horizon scanning for potential risks and looking back, by learning lessons from reviewing how existing controls have manifested in risks to the organisation.

Risks are identified by a number of means including, but not limited to:

- formal risk assessment exercises managed by the Tower Hamlets Pension Fund Officers and Advisers Panel;
- performance measurement against agreed objectives;
- monitoring against the Fund's business plan;
- findings of internal and external audit and other adviser reports;
- feedback from the local Pension Board, employers and other stakeholders;
- informal meetings of senior officers or other staff involved in the management of the Pension Fund; and
- liaison with other organisations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

Risk analysis
Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed against the following where the score for likelihood will be multiplied by the score for impact to determine the current risk rating.

Potential impact if risk occurred						
	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost certain

Likelihood of risk occurring

When considering the risk rating, we will have regard to the existing controls in place and these will be summarised on the risk register.

Risk control
The Pension Fund Manager will then determine whether any further action is required to control the risk which in turn may reduce the likelihood of a risk event occurring or reducing the severity of the consequences should it occur. Before any such action can proceed, it may

require Pensions Committee approval where appropriate officer delegations are not in place. The result of any change to the internal controls could result in any of the following:

- Risk elimination – for example, ceasing an activity or course of action that would give rise to the risk.
- Risk reduction – for example, choosing a course of action that has a lower probability of risk or putting in place procedures to manage risk when it arises.
- Risk transfer – for example, transferring the risk to another party either by insurance or through a contractual arrangement.

The Fund's risk register details all further action in relation to a risk and the owner for that action. Where necessary we will update the Fund's business plan in relation to any agreed action as a result of an identified risk.

Risk monitoring
Risk monitoring is the final part of the risk management cycle and will be the responsibility of the Tower Hamlets Pension Fund Advisory Panel. In monitoring risk management activity, we will consider whether:

- the risk controls taken achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- greater knowledge of the risk and potential outcomes would have improved the decision-making process in relation to that risk
- there are any lessons to learn for the future assessment and management of risks.

Reporting
Progress in managing risks will be monitored and recorded on the risk register and key information will be provided on a quarterly basis to the Tower Hamlets Pensions Committee and the Pensions Board as part of the regular update reports on governance, investments and funding, and administration and communications. This reporting information will include:

- a summary of the Fund's key risks (ranked 15 or above in the above matrix);
- a summary of any new risks or risks that have changed (by a score of 3 or more) or risks that have been removed since the previous report;
- the Fund's risk dashboard showing the score of all existing risks and any changes in a pictorial fashion; and
- a summary of any changes to the previously agreed actions.

Monitoring of this Policy
In order to identify whether we are meeting the objectives of this policy the Independent Governance Adviser will be commissioned to provide an annual report on the governance of the Fund each year, a key part of which will focus on the delivery of the requirements of this Policy

Key risks to the effective delivery of this Policy

The key risks to the delivery of this Policy are outlined below. The Pensions Committee members, with the assistance of the Tower Hamlets Pension Fund Officers and Advisers Panel, will monitor these and other key risks and consider how to respond to them.

- Risk management becomes mechanistic, is not embodied into the day to day management of the Fund and consequently the objectives of the Policy are not delivered
- Changes in Pensions Committee and/or Pensions Board membership and/or senior officers mean key risks are not identified due to lack of knowledge
- Insufficient resources being available to satisfactorily assess or take appropriate action in relation to identified risks
- Risks are incorrectly assessed due to a lack of knowledge or understanding, leading to inappropriate levels of risk being taken without proper controls
- Lack of engagement or awareness of external factors means key risks are not identified.
- Conflicts of interest or other factors leading to a failure to identify or assess risks appropriately

Costs

All training costs related to this Risk Policy are met directly by Tower Hamlets Pension Fund

Approval, Review and Consultation

This Risk Policy tabled at the September 2017 Pensions Committee meeting for approval. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Further Information

If you require further information about anything in or related to this Risk Policy, please contact:
Bola Tobun – Investment & Treasury Manager,
London Borough of Tower Hamlets
E-mail - Bola.Tobun@towerhamlets.gov.uk
Telephone – 020 7364 4733

LONDON BOROUGH OF TOWER HAMLETS

Administering Authority for Tower Hamlets Pension Fund

PENSIONS BOARD ANNUAL REPORT FOR 2016/17

ANNUAL REPORT OF THE PENSIONS BOARD 2016-17

Purpose of the Report
To provide an update on the work undertaken by the Local Pensions Board during 2016-2017 and to meet the legislative requirement to produce an annual report.

Constitution, Representation Meetings and Attendance
The Board was constituted under the Public Service Pensions Act 2013 and held its first meeting on the 28 July 2015 before the recommended Scheme Advisory Board (SAB) deadline of 31 July 2015.
The board consists of three representatives of the scheme employers, three representing of the scheme members and an Independent Chair.

Membership

Tower Hamlets Pension Board Membership 2016 /17

Member Representatives	Designation	Employer Representatives	Designation
David Thompson	Pensioners Representative	Cllr. David Chesterton	Elected Member
John Gray	Admitted Bodies Representative	Minesh Jani	Administering Authority
Stephen Stratton	Active Members Representative	Andrew Crompton	Admitted Bodies

Andrew Crompton left Tower Hamlets Homes – 31st January 2017, the post of admitted body employer representative is currently vacant awaiting recruitment and selection process.

The Corporate Director, Resources wishes to thank the Board members for their work over the last year.

The Board met on four occasions during the year ending 31 March 2017.
1) 27 June 2016
2) 19 September 2016
3) 05 December 2016
4) 13 March 2017

Functions and Operation of the Board
The two primary functions of a Local Pension Board are to assist the Administering Authority to:
- Ensure effective and efficient governance and administration of the LGPS
- Ensure compliance with relevant laws and regulation

It therefore has a monitor/assist /review purpose, rather than being a decision making body. It could be seen as being a critical friend. As such, the general approach of the Board is to seek assurances with evidence from the Fund that it is meeting its objectives set out above.
The Board is not a Committee of the Council, but is established under the Public Service Pensions Act 2013. The Board operates under Terms of Reference which were approved at inception.

The Board recognises the need to prioritise and differentiates in its agenda between items for detailed discussion, and those for awareness or noting, and prioritises its time budget accordingly.

Costs
There is a financial budget for the Board of £12.5k. The costs of running the Board are borne by the Pension Fund as part of its overall budget. The costs have in fact minimal as forming and running the board have been incorporated within existing workloads.

Detailed Work of the Board by the Independent Chair:

This is my first annual report as Chair of the Tower Hamlets Pension Board since my appointment in January 2016. The Board was set up with effect from April 2015 under new arrangements for the governance of Local Authority Pension Funds.
The purpose of the Board is to assist Tower Hamlets Council (as the scheme manager) in the management of the Local Authority Pension Scheme (LGPS), and to provide oversight and challenge. The terms of reference for the Board were set out and agreed by Tower hamlets Council prior to the establishment of the Board. These terms of reference are available on the Fund website.

The Board is comprised of 3 employee and 3 employer representatives together with an Independent Chair. This is line with the regulations requiring equal employee and employer representation. Details of the members of the Board are shown in Appendix A to this report. The Board is not a decision making body and can only provide advice and comment on the management of the LGPS by Tower Hamlets Council. For this arrangement to be successful it is important that the Board carries out its responsibilities in a positive and constructive way.
At the end of March 2017, the Tower Hamlets Pension Fund had total assets of £1.367 billion and a membership of over 20,000, comprising pensioners, deferred pensioners and current contributors.
The Board met on 4 occasions during 2016/17 in June, September, December 2016 and March 2017. There have been full agendas for the meetings and the issues discussed during the year included:

a) The development of an annual work plan for the Board.
b) Briefings and discussion on the performance of the pension administration service
c) Briefing and discussion on the Investment performance on the Fund
d) Consideration of the Triennial Actuarial review of the Fund
e) Review and discussion of the decisions of the Pensions Investment Committee
f) Consideration of the Governments proposals for the consolidation of the LGPS and the setting up of asset pools, and the new Investment Regulations
g) Audit and risk management issues affecting the Fund
h) Consideration and discussion on the updated Investment Strategy and Funding Strategy Statements of the Fund.

I am pleased to report that attendance over the 3 meetings was very good at 86% showing a high degree of commitment by members to the work of the Board. The Board will continue to focus on the key issues affecting the Fund and its beneficiaries through the forward work plan to ensure that it best placed to support the Council in the delivery of the LGPS in Tower Hamlets.

In my role as Chair I have presented and reported on behalf of the Board to the Pensions Committee on Governance matters, and on issues arising from our consideration of policy and administration reports. This is a positive and welcome arrangement to ensure that the Board's views are considered by the Pensions Committee.

Pension Fund Investment and administration is becoming ever more complex so a structured programme of training and development is essential for individual members and the Board collectively to discharge its responsibilities. With this in mind, members of the Board have attended various training sessions over the past year. This has included:

a) A presentation and discussion on the long term performance of the Tower Hamlets Pension Fund.
b) A presentation from the London CIV on progress in implementing the new pooling arrangements.
c) The case for divesting from investments in fossil fuels.
d) The role of the Local Authority Pension Fund Forum (LAPFF) in promoting high standards of corporate governance and corporate responsibility.

Regular training sessions will continue to be arranged and also incorporated as part of Board meetings.

The LGPS nationally is currently going through major change and upheaval with the setting up of asset pools. Central Government have taken the view that a small number of asset pools are best placed to reduce costs and provide the scale to access illiquid asset classes to help diversification and improve investment returns. The London collective investment vehicle (CIV) has been established for this purpose. In future the assets of the Tower Hamlets Fund will be invested through this pool rather than directly as is the case at present. There will be a period of transition as assets are moved into the CIV. The Pension Board have been updated on developments at each meeting, and will continue to take a close interest in this process and work alongside the Council in delivering the best outcome for the Fund and its beneficiaries.

John Jones
Independent Chair
August 2017

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2017/18 Local Authority Fund Statistics

UNIVERSE OVERVIEW

	1 Year	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)	20 Yrs (% p.a.)	30 Yrs (% p.a.)
Total Fund Average	**4.5**	**8.3**	***8.8***	***7.7***	**6.5**	***8.9***
Range of Results						
Top Quartile	4.7	8.3	9.3	*8.1*	6.5	*9.0*
Median	4.0	7.7	8.5	*7.5*	6.1	*8.7*
Bottom Quartile	3.0	7.0	7.8	*7.1*	5.8	*8.4*
Total Equity	**4.3**	**9.7**	**10.2**	***8.8***	**6.6**	**9.4**
Global	4.8	10.4	11.6	*9.1*		
UK	1.4	5.8	7.0	*7.2*	5.3	8.9
Overseas	5.5	11.4	11.7	*9.7*		
North America	2.6	12.5	14.7	*12.6*		
Europe	5.2	10.2	10.9	*7.5*		
Japan	8.4	12.2	12.6	*9.2*		
Pacific	2.6	8.9	6.9	*9.1*		
Emerging	8.8	10.1	7.5	*7.2*		
Total Bonds	**1.4**	**4.6**	**5.0**	***6.8***	**6.4**	**7.8**
Global	2.6					
UK Bonds	1.3	4.1	4.8	*6.6*		
UK Govt	2.0					
UK Corp	2.0					
UK IL	0.2	6.5	6.8	*8.0*		
Non UK Bonds	0.1	6.2	4.1	*6.3*		
Absolute Return Bonds	2.7					
Cash	**-0.2**	**0.3**	**0.7**	***1.4***	**3.2**	**5.0**
Alternatives	**5.8**	**10.1**	**9.3**	***6.1***	**9.0**	**-**
Private Equity	8.9	14.1	12.6	*8.9*		
Hedge Funds	2.2	5.4	4.0	*4.8*		
Infrastructure	6.2	10.9	8.9			
Diversified Growth	**1.6**	**1.9**	**3.7**			
Property	**9.8**	**9.0**	**10.8**	***5.1***	**7.8**	**7.9**

The LAPPA LGPS Universe comprised of 61 funds at the end of March 2018.
The Universe was valued at £177 billion.

There were three new funds in this year's analysis: Kensington & Chelsea, Cornwall and Witshire.
Richmond and Wandsworth funds merged and are shown now as one combined entity.
The South Yorkshire Passenger Transport Scheme was absorbed into the GMC fund during the year.

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (% p.a.)	*Rank*	5 Yrs (% p.a.)	*Rank*	10 Yrs (% p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe average	4.5		8.3		8.8		7.7		6.5		8.9	
Range of Results												
5th	6.5		10.0		10.2		8.9		7.1		9.5	
Top Quartile	4.7		8.3		9.3		8.1		6.5		9.0	
Median	4.0		7.7		8.5		7.5		6.1		8.7	
Bottom Quartile	3.0		7.0		7.8		7.1		5.8		8.4	
95th	1.7		5.7		7.0		6.3		5.4		8.2	
Avon Pension Fund	4.7	*25*	7.0	*77*	8.0	*68*	7.6	*44*	6.1	*59*	8.4	79
Barking and Dagenham	5.3	*13*	7.9	*43*	8.3	*55*	6.3	*91*	5.4	*96*	8.5	68
Barnet Pension Fund	3.4	*62*	5.7	*95*	6.3	*97*	6.3	*95*	5.5	*92*	8.2	96
Bexley Pension Fund	4.4	*31*	8.4	*22*	9.5	*22*	8.7	*9*	6.9	*12*	9.6	4
Brent Pension Fund	1.5	*97*	6.8	*80*	7.5	*83*	5.1	*98*	4.8	*98*	7.4	100
Bromley Pension Fund	6.7	*3*	10.6	*1*	11.5	*2*	10.5	*1*	7.8	*2*	9.7	2
Cambridgeshire Pension Fund	2.2	*85*	7.5	*60*	8.4	*53*	7.1	*73*	5.8	*82*	8.5	64
Camden Pension Fund	4.1	*47*	7.6	*55*	7.0	*95*	7.1	*76*	6.0	*61*	8.5	66
Cardiff & Glamorgan Pension Fund	3.2	*67*	7.2	*72*	8.6	*48*	7.9	*31*	6.1	*55*	8.5	72
City of London Corporation Pension Fund	2.0	*90*	6.5	*87*	7.4	*87*	8.1	*24*				
Cornwall Pension Fund	3.8	*57*	4.7	*97*	5.2	*98*						
Devon Pension Fund	4.4	*32*	7.0	*75*	7.1	*92*	6.6	*86*	6.1	*51*	8.4	83
Dyfed Pension Fund	4.6	*27*	9.1	*12*	9.7	*15*	8.6	*13*	7.1	*6*	9.2	15
Ealing Pension Fund	5.1	*15*	7.3	*65*	8.3	*60*	7.7	*40*	6.8	*14*	8.9	30
East Riding Pension Fund	3.9	*52*	8.1	*33*	8.4	*52*	7.6	*42*	6.3	*33*	8.8	38
East Sussex Pension Fund	2.2	*87*	7.7	*48*	8.8	*40*	7.5	*55*	6.6	*22*	8.9	34
Enfield Pension Fund	2.0	*88*	7.2	*70*	8.0	*67*	6.8	*82*	6.3	*39*	9.0	24
Flintshire (Clywd)	4.3	*35*	8.2	*30*	8.0	*63*	6.2	*96*	6.0	*63*	8.2	94
Gloucestershire Pension Fund	4.8	*20*	7.7	*52*	9.1	*32*	7.9	*29*	6.1	*59*	8.8	41
Greater Manchester No 2	-1.0	*100*	0.2	*100*	-0.1	*100*	2.5	*100*	4.4	*100*		
Greater Manchester Pension Fund	4.2	*38*	8.6	*17*	8.9	*37*	8.1	*26*	7.1	*4*	9.5	6
Greenwich Pension Fund	3.2	*68*	6.4	*88*	7.5	*83*	6.3	*93*	5.4	*94*		
Gwynedd Pension Fund	3.0	*72*	8.4	*23*	9.1	*33*	7.5	*49*	6.1	*49*	8.5	72
Hammersmith and Fulham	1.7	*95*	6.4	*92*	8.0	*65*	9.0	*4*	6.3	*35*	8.7	47
Haringey Pension Fund	4.4	*30*	9.8	*8*	10.0	*9*	8.1	*25*	5.9	*69*	8.6	62
Harrow Pension Fund	5.3	*10*	8.2	*32*	9.5	*20*	7.8	*36*	6.4	*28*	9.3	11
Havering Pension Fund	4.9	*18*	6.8	*82*	8.1	*62*	7.0	*78*	5.7	*88*	8.6	55
Hillingdon Pension Fund	3.0	*75*	7.5	*62*	7.8	*75*	6.4	*89*				
Hounslow Pension Fund	2.3	*83*	6.4	*90*	7.0	*95*	7.7	*38*	6.3	*31*	8.9	26

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (% p.a.)	*Rank*	5 Yrs (% p.a.)	*Rank*	10 Yrs (% p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe average	4.5		8.3		8.8		7.7		6.5		8.9	
Range of Results												
5th	6.5		10.0		10.2		8.9		7.1		9.5	
Top Quartile	4.7		8.3		9.3		8.1		6.5		9.0	
Median	4.0		7.7		8.5		7.5		6.1		8.7	
Bottom Quartile	3.0		7.0		7.8		7.1		5.8		8.4	
95th	1.7		5.7		7.0		6.3		5.4		8.2	
Islington Pension Fund	4.2	*40*	6.5	*83*	7.6	*78*	6.5	*87*	5.6	*90*	8.4	81
Kensington and Chelsea	4.0	*48*	10.0	*5*	11.6	*1*						
Kent Pension Fund	4.7	*23*	8.7	*15*	9.2	*30*	8.1	*20*	6.2	*43*	8.7	45
Kingston upon Thames	3.1	*70*	7.5	*57*	9.3	*25*	8.3	*15*	6.2	*45*	8.7	49
Lambeth Pension Fund	2.9	*78*	6.5	*85*	7.3	*90*						
Lancashire Pension Fund	5.1	*17*	9.7	*9*	9.7	*17*	7.9	*27*	6.3	*30*	8.9	32
Lewisham Pension Fund	2.9	*77*	8.5	*18*	9.2	*28*	7.2	*71*	5.9	*73*	8.6	62
Lincolnshire Pension Fund	3.3	*65*	7.4	*63*	8.0	*70*	6.7	*84*	5.7	*88*	8.4	87
Merseyside Pension Fund	3.7	*58*	8.5	*20*	8.8	*40*	7.8	*35*	6.8	*16*	9.0	19
Merton Pension Fund	1.7	*93*	7.0	*73*	7.5	*85*	7.8	*33*	6.3	*37*	8.9	28
Newham Pension Fund	1.9	*92*	8.1	*35*	9.7	*13*	7.4	*60*	5.8	*80*	8.3	89
Northamptonshire Pension Fund	2.6	*82*	7.7	*50*	8.6	*45*	7.5	*56*	6.2	*47*	8.8	43
Orkney Islands Pension Fund	8.7	*2*	10.4	*2*	10.8	*3*	10.5	*2*	8.1	*1*	9.7	1
Oxfordshire Pension Fund	4.1	*42*	8.2	*28*	8.8	*42*	7.4	*64*	5.8	*80*	8.4	75
Powys Pension Fund	4.1	*43*	8.0	*40*	8.6	*47*	7.6	*46*	5.7	*88*	8.1	98
Redbridge Pension Fund	4.2	*37*	6.8	*80*	7.6	*80*	7.3	*67*	5.8	*77*	8.4	77
Rhondda Cynon Taf Pension Fund	6.5	*5*	9.6	*10*	10.2	*5*	8.7	*11*	6.6	*24*	9.0	24
South Yorkshire Pension Authority	4.8	*22*	8.9	*13*	9.3	*27*	8.3	*16*	6.9	*10*	8.8	36
Southwark Pension Fund	3.9	*53*	7.9	*42*	9.5	*18*	7.6	*47*	6.5	*26*		
Strathclyde No 3 Fund	1.0	*98*	6.1	*93*	7.6	*78*	8.7	*7*				
Strathclyde Pension Fund	6.0	*8*	10.1	*3*	10.1	*7*	8.1	*18*	7.0	*8*	9.2	13
Suffolk Pension Fund	4.0	*50*	7.6	*55*	8.7	*43*	7.0	*80*	5.8	*75*		
Surrey Pension Fund	4.1	*45*	7.2	*67*	8.5	*50*	7.5	*51*	6.2	*43*	8.7	53
Sutton Pension Fund	3.0	*73*	8.0	*40*	8.3	*58*						
Swansea Pension Fund	2.8	*80*	7.2	*68*	7.9	*73*	7.5	*55*	5.9	*67*	8.7	53
Torfaen (Gwent)Pension Fund	3.5	*60*	7.5	*60*	8.3	*58*	7.4	*62*				
Tower Hamlets Pension Fund	6.0	*7*	8.1	*37*	8.9	*35*	7.1	*75*	6.1	*55*	8.3	92
Waltham Forest Pension Fund	3.8	*55*	4.5	*98*	7.4	*88*	7.2	*69*	6.0	*65*	8.6	58
Wandsworth & Richmond Fund	4.3	*33*	8.3	*27*	9.4	*23*	8.9	*6*	6.7	*18*	9.3	9
West Yorkshire Pension Fund	3.3	*63*	7.8	*47*	7.9	*72*	7.3	*66*	6.6	*22*	9.1	17

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (% p.a.)	*Rank*	5 Yrs (% p.a.)	*Rank*	10 Yrs (% p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe average	4.5		8.3		8.8		7.7		6.5		8.9	
Range of Results												
5th	6.5		10.0		10.2		8.9		7.1		9.5	
Top Quartile	4.7		8.3		9.3		8.1		6.5		9.0	
Median	4.0		7.7		8.5		7.5		6.1		8.7	
Bottom Quartile	3.0		7.0		7.8		7.1		5.8		8.4	
95th	1.7		5.7		7.0		6.3		5.4		8.2	
Westminster Pension Fund	5.3	*13*	7.8	*45*	9.8	*12*						
Wiltshire Pension Fund	9.0	*1*	8.3	*25*	9.9	*10*	7.4	*58*	5.9	*73*	8.4	87

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	4.3		9.7		10.2		8.8		6.6		9.4	
Range of Results												
5th	*8.5*		*12.5*		*12.4*		*10.7*		*7.2*		*10.3*	
Top Quartile	*4.9*		*10.3*		*11.0*		*9.1*		*6.7*		*9.6*	
Median	*3.5*		*8.9*		*10.1*		*8.7*		*6.4*		*9.4*	
Bottom Quartile	*2.5*		*8.4*		*9.3*		*8.2*		*6.1*		*9.0*	
95th	*1.6*		*7.3*		*7.6*		*6.7*		*5.4*		*8.4*	
Avon Pension Fund	3.5	*50*	8.9	*56*	9.8	*56*	8.7	*53*	6.1	*72*	9.0	71
Barking and Dagenham	7.5	*7*	12.5	*6*	12.4	*6*	8.9	*47*	6.4	*49*	9.7	23
Barnet Pension Fund	4.9	*26*	8.4	*78*	10.5	*37*	9.7	*12*	6.8	*21*	9.6	25
Bexley Pension Fund	1.7	*91*	8.7	*67*	10.5	*33*	9.4	*20*	7.1	*13*	10.5	2
Brent Pension Fund	2.5	*73*	8.9	*58*	9.3	*75*	7.2	*90*	5.1	*98*	8.0	100
Bromley Pension Fund	8.5	*5*	13.1	*4*	14.1	*1*	12.0	*2*	8.3	*2*	10.3	5
Cambridgeshire Pension Fund	3.2	*57*	8.5	*74*	9.5	*65*	8.1	*79*	5.8	*83*	9.0	75
Camden Pension Fund	4.5	*33*	9.4	*41*	8.6	*89*	8.3	*71*	6.5	*47*	9.4	52
Cardiff & Glamorgan Pension Fund	2.5	*76*	8.4	*80*	9.7	*62*	8.9	*45*	6.4	*60*	9.1	66
City of London Corporation Pension Fund	2.0	*86*	7.8	*91*	9.2	*77*	9.5	*16*				
Cornwall Pension Fund	3.6	*48*	9.4	*43*	10.2	*44*						
Devon Pension Fund	4.1	*40*	8.3	*85*	8.7	*87*	7.7	*88*	6.0	*77*	8.8	80
Dyfed Pension Fund	4.5	*31*	10.6	*17*	10.9	*27*	8.9	*41*	6.7	*26*	9.4	46
Ealing Pension Fund	5.4	*19*	8.7	*70*	9.5	*71*	8.1	*82*	7.0	*15*	9.5	30
East Riding Pension Fund	4.4	*35*	9.1	*46*	9.8	*60*	9.1	*28*	6.7	*32*	9.5	36
East Sussex Pension Fund	0.7	*98*	9.6	*32*	10.4	*39*	8.8	*49*	6.7	*30*	9.3	57
Enfield Pension Fund	2.7	*71*	10.4	*19*	11.2	*19*	9.0	*33*	6.8	*24*	9.9	11
Flintshire (Clywd)	10.7	*4*	11.6	*9*	10.6	*31*	8.3	*65*	6.4	*58*	8.7	89
Gloucestershire Pension Fund	5.7	*17*	8.9	*52*	10.5	*37*	8.5	*63*	6.3	*62*	9.3	57
Greater Manchester Pension Fund	4.0	*41*	9.7	*30*	10.1	*48*	9.0	*35*	6.9	*17*	10.1	7
Greenwich Pension Fund	1.7	*93*	8.0	*89*	8.7	*85*	7.0	*92*	5.5	*92*		
Gwynedd Pension Fund	2.3	*81*	9.0	*48*	9.9	*54*	8.5	*63*	6.1	*75*	8.9	77
Hammersmith and Fulham	0.8	*97*	8.8	*61*	11.1	*21*	11.6	*4*	7.6	*4*	10.0	9
Harrow Pension Fund	3.5	*55*	9.6	*33*	10.8	*29*	8.7	*55*	6.2	*68*	9.7	18
Havering Pension Fund	7.4	*10*	9.4	*45*	5.8	*100*	5.4	*100*	5.0	*100*	8.5	93
Hillingdon Pension Fund	0.3	*100*	6.4	*98*	7.6	*94*	6.8	*94*				
Hounslow Pension Fund	2.0	*85*	7.0	*96*	7.6	*96*	8.2	*73*	6.4	*51*	9.4	48
Islington Pension Fund	2.9	*62*	8.4	*76*	8.8	*81*	6.7	*98*	5.5	*94*	8.5	91
Kensington and Chelsea	4.9	*24*	12.0	*8*								

EQUITY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	4.3		9.7		10.2		8.8		6.6		9.4	
Range of Results												
5th	*8.5*		*12.5*		*12.4*		*10.7*		*7.2*		*10.3*	
Top Quartile	*4.9*		*10.3*		*11.0*		*9.1*		*6.7*		*9.6*	
Median	*3.5*		*8.9*		*10.1*		*8.7*		*6.4*		*9.4*	
Bottom Quartile	*2.5*		*8.4*		*9.3*		*8.2*		*6.1*		*9.0*	
95th	*1.6*		*7.3*		*7.6*		*6.7*		*5.4*		*8.4*	
Kent Pension Fund	4.0	*43*	9.4	*39*	10.1	*46*	9.0	*37*	6.1	*70*	9.1	68
Kingston upon Thames	3.5	*52*	10.7	*15*	12.1	*10*	9.8	*10*	6.6	*41*	9.4	52
Lambeth Pension Fund	5.0	*23*										
Lancashire Pension Fund	1.8	*90*	10.4	*22*	11.6	*14*	9.0	*31*	6.4	*55*	9.4	46
Lewisham Pension Fund	2.8	*69*	9.5	*37*	10.4	*40*	8.2	*75*	5.7	*87*	8.8	82
Lincolnshire Pension Fund	2.3	*79*	8.9	*54*	9.8	*58*	8.3	*67*	5.8	*83*	8.8	84
Merseyside Pension Fund	2.5	*74*	8.8	*63*	9.1	*79*	8.1	*80*	6.3	*66*	9.0	73
Merton Pension Fund	2.1	*83*	7.3	*95*	7.9	*92*	8.2	*77*	6.0	*79*	9.2	61
Newham Pension Fund	2.8	*69*	10.4	*22*	12.0	*12*	9.6	*14*	6.6	*38*	9.5	34
Northamptonshire Pension Fund	1.8	*88*	8.8	*65*	10.3	*42*	8.7	*51*	6.5	*43*	9.5	32
Orkney Islands Pension Fund	12.2	*1*	13.4	*2*	13.8	*4*	12.0	*1*	8.7	*1*	10.5	1
Oxfordshire Pension Fund	4.0	*45*	8.9	*52*	9.5	*71*	8.3	*71*				
Powys Pension Fund	4.2	*36*	10.4	*24*	11.6	*15*	9.0	*31*	5.7	*89*	8.4	98
Redbridge Pension Fund	4.5	*29*	7.5	*93*	7.6	*98*	6.7	*96*	5.4	*96*	8.4	96
Rhondda Cynon Taf Pension Fund	7.5	*9*	11.5	*11*	12.3	*8*	10.2	*8*	7.1	*11*	9.9	14
South Yorkshire Pension Authority	4.1	*38*	9.5	*35*	9.5	*64*	8.6	*57*	6.6	*34*	9.1	64
Southwark Pension Fund	2.4	*78*	10.2	*26*	11.3	*17*	9.0	*39*	6.4	*53*		
Strathclyde No 3 Fund	3.1	*60*	8.3	*87*	8.0	*90*	8.9	*43*				
Strathclyde Pension Fund	6.1	*14*	11.2	*13*	11.1	*23*	9.5	*18*	7.2	*9*	9.8	16
Suffolk Pension Fund	2.8	*66*	8.3	*82*	10.0	*52*	8.0	*84*	5.7	*87*		
Surrey Pension Fund	1.6	*95*	8.9	*59*	10.1	*50*	9.2	*24*	6.7	*30*	9.4	41
Sutton Pension Fund	2.9	*64*										
Swansea Pension Fund	3.1	*59*	8.3	*83*	9.5	*67*	8.6	*59*	6.3	*64*	9.2	59
Torfaen (Gwent)Pension Fund	4.0	*47*										
Tower Hamlets Pension Fund	6.8	*12*	9.9	*28*	11.0	*25*	9.1	*28*	6.5	*47*	8.8	86
Waltham Forest Pension Fund	4.8	*28*	4.6	*100*	9.4	*73*	9.4	*22*	6.9	*19*	9.7	21
Wandsworth & Richmond Fund	5.9	*16*										
West Yorkshire Pension Fund	3.5	*55*	8.5	*72*	8.7	*83*	8.0	*86*	6.6	*36*	9.5	39
Westminster Pension Fund	5.4	*21*	8.7	*69*								
Wiltshire Pension Fund	11.5	*2*	13.4	*1*	14.1	*2*	10.7	*6*	7.2	*6*	9.6	27

BOND PERFORMANCE

	1 Year	*Rank*	3 Yrs (% p.a.)	*Rank*	5 Yrs (% p.a.)	*Rank*	10 Yrs (% p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe average	1.4		4.6		5.0		6.8		6.4		7.8	
Range of Results												
5th	3.9		6.9		7.3		9.1		7.5		8.6	
Top Quartile	2.6		5.6		6.0		7.6		6.7		8.1	
Median	1.7		4.2		4.9		6.7		6.3		7.6	
Bottom Quartile	0.8		3.2		3.4		5.5		5.7		7.3	
95th	-0.5		0.6		1.7		3.8		4.9		6.6	
Barking and Dagenham	1.0	*67*	0.6	*96*	1.9	*94*	4.5	*91*	5.2	*93*	7.3	73
Barnet Pension Fund	3.0	*13*	3.9	*58*	5.7	*30*	7.3	*33*	6.6	*28*	7.5	61
Bexley Pension Fund	2.7	*22*	2.1	*88*	2.0	*89*	5.4	*81*	5.9	*70*	7.5	66
Brent Pension Fund	3.2	*11*	3.1	*79*	2.6	*83*	4.9	*83*	5.4	*86*	7.3	81
Bromley Pension Fund	1.1	*63*	4.1	*52*	5.3	*43*	7.0	*41*	6.3	*49*	7.7	49
Cambridgeshire Pension Fund	1.9	*43*	5.0	*36*	4.6	*60*	5.7	*67*	5.6	*84*	7.2	83
Camden Pension Fund	0.3	*85*	3.2	*73*	2.8	*79*	5.6	*72*	5.9	*68*	7.4	71
Cardiff & Glamorgan Pension Fund	1.6	*54*	2.2	*86*	3.6	*75*	6.4	*65*	6.3	*51*	7.8	44
Cornwall Pension Fund	-0.5	*93*	-0.7	*100*	-3.1	*100*						
Devon Pension Fund	0.9	*70*	3.5	*67*	2.1	*87*	4.3	*94*	5.7	*81*	7.2	85
Ealing Pension Fund	3.4	*8*	4.8	*44*	6.4	*17*	7.5	*28*	6.7	*26*	7.8	37
East Riding Pension Fund	0.2	*87*	5.6	*25*	4.1	*68*	5.5	*76*	6.0	*65*	7.0	93
East Sussex Pension Fund	0.1	*89*	6.2	*13*	8.2	*4*	8.5	*11*	7.2	*9*	8.1	24
Enfield Pension Fund	1.7	*46*	4.3	*48*	4.2	*66*	7.0	*37*	6.7	*23*	8.2	20
Flintshire (Clywd)	2.9	*17*	2.0	*90*	5.5	*36*	6.8	*48*	6.2	*61*	7.9	32
Gloucestershire Pension Fund	1.6	*52*	5.2	*29*	5.9	*28*	7.6	*26*	6.5	*37*	8.0	29
Greater Manchester No 2	-1.6	*98*	0.1	*98*	-0.2	*98*	2.9	*98*	4.7	*98*		
Greater Manchester Pension Fund	-1.6	*100*	4.2	*50*	4.6	*58*	6.8	*46*	6.6	*35*	8.0	27
Greenwich Pension Fund	3.9	*4*	5.1	*33*	6.0	*26*	7.7	*20*	6.7	*21*		
Gwynedd Pension Fund	0.6	*80*	1.6	*92*	1.9	*92*	3.8	*96*	4.9	*95*	6.6	95
Hammersmith and Fulham	2.8	*19*	4.9	*40*	6.4	*15*	6.7	*50*	6.4	*47*	7.8	42
Haringey Pension Fund	4.9	*2*	5.4	*27*	6.3	*19*	8.6	*9*	7.0	*14*	8.6	7
Harrow Pension Fund	1.9	*39*	5.7	*21*	7.2	*9*	9.1	*7*	7.7	*1*	8.6	5
Havering Pension Fund	3.0	*15*	6.9	*6*	8.3	*2*	9.7	*1*	7.5	*7*	9.1	1
Hillingdon Pension Fund	6.2	*1*	8.2	*1*	6.8	*11*	7.1	*35*				
Hounslow Pension Fund	2.1	*35*										
Islington Pension Fund	1.7	*50*	4.0	*54*	5.5	*32*	6.5	*61*	6.1	*63*	7.7	46
Kent Pension Fund	3.2	*9*	3.2	*75*	3.6	*72*	5.5	*76*	5.7	*77*	7.6	59
Kingston upon Thames	2.1	*33*	3.5	*67*	4.5	*62*	6.6	*57*	6.3	*54*	7.5	68

BOND PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe average	1.4		4.6		5.0		6.8		6.4		7.8	
Range of Results												
5th	3.9		6.9		7.3		9.1		7.5		8.6	
Top Quartile	2.6		5.6		6.0		7.6		6.7		8.1	
Median	1.7		4.2		4.9		6.7		6.3		7.6	
Bottom Quartile	0.8		3.2		3.4		5.5		5.7		7.3	
95th	-0.5		0.6		1.7		3.8		4.9		6.6	
Lambeth Pension Fund	1.7	*48*										
Lancashire Pension Fund	3.9	*6*	7.6	*4*	5.3	*41*	6.6	*54*	6.2	*58*	7.5	66
Lewisham Pension Fund	1.3	*59*	6.3	*11*	7.3	*6*	9.4	*4*	7.5	*2*	8.6	10
Lincolnshire Pension Fund	0.7	*78*	2.6	*83*	2.8	*81*	4.7	*89*	5.4	*88*	6.4	98
Merseyside Pension Fund	0.9	*72*	5.7	*17*	6.1	*24*	7.6	*24*	6.9	*16*	8.3	15
Merton Pension Fund	-0.5	*95*	6.6	*8*	6.5	*13*	7.8	*17*	6.8	*19*	8.1	22
Newham Pension Fund	-0.9	*96*	0.9	*94*	1.7	*96*	5.7	*70*	5.8	*72*	7.3	78
Northamptonshire Pension Fund	1.3	*61*	4.9	*38*	4.7	*53*	6.5	*63*	6.4	*42*	7.6	54
Orkney Islands Pension Fund	1.0	*69*	5.6	*23*	4.4	*64*	6.6	*59*	6.4	*47*	7.6	56
Oxfordshire Pension Fund	1.1	*65*	4.8	*42*	5.5	*36*	7.0	*39*	6.6	*35*	8.2	17
Powys Pension Fund	0.7	*78*	5.1	*31*	5.1	*45*	7.4	*31*	7.1	*12*	8.4	12
Redbridge Pension Fund	0.5	*82*	4.4	*46*	6.1	*21*	8.2	*13*	6.6	*35*	7.6	54
Rhondda Cynon Taf Pension Fund	1.6	*56*	3.9	*61*	4.8	*51*	6.7	*52*	6.2	*56*	7.9	34
South Yorkshire Pension Authority	1.8	*45*	7.7	*2*	8.5	*1*	9.5	*2*				
Strathclyde Pension Fund	2.8	*20*	3.4	*69*	3.7	*70*	5.4	*78*	5.7	*79*	7.0	90
Suffolk Pension Fund	2.6	*26*										
Surrey Pension Fund	1.9	*41*	4.0	*56*	5.0	*49*	6.9	*44*	6.4	*40*	7.8	39
Sutton Pension Fund	2.0	*37*										
Swansea Pension Fund	-0.4	*91*	3.1	*77*	3.0	*77*	4.7	*87*	5.3	*91*	7.3	76
Torfaen (Gwent)Pension Fund	2.2	*32*										
Tower Hamlets Pension Fund	0.4	*83*	6.1	*15*	5.1	*47*	4.7	*85*	5.7	*75*	7.1	88
Waltham Forest Pension Fund	2.7	*24*	2.7	*81*	2.3	*85*	2.7	*100*	3.4	*100*	5.6	100
Wandsworth & Richmond Fund	2.3	*30*										
West Yorkshire Pension Fund	0.8	*74*	5.7	*19*	5.4	*38*	7.6	*22*	7.5	*5*	8.7	3
Westminster Pension Fund	1.4	*58*	3.3	*71*								
Wiltshire Pension Fund	2.5	*28*	3.8	*63*	4.6	*58*	7.9	*15*				

ALTERNATIVES PERFORMANCE

	1 Year	*Rank*	3 Yrs (% p.a.)	*Rank*	5 Yrs (% p.a.)	*Rank*	10 Yrs (% p.a.)	*Rank*
Universe average	5.8		10.1		9.3		6.1	
Range of Results								
5th	13.9		15.5		14.0		10.1	
Top Quartile	7.5		11.3		10.9		6.9	
Median	2.7		7.9		6.0		6.3	
Bottom Quartile	0.4		5.5		4.6		3.4	
95th	-3.1		1.3		0.3		-3.4	
Avon Pension Fund	2.4	*53*	8.0	*47*	5.3	*70*	2.4	*80*
Barking and Dagenham	9.0	*11*	5.7	*71*	5.7	*56*		
Bexley Pension Fund	12.8	*7*	12.6	*21*	10.9	*25*	6.4	*40*
Brent Pension Fund	-1.5	*89*	10.3	*32*	11.0	*22*	5.5	*60*
Cambridgeshire Pension Fund	-2.7	*93*	7.4	*55*	8.9	*39*	8.6	*12*
Camden Pension Fund	2.7	*49*	3.1	*87*	3.2	*83*	-7.3	*100*
Cardiff & Glamorgan Pension Fund	7.7	*22*	13.7	*13*	12.5	*14*	8.4	*16*
City of London Corporation Pension Fund	2.6	*51*						
Cornwall Pension Fund	7.5	*25*	5.7	*63*	5.7	*58*		
Devon Pension Fund	3.2	*47*	8.1	*45*	2.7	*92*	6.4	*44*
East Riding Pension Fund	6.3	*33*	10.0	*34*	9.6	*36*	7.0	*24*
East Sussex Pension Fund	0.5	*73*	4.4	*84*	5.5	*67*	6.3	*52*
Enfield Pension Fund	0.8	*67*	7.2	*58*	8.0	*42*	6.4	*48*
Flintshire (Clywd)	5.5							
Gloucestershire Pension Fund	-0.8	*87*	5.7	*69*	3.7	*81*		
Greater Manchester Pension Fund	8.4	*16*	11.6	*24*	11.2	*20*	6.6	*36*
Greenwich Pension Fund	0.3	*76*	-0.9	*97*	0.3	*95*		
Gwynedd Pension Fund	22.4	*1*	23.5	*1*	16.5	*1*	10.5	*1*
Hammersmith and Fulham	-3.1	*96*	5.3	*82*	2.8	*86*		
Haringey Pension Fund	1.5	*65*	11.0	*26*	10.5	*28*	6.8	*28*
Harrow Pension Fund	3.4	*42*	13.7	*16*	14.0	*6*	9.7	*8*
Havering Pension Fund	-14.8	*100*	-5.5	*100*	-1.0	*97*		
Hillingdon Pension Fund	1.8	*58*	8.2	*42*	7.3	*47*		
Islington Pension Fund	16.6	*3*						
Kensington and Chelsea	0.2	*78*	9.6	*40*				
Kent Pension Fund	0.6	*69*	7.9	*50*	6.0	*50*	-3.4	*96*
Lambeth Pension Fund	-9.4	*98*						
Lancashire Pension Fund	8.6	*13*	14.3	*11*	11.5	*17*	6.8	*32*
Lewisham Pension Fund	1.5	*62*	6.1	*61*	4.5	*78*	3.1	*76*

ALTERNATIVES PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank
Universe average	5.8		10.1		9.3		6.1	
Range of Results								
5th	13.9		15.5		14.0		10.1	
Top Quartile	7.5		11.3		10.9		6.9	
Median	2.7		7.9		6.0		6.3	
Bottom Quartile	0.4		5.5		4.6		3.4	
95th	-3.1		1.3		0.3		-3.4	
Lincolnshire Pension Fund	7.0	*29*	5.3	*79*	4.6	*75*	5.2	*64*
Merseyside Pension Fund	7.9	*20*	10.4	*29*	9.6	*33*	5.9	*56*
Newham Pension Fund	1.6	*60*	13.4	*19*	12.9	*11*	1.1	*88*
Northamptonshire Pension Fund	-0.3	*80*	1.3	*92*	-5.1	*100*	-2.6	*92*
Oxfordshire Pension Fund	6.7	*31*	15.4	*8*	14.0	*3*	8.1	*20*
Powys Pension Fund	2.1	*56*	2.8	*90*	4.6	*72*	1.2	*84*
South Yorkshire Pension Authority	3.4	*42*	9.8	*37*	10.3	*31*		
Southwark Pension Fund	3.2	*45*						
Strathclyde Pension Fund	9.8	*9*	15.5	*5*	13.6	8	10.1	5
Strathclyde No 3 Fund	-1.6	*91*						
Suffolk Pension Fund	5.4	*38*	7.6	*53*	7.4	*45*	4.6	*72*
Surrey Pension Fund	7.5	*27*	15.9	*3*				
Sutton Pension Fund	13.9	*5*						
Swansea Pension Fund	5.4	*36*	5.7	*69*	6.0	*53*		
Torfaen (Gwent)Pension Fund								
Tower Hamlets Pension Fund	-0.7	85	1.3	95	2.7	89		
Waltham Forest Pension Fund	-0.5	82	5.3	76	5.6	61	4.9	68
West Yorkshire Pension Fund	0.6	71						
Wiltshire Pension Fund	7.9	18	5.6	74	5.6	64		

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank
Universe average	9.8		9.0		10.8		5.1		7.8	
Range of Results										
5th	*11.7*		*10.9*		*12.1*		*6.4*		*8.6*	
Top Quartile	*10.6*		*9.0*		*11.2*		*5.0*		*8.2*	
Median	*9.6*		*8.3*		*10.3*		*3.7*		*7.5*	
Bottom Quartile	*8.4*		*7.6*		*9.6*		*2.8*		*6.6*	
95th	*5.7*		*5.7*		*7.9*		*0.9*		*5.5*	
Avon Pension Fund	8.3	*77*	8.5	*42*	10.0	*56*				
Barking and Dagenham	8.9	*66*	6.7	*92*	9.3	*82*	0.9	*95*	6.0	*88*
Bexley Pension Fund	10.1	*34*	8.2	*52*	11.2	*22*				
Brent Pension Fund	36.8	*1*	12.0	*1*	11.8	*9*	4.0	*48*	7.8	*38*
Cambridgeshire Pension Fund	9.6	*45*	7.7	*69*	9.9	*67*	2.5	*78*		
Camden Pension Fund	7.2	*89*	10.9	*6*	10.9	*33*	5.0	*23*	8.4	*13*
Cardiff & Glamorgan Pension Fund	5.7	*96*	7.6	*73*	10.3	*51*	5.6	*15*		
Cornwall Pension Fund	10.4	*30*	7.5	*79*	10.4	*47*				
Devon Pension Fund	11.5	*8*	9.0	*27*	10.9	*31*	4.6	*35*	7.4	*53*
Dyfed Pension Fund	11.9	*4*	9.1	*23*	11.0	*29*				
Ealing Pension Fund	11.0	*13*	7.4	*81*						
East Riding Pension Fund	5.8	*94*	6.9	*90*	7.9	*96*	3.4	*60*	6.6	*75*
East Sussex Pension Fund	10.8	*17*	8.2	*58*	11.2	*20*	4.3	*45*	7.6	*47*
Enfield Pension Fund	6.6	*91*	5.7	*96*	8.7	*89*	0.7	*98*	5.7	*91*
Flintshire (Clywd)	6.5	*93*	8.6	*38*	9.9	*69*	4.4	*43*	8.0	*31*
Gloucestershire Pension Fund	9.0	*60*	8.9	*29*	11.6	*16*	5.8	*13*	8.3	*22*
Greater Manchester Pension Fund	8.8	*68*	7.9	*65*	9.5	*78*	4.6	*38*	7.7	*44*
Greenwich Pension Fund	9.6	*51*	8.4	*44*	10.7	*38*	1.7	*88*	6.1	*84*
Gwynedd Pension Fund	10.0	*38*	8.0	*63*	11.9	*7*	4.8	*30*	8.3	*16*
Hammersmith and Fulham	10.4	*28*								
Haringey Pension Fund	10.0	*36*	7.7	*71*	9.9	*58*	3.1	*63*	6.9	*66*
Harrow Pension Fund	8.4	*74*	7.1	*86*	9.9	*65*	3.7	*53*	8.0	*28*
Havering Pension Fund	9.0	*62*	8.2	*56*	11.2	*27*	1.7	*90*		
Hillingdon Pension Fund	10.8	*21*	10.0	*8*	12.1	*5*	4.5	*40*		
Hounslow Pension Fund	9.3	*59*	4.0	*100*	8.4	*91*	5.0	*25*	7.8	*41*
Islington Pension Fund	7.7	*81*	8.6	*38*	10.1	*53*	6.3	*8*		
Kensington and Chelsea	9.9	*40*	8.1	*61*						
Kent Pension Fund	11.7	*6*	11.0	*4*	13.4	*1*	8.1	*1*	10.5	*1*
Kingston upon Thames	9.0	*64*	7.5	*79*	10.4	*42*	3.1	*68*	5.6	*94*

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (% p.a.)	Rank	5 Yrs (% p.a.)	Rank	10 Yrs (% p.a.)	Rank	20 Yrs (% p.a.)	Rank
Universe average	9.8		9.0		10.8		5.1		7.8	
Range of Results										
5th	11.7		10.9		12.1		6.4		8.6	
Top Quartile	10.6		9.0		11.2		5.0		8.2	
Median	9.6		8.3		10.3		3.7		7.5	
Bottom Quartile	8.4		7.6		9.6		2.8		6.6	
95th	5.7		5.7		7.9		0.9		5.5	
Lambeth Pension Fund	8.7	70								
Lancashire Pension Fund	17.6	2	9.6	13	9.7	73	6.4	5	9.1	3
Lewisham Pension Fund	10.5	27	9.3	21	10.8	36	3.1	65	7.0	56
Lincolnshire Pension Fund	7.5	87	7.0	88	8.0	93	2.8	75	6.3	81
Merseyside Pension Fund	7.6	85	8.7	31	11.4	18	5.9	10	7.9	34
Merton Pension Fund	9.6	49	7.6	75	10.3	49	1.9	83	6.9	69
Newham Pension Fund	4.3	100	5.4	98	9.9	62	1.7	93	5.5	97
Northamptonshire Pension Fund	9.3	59	8.3	46	9.9	60	3.0	73	7.5	50
Oxfordshire Pension Fund	10.6	23	9.5	15	10.6	40	3.0	73	6.6	78
Powys Pension Fund	9.6	47	7.3	83	7.4	98	2.3	80		
Redbridge Pension Fund	11.2	11	9.5	17	11.8	11	5.3	20	8.5	9
Rhondda Cynon Taf Pension Fund	11.3	10	9.7	11	9.6	76	5.5	18		
South Yorkshire Pension Authority	9.4	55	6.4	94	9.1	85	6.8	3	8.6	6
Southwark Pension Fund	10.6	25	8.3	50	11.7	13	4.8	33	8.3	19
Strathclyde Pension Fund	9.7	43	11.3	2	12.9	2	4.8	28	8.2	25
Suffolk Pension Fund	7.7	83	8.3	48	11.2	27	3.6	55	6.9	72
Surrey Pension Fund	8.5	72	8.7	33	9.8	71	1.8	85	7.0	59
Sutton Pension Fund	5.6	98								
Swansea Pension Fund	8.0	79	9.4	19	8.8	87				
Torfaen (Gwent)Pension Fund	10.2	32								
Tower Hamlets Pension Fund	10.9	15	8.5	42	10.4	45	3.5	58	7.0	63
Waltham Forest Pension Fund	8.4	76	8.2	54	6.7	100	-0.4	100	5.3	100
West Yorkshire Pension Fund	9.7	42	7.8	67	9.5	80	3.7	50		
Westminster Pension Fund	10.8	19	9.01	25						
Wandsworth & Richmond Fund	9.5	53								

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	*Rank*	3 Yrs (% p.a.)	*Rank*	5 Yrs (% p.a.)	*Rank*
Universe average	1.6		1.9		3.7	
Range of Results						
5th	*4.9*		*4.6*			
Top Quartile	*3.4*		*3.2*		*4.5*	
Median	*1.6*		*2.2*		*4.0*	
Bottom Quartile	*0.3*		*0.6*		*3.0*	
95th	*-1.3*		*0.3*			
Avon Pension Fund	-0.3	*86*	0.4	*83*		
Barking and Dagenham	-2.4	*100*				
Barnet Pension Fund	1.6	*50*	2.1	*56*	3.7	*60*
Bexley Pension Fund	0.7	*72*				
Brent Pension Fund	-0.6	*89*	3.1	*28*	4.0	*50*
Camden Pension Fund	2.9	*32*	2.2	*50*	3.5	*70*
City of London Corporation Pension Fund	1.3	*61*	0.3	*95*		
Cornwall Pension Fund	1.8	*43*	2.9	*39*	-0.9	*100*
Devon Pension Fund	4.3	*11*	4.2	*17*	4.7	*10*
Flintshire (Clywd)	0.2	*79*	0.8	*72*		
Gloucestershire Pension Fund	1.4	*54*	-0.5	*100*	2.6	*80*
Greenwich Pension Fund	2.0	*39*				
Hammersmith and Fulham	-1.2	*93*				
Harrow Pension Fund	2.6	*36*	0.4	*78*		
Havering Pension Fund	1.6	*47*	2.9	*45*		
Hounslow Pension Fund	0.3	*75*	3.0	*33*		
Islington Pension Fund	5.2	*4*				
Kingston upon Thames	-0.2	*82*	1.0	*67*		
Lambeth Pension Fund	-1.3	*97*				
Newham Pension Fund	3.7	*22*				
Northamptonshire Pension Fund	4.9	*7*	4.6	*6*	4.5	*20*
Orkney Islands Pension Fund	5.7	*1*	5.1	*1*	5.2	*1*
Oxfordshire Pension Fund	3.4	*25*	1.5	*61*		
Surrey Pension Fund	0.7	*68*	0.4	*89*	2.5	*90*
Sutton Pension Fund	1.3	*61*				
Torfaen (Gwent)Pension Fund	1.0	*64*				
Tower Hamlets Pension Fund	4.0	*18*	4.3	*11*	4.4	*30*
Wiltshire Pension Fund	3.4	*29*	3.3	*22*	4.1	*40*
Wandsworth & Richmond Fund	4.2	*14*				

ROLLING THREE YEAR PERFORMANCE

3 Years to end March (% p.a.)	2018	Rank	2017	*RANK*	2016	RANK	2015	*RANK*	2014	*RANK*	2013	*RANK*	2012	*RANK*	2011	*RANK*	2010	*RANK*	2009	*RANK*
Avon Pension Fund	7.0	*77*	9.8	*82*	6.1	60	11.0	*58*	7.8	*47*	8.5	*42*	14.6	*47*	6.3	*29*	3.2	*22*	-4.7	*24*
Barking and Dagenham	7.9	*43*	10.7	*59*	6.3	56	9.3	*91*	4.9	*96*	5.6	*98*	12.4	*89*	3.8	*82*	-0.1	*85*	-7.3	*76*
Barnet Pension Fund	5.7	*95*	8.2	*97*	4.4	95	8.5	*95*	5.8	*95*	6.9	*89*	12.2	*95*	5.8	*47*	3.1	*26*	-2.9	*8*
Bexley Pension Fund	8.4	*22*	11.6	*29*	7.9	6	12.9	*7*	8.6	*18*	8.7	*31*	14.7	*42*	7.4	*13*	4.2	*13*	-4.8	*33*
Brent Pension Fund	6.8	*80*	9.9	*75*	6.5	49	10.1	*80*	6.4	*93*	6.4	*96*	11.2	*98*	0.6	*100*	-3.9	*100*	-9.5	*100*
Bromley Pension Fund	10.6	*1*	14.6	*1*	8.5	2	14.2	*1*	8.7	*16*	9.2	*16*	18.3	*2*	9.7	*1*	7.2	*1*	-5.3	*37*
Cambridgeshire Pension Fund	7.5	*60*	10.8	*53*	5.6	82	11.6	*31*	7.7	*53*	7.4	*82*	12.3	*93*	4.6	*69*	0.7	*70*	-5.8	*50*
Camden Pension Fund	7.6	*55*	9.1	*90*	3.5	98	8.4	*98*	7.0	*75*	8.5	*38*	16.6	*9*	6.1	*35*	2.0	*45*	-7.1	*72*
Cardiff & Glamorgan Pension Fund	7.2	*72*	10.3	*65*	6.4	53	12.1	*18*	8.8	*15*	8.4	*46*	14.2	*58*	6.1	*33*	2.6	*37*	-4.2	*19*
City of London Corporation Pension Fund	6.5	*87*	10.0	*70*	5.2	87	11.4	*42*	7.6	*55*	8.5	*40*	14.3	*55*	8.7	*6*	4.6	*9*	-3.2	*9*
Cornwall Pension Fund	4.7	*97*	5.9	*99*	2.7	99	8.6	*95*	6.1	*94*	7.8	*68*								
Devon Pension Fund	7.0	*75*	8.9	*93*	4.6	93	8.9	*93*	6.5	*91*	7.4	*80*	13.9	*71*	5.2	*58*	1.5	*52*	-5.6	*43*
Dyfed Pension Fund	9.1	*12*	12.7	*13*	6.9	29	11.8	*26*	8.0	*35*	8.8	*24*	15.7	*27*	6.6	*24*	2.8	*32*	-5.9	*52*
Ealing Pension Fund	7.3	*65*	9.5	*87*	5.8	75	11.8	*27*	9.3	*7*	9.0	*20*	15.6	*29*	5.1	*60*	1.7	*50*	-6.9	*69*
East Riding Pension Fund	8.1	*33*	10.5	*61*	6.0	71	10.7	*64*	7.9	*38*	8.8	*27*	16.2	*18*	5.8	*44*	1.2	*58*	-6.9	*70*
East Sussex Pension Fund	7.7	*48*	12.1	*22*	7.4	13	11.2	*49*	6.8	*86*	7.1	*86*	13.6	*76*	5.5	*51*	2.2	*43*	-5.4	*39*
Enfield Pension Fund	7.2	*70*	11.2	*39*	7.0	26	10.1	*82*	7.0	*76*	7.5	*75*	12.8	*82*	3.9	*80*	1.2	*59*	-4.8	*30*
Flintshire (Clywd)	8.2	*30*	11.4	*36*	5.1	89	8.5	*96*	4.7	*98*	6.7	*93*	13.8	*73*	3.2	*96*	0.5	*76*	-6.7	*67*
Gloucestershire Pension Fund	7.7	*52*	10.7	*54*	6.8	38	12.1	*15*	8.5	*22*	8.3	*51*	16.0	*22*	5.6	*49*	1.2	*61*	-7.7	*80*
Greater Manchester No 2	0.2	*100*	0.9	*100*	-0.6	100	1.0	*100*	2.7	*100*	5.3	*100*	6.7	*100*	4.9	*66*	7.1	*2*	5.4	*1*
Greater Manchester Pension Fund	8.6	*17*	11.1	*41*	5.8	76	11.0	*60*	7.9	*42*	7.7	*69*	14.1	*62*	6.6	*26*	3.3	*19*	-4.6	*22*
Greenwich Pension Fund	6.4	*88*	9.5	*85*	5.8	78	10.6	*71*	7.1	*69*	7.5	*73*	15.0	*36*	3.3	*95*	-1.3	*96*	-9.1	*96*
Gwynedd Pension Fund	8.4	*23*	12.1	*19*	7.0	22	10.6	*73*	6.7	*89*	6.8	*91*	14.1	*64*	6.0	*40*	1.3	*56*	-6.6	*65*
Hammersmith and Fulham	6.4	*92*	10.8	*51*	6.8	36	12.0	*20*	9.9	*4*	9.9	*7*	15.3	*33*	8.8	*4*	6.5	*4*	-1.4	*2*
Haringey Pension Fund	9.8	*7*	13.6	*2*	7.1	20	11.8	*29*	7.8	*44*	8.6	*35*	14.6	*44*	4.3	*76*	0.2	*82*	-7.5	*78*
Harrow Pension Fund	8.2	*32*	11.4	*34*	6.9	31	12.1	*16*	7.8	*46*	8.1	*56*	16.4	*15*	5.0	*62*	0.2	*83*	-9.3	*98*
Havering Pension Fund	6.8	*82*	9.6	*83*	6.3	55	11.6	*33*	8.9	*11*	8.6	*36*	15.7	*26*	3.3	*91*	-0.7	*89*	-9.0	*95*
Hillingdon Pension Fund	7.5	*62*	10.0	*73*	6.1	62	9.7	*89*	7.4	*60*	7.0	*87*	14.6	*46*	3.2	*98*	-0.6	*87*	-8.8	*91*
Hounslow Pension Fund	6.4	*90*	9.4	*85*	4.2	96	10.1	*84*	7.9	*40*	9.3	*13*	15.8	*24*	7.7	*11*	5.1	*8*	-2.5	*4*
Islington Pension Fund	6.5	*83*	8.9	*92*	6.1	67	10.7	*67*	8.0	*36*	8.0	*62*	14.3	*53*	3.4	*89*	-1.0	*95*	-8.1	*83*
Kensington and Chelsea	10.0	*5*	15.0	*1*																
Kent Pension Fund	8.7	*15*	10.9	*49*	6.9	33	11.4	*40*	8.5	*20*	8.6	*33*	15.2	*35*	6.1	*31*	1.1	*63*	-7.1	*74*
Kingston upon Thames	7.5	*57*	12.0	*26*	7.6	11	12.9	*6*	7.6	*56*	7.9	*64*	14.0	*69*	7.2	*16*	3.4	*15*	-4.7	*26*
Lambeth Pension Fund	6.5	*85*	8.8	*95*																
Lancashire Pension Fund	9.7	*8*	13.0	*5*	7.9	9	11.1	*53*	6.9	*80*	8.1	*58*	14.0	*67*	4.9	*67*	1.7	*48*	-6.0	*56*
Lewisham Pension Fund	8.5	*18*	13.0	*7*	6.9	27	11.0	*56*	6.8	*84*	7.5	*76*	14.4	*51*	3.3	*93*	-1.7	*98*	-8.8	*93*
Lincolnshire Pension Fund	7.4	*63*	10.2	*66*	5.9	73	10.0	*87*	6.9	*82*	7.4	*78*	12.6	*86*	4.4	*73*	0.3	*78*	-6.0	*54*

ROLLING THREE YEAR PERFORMANCE

3 Years to end March (% p.a.)	2018	Rank	2017	*RANK*	2016	RANK	2015	*RANK*	2014	*RANK*	2013	*RANK*	2012	*RANK*	2011	*RANK*	2010	*RANK*	2009	*RANK*
Merseyside Pension Fund	8.5	*20*	11.5	*32*	6.6	46	10.6	*69*	7.4	*64*	8.2	*55*	14.2	*60*	6.0	*38*	2.6	*33*	-4.8	*32*
Merton Pension Fund	7.0	*73*	10.7	*56*	4.8	91	10.3	*76*	7.8	*49*	9.2	*15*	16.0	*20*	7.2	*18*	3.4	*17*	-5.0	*35*
Newham Pension Fund	8.1	*35*	13.4	*3*	9.3	1	12.6	*13*	7.5	*58*	8.0	*60*	12.6	*87*	3.5	*87*	-0.7	*93*	-6.2	*61*
Northamptonshire Pension Fund	7.7	*50*	10.9	*48*	6.6	44	11.3	*46*	8.2	*26*	7.9	*66*	14.5	*49*	5.0	*64*	0.6	*74*	-8.0	*82*
Orkney Islands Pension Fund	10.4	*2*	12.1	*20*	7.4	16	13.6	*2*	10.3	*1*	11.3	*2*	19.0	*1*	9.6	*2*	6.0	*6*	-4.8	*28*
Oxfordshire Pension Fund	8.2	*28*	11.2	*41*	6.0	69	11.3	*47*	8.1	*31*	9.2	*18*	15.4	*31*	4.2	*78*	-0.7	*91*	-8.2	*85*
Powys Pension Fund	8.0	*40*	11.6	*29*	6.5	51	11.1	*55*	8.2	*29*	9.0	*22*	11.7	*96*	4.3	*75*	1.3	*54*	-4.3	*20*
Redbridge Pension Fund	6.8	*80*	9.9	*78*	5.7	80	10.0	*86*	7.3	*67*	8.8	*29*	12.4	*91*	5.8	*46*	2.6	*39*	-2.8	*6*
Rhondda Cynon Taf Pension Fund	9.6	*10*	12.5	*15*	7.9	7	12.7	*9*	8.9	*13*	9.5	*9*	14.7	*40*	5.5	*53*	2.4	*41*	-5.4	*41*
South Yorkshire Pension Authority	8.9	*13*	12.0	*24*	6.6	42	11.1	*51*	8.2	*27*	9.4	*11*	14.9	*38*	5.9	*42*	2.6	*35*	-4.0	*15*
Southwark Pension Fund	7.9	*42*	12.9	*9*	8.2	4	12.7	*11*	7.7	*51*	8.4	*44*	13.5	*80*	3.6	*86*	0.7	*72*	-5.8	*46*
Strathclyde No 3 Fund	6.1	*93*	12.6	*14*	7.4	15	11.6	*36*	7.3	*66*	7.6	*71*	14.2	*56*	5.3	*56*	1.7	*46*	-6.2	*59*
Strathclyde Pension Fund	10.1	*3*	12.7	*10*	6.9	35	11.6	*35*	8.1	*33*	11.2	*4*	16.7	*7*	8.1	*7*				
Suffolk Pension Fund	7.6	*55*	11.4	*37*	7.0	24	11.4	*38*	7.0	*78*	7.8	*67*	13.5	*78*	3.7	*84*	0.2	*80*	-6.4	*63*
Surrey Pension Fund	7.2	*67*	10.0	*68*	6.7	40	11.9	*24*	8.3	*24*	8.4	*47*	16.6	*11*	5.4	*55*	0.9	*65*	-8.3	*87*
Sutton Pension Fund	8.0	*40*	11.5	*31*																
Swansea Pension Fund	7.2	*68*	9.9	*80*	5.2	86	10.5	*75*	7.1	*73*	7.3	*84*	13.7	*75*	7.1	*20*	4.2	*11*	-3.8	*11*
Torfaen (Gwent)Pension Fund	7.5	*60*	10.3	*65*																
Tower Hamlets Pension Fund	8.1	*37*	10.0	*71*	6.2	58	10.7	*66*	7.1	*71*	6.6	*95*	12.7	*84*	4.6	*71*	0.9	*67*	-6.0	*58*
Waltham Forest Pension Fund	4.5	*98*	7.3	*98*	6.5	47	11.9	*22*	9.1	*9*	8.8	*26*	18.2	*4*	6.3	*27*	0.8	*69*	-8.5	*89*
Wandsworth & Richmond Fund	8.3	*27*	12.3	*17*	7.3	18	13.3	*4*	9.9	*6*	10.1	*6*	17.4	*6*	7.4	*15*	3.2	*24*	-5.8	*48*
West Yorkshire Pension Fund	7.8	*47*	10.9	*44*	5.3	84	10.1	*78*	6.7	*87*	8.3	*49*	14.0	*66*	6.1	*36*	2.8	*30*	-3.8	*13*
Westminster Pension Fund	7.8	*45*	10.4	*63*																
Wiltshire Pension Fund	8.3	*25*	10.0	*70*	7.6	11	11.8	*29*	8.2	*29*	7.4	*82*	14.9	*38*	3.7	*84*	-1.1	*97*	-9.0	*95*

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Multi Asset*		LDI	
	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*
Average	55	*62*	18	*15*	11	*10*	9	*8*	3	*2*	4	*3*			0	*0*
Range																
5th	75	*78*	32	*32*	26	*23*	13	*12*	9	*5*	26	*20*				
Top Quartile	65	*67*	22	*20*	14	*13*	10	*10*	2	*2*	11	*10*				
Median	53	*62*	15	*14*	7	*6*	8	*8*	1	*1*	4	*0*				
Bottom Quartile	42	*45*	11	*8*	0	*0*	5	*5*	0	*0*	0	*0*				
95th	7	*11*	0	*0*	0	*0*	0	*0*	0	*0*	0	*0*				

* Multi Asset value is removed prior to Universe allocation by asset type being calculated

Avon Pension Fund	22	*38*	0	*6*	11	*11*	10	*9*	6	*0*	25	*9*	25	*25*	0	*0*
Barking and Dagenham	53	*52*	11	*11*	13	*14*	7	*7*	0	*0*	17	*15*	0	*0*	0	*0*
Barnet Pension Fund	41	*39*	32	*32*	0	*0*	0	*0*	1	*3*	26	*27*	0	*0*	0	*0*
Bexley Pension Fund	39	*68*	20	*4*	10	*11*	11	*11*	0	*0*	19	*7*	0	*0*	0	*0*
Brent Pension Fund	50	*50*	11	*11*	18	*22*	0	*0*	12	*6*	9	*9*	0	*0*	0	*0*
Bromley Pension Fund	76	*78*	22	*14*	0	*0*	2	*0*	0	*0*	0	*8*	0	*0*	0	*0*
Cambridgeshire Pension Fund	69	*70*	13	*13*	9	*8*	8	*7*	1	*1*	0	*0*	0	*0*	0	*0*
Camden Pension Fund	64	*56*	11	*13*	5	*6*	10	*11*	0	*1*	11	*13*	0	*0*	0	*0*
Cardiff & Glamorgan Pension Fund	61	*74*	27	*14*	4	*4*	6	*6*	1	*1*	0	*0*	0	*0*	0	*0*
City of London Corporation Pension Fund	66	*65*	0	*0*	26	*27*	0	*0*	0	*0*	7	*7*	0	*0*	0	*0*
Cornwall Pension Fund	32	*32*	9	*10*	15	*14*	7	*7*	1	*2*	18	*18*	0	*0*	17	*17*
Devon Pension Fund	59	*59*	11	*11*	4	*4*	10	*9*	2	*1*	15	*15*	0	*0*	0	*0*
Dyfed Pension Fund	70	*71*	19	*19*	0	*0*	10	*10*	0	*0*	0	*0*	0	*0*	0	*0*
Ealing Pension Fund	62	*64*	25	*23*	0	*0*	10	*9*	3	*4*	0	*0*	0	*0*	0	*0*
East Riding Pension Fund	60	*61*	12	*11*	13	*15*	12	*11*	3	*3*	0	*0*	0	*0*	0	*0*
East Sussex Pension Fund	51	*53*	9	*9*	27	*26*	11	*10*	2	*2*	0	*0*	0	*0*	0	*0*
Enfield Pension Fund	38	*45*	23	*23*	25	*21*	7	*7*	7	*4*	0	*0*	0	*0*	0	*0*
Flintshire (Clywd)	17	*16*	13	*13*	26	*25*	7	*8*	1	*1*	10	*11*	0	*0*	25	*26*
Gloucestershire Pension Fund	65	*61*	22	*25*	1	*0*	8	*8*	0	*0*	4	*5*	0	*0*	0	*0*
Greater Manchester No 2	0	*0*	73	*68*	0	*0*	0	*0*	27	*32*	0	*0*	0	*0*	0	*0*
Greater Manchester Pension Fund	53	*65*	17	*16*	10	*7*	6	*6*	3	*6*	0	*0*	22	*0*	0	*0*
Greenwich Pension Fund	42	*43*	37	*37*	1	*1*	11	*10*	1	*1*	8	*8*	0	*0*	0	*0*
Gwynedd Pension Fund	70	*74*	15	*13*	6	*6*	8	*8*	0	*0*	0	*0*	0	*0*	0	*0*
Hammersmith and Fulham	46	*52*	30	*31*	1	*2*	5	*5*	1	*1*	16	*10*	0	*0*	0	*0*
Haringey Pension Fund	0	*0*	7	*4*	8	*7*	7	*9*	0	*0*	7	*0*	70	*81*	0	*0*
Harrow Pension Fund	52	*66*	12	*13*	2	*2*	8	*8*	2	*4*	23	*7*	0	*0*	0	*0*
Havering Pension Fund	47	*47*	19	*19*	0	*0*	6	*6*	2	*2*	26	*27*	0	*0*	0	*0*

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Multi Asset*		LDI	
	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*
Average	55	*62*	18	*15*	11	*10*	9	*8*	3	*2*	4	*3*			0	*0*
Range																
5th	75	*78*	32	*32*	26	*23*	13	*12*	9	*5*	26	*20*				
Top Quartile	65	*67*	22	*20*	14	*13*	10	*10*	2	*2*	11	*10*				
Median	53	*62*	15	*14*	7	*6*	8	*8*	1	*1*	4	*0*				
Bottom Quartile	42	*45*	11	*8*	0	*0*	5	*5*	0	*0*	0	*0*				
95th	7	*11*	0	*0*	0	*0*	0	*0*	0	*0*	0	*0*				

* Multi Asset value is removed prior to Universe allocation by asset type being calculated

	Equity 2018	*2017*	Bonds 2018	*2017*	Alternatives 2018	*2017*	Property 2018	*2017*	Cash 2018	*2017*	Diversified Growth 2018	*2017*	Multi Asset* 2018	*2017*	LDI 2018	*2017*
Hillingdon Pension Fund	49	*46*	13	*12*	15	*6*	13	*12*	4	*1*	0	*0*	7	*23*	0	*0*
Hounslow Pension Fund	53	*73*	11	*6*	0	*0*	8	*0*	0	*0*	28	*21*	0	*0*	0	*0*
Islington Pension Fund	53	*54*	19	*19*	2	*3*	15	*15*	1	*0*	10	*9*	0	*0*	0	*0*
Kensington and Chelsea	75	*73*	0	*0*	14	*15*	4	*4*	7	*7*	0	*0*	0	*0*	0	*0*
Kent Pension Fund	66	*69*	11	*11*	9	*6*	13	*13*	2	*1*	0	*0*	0	*0*	0	*0*
Kingston upon Thames	60	*64*	12	*13*	0	*0*	5	*4*	0	*0*	22	*19*	0	*0*	0	*0*
Lambeth Pension Fund	41	*44*	23	*23*	4	*9*	10	*9*	0	*0*	18	*10*	0	*0*	4	*4*
Lancashire Pension Fund	42	*44*	23	*25*	21	*20*	11	*10*	3	*1*	0	*0*	0	*0*	0	*0*
Lewisham Pension Fund	54	*66*	19	*20*	8	*6*	9	*8*	4	*0*	6	*0*	0	*0*	0	*0*
Lincolnshire Pension Fund	62	*59*	12	*14*	14	*15*	11	*12*	1	*1*	0	*0*	0	*0*	0	*0*
Merseyside Pension Fund	53	*55*	17	*16*	21	*20*	9	*8*	1	*1*	0	*0*	0	*0*	0	*0*
Merton Pension Fund	73	*73*	23	*24*	0	*0*	4	*3*	0	*0*	0	*0*	0	*0*	0	*0*
Newham Pension Fund	57	*63*	19	*14*	3	*5*	10	*8*	6	*5*	5	*5*	0	*0*	0	*0*
Northamptonshire Pension Fund	67	*69*	17	*17*	1	*0*	8	*8*	0	*0*	8	*7*	0	*0*	0	*0*
Orkney Islands Pension Fund	61	*72*	11	*27*	0	*0*	0	*0*	0	*0*	27	*1*	0	*0*	0	*0*
Oxfordshire Pension Fund	58	*63*	20	*15*	7	*11*	7	*5*	3	*1*	5	*4*	0	*0*	0	*0*
Powys Pension Fund	17	*24*	29	*11*	11	*11*	12	*12*	0	*0*	0	*0*	30	*41*	0	*0*
Redbridge Pension Fund	71	*70*	20	*21*	0	*0*	9	*8*	0	*0*	0	*0*	0	*0*	0	*0*
Rhondda Cynon Taf Pension Fund	75	*75*	18	*19*	0	*0*	5	*6*	1	*0*	0	*0*	0	*0*	0	*0*
South Yorkshire Pension Authority	52	*62*	23	*21*	10	*7*	9	*9*	6	*1*	0	*0*	0	*0*	0	*0*
Southwark Pension Fund	66	*67*	0	*0*	17	*16*	18	*17*	0	*0*	0	*0*	0	*0*	0	*0*
Strathclyde No 3 Fund	7	*11*	0	*0*	7	*16*	0	*0*	0	*0*	0	*0*	0	*0*	86	*73*
Strathclyde Pension Fund	50	*62*	24	*15*	7	*8*	11	*11*	9	*4*	0	*0*	0	*0*	0	*0*
Suffolk Pension Fund	20	*25*	14	*7*	29	*23*	10	*10*	0	*0*	0	*0*	26	*34*	0	*0*
Surrey Pension Fund	38	*40*	10	*10*	6	*5*	7	*6*	0	*0*	10	*10*	29	*29*	0	*0*
Sutton Pension Fund	59	*61*	15	*16*	3	*3*	8	*6*	1	*0*	14	*15*	0	*0*	0	*0*
Swansea Pension Fund	74	*74*	12	*12*	6	*6*	5	*5*	3	*3*	0	*0*	0	*0*	0	*0*

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth		Multi Asset*		LDI	
	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*	2018	*2017*
Average	55	*62*	18	*15*	11	*10*	9	*8*	3	*2*	4	*3*			0	*0*
Range																
5th	75	*78*	32	*32*	26	*23*	13	*12*	9	*5*	26	*20*				
Top Quartile	65	*67*	22	*20*	14	*13*	10	*10*	2	*2*	11	*10*				
Median	53	*62*	15	*14*	7	*6*	8	*8*	1	*1*	4	*0*				
Bottom Quartile	42	*45*	11	*8*	0	*0*	5	*5*	0	*0*	0	*0*				
95th	7	*11*	0	*0*	0	*0*	0	*0*	0	*0*	0	*0*				

* Multi Asset value is removed prior to Universe allocation by asset type being calculated

Torfaen (Gwent)Pension Fund	75	*77*	17	*11*	0	*0*	3	*3*	1	*1*	4	*9*	0	*0*	0	*0*
Tower Hamlets Pension Fund	55	*63*	10	*11*	14	*10*	10	*10*	2	*1*	9	*5*	0	*0*	0	*0*
Waltham Forest Pension Fund	65	*67*	11	*12*	11	*12*	7	*7*	6	*3*	0	*0*	0	*0*	0	*0*
Wandsworth & Richmond Fund	41	*41*	9	*9*	0	*0*	3	*3*	1	*0*	9	*9*	37	*38*	0	*0*
West Yorkshire Pension Fund	68	*70*	15	*14*	10	*10*	5	*4*	2	*2*	0	*0*	0	*0*	0	*0*
Westminster Pension Fund	76	*76*	14	*15*	0	*0*	9	*9*	0	*0*	0	*0*	0	*0*	0	*0*
Wiltshire Pension Fund	52	*59*	22	*17*	15	*15*	0	*0*	0	*0*	10	*10*	0	*0*	0	*0*

Produced June 4th 2018

Fund level data is for the use of the participants in the Universe only and will not be distributed outwith this group.

For further details please contact:

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David.cullinan@pirc.co.uk

PIRC Limited is regulated by the Financial Conduct Authority

London Borough of Tower Hamlets Pension Fund

Funding and risk report as at 31 March 2018

Reliances and limitations

This report was commissioned by and is addressed to the London Borough of Tower Hamlets in their capacity as the Administering Authority and is provided to assist in monitoring certain funding and investment metrics. It should not be used for any other purpose. It should not be released or otherwise disclosed to any third party except as required by law or with our prior written consent, in which case it should be released in its entirety. **Decisions should not be taken based on the information herein without written advice from your consultant.** Neither I nor Hymans Robertson LLP accept any liability to any other party unless we have expressly accepted such liability in writing.

The method and assumptions used to calculate the updated funding position are consistent with those disclosed in the documents associated with the last formal actuarial valuation, although the financial assumptions have been updated to reflect known changes in market conditions. The calculations contain approximations and the accuracy of this type of funding update declines with time from the valuation; differences between the position shown in this report and the position which a new valuation would show can be significant. It is not possible to assess its accuracy without carrying out a full actuarial valuation. This update complies with Technical Actuarial Standard 100.

HEADLINES

31 March 2018	Ongoing funding
Assets	£1,442m
Liabilities	£1,636m
Surplus/(deficit)	(£194m)
Funding level	88.2%

Summary

This funding update is provided to illustrate the estimated development of the funding position from 31 March 2016 to 31 March 2018, for the London Borough of Tower Hamlets Pension Fund ("the Fund"). It is addressed to the London Borough of Tower Hamlets in its capacity as the Administering Authority of the Fund and has been prepared in my capacity as your actuarial adviser.

At the last formal valuation the Fund assets were £1,126m and the liabilities were £1,361m. This represents a deficit of £235m and equates to a funding level of 82.8%. Since the valuation the funding level has increased by c5.4% to 88.2% as detailed in the table above.

This report has been produced exclusively for the Administering Authority. This report must not be copied to any third party without our prior written consent.

Should you have any queries please contact me.
Barry Dodds FFA

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London Borough of Tower Hamlets Pension Fund | Strategy and Risk Management dashboard

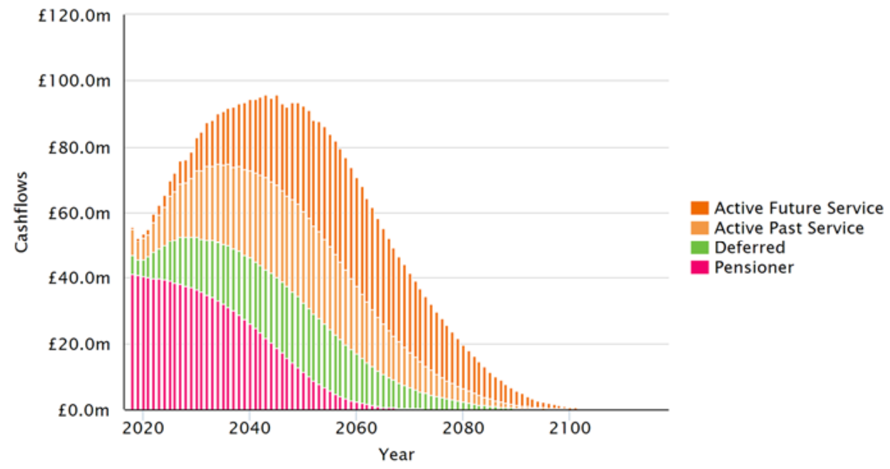
CURRENT POSITION

31 March 2018	Ongoing funding
Assets	£1,442m
Liabilities	£1,636m
Surplus/(deficit)	(£194m)
Funding level	88.2%

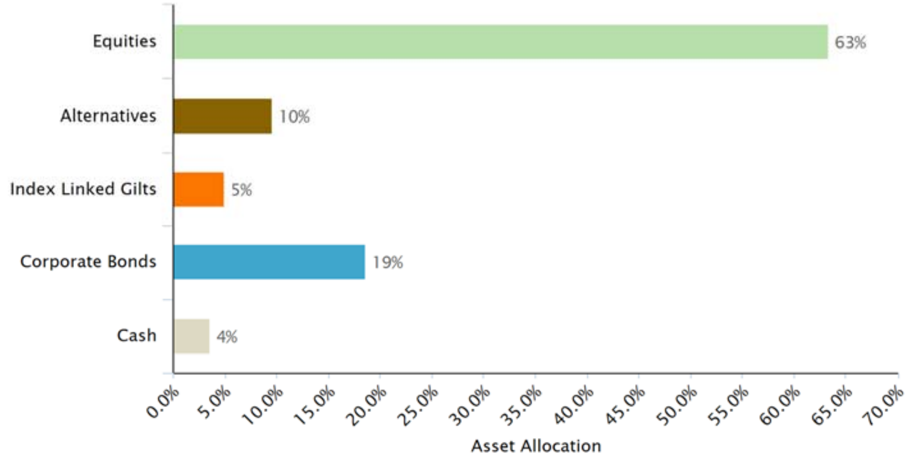
Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2016	(235)
Contributions (less benefits accruing)	53
Interest on surplus/(deficit)	(16)
Excess return on assets	177
Impact of change in yields & inflation	(173)
Surplus/(deficit) as at 31/03/2018	(194)

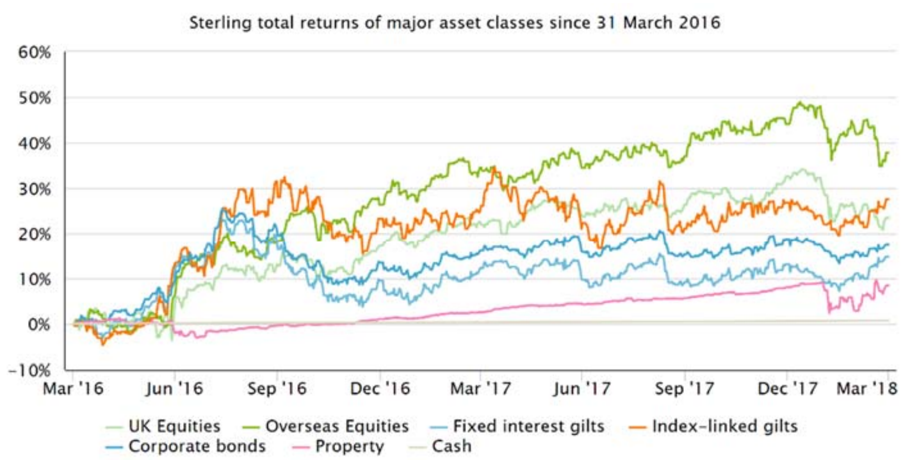
	31 March 2016	31 December 2017	31 March 2018
Market Yields (p.a)			
Fixed Interest Gilts	2.17%	1.68%	1.63%
Index-linked Gilts	-0.96%	-1.64%	-1.65%
Implied Inflation	3.16%	3.38%	3.34%
AA Corporate Bonds	3.36%	2.44%	2.58%
Price Indices			
FTSE All Share	3,395	4,222	3,894
FTSE 100	6,175	7,688	7,057

PROGRESS



ASSETS AND RISKS





Sensitivity Matrix as at 05 July 2018 for basis Ongoing funding (£m)

Shift in equity level (using FTSE 100 levels as proxy)

Shift in bond yields (% p.a.)	5322 -30%	6083 -20%	6843 -10%	7603 0%	8364 10%	9124 20%	9884 30%
0.6	(332)	(222)	(112)	(2)	108	218	328
0.4	(370)	(260)	(150)	(40)	70	180	290
0.2	(411)	(301)	(191)	(81)	29	139	249
0.0	(454)	(344)	(234)	(124)	(14)	96	206
-0.2	(500)	(390)	(280)	(170)	(60)	50	160
-0.4	(549)	(439)	(329)	(219)	(109)	1	111
-0.6	(600)	(490)	(380)	(270)	(160)	(50)	60

< 50% | 50% - 85% | 85% - 95% | 95% - 100% | 100% - 105% | 105% - 115% | > 115%

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Non-Executive Report of the: **Pensions Committee** 24th July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	**Classification:** Unrestricted
Training & Development Policy For Pension Committee Members	

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

Summary

This report sets out the need for a training and development programme for members of the Pensions Committee.

The report explains the requirement for good governance of the Pension Fund and the framework of legislation, regulation and guidance which the Fund must comply with. As part of this there is a need for a formal training programme for Members of the Pensions Committee.

The report also refers to the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector" (2010) (referred to elsewhere in this report as the "CIPFA knowledge and skills framework (2010)". This provides a framework for the training and development of Elected Members and other representatives on public sector pension scheme decision making bodies.

Recommendations:

Members are asked to consider this report and to:

a) Note the assessment and training resources provided by the Pensions Regulator (paragraph 3.21 – 3.24);

b) Note the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework (paragraph 3.25 – 3.32), including the self-assessment matrix (attached as Appendix 2) and

c) Agree the training policy and programme for 2018/19 set out within the report (para 3.33 and 3.35).

1. REASONS FOR THE DECISIONS

1.1 Governance is defined as the action, manner or system of governing. Good governance is vital and is promoted in the context of a pension scheme/fund by having Members and Observers on the decision making body who have the ability, knowledge and confidence to challenge and to make effective and rational decisions. The "CIPFA knowledge and skills framework (2010)" provides a framework for the training and development of members/observers with the objective of improving knowledge and skills in all relevant areas of the activity of a Pensions Board.

2. ALTERNATIVE OPTIONS

2.1 No alternatives

3. DETAILS OF REPORT

3.1 The Pension Fund recognises the importance of training of Committee members and officers in relation to Pension Fund matters. The Fund's Governance Policy Statement refers to the Fund's current policy with regard to training. The Annual Report and Statement of Accounts of the Fund include a statement setting out governance compliance against the Myners effective decision making principles.

3.2 Arrangements for regular training of members and officers are in place, with training delivered in a number of ways including: online training on the Pension Regulator website; external seminars and events (in person or via video conference); training delivered as Committee agenda items; other briefings and research material for personal reading.

3.3 The CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills, and CIPFA's supporting Framework and guidance documentation was formally adopted by the Pensions Committee in November 2013.

3.4 Following the introduction of the Public Service Pensions Act 2013 the Pensions Regulator has outlined the legal requirements (in addition to the ones above for Pensions Committee Members) for individual Pension Board members to have the correct level of knowledge and understanding to undertake their role. The training policy with regards to Pension Board members is addressed separately in this document.

The CIPFA Code and Framework

3.5 In order to ensure all members and officers involved in Pension Fund decisions are adequately trained, CIPFA has developed a Public Sector Pensions Knowledge and Skills Framework to support the Code. The Code and Framework are seen as supporting the requirements of the Public Sector Pensions Act 2013 and Pension Regulator code.

3.6 The CIPFA Framework supporting the Code of Practice is intended to have two primary uses:

i) as a tool for organisations to determine whether they have the right skill mix to meet their scheme financial management needs,

ii) as an assessment tool for individuals to measure their progress and plan their development.

3.7 The Framework sets out 6 core areas of knowledge and skills for those involved in LGPS pensions finance (both members and officers):

i) pensions legislative and governance context

ii) pensions accounting and auditing standards

iii) financial services procurement and relationship management

iv) investment performance and risk management

v) financial markets and products knowledge

vi) actuarial methods, standards and practices

3.8 An extract of the competency assessment for members has been included with this report at Appendix 1 and is further described at section 3.14 - 3.16.

3.9 The CIPFA Framework recognises that all LGPS Funds will differ, and each fund will wish to adapt the framework to suit their own requirements e.g. not all funds will be of a size, or take an investment approach, whereby all activities and knowledge are in-house. The framework acknowledges that some Funds will choose to access certain types of expertise from external sources such as investment managers and investment advisers.

3.10 The key recommendations of the Code and Framework are:

i) Formal adoption of the CIPFA Framework as the basis for training and development of members and officers involved in Pension Fund finance matters.

ii) Disclosure within the Pension Fund Annual Report and Financial Statements how the framework has been applied, what assessment of training needs has been undertaken, and what training has been delivered against the identified training needs.

Tower Hamlets Pension Fund currently complies with both of these recommendations and it is important that this is maintained.

Training Policy

3.11 Training needs will be assessed using the structure of the 6 core knowledge and skills areas set out at paragraph 3.7. The training needs assessment and the delivery of training will be a combination of group sessions for the Committee and Board as well as individual activities for members and officers.

Group Needs and Training

3.12 Group training will be delivered in a variety of ways including:

- directly at Pensions Committee and Board by presentations and presentation of reports.
- specific training sessions/conferences/seminars/visits, provided by e.g. Council officers, investment managers, investment advisors, national

bodies such as Chartered Institute of Public Finance and Accountancy (CIPFA), National Association of Pensions Funds Ltd (NAPF), The Pensions Regulator (TPR), etc.

- provision of and reading of relevant material e.g. research, briefing papers, website content, industry magazines, etc.

Individual Needs and Training

3.14 The CIPFA Framework provides for self-assessment to identify training needs.

- Appendix 1 provides further details of the 6 core competencies and members are asked to review this to self-assess any personal knowledge and skills requirements they feel they may have.
- For officers this will be part of the Council's Employee Review and Development (PDR- personal development review) process to identify any specific individual officer training needs.

3.15 Having reviewed these learning assessment tools, members may wish to approach relevant officers to discuss any individual queries or training needs they may have identified. It is important that members appreciate that an in-depth understanding of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an understanding or awareness of the area, and knowledge of where more detailed knowledge should be sought. This means that members are not necessarily expected to have in depth knowledge of a matter, but a general awareness of the issue and understanding of when to challenge officers, seek further information from them and to be aware of where they might source further information if required.

3.16 Following this meeting of the Committee, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee and Board, to ensure that training needs are regularly assessed and training arrangements developed.

Pension Board

3.17 The Pension Board was established on 1 April 2015 under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013.

3.18 The regulations require that pension board members must meet certain legal requirements that relate to their knowledge and understanding. Members must:

i) have a working knowledge of the scheme rules and of any policy document for the scheme; and

ii) have knowledge and understanding of the law relating to pensions.

3.19 The Pension Regulator and CIPFA have produced material to assist with training needs assessment and the acquisition of the identified knowledge and skills that are described in the following sections. Pension Board members should take advantage of either or both of these learning resources, if required, to help ensure the attainment of the appropriate level of knowledge and understanding.

3.20 Following the meeting of the Pension Board and this Committee, officers will follow up with members to capture feedback from the self-assessment process. An annual report on training will be considered by the Pensions Committee and Board, to ensure that training needs are regularly assessed and training arrangements developed.

The Pensions Regulator

3.21 The Pensions Regulator (tPR) is the UK regulator of work-based pension schemes. The Pensions Regulator works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them.

3.22 The principal aim of the Pension Regulator is to prevent problems from developing. The Regulator uses their powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long term.

3.23 The Pensions Regulator also provides training resources. On the Pension Regulator website there is a learning assessment tool available which is a useful resource to help Pension Board members identify any training requirements. http://www.thepensionsregulator.gov.uk/public-service-schemes/knowledge-and-understanding-duty-on-board-members.aspx

3.24 The Pensions Regulator also provides a free online learning programme called the Public Service toolkit which Pension Board members should complete; https://education.thepensionsregulator.gov.uk/login/index.php.These resources are freely available to all members and officers.

CIPFA: Local Pension Boards A Technical Knowledge and Skills Framework (TKSF)

3.25 This TKSF has been developed following the introduction of the Public Pensions Act 2013. This is an extension of the previous CIPFA Knowledge and Skills framework (para 3.5) which had to be revised to include specific reference to the knowledge and skills required by Pension Board Members.

3.26 TKSF is intended to have two primary uses:

i) as a tool to help organisations establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.

ii) as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board

3.27 The TKSF covers eight key areas:

i) Pensions Legislation

ii) Pensions Governance

iii) Pensions Administration

iv) Pensions account and auditing standards

v) Pensions services procurement and relationship management

vi) investment performance and risk management

vii) financial markets and products knowledge

viii) Actuarial methods standards and practices.

3.28 This framework will be adopted by the fund to assist with planning and monitoring training for Pension Board members.

3.29 Tower Hamlets Council members can register on the CIPFA website (http://www.cipfa.org/) to download copies of the whole framework document or can contact the officers for assistance in accessing a copy of the framework.

3.30 Appendix 2 provides a copy of the Self-Assessment Matrix from this framework. Pension Committee members may consider referencing this to identify any training requirements.

3.31 A very short training session to ensure that all Members and Observers of the Pensions Committee have an understanding of the roles, responsibilities and statutory documents of the fund is part of the agenda for the Pension Committee meeting on 24th July 2018. 3.32 Details of further training to be delivered will be recorded by officers, and will be used for annual disclosure within the Pension Fund Annual Report, in line with the CIPFA framework expectations.

Training Programme 2018/19

3.33 The following training programme is proposed for the remainder of the 2018/19 financial.

Date	Event and Core Knowledge & Skills Areas Covered	Potential Attendees
July - March	AON / CIPFA Pension Network Workshop • Pensions legislative & governance context • Pensions Accounting and Audit Standards • Investment performance/risk management • Financial markets & products knowledge • Actuarial methods, standards & practices	All
September	Presentation on Infrastructure • Financial markets & products knowledge	All
July - March	LGA / Pension Fund Actuary & Investment Consultant training sessions • Triennial Valuation • Investment Strategy	All
July - March	Fund Managers Training seminars • Investment performance/risk management • Financial markets & products knowledge	All

3.34 The training programme can be revised based on member feedback and any additional training requirements emerging from discussion of this report and self-assessment of needs (para 3.16 and 3.20).

3.35 An updated training programme for 2019/20 will be brought back to a future Committee meeting.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The total cost of training detailed within this report for committee members, board members and relevant officers, will be approximately £15k and will be funded through the pension fund.

5. LEGAL COMMENTS

5.1 Whilst there are no immediate legal consequences arising from this report it is important that members are trained appropriately so that decisions are made from a sound knowledge base thereby minimising the risk of any legal challenge.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for corporate priorities.

6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

7.1 This report helps in addressing the required knowledge and skills needed for Members to understand the duties and responsibilities of a trustee and how best to fulfil these effectively, efficiently and in accordance with regulatory requirements.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

9.1 Any form of decision making process inevitably involves a degree of risk.

9.2 Effective training and development will help Members to gain sufficient knowledge and skills necessary to make appropriate decisions in minimising risk associated with their roles and responsibilities.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices
Appendix 1 - CIPFA Knowledge and Skills Framework for Members
Appendix 2 - Self-Assessment Matrix

Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report
Pensions Finance, knowledge and skills framework, Technical Guidance for Elected Representatives and Non-executives in the Public Sector, CIPFA (2010)

Investment decision making and disclosure in the Local Government Pension Scheme, A Guide to the Application of the Myners Principles, CIPFA (2009)

Officer contact details for documents:
- Bola Tobun Investment &Treasury Manager x4733

Appendix 1

CIPFA Knowledge and Skills Framework for Members of Pension Committees

Core Areas:

1. Pensions Legislative and Governance Context

General Pensions Framework
A general awareness of the pensions legislative framework in the UK.
Scheme-specific legislation

- An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.
- An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.
- An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.
- A regularly updated appreciation of the latest changes to the scheme rules.
- Knowledge of the role of the administering authority in relation to LGPS.

Pensions regulators and advisors
An understanding of how the roles and powers of the Pension Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

General constitutional framework

- Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.
- Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Pensions scheme governance

- An awareness of the LGPS main features.
- Knowledge of the Myners principles and associated CIPFA and Society of Local Authority Chief Executives (SOLACE) guidance.
- A detailed knowledge of the duties and responsibilities of committee members.
- Knowledge of the stakeholders of the pension fund and the nature of their interests.
- Knowledge of consultation, communication and involvement options relevant to the stakeholders.

2. Pensions Accounting and Standards

- Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)

1 – Pensions legislation		
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5	
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5	
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5	
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5	
2 – Pensions governance		
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5	
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5	
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess…?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		
3 – Pensions administration			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		
Understanding of the required and adopted scheme policies and procedures relating to: • member data maintenance and record-keeping processes • internal dispute resolution • contributions collection • scheme communication and materials.	1 2 3 4 5		

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements	Training plan (sources and timing)

Knowledge of how discretionary powers operate.	1 2 3 4 5	
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5	
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5	
4 – Pensions accounting and auditing standards		
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5	
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5	
An understanding of the role played by third party assurance providers.	1 2 3 4 5	
5 – Pensions services procurement and relationship management		
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5	

Appendix 2 Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
A general understanding of the main public procurement requirements of UK and EU legislation.		1 2 3 4 5	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.		1 2 3 4 5	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.		1 2 3 4 5	
6 – Investment performance and risk management			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.		1 2 3 4 5	
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.		1 2 3 4 5	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.		1 2 3 4 5	

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Non-Executive Report of the: **Pensions Committee** 24 July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	**Classification:** Unrestricted
Market and Economic Outlook by the Independent Adviser	

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

Summary

This report presents the views of the Independent Adviser in respect of the performance of the markets and the Pension Fund investment managers for the fourth quarter of 2017/18.

The Independent Adviser will be present at the meeting to present his views and take questions from Members.

Recommendations:

Members are recommended to note the contents of this report

1. REASONS FOR THE DECISIONS

1.1. The report presents the Pensions Committee with the views of the Fund Independent Adviser on markets and the performance of the Fund pension fund managers and the overall performance of the Tower Hamlets Pension Fund.

2. ALTERNATIVE OPTIONS

2.1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Pension Fund and to engage the use of an expert in gaining required knowledge and advice. There is little alternative but to note the views of the Independent Adviser of the Fund to the Pension Committee on a regular basis,

3. MARKETS AND ECONOMICS UPDATE (Quarter to 30 June 2018) FROM THE INDEPENDENT ADVISER TO THE FUND – Colin Robertson

Market performance

3.1 Financial markets regained their composure in the 3 months to 30 June 2018. In local currency terms, developed equity markets largely recovered their first quarter falls and the volatility of day to day price movements subsided. While the issues behind the earlier falls, notably the US / China trade war, have certainly not gone away, the situation is at present perceived by investors as likely to be manageable and the technical distortions within equity markets have been corrected for the time being.

3.2 However, emerging markets experienced a torrid quarter with the Chinese equity market meeting the definition of a bear market by falling 20 % from its recent peak as concerns over a slowing Chinese economy and what this might mean for the country's debt increased. Elsewhere, rising US interest rates and a stronger US dollar placed pressure on intrinsically weak countries such as Argentina.

3.3 Bond markets have gyrated, tending to react to the developments affecting equity markets but in the opposite direction (bond prices falling as equity prices rose). The more sustained trends have been for US Treasury yields to rise (prices fall), German yields to fall and UK gilt yields to be fairly stable.

Economics and markets

3.4 The backdrop for equity markets has been favourable. Economic growth has continued at a moderate level, be it some slowing has been evident in Continental Europe and growth in Japan has been rather precarious. Inflation has shown signs of converging to the commonly held target of 2% for the major economies. With wage inflation subdued, this has led to strong corporate earnings growth in the US of over 20%, admittedly boosted by corporate tax cuts, but double digit earnings per share growth for 2018 is also forecast in the UK and Europe.

3.5 As the major equity markets are at broadly the same levels as they started the year, this robust earnings growth has led to equity market valuations becoming cheaper. Nevertheless, valuations remain demanding from an historical perspective. In particular, the valuations of the so called FANGS – the very largest US technology/growth companies which include Amazon and Netflix – are very high, raising fears of investor overenthusiasm within this part of the US stock market.

3.6 Meanwhile the risks are accumulating and becoming more severe. The Trump inspired trade wars have the potential to truly disrupt the world economy as global supply chains break down. Trump's trade policy makes no economic sense as increased US fiscal spending will need to be financed by foreigners, which for all practical purposes means running a larger trade deficit. Geopolitically, the situation with North Korea is far from resolved while the US approach to Iran is fraught with danger. In Europe, Brexit is liable to be disruptive for the Eurozone as well as for the UK and the new populist Italian government will provide challenges for the rest of the Eurozone.

3.7 A major threat to financial markets lies in the reversal of central bank policies of low or negative interest rates and "quantitative easing" which have driven markets up. This unwinding is now well under way in the US but only at a tentative stage in Europe and is yet to begin in Japan. Unwinding is necessary because otherwise there will be no scope for monetary policy to boost growth in the next economic downturn and inflation might well rise to unacceptable levels over time. However if the unwinding is implemented clumsily or prematurely, then both equity and bond markets will suffer.

Asset allocation

3.8 The basic problems for asset allocation are that very few asset classes appear attractively valued, there is no shortage of potential triggers to cause markets to fall and some of the relatively more attractively valued asset classes could be expected to be most sensitive in the short term to a general fall in markets. Moreover, in the same way as the injection of liquidity by central banks lifted virtually all asset classes, the withdrawal of liquidity, if badly handled, is likely to leave few places to hide. In these circumstances, it makes sense to diversify away from investments highly dependent on market levels into those more reliant on investment manager skill and to take out a measure of protection through derivative markets where this can be achieved on attractive terms.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1. The costs of having an independent adviser are estimated to be in the region of £20k - £35k per annum and will be met from the pension fund. The work carried out by the independent advisors informs the content of this report. There are no other direct financial implications arising from this report.

4.2. The governance role of the Pensions Committee requires that they ensure that they take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

4.3. Understanding and being aware of the financial markets and its economics dynamics will assist the Committee in considering the longer term financial impact of its strategy for the Pension Fund and the investment decisions it makes as a consequence.

5. LEGAL COMMENTS

5.1. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Council must take proper advice about its investments and must consider such advice when taking any steps in relation to its investments. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager. One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about the performance of the markets and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

5.2 When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

6.2. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

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

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

9.1. Any form of investment inevitably involves a degree of risk.

9.2. To minimise risk the Council attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

- [None]

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:

- Bola Tobun Investment &Treasury Manager x4733

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Non-Executive Report of the: **Pensions Committee** 24th July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	**Classification:** Unrestricted
Equity Protection Strategy Investment Manager Search	

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

Summary

Authority delegated to CFO at the March Committee meeting to seek and implement an Equity Protection Investment	This report provides an update on the action taken in relation to the Equity Protection Investment. Work was carried out supported by the Fund Consultant, Mercer, and the Independent Adviser to put in place an Equity Protection Investment for the Fund. The aim of the investment being to reduce the risk to the fund of its exposure to investments in equities.
Funding Level at 2016 Formal valuation was 83% and update as at 31st March 2018 was 85%	This investment strategy is required, in order to provide more certainty around the outcome of the 31st March 2019 formal actuarial valuation and protect against the risk of a significant fall in equities given increased volatility in markets and concerns regarding stretched valuations. The funding level remains strong since the last valuation, so the Fund would be implementing an equity protection strategy from a position of relative strength.
We undertook a Market Review with assistance from Mercers	Market is small, four of the known six main providers already manage funds for LBTH Using one of the four enables swift implementation of solution. Other two providers known to be less interested in this type of mandate Of four existing managers, one declined to submit for this mandate (GSAM) The other three submitted, initial review carried out by Mercer Ltd, presented to officers. New Independent Adviser (Colin Robertson) was consulted and supports both the approach and the manager selected.

Recommendations:
Pensions Committee are recommended to:

- note the process undertaken to select an Equity Protection Investment Option to offer some protection against a fall in the value of the fund at the next valuation date of March 2019 and the decision made by the CFO under the authority that was delegated.

1. REASONS FOR THE DECISIONS

1.1 The Council has an overarching responsibility to maintain the Pension Fund. It is essential that the Fund has the right range of investment managers and products to support the Pensions Committee to discharge its responsibilities.

1.2 Within the terms of reference for the Pensions Committee, they are required to 'to make arrangements for the appointment of and to appoint suitably qualified pension fund administrators, advisers, investment managers and custodians and periodically to review those arrangements.'

1.3 The contents of this report and the procurement process demonstrate that this Committee is meeting both its regulatory and constitutional requirements.

2. ALTERNATIVE OPTIONS

2.1 An alternative to putting in place an equity risk management solution would be to reduce the physical allocation to equities and invest in another form of liquid growth asset. However, the potential problems with this are:

a. It could reduce the expected return to a degree that the Actuary is not comfortable with, which could undermine the funding policy. Equity risk management can give valuable downside protection without materially impacting the expected return.

b. If the Fund were to sell physical equities, a decision would need to be made about where to reinvest the assets. Assuming the Fund wanted to reinvest in liquid growth assets, there could be an argument that there are no obvious additional asset classes that currently look attractively valued and offer compelling return opportunities. The Fund Investment Consultant - Mercer believe there are some attractive return opportunities in private markets. However, it takes a long time (c.3/4 years) to get fully invested in these areas, which does not fit with the aim of protecting the funding position in view of the next formal actuarial valuation. However an equity risk management strategy could be implemented in a relatively straight-forward way and is highly flexible.

   If there was a significant drop-off in equity markets before an equity risk management strategy could be implemented, this might impact the attractiveness of proceeding. This would be monitored in any case. Mercer has continued to see other clients implement this strategy so far this year – so the increase in equity market volatility hasn't had an overly detrimental impact to date.

3. DETAILS OF REPORT

3.1 The Committee delegated authority to the Chief Finance Officer S151 officer to investigate and procure equity protection manager at their March 2018 meeting.

3.2 Following a discussion with a Senior Legal Officer for the Council it was concluded that there is no need to conduct a full procurement under the OJEU regulations as this is a financial instrument which is exempt from the regulations. The appointment will involve moving assets into this mandate which will deliver the equity protection against a significant fall in the value of equities which would have a detrimental effect on the funding level of the Pension Fund.

3.3 The expected annual cost is £250k per annum. The mandate will be in place for 12 to 18 months until the triennial valuation has been conducted at which point it will be reviewed to ensure it meets the Fund's needs.

3.4 Mercer prepared and produced the necessary documentation in line with the requirements mentioned above and asked existing fund managers provide their proposals by 1st June. Goldman Sachs informed Mercer that they would not be responding to the proposal request because they had taken a commercial view that they would not be competitive on price. The remaining three managers submitted their proposal to Mercer for evaluation.

3.5 Mercer evaluated the submissions of the three managers and concluded that all the managers are credible and their pricing was competitive compared to what they have seen in recent years. After allowing for the fee schedule, the ranking of the submissions was as follows:

1. Schroders
2. Insight
3. LGIM

3.6 All three managers were invited to present to a panel of officers to discuss their proposed solution. Following this the panel, in conjunction with Mercer and the Independent Adviser concluded that Schroders provided the optimum solution for the Fund's needs.

3.7 Given that the authority had been delegated to the CFO to seek and implement this solution, a report was submitted to the CFO and approval for the choice was given. This will now be put in place under the officer authority procedures.

3.8 Whilst this paper is for noting, Mercer will be in attendance at the Committee meeting in order to answer any questions about the solution that new members may have.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 This report provides an update on the procurement process for Equity Protection Manager Investment. The process was managed by officers and Fund Investment Advisers and costs associated with this have been met by the Pension Fund.

5. LEGAL COMMENTS

5.1 Under Local Government Pension Scheme Law the Council holds the pension funds as trustee to the benefit of the members of the scheme. Therefore, in all its actions the Council must act in a manner which is in the best interests of the scheme members. This appears to be the case as the Council has acted in a manner consistent with protecting the value of the fund.

5.2 The transaction which the Committee is asked to note relates to the "issue, sale, purchase or transfer of securities" as described under the exceptions to the application of the Public Contracts Regulations 2015. However, the Council is still required to undertake a reasonable level of investigation of the market place to which the services it requires relate. The COuncil has done this with the assistance of Mercer and therefore can be considered to have complied with its legal obligations in this regard.

5.3 The Committee is just asked to note the actions undertaken and therefore there are no other legal duties tht need to be considered.

5.4 In any event it is unlikely that any considerations are required by the Committee as regards the Equality Act 2010 as this is a purely financial transaction

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

6.2 A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

7.1 In the absence of a framework, to secure continuous improvement, the tender document were prepared to have regard to a combination of economy, efficiency and effectiveness (the best value duty). One principal way that the Council seeks to fulfil this duty generally is by subjecting spend to competition and choosing the winning bidder by applying pre-advertised evaluation criteria to ensure that the winning bid shows the best and appropriate mix of price and quality.

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.

9.2 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

Officer contact details for documents:

- Bola Tobun Investment &Treasury Manager x4733

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Agenda Item 7.6

Non-Executive Report of the: **PENSIONS COMMITTEE** **24 July 2018**	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	**Classification:** Unrestricted
Pension Fund Business Plan and Pensions Committee Work Plan for 2018/19	

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

Summary

The purpose of this report is to set out a business plan for the Pension Fund that outlines the Fund's goals and objectives in delivering the Council's statutory function as the administering authority of the London Borough of Tower Hamlets Pension Fund.

This report was considered and agreed at the last Committee meeting in March 2018; the recommendations were noted and approved. It is being presented for information at this meeting as the majority of this municipal year Committee members are new and officers wants you to be aware of this information for noting, amendments and approval as you deemed fit.

Recommendations:

Members are asked to:

- note the Business Plan attached as Appendix 1 to this report and
- approve work plan for 2018/19 attached as Appendix 2.

1. REASONS FOR THE DECISIONS

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, the Council is required to maintain a Pension Fund for its employees and other scheduled bodies as defined in the Regulations. The Regulations also empower the Fund to admit employees of other defined (e.g. other public bodies, housing corporations) bodies into the Fund.

1.2 The proposed business plan for the Fund has been put together to assist in the management of the Fund and to ensure that the Council is able to perform its role as the administering authority in a structured way. The Business Plan is not intended to cover all aspects of Pension Fund administration; rather it is designed to assist with meeting part of its delegated function as administering authority to the Fund.

1.3 The Pension Committee is charged with meeting the duties of the Council in respect of the Pension Fund. Therefore it is appropriate that the Committee formally adopts a work plan to assist with the discharge of its duties.

2. ALTERNATIVE OPTIONS

2.1 The development and implementation of a work plan should ensure that a structured approach is in place for the monitoring and management of the Pension Fund. This should in turn ensure that the Council meets its statutory obligations as administering authority to the Fund. However, the Committee is under no obligation to adopt a work plan in carrying out its duties.

3. OVERVIEW OF THE WORK OF THE COMMITTEE

3.1 The Council has specific delegated functions that it has to fulfil as the administering authority to the Pension Fund. This requires that a number of monitoring and management activities are undertaken to ensure that it fully discharges its oversight and governance responsibilities to the Fund.

3.2 The key decision making for, and management of, the Fund has been delegated by the London Borough of Tower Hamlets (the Council) to a formal Pensions Committee, supported by officers of the Council and advisers to the Pension Fund. The Section 151 Officer has a statutory responsibility for the proper financial affairs of the Council including Fund matters. A local pension board is in place to assist with:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

3.3 It is appropriate that the Committee should set out how it intends to fulfil its obligations as the delegated authority appointed by the Council to be responsible for the Fund. Adopting a planned approach should make monitoring easier for the Committee and ensure that activities critical to the effective management of the Fund are being undertaken.

3.4 **The primary objectives** of the Fund are sub-divided into specific areas of ***governance***, ***funding, investments, administration and communications*** which are covered in turn below.

3.5 Governance Objectives

1) All staff, Pension Board and Pension Committee Members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
2) The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties.
3) To understand and ensure compliance with all relevant legislation.
4) To ensure the Fund aims to be at the forefront of best practice for LGPS funds
5) Ensures the Fund manages Conflicts of Interest

3.6 Funding Objectives

6) To ensure the long-term solvency of the Fund.
7) To help employers recognise and manage pension liabilities as they accrue.
8) To minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so.
9) To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations. (Including: addressing the different characteristics of disparate employers or groups of employers to the extent that this is practical and cost effective).

3.7 Investment Objectives

10) Optimising the return on investment consistent with a prudent level of risk
11) Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements)
12) Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
13) Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
14) Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns (and minimise the cost of benefits) for an acceptable level of risk'). Ensure return seeking assets are in line with Funding objectives.

3.8 Administration Objective

15) To deliver an efficient, quality and value for money service to its scheme employers and scheme members.

3.9 Communications Objective

16) Ensure that all stakeholders are kept informed of developments within the Pension Fund. Ensuring that all parties are aware of both their rights and obligations within the Fund.

<u>WORK PLAN</u>

3.10 In designing the work plan, the priorities of the Council as the administering authority of the Fund have been considered and incorporated into the Fund Business Plan. The Pensions Committee Work Plan has therefore been developed using the business plan attached as appendix 1 to this report.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1 The performance of the Pension Fund investments affect the required level of contributions due from employers.

4.2 LGPS regulations specify that any net sums not immediately required should be invested in accordance with regulations. The investment of Pension Fund cash has been kept separate from Tower Hamlets Council's investments but invested in accordance with the Council's Treasury Management Strategy.

4.3 Sound financial management of the Pension Fund, helps ensure that the Pension Fund is run in an efficient and cost-effective manner. Poor management of the Pension Fund finances would result in increased costs, which would need to be met through higher employer contributions to the Pension Fund.

4.4 Any financial commitments arising from this report, will be met from the pension fund therefore there are no financial implications on the Council's general fund.

5. LEGAL COMMENTS

5.1 Administering authorities are now bound by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which have replaced the 2009 Regulations. These regulations set out an administering authority's statutory duties in ensuring the proper administration and management of its pension fund.

5.2 The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

5.3 Members of the Pensions Committee are required by the Council's Constitution to consider pension matters and meet the various statutory obligations and the duties of the Council. This Work Plan provides for certain statutory requirements to be met and for members to be well trained and kept up to date and thus fit for purpose.

5.4 When making decisions regarding management of the of the pension scheme, 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).

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1 The London Borough of Tower Hamlets Pension Fund represents an asset to the Council in terms of its ability for attracting and retaining staff who deliver services to residents. The adoption of a Work Plan should lead to more effective management of the Fund.

6.2 A significant element of the Council's budget is the employer's contribution to the Fund. Therefore, any improvement in the efficiency of the Fund that leads to improvement in investment performance or cost savings will likely reduce contributions from the Council and release funds for other corporate priorities.

7. BEST VALUE (BV) IMPLICATIONS

7.1 A Business plan, work plan and budget should result in a more efficient process of managing 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 The adoption of a work plan will minimise risks relating to the management of the Fund and should assist in managing down the risk of non-compliance with the Council's obligations under the Regulation as the administering authority of the London Borough of Tower Hamlets Pension 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 - Business Plan 2018-2021
- Appendix 2 - Pensions Committee Work Plan

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:

- Bola Tobun - Investment &Treasury Manager x4733
- Mulberry House, 5 Clove Crescent E14 2BG

Appendix 1

BUSINESS PLAN 2018-2021

In order to meet the objectives of the Pension Fund, the Pensions Board has to review the business plan and the Pensions Committee has to review and agree the business plan for the period 2018-2021. This has to be put into the context of a period of significant uncertainty for the Fund, which reflects not just ongoing volatility in investment markets, but also measures for structural reform which could have a fundamental impact on the overall management of the Fund.

The purpose of the business plan is to:

a) explain the background and objectives of London Borough of Tower Hamlets for the management of the Tower Hamlets Pension Fund
b) document the priorities and improvements to be implemented by the pension administration service during the next three years to help achieve those objectives
c) enable progress and performance to be monitored in relation to those priorities
d) provide staff, partners and customers with a clear vision for the next three years.

Set out in the table below is the 3 year business plan for the Pension Fund:

	2018/19	2019/20	2020/21	Primary Objective Reference (s)
Governance Objectives				
Draft Pension Fund Accounts	July - September	July - September	July - September	1,2,3,7,13,15,16
Approve Final Pension Fund Annual Report & Accounts	September - November	September - November	September - November	1,2,3,7,13,15,16
Employer Forum	November - January	November - January	November - January	3,4,7,8,9,15,16
Review Risk Register	September - November	September - November	September - November	1,2,5,6,7,8,9,10,11, 12,13
TPR Code of Practice	April - October	March - June	March – June	1,2,3,4,5
Governance Policy Review	December - March	December - March	December- March	1,2,3,4,5
Self-Assessment & Review of Advisers	December - March	December - March	December - March	1,2,3,4,5
Induction Training for New Members	May – July (As Required)	May – July (As Required)	May – July (As Required)	1, 2, 4, 15
Member's Training	Quarterly	Quarterly	Quarterly	1,2,4,15

	2018/19	2019/20	2020/21	Primary Objective Reference (s)
Training Policy Review	November – January	November – January	November – January	1,3,4
Pensions Board –Annual Reporting	Mar - July	Mar - July	Mar - July	1,2,3,4,6,7,8,9,10,11,12,13,14,15,16
Review Performance, funding and budget	Quarterly	Quarterly	Quarterly	1,2,3,4,6,7,8,9,10,11, 12,13,14,15,16
AVC Review	September – January		September – January	1,2,3,4,5
Review Reporting Breaches Policy	July	July	July	10,15,16
Review Conflicts of Interest Policy Review	July	July	July	5
Creation & Review Cessation Policy	September – January		April - July	5,6,7,8,9,15,16
Funding Objectives				
Preparation and Update of 2019 Actuarial Valuation	November - March	April - March	As Required	5,6,7,8,9,15,16
Review of Funding Strategy Statement		November - March	April - March	5,6,7,8,9,15,16
Investments Objectives				
Review Investment Strategy Statement	September - March	As required	As required	1,3,10,11,12,13,14, 15,16
Investment in Multi-Credit Manager	April - July			1,2,4,10,11,12, 13,14,15
Investment in Infrastructure, Long Lease & Private Debt	July - December			1,2,4,10,11,12, 13,14,15
Review Investment Consultancy Contract			September – March	5,10,11,12,13, 14,15
Review Actuarial Services Contract			September – March	5,10,11,12,13, 14,15
Strategic Asset Allocation – Regular Review	Ongoing	Ongoing	Ongoing	1,4,6,8,9,10,11,12,13,14
Carbon Footprint Audit	July - September	July - September	July - September	5,6,7,8,9,15,16
Pension Fund Treasury Management Strategy	January	January	January	1,9,10,11,12,13,14, 15
Individual Manager Review	Quarterly	Quarterly	Quarterly	1,2,4,10,11,12, 13,14,15
Asset/Liability Monitoring	Ongoing	Ongoing	Ongoing	5,10,11,12,13, 14,15,16
Collaborative working- London CIV	Ongoing	Ongoing	Ongoing	1,2,4,10,11,12, 13,14,15

	2018/19	2019/20	2020/21	Primary Objective Reference (s)
Pension Administration				
Pension Administration Strategy	January – March	January – March	January – March	1,2,3,7,9,15,16
GMP Reconciliation	April-September			1,2,3,15,16
Employer data Improvements	Ongoing	Ongoing	Ongoing	1,2,3,7,9,15,16
Administering Authority Discretions Review	April-July			1,2,3,4,5,9,10, 15,16
Admitted Bodies Policy	September		September	1,2,3,4,5,9,10,15,16
Employing Authority Discretions	July		July	1,2,3,4,5,9
Communications				
Annual Benefit Statements	August – September	August – September	August – September	15,16
Auto-Enrolment /Workplace Pensions	Ongoing	Ongoing	Ongoing	1,2,3,15,16
Communications Policy Review	January-March	January-March	January-March	1,2,3,15,16

Appendix 2

PENSIONS COMMITTEE

Work Plan

2018/19

Date of Meeting	Items	Title of Report / Presentation	Contact Officer
July 2018	1	Members Training – Roles and Responsibilities in LGPS	
	2	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Investment & Treasury Manager
	3	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	4	Annual Review of Investment Strategy Statement and Funding Strategy Statement	Investment & Treasury Manager
	5	Review of Compliance Checklist for the Pensions Regulator Code of Practice	Investment & Treasury Manager/Pensions Manager
	6	Review of Draft Annual Report	Investment & Treasury Manager
	7	Review of Pensions Administration Policy	Pensions Manager
September 2018	1	Members Training – Presentation on Infrastructure and Private Debt	
	2	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Investment & Treasury Manager
	3	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	4	Review of actuarial, investment advice and custodial services	Investment & Treasury Manager
	5	Review of Governance Compliance Statement	Investment & Treasury Manager
	6	Noting of Audit Outcome and Approval of Annual Report and Accounts	Investment & Treasury Manager
	7	Carbon Footprint Audit	Investment & Treasury Manager
November 2018	1	Members Training – Actuarial Valuation	Various
	2	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Investment & Treasury Manager

	3	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	4	Review of actuarial, investment advice and custodial services	Investment & Treasury Manager
	5	Review of Risk Register	Investment & Treasury Manager
	6	Review of TPR Compliance Checklist	Investment & Treasury Manager/Pensions Manager
	7	Report on LCIV update and development	Investment & Treasury Manager
	8	Review of Reporting Breaches Policy and Conflicts of Interest Policy	Investment & Treasury Manager
March 2019	1		
	2	Quarterly Performance Reporting of Fund Managers and update on emerging /current issues	Investment & Treasury Manager
	3	Quarterly Administrative Key Performance Indicators Report	Pensions Manager
	4	Report on Fund Managers performance and costs	Investment & Treasury Manager
	5	Review of Communications Policy Statement	Pensions Manager
	6	Report on Corporate Governance, Stewardship, Engagement & Share Voting	Investment & Treasury Manager
	7	Review of Training Policy	Investment & Treasury Manager
	8	Review of Pensions Administration Policy	Pensions Manager
	9	Pension Fund Work Plan and Budget 2019/20	Investment & Treasury Manager

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Agenda Item 7.7

Non-Executive Report of the: **Pensions Committee** 24 July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director, Resources	**Classification:** Unrestricted
Investment and Fund Managers Performance Review for Quarter Ending 31st March 2018	

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

Summary

This report informs Members of the performance of the Pension Fund and its investment managers for the fourth quarter of 2017/18.

Fund outperformed over the quarter. **Five mandates matched or achieved benchmark set.**	The Fund marginally outperformed its benchmark return of -1.2% by 0.1% for the quarter. The overall benchmark was negative in the quarter due to falls in global stock markets over the period. For this quarter end, six mandates matched or achieved returns above the benchmark. The four that did not reach the benchmarks were the mandates with LCIV RF (TR), LCIV BG (DGF), Insight and GSAM bond portfolios. Fund Valuation £1.485bn, decreased over the quarter by £38m.
Fund outperformed over twelve months and three and five year periods. **Five mandates matched or achieved benchmark set.**	For the twelve months to March 2018, the Fund returned 6% outperforming the benchmark of 4.1%, the Fund is ahead of its benchmark by 1.9%. The Fund valuation increased from £1.130m by £355m for these twelve months. Four mandates underperformed their respective benchmark. The mandates that underperformed their respective benchmarks were LCIV RF lagged behind by -4.3%, GSAM lagged behind by -5.0% and Insight by -4.3%.
Fund is broadly in line with the strategic benchmark weight.	Looking at the longer term performance, the three year return for the Fund was 8.1%, ahead of its benchmark return by 0.2% for that period. Over the five years, the Fund posted a return of 8.9% outperforming the benchmark return of 8.4% by 0.4%. The Fund is still in line with its long term strategic equity asset allocation and the distribution of the Fund's assets amongst the different asset classes is broadly in line with the strategic benchmark weight.

Recommendations:
Members are recommended to note the contents of this report.

1. REASONS FOR THE DECISIONS

1.1. The report informs the Pension Committee of the performance of pension fund managers and the overall performance of the Tower Hamlets Pension Fund.

2. ALTERNATIVE OPTIONS

2.1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Pension Fund so there is no alternative but to report the performance of the Fund to the Pension Committee on a regular basis,

3. DETAILS OF REPORT

3.1. The Pension Fund Regulations require that the Council establishes arrangements for monitoring the investments of the Fund. It considers the activities of the investment managers and ensures that proper advice is obtained on investment issues.

3.2. Officers and fund advisers meet regularly with investment managers to discuss their strategy and performance and may recommend that investment managers are invited to explain further to the Pensions Committee.

3.3. This report informs Members of the performance of the Fund and its investment managers for the quarter and year ended 31st March 2018.

3.4. SUMMARY OF THE PENSIONS FUND INVESTMENTS

London Common Investment Vehicle (LCIV)

The London CIV was formed as a voluntary collaborative venture by the London Local Authorities in 2014 and has led the way in pooling of investments in the Local Government Pension Scheme (LGPS). The London CIV aims to be the investment vehicle of choice for Local Authority Pension Funds through successful collaboration and delivery of compelling performance. The LCIV was launched in December 2015, as a fully authorised and regulated investment management company. The founding members are the London boroughs and the City of London Corporation. The LCIV has been established as a collective investment vehicle for their Local Government Pension Scheme funds. The current regulatory permission allows the London CIV to operate an Authorised Contractual Scheme Fund (the UK's version of a Tax Transparent Fund).

The London CIV currently manages three investment portfolios of LBTH fund which are listed below:

a) **The Baillie Gifford diversified growth fund (DGF)** mandate was opened in February 2011 with contract value of £40m. £6.409m was added to this portfolio in the month of June 2015. The performance target for this mandate is to outperform the benchmark (3% p.a. above the 3 month LIBOR) net of fees over rolling 5 years with annual volatility of less than 10%. This mandate was transferred to LCIV on 15 February 2016 at market value of £54.177m and the portfolio is named ***LCIV (BG) DGF.*** A capital contribution of £70m was paid into this portfolio on 23rd August 2017. The market value of assets as at 31 March 2018 was £136.444m. For this reporting quarter, the return of this portfolio was 0.5% with relative underperformance of 0.3% below benchmark return of 0.8%. The portfolio outperformed the benchmark for one year to reporting period by 0.7%, also outperformed the benchmark return over 3 years by 0.8% per annum and by 0.9% per annum for 5 years. The portfolio invests in a diversified range of asset classes and the breakdown is shown in the manager's quarterly summary report, attached to this report as Appendix 2a.

b) **The Baillie Gifford global equity fund** had a value of £118.9m at the start of the mandate in July 2007. The performance target for this mandate is 2% to 3% above the benchmark MSCI AC World Index gross of fees over a rolling 3-5 year period. This mandate was transferred to LCIV on 22 April 2016 at market value of £214.1m and the portfolio is named ***LCIV (BG) GA.*** The market value of the assets as of 31 March 2018 was £318.033m. The portfolio outperformed the benchmark by delivering a return of -0.9% compared to benchmark return of -4.4% over the quarter. The portfolio also outperformed the benchmark for one year to reporting period substantially by 10.7%, also outperformed the benchmark return for over 3 years considerably by 4.4% per annum and by 4% per annum for 5 years. Further information on this portfolio is attached to this report as Appendix 2b.

c) **Ruffer LLP** manages an Absolute Return Fund; the value of this contract on the 28 February 2011 was £40m. £6.474m was added to this portfolio on 2nd June 2015. The management of this portfolio was transferred to the LCIV on 20th June 2016 at market value of £54m and the portfolio is named ***LCIV Ruffer.*** Capital contribution of £70m was added to this portfolio on 23rd August 2017. The performance target for this mandate is to outperform the benchmark (3.5% p.a. above 3 month LIBOR) net of fees over rolling 5 years with annual volatility of less than 10%. The value of assets under management as of 31st March 2018 was £131.297m. The portfolio underperformed the benchmark by delivering a return of -2.5% compared to benchmark return of 0.8% over the quarter. The portfolio also underperformed the benchmark for one year to reporting period substantially by -4.3% and for over 3 years by -1.1% per annum but outperformed its benchmark marginally by 0.1% per annum for 5 years period. Further information on this portfolio is attached to this report as Appendix 2c.

Goldman Sachs Asset Management

On 4th April 2016, the fund invested £75m in Goldman Sachs Strategic Absolute Return Bond II (STAR II). The performance target is to outperform the benchmark (3 Month LIBOR) by 4.0% per annum net of fees over a rolling three year period. The portfolio had a market value of £77.077m at 31st March 2018. The portfolio underperformed the benchmark (3 month LIBOR plus 4%) in the reporting period by posting returns of -0.1% against a benchmark return of 1.1% and underperformed the benchmark significantly for one year to reporting period by -5%. Further information on this portfolio is attached to this report as Appendix 3.

Insight Investment Management

On 1st July 2016, the fund invested £70m with Insight Investment Management in BNY Mellon Global Funds. The portfolio had a market value of £71.779m at

31st March 2018. The performance target is to outperform the benchmark (3 Month LIBOR) by 3-4% per annum net of fees over a rolling three year period. The portfolio underperformed the benchmark (3 month LIBOR plus 4%) in the reporting period by posting returns of 0% against a benchmark return of 1.1%, the portfolio also underperformed its benchmark considerably for one year to reporting period by -4.3%. Further information on this portfolio is attached to this report as Appendix 4.

Legal & General Investment Management

Legal & General was appointed on 2nd August 2010 to manage passively UK Equity and UK Index-Linked Mandates. A decision was made at the September 2017 Committee meeting following the outcome of the Fund investment strategy review to disinvest from passive UK Equity mandate as it is difficult to justify the overweight to the UK market from an investment perspective. The preposition to invest the redemption proceeds of this portfolio along with GMO legacy portfolio in Passive Global Equity and Low Carbon Passive Global Equity Fund was agreed by the Committee and the transition of the assets occurred in December 2017. Hence the revised benchmark for LGIM Equity portfolio is as shown below:

Fund	**Allocation (30% of total LBTH Fund)**
FTSE All World Equity Index	16.7%
FTSE All World Equity Index GBP Hedged	33.3%
MSCI World Low Carbon Target Index GBP Hedged	50.0%

The performance target is to track the FTSE All World Equity Index GBP Hedged for the Hedged Passive Global Equity, FTSE All World Equity Index for the (Unhedged) Passive Global Equity mandate, MSCI World Low Carbon Target Index GBP Hedged for the Low Carbon Passive Global Equity mandate and FTSE A Gov Index-Linked > 5 years benchmark for the UK Index-Linked Mandate. At 31st March 2018, the (Unhedged) Passive Global Equity portfolio had a market value of £67.801m, the Low Carbon Passive Global Equity portfolio had a market value of £233.190m and the Hedged Passive Global Equity portfolio had a value of £167.634m and the UK Index linked portfolio was £68.420m. All the portfolios matched the benchmark returns. Further information on the portfolios being managed by this manager is attached to this report as Appendix 5.

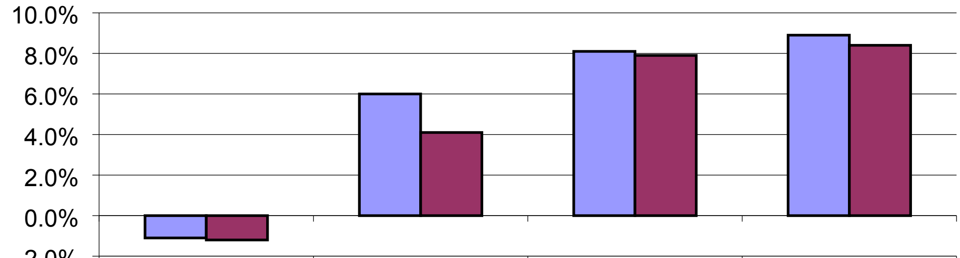
Schroder's Investment Management

Schroder manages a property mandate. The value of this mandate on 20th September 2004 was £90m. The performance target for this mandate is to outperform the IPD UK Pooled Property Fund Indices All Balanced Funds Median by 0.75% net of fees over a rolling three year period. The market value of assets at 31st March 2017 was £155.656m. The portfolio performance is the same as the benchmark return for this reporting quarter. However for twelve months to 31 March 2018, the portfolio posted a return of 10.9%, this was 0.9% above the benchmark. And for longer term, the three years performance was slightly above the benchmark return by 0.3% per annum but for over five years, the portfolio underperformed its benchmark by -0.4% per annum. Further information on the portfolios being managed by this manager is attached to this report as Appendix 6.

INVESTMENT PERFORMANCE

3.5. The overall value of the Fund at 31st March 2018 stood at £1,485.328m which is a reduction of £38.149m from its value of £1,523.477m as at 31st December 2017.

Pension Fund Performance

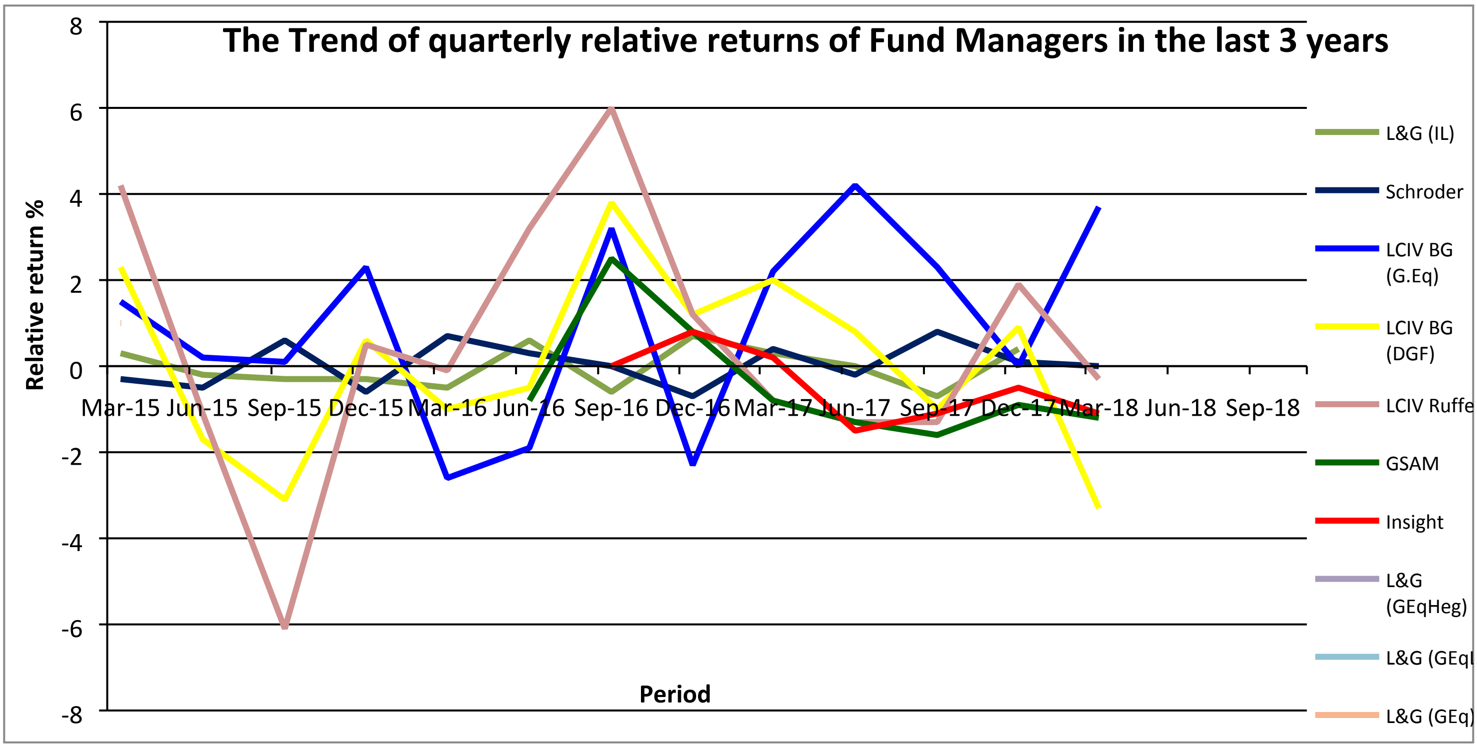


	Current Quarter	One Year	Three Years	Five Years
Fund	-1.1%	6.0%	8.1%	8.9%
Bench Mark	-1.2%	4.1%	7.9%	8.4%

3.6. The fund slightly outperformed the benchmark this quarter by posting a return of -1.1% against benchmark return of -1.2%. The twelve month period sees the fund ahead of its benchmark by 1.9%, as shown on the graph above.

MANAGER PERFORMANCES

3.7. The Fund is being managed by five managers with nine different mandates. LCIV with three mandates managing the Global Equities, diversified growth fund and total return fund on an active basis; UK Index-Linked, Low Carbon Global Equities, Hedged and Unhedged Global Equities are passively managed by LGIM; GSAM and Insight managing absolute return pooled bond funds and Schroders are the property manager.



3.8. The graph above demonstrates the volatility and cyclical nature of financial markets relating to the fund's investment holdings. Over the three year period shown in the graph, the outcomes are within the range of expectations used by the Fund actuary in assessing the funding position. The Fund can take a long term perspective on investment issues principally because a high proportion of its pension liabilities are up to sixty years in the future.

3.9. The managers, mandate and funds held under management are set out below. The Fund was valued at £1,485.328 million as at 31st March 2018. This includes cash held and being managed internally (LBTH Treasury Management), this stands at 3.1% of the total assets value, this constitutes investment in money market fund (MMF) of £24m and £2.5 working capital of the Fund.

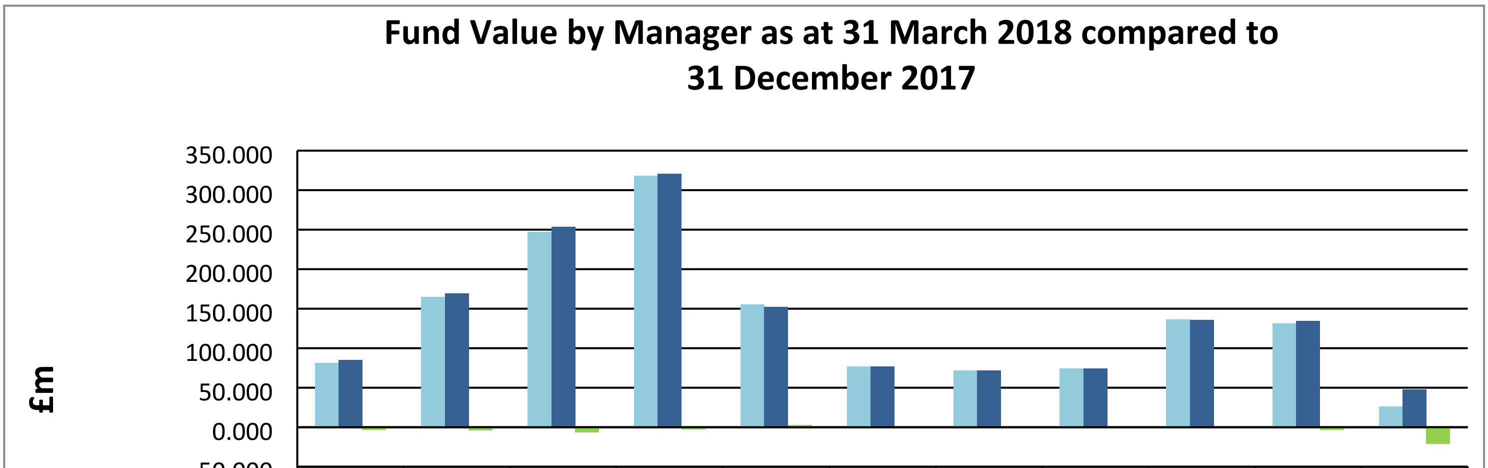
Manager	**Mandate**	**Value at 31st March 2018 £m**	**Strategic Weight of FM AUM***	**Actual Weight of FM AUM**	**(Under)/ Over Weight Target**	**Date Appointed**
L&G (Unhedged GEq)	Global Equity	81.614	5.00%	5.50%	0.5%	01- Dec-2017
L&G (Hedged GEq)	Global Equity	164.962	10.00%	11.10%	1.1%	01- Dec-2017
L&G (Low Carbon Eq)	Global Equity	247.536	15.00%	16.70%	1.7%	01- Dec-2017
LCIV BG (Global Equity)	Global Equity	318.033	20.00%	21.40%	1.40%	05-Jul-07 22 Apr 2016**
LCIV BG (Diversified Growth)	Absolute Return	136.444	10.00%	9.20%	(0.80)%	22-Feb-11 15 Feb 2016**
LCIV Ruffer (Total Return Fund)	Absolute Return	131.297	10.00%	8.80%	(1.20)%	08-Mar-11 15 Jun 2016**
L & G Index Linked-Gilts	UK Index Linked	74.546	6.00%	5.00%	(1.00)%	02-Aug-10
GSAM	Bonds	77.077	6.00%	5.20%	(0.80)%	04-Apr-16
Insights	Bonds	71.779	6.00%	4.80%	(1.20)%	01-Jul-16
Schroder	Property	155.556	12.00%	10.50%	(1.50)%	30-Sep-04
Internal cash Management	Cash	26.484	0.00%	1.80%	1.80%	N/A
Total		**1,485.328**	**100.00%**	**100.00%**	**0.00%**	

* FM AUM is Fund Asset under Management with a Fund Manager
**The date asset ownership was transferred from LBTH Pension Fund to LCIV for management under the pooling arrangements.

3.10. Following the outcome of the investment strategy review, the consultant presented and discussed the expected returns from Absolute Return Bonds (ARB) with the Committee at their September 2017 meeting whereby he demonstrated his beliefs that this is very dependent on the skills of individual managers which are difficult to predict and is wholly reliant on the investment managers. The Consultant advocates a reduction of ARB allocation from 12% to 6% and believes that the reduced ARB allocation should be complemented by a 6% allocation to Multi-Asset Credit (MAC), where the returns are likely to be driven by markets rather than just manager skill.

3.11. After an in-depth discussion and consideration of this issue at the March 2018 meeting, the Committee agreed to reduce its 12% allocation to ARB to 6% and to allocate 6% to MAC strategy. The Committee approved allocation of 6% of the total Fund assets to CQS multi asset credit (MAC) on London CIV platform and this sub fund to be funded by reducing the Fund allocation with Insight and GSAM to 3% each of the Fund total assets as at 31st March 2018 and rebalancing of the LGIM equity portfolios. The CQS MAC portfolio was funded on the 29th May 2018 by transferring £90m to London CIV.

3.12. The graph below illustrates the portfolio value movement of each mandate for this reporting quarter compared to the last quarter. It shows that all portfolios of the Fund have made gains, albeit in some cases only marginal ones.



	L&G (uGEq)	L&G (hGEq)	L&G (lcEq)	LCIV BG (G.Eq)	Schroder	GSAM	Insight	L&G (IL)	LCIV BG (DGF)	LCIV Ruffer	LBTH (Cash)
Value at 31/03/2018	81.614	164.962	247.536	318.033	155.556	77.077	71.779	74.546	136.444	131.297	26.484
Value at 31/12/2017	84.996	169.280	253.904	321.042	152.619	77.151	71.797	74.430	135.730	134.730	47.798
Gain/(Loss) of Value	3.382	4.318	6.368	3.009	2.937	0.074	0.018	0.116	0.714	3.433	21.314

3.13. The performance, net of fees of the individual managers relative to the appropriate benchmarks over the past five years is as set out in the table below. Each manager provides a report of the performance of their respective mandate and these are summarised as set out in Appendix 1 of this report.

Managers Investment Performance relative to benchmark as at 31st March 2018

		LCIV (BG) Global Equity	LGIM Low Carbon Global Equity	LGIM Hedged Global Equity	LGIM Unhedged Global Equity	Schroder Property	GSAM Absolute Return Bond	Insight Absolute Return Bond	LGIM Index Linked	LCIV (BG) DGF	LCIV (Ruffer) DGF	LBTH Treasury Cash	Total Fund
Quarter %	*Fund*	(0.9)	2.5	2.4	4.4	1.9	(0.1)	0.0	0.2	0.5	(2.5)	0.0	(1.1)
	Benchmark	(4.4)	2.5	2.5	4.4	1.9	1.1	1.1	0.2	0.8	0.8	0.1	(1.2)
	Relative	3.5	(0.1)	(0.0)	(0.0)	0.0	(1.2)	(1.1)	0.0	(0.3)	(3.3)	(0.1)	0.1
12 month %	*Fund*	13.1	N/A	N/A	N/A	10.9	(0.7)	0.0	0.7	4.0	(1.0)	0.1	6.0
	Benchmark	2.4	N/A	N/A	N/A	10.0	4.3	4.3	0.7	3.3	3.3	0.3	4.1
	Relative	10.7	N/A	N/A	N/A	0.9	(5.0)	(4.3)	0.0	0.7	(4.3)	(0.2)	1.9
3 years (% p.a)	*Fund*	14.6	N/A	N/A	N/A	8.4	N/A	N/A	7.7	4.3	2.4	0.8	8.1
	Benchmark	10.2	N/A	N/A	N/A	8.1	N/A	N/A	7.8	3.5	3.5	0.3	7.9
	Relative	4.4	N/A	N/A	N/A	0.3	N/A	N/A	(0.1)	0.8	(1.1)	0.5	0.2
5 years (% p.a)	*Fund*	14.9	N/A	N/A	N/A	10.1	N/A	N/A	7.7	4.4	3.6	0.8	8.9
	Benchmark	10.9	N/A	N/A	N/A	10.5	N/A	N/A	7.7	3.5	3.5	0.3	8.4
	Relative	4.0	N/A	N/A	N/A	(0.4)	N/A	N/A	0.0	0.9	0.1	0.5	0.5

INTERNAL CASH MANAGEMENT

3.14. Cash is held by the managers at their discretion in accordance with limits set in their investment guidelines, and internally by LBTH to meet working cashflow requirements, although transfers can be made to Fund managers to top up or rebalance the Fund.

3.15. The Pension Fund cash balance is invested in accordance with the Council's Treasury Management strategy agreed by Full Council in February 2017, which is delegated to the Corporate Director, Resources to manage on a day to day basis within the agreed parameters.

3.16. On the 1st December 2017 the Council paid £35.888m, this is a prepayment of deficit contribution for three years 2017/18 to 2019/20 less a quarter payments of £3.75m paid into the Fund early October 2017.

3.17. The cash balance as at 31st March 2018, was £47.798m this constitutes investment in money market fund (MMF) of £40m and £7.8m working capital of the Fund.

3.18. Members will continue to be updated quarterly of the Pension Fund in house cash investment strategy. Needless to say that the security and liquidity of the Fund's cash remains the overriding priority, ahead of yield.

ASSET ALLOCATION

3.19. The revised benchmark of asset distribution and the fund position at 31st March 2018 are set out below:

Asset Class	Benchmark as at 21st September 2017	Fund Position as at 31st March 2018	Variance as at 31st March 2018
Global Equities	50.0%	54.7%	4.7%
Total Equities	**50.0%**	**54.7%**	**4.7%**
Property	12.0%	10.5%	(1.5)%
Bonds	12.0%	10.0%	(2.0)%
UK Index Linked	6.0%	5.0%	(1.0)%
Alternatives	20.0%	18.0%	(2.0)%
Cash	0.0%	1.8%	1.8%
Total Equities	**100.0%**	**100.0%**	

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

i) The risk profile. Generally there is a trade-off between the returns obtainable on investments and the level of risk. Equities have higher potential returns but this is achieved with higher volatility. However, as the Fund remains open to new members and able to tolerate this it can seek long term benefits of the increased returns.

ii) The age profile of the Fund. The younger the members of the Fund, the longer the period before pensions become payable and investments have to be realised for this purpose. This enables the Fund to invest in more volatile asset classes because it has the capacity to ride out adverse movements in the investment cycle.

iii) The deficit recovery term. Most LGPS funds are in deficit because of falling investment returns and increasing life expectancy. The actuary determines the period over which the deficit is to be recovered and considers the need to stabilise the employer's contribution rate. The actuary has set a twenty year deficit recovery term for this Council which enables a longer term investment perspective to be taken.

3.21. Individual managers have discretion within defined limits to vary the asset distribution. The overweight position in equities has helped the fund's performance in recent months.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

4.1. This is a noting report which fulfils the requirement to report performance of the Pension Fund investments portfolio to the Pensions Committee. There are no direct financial implications arising from this report.

5. LEGAL COMMENTS

5.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 govern the way in which administering authorities should manage and make investments for the fund. There are no longer explicit limits on specified types of investment and instead administering authorities should determine the appropriate mix of investments for their funds. However, administering authorities must now adhere to official guidance; broad powers allow the Government to intervene if they do not. Under regulation 8, the Secretary of State can direct the administering authority to make changes to its investment strategy; invest its assets in a particular way; that the investment functions of the authority are exercised by the Secretary of State and that the authority complies with any instructions issued by the Secretary of State or their nominee.

5.2. The Council must take proper advice at reasonable intervals about its investments and must consider such advice when taking any steps in relation to its investments.

5.3. The Council does not have to invest the fund money itself and may appoint one or more investment managers. Where the Council appoints an investment manager, it must keep the manager's performance under review. At least once every three months the Council must review the investments that the manager has made and, periodically, the Council must consider whether or not to retain that manager.

5.4. One of the functions of the Pensions Committee is to meet the Council's duties in respect of investment matters. It is appropriate, having regard to these matters, for the Committee to receive information about asset allocation and the performance of appointed investment managers. The Committee's consideration of the information in the report contributes towards the achievement of the Council's statutory duties.

5.5. When reviewing the Pension Fund Investment Performance, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty). The Committee may take the view that good, sound investment of the Pension Fund monies will support compliance with the Council's statutory duties in respect of proper management of the Pension Fund.

6. ONE TOWER HAMLETS CONSIDERATIONS

6.1. The employer's contribution is a significant element of the Council's budget and consequently any improvement in investment performance will reduce the contribution and increase the funds available for other corporate priorities.

6.2. A viable pension scheme also represents an asset for the recruitment and retention of staff to deliver services to the residents.

7. BEST VALUE (BV) IMPLICATIONS

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

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

9. RISK MANAGEMENT IMPLICATIONS

9.1. Any form of investment inevitably involves a degree of risk.

9.2. To minimise risk the Investment Panel attempts to achieve a diversification portfolio. Diversification relates to asset classes and management styles.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

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

Linked Reports, Appendices and Background Documents

Linked Report

- [None]

Appendices

- Appendix 1 – SSGS Quarterly Performance Review
- Appendix 2a-2c (LCIV Sub-Fund Quarterly Summary)
- Appendix 3 – GSAM Investment Review for the Quarter
- Appendix 4 – Insight Investment Review for the Quarter
- Appendix 5 – LGIM Investment Review for the Quarter
- Appendix 6 – Schroders Property Investment Review for the Quarter

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

Officer contact details for documents:

- Bola Tobun Investment &Treasury Manager x4733

LCIV RF Absolute Return Fund Q1 Manager Review

CIV Investment Team

LCIV RF Absolute Return Fund

Inception date	21 June 2016
Fund Size	£813m (as at 31/03/2018)
Number of holdings	N/A
Benchmark	N/A

Investment objective

To achieve low volatility and positive returns in all market conditions. Capital invested in the Sub-fund is at risk and there is no guarantee that a positive return will be delivered over any one or a number of twelve-month periods

Investment policy

The ACS Manager aims to achieve the objective by investing solely in the CF Ruffer Absolute Return Fund and cash and near cash.

Agenda

1. Review the quarterly performance of the fund.
2. Explain any portfolio changes relating to the fourth quarter.
3. Briefly discuss the outlook of the Ruffer team.

	LCIV Ruffer Absolute Return Fund
Q1 2018	-2.55%
Since LCIV Inception (annualised)	5.63%

Source: Bloomberg, as at 31/3/2018. Total returns, net of fees with dividends re-invested. Inception = 21/06/2016

Executive summary

The fund declined 2.55% over the first quarter with equity holdings detracting significantly from returns in what proved to be a highly volatile period for the asset class. Ruffer believes we have entered a more challenging period and warrant caution. The recent performance of the fund provided vital information for how the fund may perform in different environments ahead.

In terms of activity Ruffer implemented positions in short dated UK corporate bonds as spreads have widened, and, initiated equity put protection, which it felt favourable relative to additional protection via the VIX options. UK equities are deemed particularly attractive from a valuation standpoint and more cash may be put to work in the region going forward.

Business changes

Ruffer have informed us of the departure of Trevor Bradley, Investment director. Alex Lennard will continue to lead the team serving Institutional clients, as he has done since 2014. The investment approach for portfolios will remain unchanged. The investment strategy will continue to be led by Henry Maxey (Chief Investment Officer) and Jonathan Ruffer (Chairman). There is no change to the management of the Ruffer Absolute Return Fund.

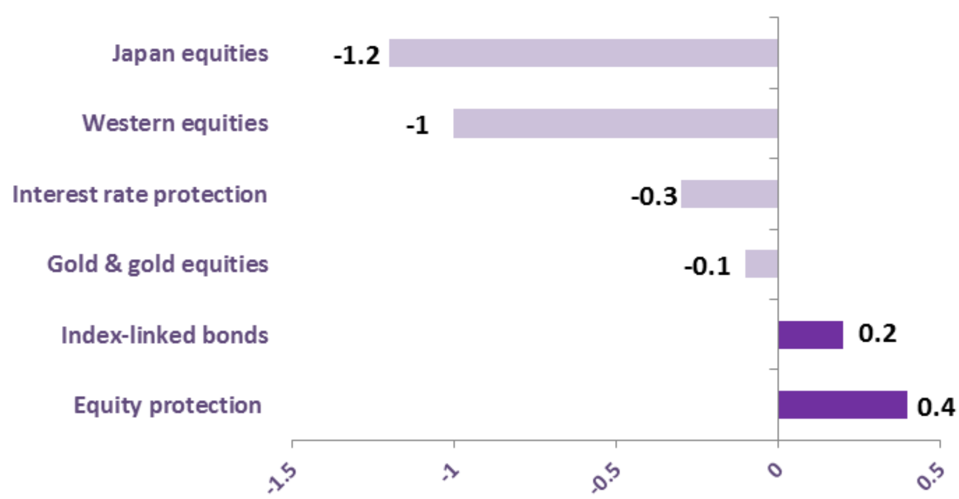
Q1 performance review

In stark contrast to the exceptional performance of markets since the middle of 2016, the first quarter of 2018 proved to be a bumpy ride for equities as volatility returned, starting with a an idiosyncratic risk event relating to products replicating the VIX index at the beginning of February, protracted by trade war rhetoric between the U.S. and China, as well growing regulatory pressures on Facebook - which could have alarming consequences for tech stocks as a whole. Markets were also caught slightly off guard by stronger than expected monthly U.S. wage growth data causing bond yields to rise sharply in expectation of higher inflation, which added additional pressure on equities. The sell-off took place across the board with the FTSE-All Share, S&P500 and the MSCI World down 6.9%, 4.3% and 4.7% respectively for the quarter in GBP terms.

With fears over investor complacency mounting following a dramatic market melt-up towards the back end of last year the environment was ripe for some sort of reality check. This quarter was a particularly important data point for both Ruffer and the London CIV as it provided the first strike for how the portfolio would perform in a more challenging risk-off environment. The Ruffer Absolute return fund lost 2.55% over the period as fear outweighed greed, but the protective assets proved to be geared towards a more marked sell-off than the relatively shortened pullback. With respect to the volatility sell-off in early February and the explosion of short VIX products – some of which cost investors over 90% of their capital – Ruffer, had correctly identified securities, namely VIX call options, that would be effective in diversifying the portfolio against a material rise in volatility as the portfolio was actually in positive territory whilst stock markets sold off. Ruffer's CIO went as far to say that that the recent flash crash is reminiscent of the Bear Sterns collapse in 2007. Ignore at your peril.
In the seven or so weeks that followed equity markets recovered and volatility settled until the steady drift lower in March as trade spats and a rotation towards short duration cyclicals hurt the equity exposure of the fund and took the return into negative territory.

At the asset level the fund's equity protection (0.4%) and index linked bonds (0.2%) provided small but positive contributions to return for the quarter:

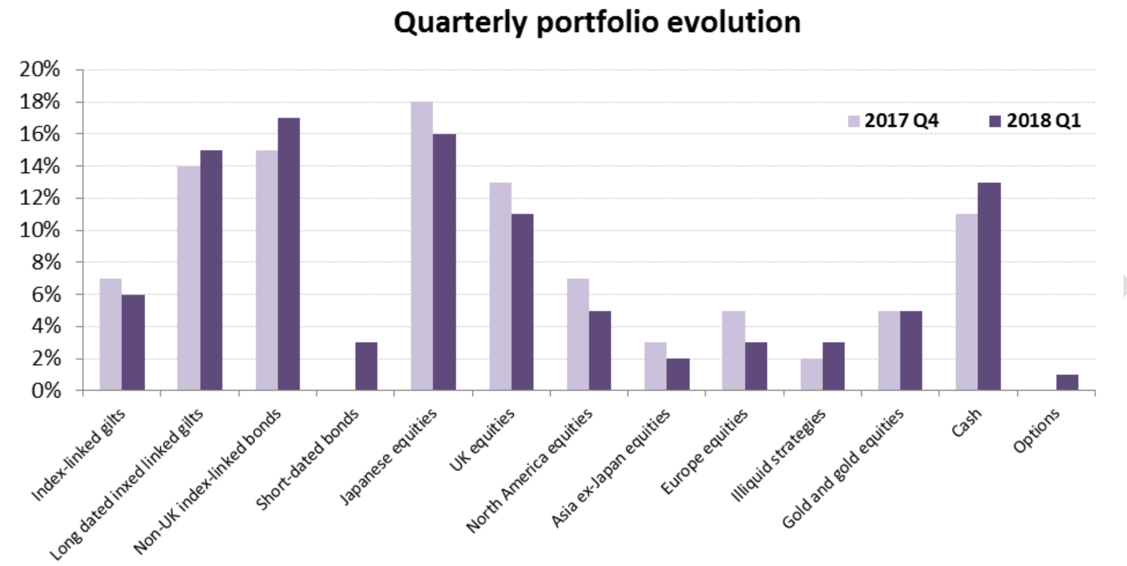
- Equity protection surged during February's 'flash crash'. Some profits were taken at that point, but protections retained lost some value as volatility fell back to some degree later in the quarter.
- While inflation-linked bonds mirrored equity weakness for most of the quarter, fears that trade spats could damage growth prospects drove yields lower towards the end of the period, producing a small gain overall.



Japanese equities (-1.2%) and Western equities (-1%) were the largest detractors from performance by a large margin.

- The general 'risk off' mood through February and March meant that Japanese financial equities fell by double-digits over the quarter, largely unwinding their gains posted in Q4 2017.
- Generalised equity market weakness produced a negative contribution from the portfolio's western equity positions.

Portfolio activity



Ruffer made a couple of changes worthy of note in the first quarter. Firstly, the team implemented a 3% position in short-dated (sub 2year) UK corporate bonds. With spreads widening across the U.S. and the UK the team are finding some interesting opportunities in the asset class and will continue to scour the space for names. Secondly, in the aftermath of the VIX decline in February Ruffer started to implement equity put options to bolster the equity protection within the portfolio after selling off around a third of the VIX option protection as the VIX spiked. These put options, which had not previously been particularly attractive due to 'strike risk', are now deemed more suitable as Ruffer do no expect equity markets to continue to posting new record highs in the relentless fashion that markets have become intoxicated by.

Looking ahead, the team are seeing valuation opportunities in UK equities and will look to put some of the fund's cash to work as analysts uncover suitable assets. Ruffer noted that the UK is deemed the most hated market by investors, who have shunned the region in recent years as uncertainty rose with political and economic risks a-plenty. The market has started to price in the collapse of many large well-known brands, but with careful selectivity one can tremendous value.

Conclusion

The quarter marked a valuable data point for both Ruffer and the London CIV. The performance of the portfolio was particularly pleasing in the aftermath of the VIX 'flash crash' in early February. Ruffer had posed that there were few safe places left to preserve capital in a severe risk-off event and felt that VIX call options would offer the best, genuinely uncorrelated equity protection. This was heartening as it was these option positions which had hurt the fund in 2017. Their performance during the recent market action shows why the manager is so keen on these fear assets.

Nevertheless the portfolio did suffer a rather heavy loss in the quarter given its capital preservation focus – a loss larger than we had anticipated. Equity markets across the board struggled and Ruffer's exposure to Japanese financials particularly hurt as the global reflation theme was called into question by markets. We must not ignore the possibility of a continuation of gradually declining markets in periods ahead, particularly if increases in volatility are met with swift responses by central banks, who, have proved time and time again to step in as liquidity providers when required. This (coordinated exit) scenario has proven to be costly this quarter, and one must pose whether the construction of the portfolio could be more efficiently designed to mitigate against this risk. That said, we welcome the shift of attention towards more value centric areas of the market and hope that this can provide a decent margin of safety that could offer enhanced relative downside protection in any future quarters that resemble the most recent.

Meeting Attendees

Team CIV:
Ryan Smart: Investment Analyst

Ruffer
Alex Lennard; Investment Director
David Ballance; Investment Director

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London Borough of Tower Hamlets

GS Strategic Absolute Return Bond II Portfolio

Portfolio Review

GSAM Global Fixed Income and Liquidity Solutions

April 2018

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Goldman Sachs Asset Management

I. Executive Summary

Executive Summary

As of 30-Mar-2018

Goldman Sachs Asset Management

Account Summary

Account Name	GS Strategic Absolute Return Bond II Portfolio – London Borough of Tower Hamlets
Assets	GBP 77mn
Benchmark	3 Month GBP LIBOR
Target Tracking Error	500 – 600 bps
Target Excess Return	400-500 bps
Performance Inception Date	04-Apr-2016

Performance Summary

	Portfolio Net (%)	Target (Benchmark+4%) (%)	Difference Net (bps)
1Q 2018	(0.21)	1.13	(133)
Last 1 Year	(1.68)	4.41	(609)
Since Inception (Ann)*	1.87	4.43	(256)

Portfolio Summary

	Portfolio	Benchmark	Difference
Number of Countries	44	0	44
Yield to Maturity (%)	4.86	2.01	2.86
Yield to Worst (%)	4.76	2.01	2.76
Option Adjusted Duration (yrs)	(3.18)	0.25	(3.43)
OA Spread Duration (yrs)	(3.68)	0.25	(3.93)
Maturity (Bonds, yrs)	6.39	0.00	6.39
Average Life (Bonds, yrs)	2.54	0.00	2.54
Libor OAS (bps)	31	0	31

As of 30-Mar-2018.*Performance inception date: 04-Apr-2016. **Past performance does not guarantee future results, which may vary.** Targets are subject to change and are current as of the date of this presentation. Targets are objectives and do not provide any assurance as to future results. Please see additional disclosures. The returns are gross and do not reflect the deduction of investment in advisory fees, which will reduce returns. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable.

II. Market Review

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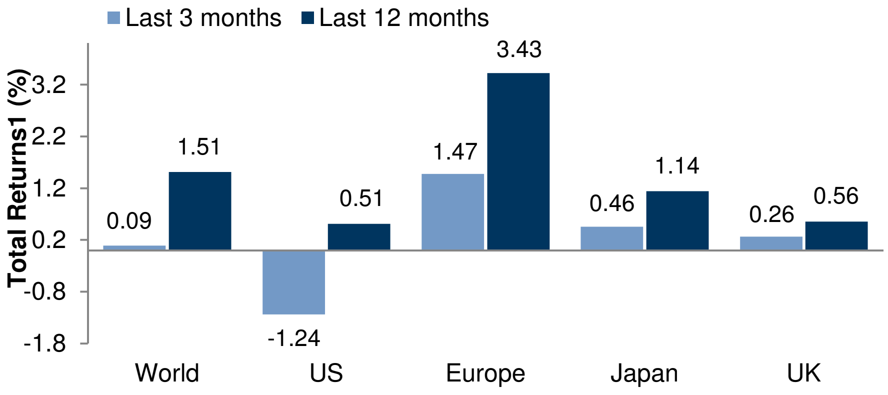
Market Review

Goldman Sachs Asset Management

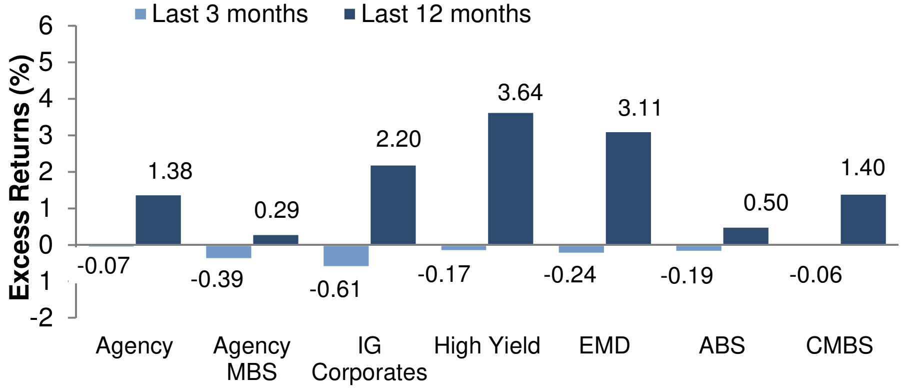
Global Government Markets – Local Currency



Source: Bloomberg

- With the exception of US, global government bonds posted positive returns during the first quarter of 2018. The Federal Reserve (Fed) delivered the first rate hike of 2018 at its March meeting and the dot plot continues to point to three rate hikes this year. That said, policymakers acknowledged that the "economic outlook has strengthened in recent months". We remain bearish US rates and continue to see scope for four rate hikes this year.
- Unlike their US counterpart, the Bank of England (BoE) and ECB kept interest rates unchanged at their March meetings. ECB President Mario Draghi emphasized that although confidence in the growth outlook has increased, the Governing Council maintains a subdued outlook for underlying inflation. We expect the ECB to taper its QE program in the final quarter of this year, and although we see scope for a rate hike in mid-2019, risks are skewed to a later rate move.

Sector[3] Performance (in USD) – Excess Returns[2] Over Government Bonds



Source: Barclays, Bloomberg

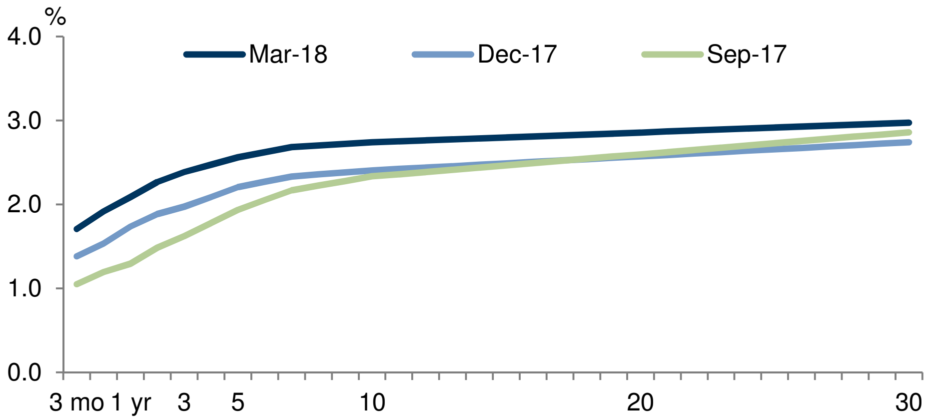
- In the first quarter of 2018, returns amongst the listed spread sectors were broadly negative as elevated volatility during the period tempered performance.
- Investment Grade corporate credit underperformed, largely due to technical backdrop resulting from a combination of higher volatility, heavy supply and front-end funding pressures.
- Agency MBS underperformed due to higher interest rate volatility and increased demand for US Treasuries amid concerns around trade tensions. Muted bank and Federal Reserve demand for agency MBS also contributed to sector underperformance

[1] Total returns are calculated from the respective regions based off the JP Morgan Global Government Bond Index.
[2] This is the excess return over swaps, and is based off GSAM's non-agency MBS factor return. All securities are denominated in US$.
[3] Agency: Bloomberg Barclays Global Aggregate: Government Related Agencies; MBS: Bloomberg Barclays US MBS; IG Corporates: Bloomberg Barclays Global Aggregate Corporates; High Yield: Bloomberg Barclays US Corporate High Yield, EMD: Bloomberg Barclays EM (US$) Aggregate. **Past performance does not guarantee future results, which may vary.** As of Mar 30,2018

Market Review

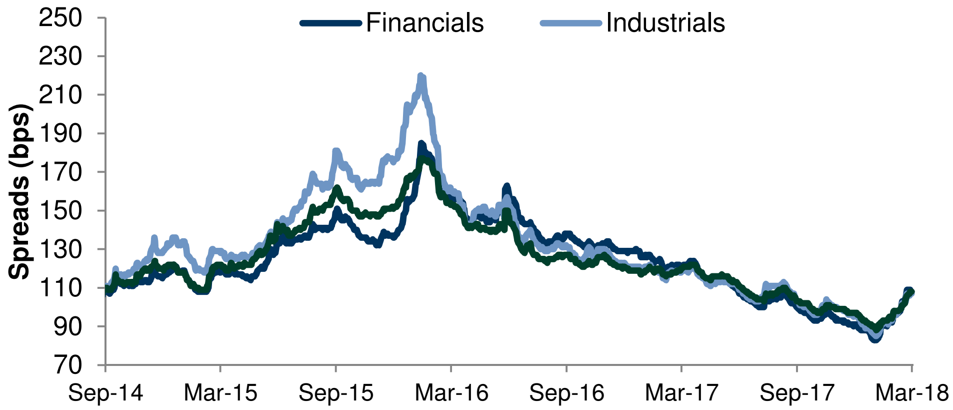
Goldman Sachs Asset Management

US Treasury Yields (%)



Source: Bloomberg

Global Investment Grade Corporate Spreads



Source: Bloomberg

- The US yield curve flattened further over the first quarter of 2018, as the spread between the 2-year and 30-year nodes of the curve decreased by 15bps to close at 71bps. 30-year yields increased by 23bps, whilst 2-year yields increased by 38bps.
- The Federal Open Market Committee (FOMC) delivered the first rate hike of 2018 at its meeting in March and the dot plot continues to point to three rate hikes this year. US core inflation rose 2.2% year-over-year (YoY) in February from 2.1%, while core CPI remained stable at 1.8% YoY which was broadly in line with market expectations.

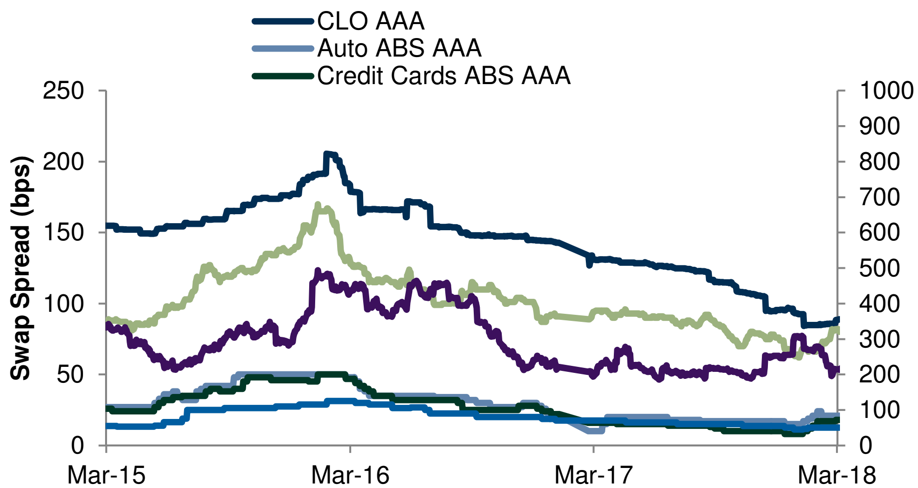
- Global investment grade corporates weakened in the first quarter of the year, as spreads on the Bloomberg Barclays Global Aggregate Corporate index widened by 13bps to 107bps over sovereigns. This technical weakness resulted from a combination of higher volatility, heavy supply and front-end funding pressures. In contrast to the previous quarter, Global Financials underperformed, widening by 17bps, whilst Global Industrials ad Utilities both widened by 11bps. Regionally, the US underperformed, with spreads widening by 16bps to 109bps over Treasuries. Euro corporates outperformed, widening by 9bps to 95bps over Gilts.
- Q1 2018 new issuance was significantly higher in both the US and Europe compared to the previous quarter, with totals amounting to $394bn and €153bn, respectively. Primary market activity was dominated by Industrials in the US and Financials in Europe.

As of Mar 30, 2018. **Past performance does not guarantee future results, which may vary.**

Market Review

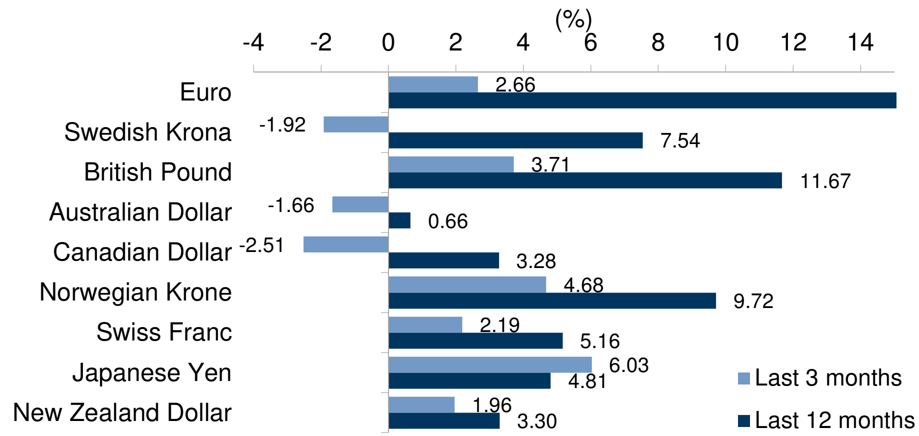
Goldman Sachs Asset Management

Securitised Credit



Source: JP Morgan, GSAM

Major Currency Movements vs. USD (%)



Source: Bloomberg

- Non-Agency RMBS has been one of the best performing spread sectors in 2017 and has continued its positive performance over Q1 2018 as prepayment rates on seasoned non-agency MBS collateral have generally increased, particularly for option-ARM collateral, as home prices continue to increase.
- CLO spreads have tightened over the past quarter driven by historical low default rates of the underlying high yield loans.
- FFELP ABS spreads have continued to tighten due to continued investor confidence whereas spreads for other securitized products like Auto and Credit Card ABS along with CMBS have widened over the quarter.

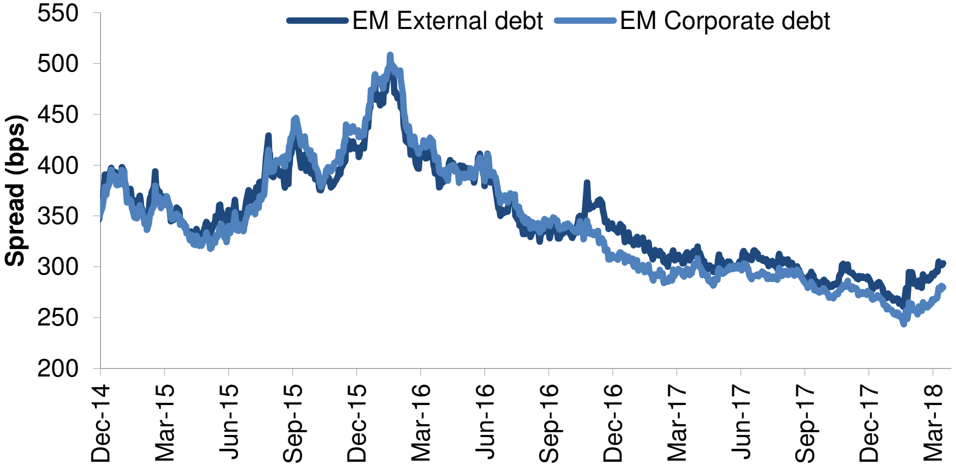
- The Japanese yen was the best performing G10 currency over the quarter, appreciating 6.0%. The currency performed strongly as market volatility generally increased and tensions over the potential impact of trade wars on global growth grew as investors sought save haven currencies.
- The Canadian dollar was the weakest performing G10 currency over the quarter, depreciating 2.5%. The Bank of Canada linked future interest rate hikes more explicitly with trade which is currently under pressure due to the renegotiation of NFTA trade deal with the US. This caused market expectations of future interest rates to be pushed further out causing the currency to depreciate.

Source: JP Morgan, GSAM, Bloomberg. CLO AAA : CLO Post AAA Portfolio discount margin; Credit Card ABS AAA : Credit Cards Fixed AAA – 3 Year spread to swap; Non-Agency RMBS AAA : ABX. HE. 07-1. AAA Cashflow spread (base case); Auto ABS AAA : Auto (Prime) Fixed AAA – 3 Year Spread to Swap; CMBS AAA : New issue CMBS 10 year on the run AAA Spread to Swap; Student Loan (FFELP) ABS AAA : Student Loans (FFELP) AAA – 5 year spread to Libor. As of Mar 30, 2018. **Past performance does not guarantee future results, which may vary.**

Market Review

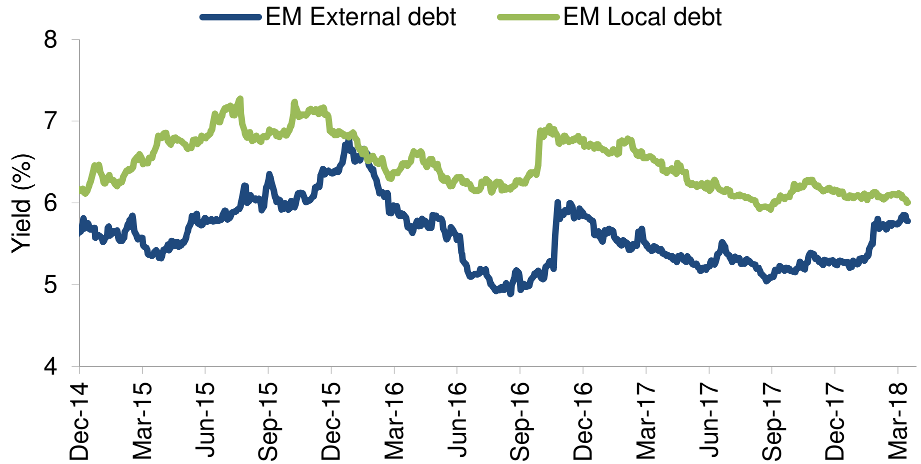
Goldman Sachs
Asset Management

External Emerging Market Debt Spreads



Source: Bloomberg

Local and External Emerging Market Debt Yields



Source: Bloomberg

- Both EM external and EM Corporate spreads widened over the quarter by 15bps and 11bps, respectively. Spreads on EM external debt ended at 324bps, while EM corporate spreads were 281bps at the end of the quarter. EM external debt returned -1.7% during the quarter while EM corporate debt returned -1.1%.
- Flows into the asset class remained healthy during the first two months, but faltered slightly in March driven by trade war concerns. A notable rating upgrade over the quarter was Russia, which regained an investment grade rating.

- EM local debt posted a strong performance over the quarter, generating 4.42% total return, comprising of 2.84% currency appreciation and 1.58% from local rates. Yields ended the quarter 13bps lower at 6.01%, while EM external debt yields ended the quarter 50bps higher at 5.76%.
- On a quarterly total return basis, South Africa (13.29%), Mexico (10.88%) and Colombia (8.75%) were the strongest performers in the JP Morgan GBI-EM Index, while Philippines (-4.70%), Turkey (-4.58%) and Argentina (-4.50%) lagged other index constituents. South African assets rallied over the quarter as Cyril Ramaphosa took power after former president Jacob Zuma resigned under African National Congress's order.

EM External represented by the JPM EMBI Global Diversified. EM Local represented by the JPM GBI-EM Global Diversified. EM Corporate represented by JPM CEMBI Broad Diversified. Spreads quoted are over treasuries. **Past performance does not guarantee future results, which may vary.**
As of Mar 30, 2018.

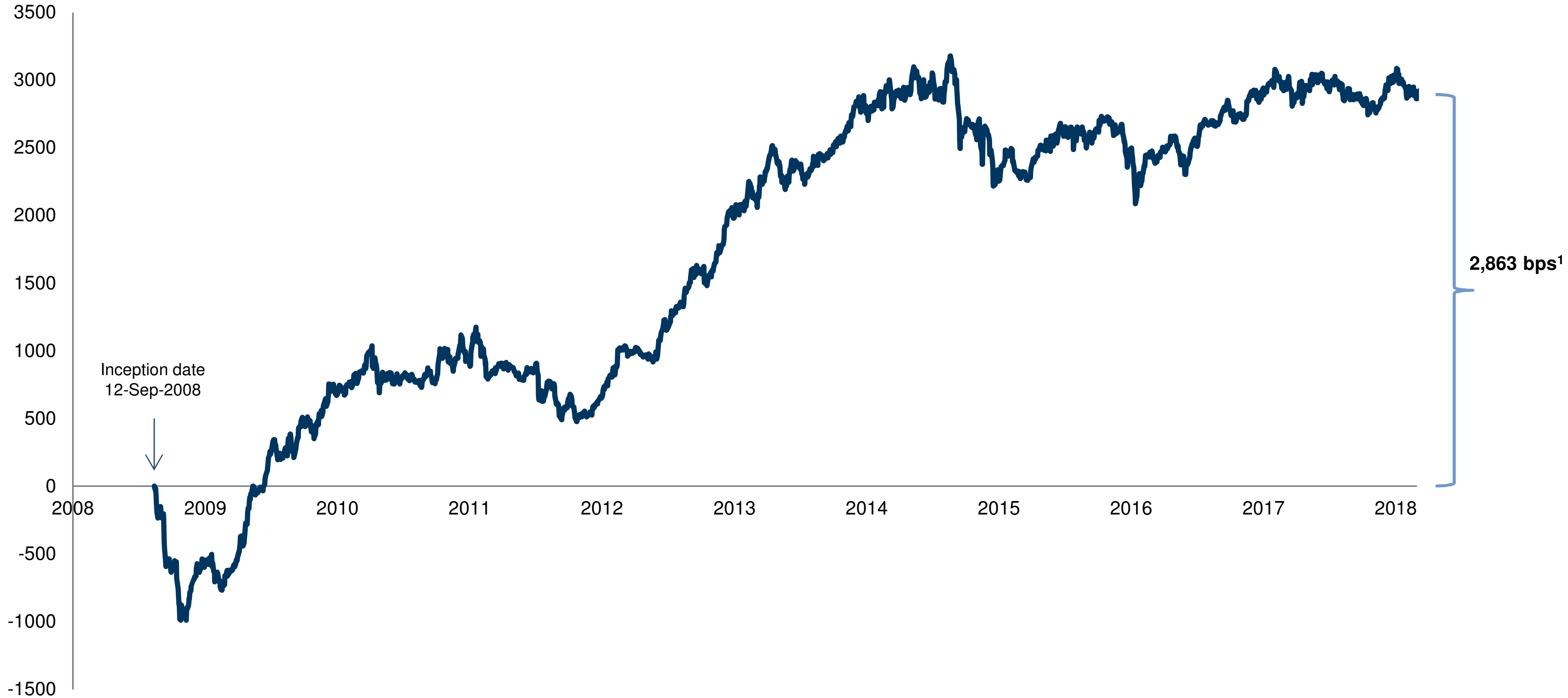
Asset Management

III. Performance and Attribution

Gross Cumulative Excess Returns

GS Strategic Absolute Return Bond II- IO Acc (GBP hedged)

Goldman Sachs Asset Management



	2008[2]	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
Gross Excess Return (bps)	-685	1,358	367	-413	1,139	824	-170	13	183	-22	-6

Source: GSAM. As of 30-Mar-18. Benchmark : 3 Month LIBOR (GBP). Performance Inception date : 12-Sep-2008. **Past performance does not guarantee future results, which may vary**. [1]Cumulative gross excess returns generated by the portfolio over the benchmark since inception of the share class. [2]12-Sep-08 to 31-Dec-08.. The returns are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.

Performance Summary

GS Strategic Absolute Return Bond II- IO Acc (GBP hedged)

Goldman Sachs Asset Management

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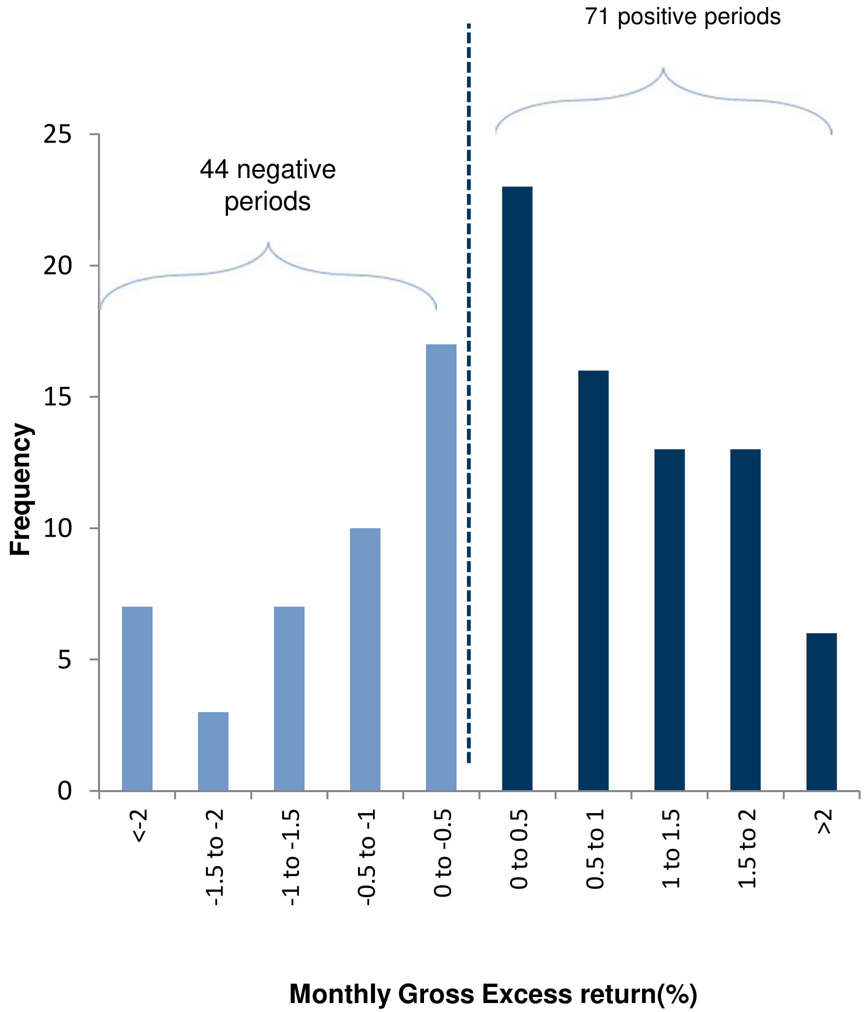
As of March 31, 2018	Portfolio (Gross) (%)	Benchmark[1] (%)	Difference[2] (Gross) (bps)
Monthly			
Dec-17	0.49	0.04	44
Jan-18	1.21	0.04	117
Feb-18	-0.56	0.04	-60
Mar-18	-0.57	0.05	-63
Quarterly			
3Q17	-0.68	0.07	-76
4Q17	0.00	0.12	-12
1Q18	0.08	0.14	-6
Yearly			
2018 YTD	0.08	0.14	-6
2017	0.14	0.36	-22
Trailing period			
Last 1 Year	-0.54	0.41	-95
Last 6 Months	0.08	0.26	-18
Last 3 Months	0.08	0.14	-6
Since Inception[3]			
Annualised Return	3.32	0.81	251
Standard Deviation	4.30	0.22	
Tracking Error[4]			436
Information Ratio[5]			0.58



1 Benchmark: 3-Month GBP LIBOR Benchmark.
2 Gross difference is defined as the gross portfolio return minus benchmark return.
3 Performance inception date : 12-Sep-2008
4 Tracking Error is the annualised standard deviation of monthly excess returns.
5 Information Ratio is the annualised excess return divided by the annualised tracking error.

Past performance does not guarantee future results, which may vary. The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.

London Borough of Tower Hamlets Performance

GS Strategic Absolute Return Bond II Portfolio (I Flat Acc. GBP Hedged Share Class)

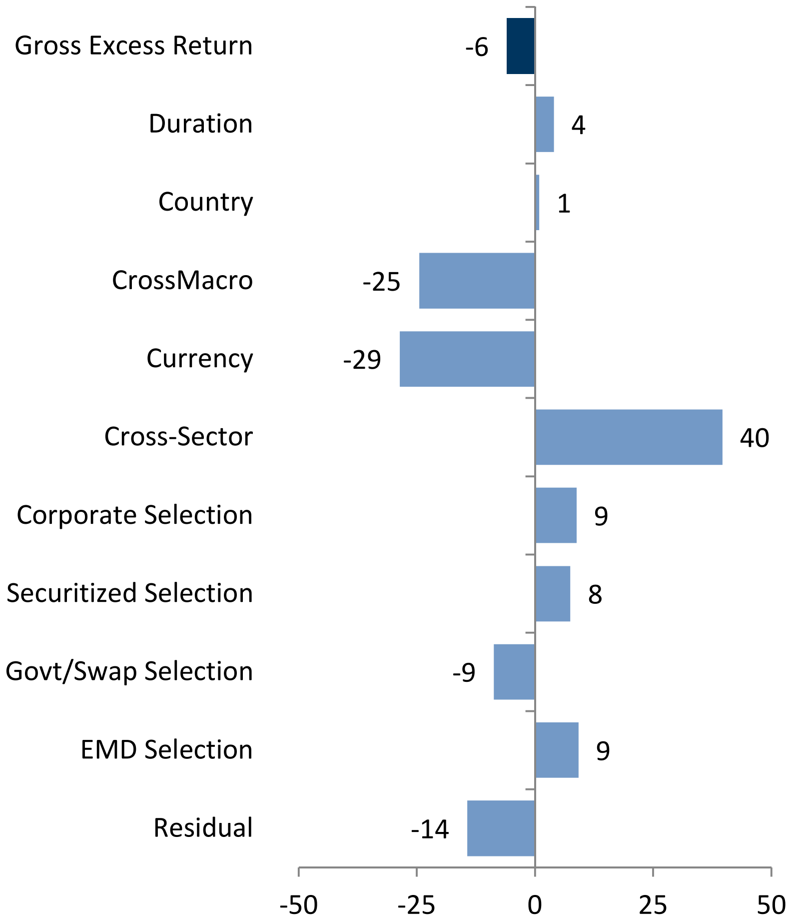
Goldman Sachs Asset Management

As Of March 31, 2018	(%) Portfolio (Gross)	(%) Portfolio (Net)	(%) Benchmark[1]	(%) Target (Benchmark +4%)	(bps) Difference[2] (Gross)	(bps) Difference[2] (Net)	(bps) Difference vs Target (Net)
Trailing Periods							
Last 1 Year	-0.54	-1.68	0.41	4.41	-95	-209	-609
Last 6 Months	0.08	-0.50	0.26	2.24	-18	-76	-274
Last 3 Months	0.08	-0.21	0.14	1.13	-6	-35	-133
Quarters							
3Q17	-0.68	-0.97	0.07	1.06	-76	-105	-203
4Q17	0.00	-0.29	0.12	1.11	-12	-41	-139
1Q18	0.08	-0.21	0.14	1.13	-6	-35	-133
Months							
Nov-17	-0.11	-0.20	0.04	0.37	-15	-24	-57
Dec-17	0.49	0.39	0.04	0.37	44	35	2
Jan-18	1.21	1.12	0.04	0.37	117	107	74
Feb-18	-0.56	-0.64	0.04	0.37	-60	-68	-101
Mar-18	-0.57	-0.67	0.05	0.38	-62	-73	-106
Since Inception[3]							
Annualised Return	2.02	1.87	0.43	4.43	160	144	-256

[1] Benchmark: 3-Month LIBOR (GBP) Benchmark.
[2] Gross difference is defined as the gross portfolio return minus benchmark return.
[3] Client performance inception date: 04-Apr-2016.
Past performance does not guarantee future results, which may vary.

Performance Attribution

Q1 2018



Primary Drivers of Performance

- The portfolio underperformed by -6bps during the period, driven by the currency and cross-macro strategies whilst the cross sector and emerging market debt selection strategies contributed.
- Currency strategy was the biggest detractor from performance. Our long Swedish krona vs Euro position led to underperformance. A weaker-than-expected Swedish CPI print and a dovish Riksbank minutes prompted a rally in front-end rates and a sell off in the Swedish krona. In addition, our long USDJPY detracted as the exchange rate decoupled from interest rate differentials due to short term technical factors such as increased hedge ratios by life insurers and seasonal slowdown in outflows from Japan.
- Within Cross macro strategy, our long US rates vs long USDJPY trade was the most significant detractor. The exchange rate decoupled from interest rate differentials, combined with speculation that Bank of Japan (BoJ) will shift away from its ultra-accommodative monetary policy led to losses in this trade.
- Our Cross-sector strategy however, contributed to performance over the period. This was predominantly due to our Puerto Rico sales tax bonds within municipals as Puerto Rico's revised fiscal plan that will use additional funds from the US Federal budget to transform the fiscal deficit was positive for the bonds.
- Our EMD selection strategy also contributed to performance, mostly driven by the outperformance of Petroleos de Venezuela, S. A. (PDVSA) bonds over the quarter.

Note: Allocations may not sum to total due to rounding. Residual/Other: The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations. Benchmark: 3 Month GBP LIBOR. **Past performance does not guarantee future results, which may vary.** Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable. The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns. As of Mar 30, 2018 . Gross excess return is gross portfolio return minus benchmark return.

IV. Portfolio Positioning

GS Strategic Absolute Return Bond II Portfolio

Current Positioning and Opportunities - Details (Macro)

Goldman Sachs Asset Management

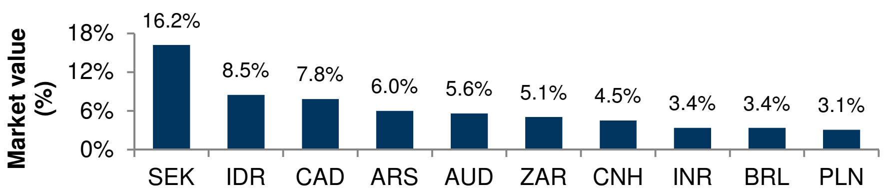
Interest Rate Duration

Total Portfolio Interest Rate Duration[1] :	**-3.94 years**
Active Duration:	-3.21 years
Country:	-0.24 years
Other[2] :	-0.49 years

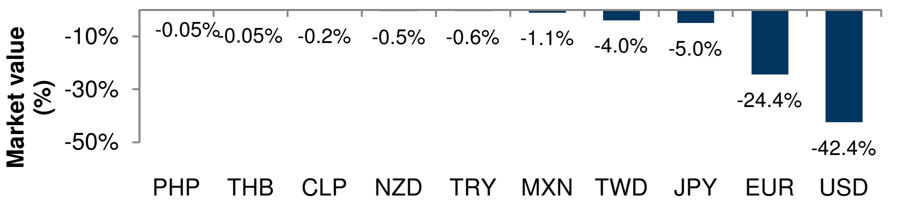
Active Duration Positioning

Active Duration:	**-3.21 years**
US: -2.91 years	UK: --
Europe: --	Sweden: -0.30 years

Top Net Currency Exposure



Bottom Net Currency Exposure



Country Strategy Positioning

Country Strategy:	**-0.24 years**
US: 0.63 years	Canada: 0.97 years
UK: -1.38 years	Europe: 1.96 years
Sweden: -1.50 years	Other: -0.92 years

Key Cross Macro positions

Relative Financial Conditions:

Overly Restrictive	Too Accommodative	Expression
Europe	Sweden	Long EUR vs Short SEK Rates, Short EURSEK
Taiwan	US	Short UST 5y & long USDTWD
Europe	Poland	Long EUR vs Short PLN Rates, Short EURPLN

Correlated Asset Relative Value (Rates vs FX):

Other	Long EM currencies vs Short IG Credit
FX vs Rates	Long Canada Rates vs Short UK rates vs short CADGBP
FX vs Rates	Long South Korea Rates vs Short USDJPY

Source: GSAM. Data as of March 30, 2018 and subject to change. Any mention of an investment decision is intended only to illustrate our investment approach and/or strategy, and is not indicative of the performance of our strategy as a whole. It should not be assumed that any investment decisions shown will prove to be profitable, or that any investment decisions made in the future will be profitable or will equal the performance of the investments discussed herein. A complete list of past recommendations is available upon request. Please see additional disclosures. **Past performance does not guarantee future results, which may vary.** [1] Interest Rate Duration is a modified measure of Total Average Duration that has been estimated by GSAM. This modified measure seeks to take account of the different behaviours of different bond markets around the world by re-expressing all duration exposures to a common US market standard. The goal is to improve the estimate of the portfolio's sensitivity to changes in interest rates. This estimate is guided by historical market observations amongst markets which are themselves subject to change over time and may not necessarily be reflected by the actual outcome. This refers to the duration adjusted for volatility and not raw duration. [2] Others comprises of EMD, Cross Sector, Cross Macro and Gov./Swaps strategies. Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable.

GS Strategic Absolute Return Bond II Portfolio

Current Positioning and Opportunities - Details (Sector)

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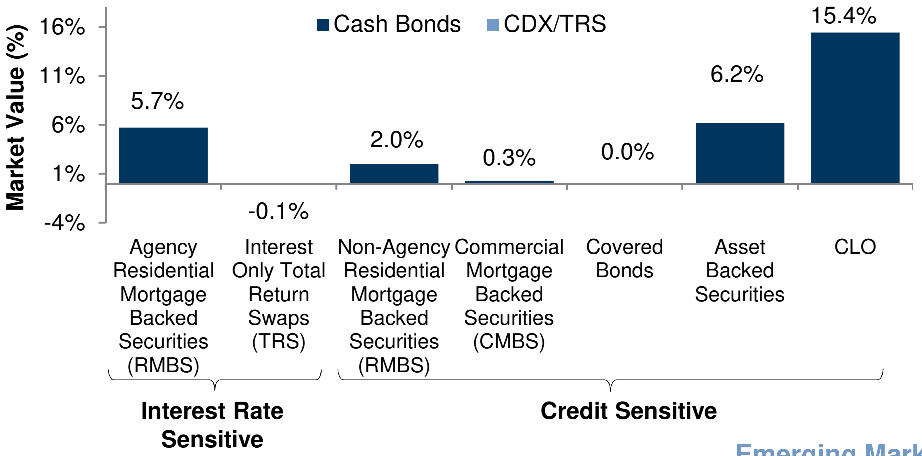
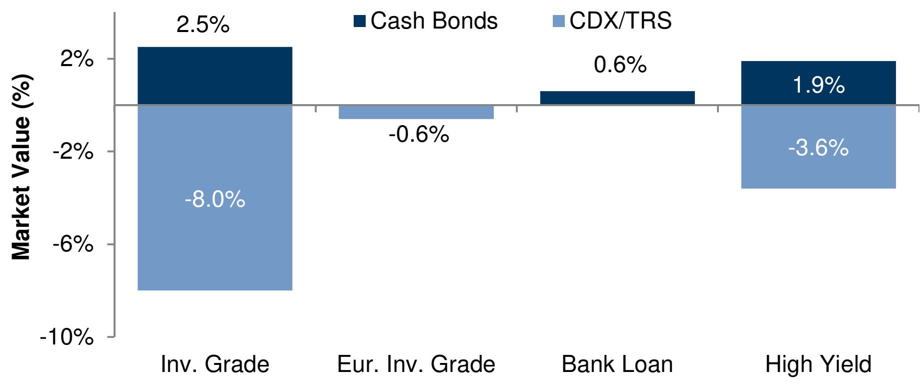
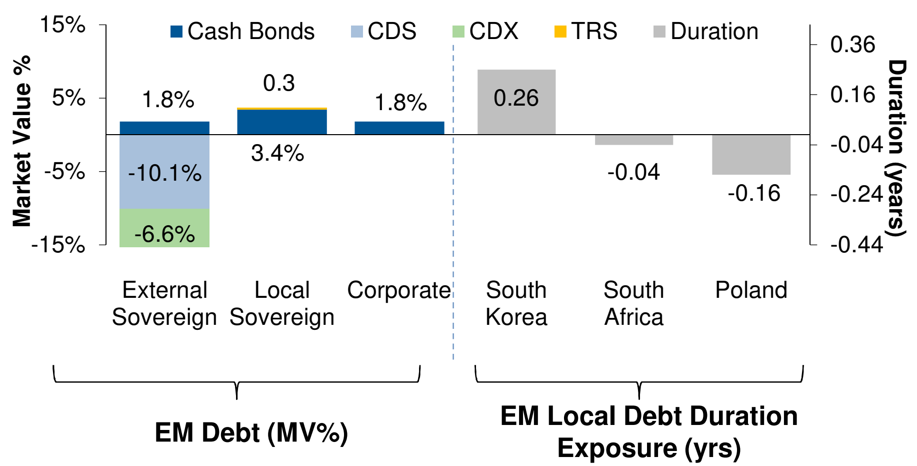
Securitized (29.5% by MV)



Corporate Credit (-7.2% by MV)



Emerging Markets Debt (-9.5%)



Source: GSAM. Data as of March 30, 2018 and subject to change. Any mention of an investment decision is intended only to illustrate our investment approach and/or strategy, and is not indicative of the performance of our strategy as a whole. It should not be assumed that any investment decisions shown will prove to be profitable, or that any investment decisions made in the future will be profitable or will equal the performance of the investments discussed herein. A complete list of past recommendations is available upon request. Please see additional disclosures.. **Past performance does not guarantee future results, which may vary.** Portfolio holdings and/or allocations shown above are as of the date indicated and may not be representative of future investments. The holdings and/or allocations shown may not represent all of the portfolio's investments. Future investments may or may not be profitable.

Risks

GS Strategic Absolute Return Bond II Portfolio

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- **Market risk** - the value of assets in the Portfolio is typically dictated by a number of factors, including the confidence levels of the market in which they are traded.
- **Operational risk** - material losses to the Portfolio may arise as a result of human error, system and/or process failures, inadequate procedures or controls.
- **Liquidity risk** - the Portfolio may not always find another party willing to purchase an asset that the Portfolio wants to sell which could impact the Portfolio's ability to meet redemption requests on demand.
- **Exchange rate risk** - changes in exchange rates may reduce or increase the returns an investor might expect to receive independent of the performance of such assets. If applicable, investment techniques used to attempt to reduce the risk of currency movements (hedging), may not be effective. Hedging also involves additional risks associated with derivatives.
- **Custodian risk** - insolvency, breaches of duty of care or misconduct of a custodian or sub-custodian responsible for the safekeeping of the Portfolio's assets can result in loss to the Portfolio.
- **Contingent Convertible (“Coco”) Bond Risk:** Investment in this particular type of bond may result in material losses to the Portfolio based on certain trigger events. The existence of these trigger events creates a different type of risk from traditional bonds and may more likely result in a partial or total loss of value or alternatively they may be converted into shares of the issuing company which may also have suffered a loss in value. Such trigger events may include a reduction in the issuers’ capital ratio, determination by a regulator or the injection of capital by a national authority. Investors should be aware that in the event of a financial crisis that action by regulators or the companies themselves may cause concentrations of these trigger events across the Portfolio.
- **Interest rate risk** - when interest rates rise, bond prices fall, reflecting the ability of investors to obtain a more attractive rate of interest on their money elsewhere. Bond prices are therefore subject to movements in interest rates which may move for a number of reasons, political as well as economic.
- **Credit risk** - The failure of a counterparty or an issuer of a financial asset held within the Portfolio to meet its payment obligations will have a negative impact on the Portfolio.
- **Derivatives risk** - certain derivatives may result in losses greater than the amount originally invested.
- **Counterparty risk** - a party that the Portfolio transacts with may fail to meet its obligations which could cause losses.
- **Emerging markets risk** - emerging markets are likely to bear higher risk due to lower liquidity and possible lack of adequate financial, legal, social, political and economic structures, protection and stability as well as uncertain tax positions.
- **High yield risk** - high-yield instruments, meaning investments which pay a high amount of income generally involve greater credit risk and sensitivity to economic developments, giving rise to greater price movement than lower yielding instruments.
- **Leverage risk -** the Portfolio may operate with a significant amount of leverage. Leverage occurs when the economic exposure created by the use of derivatives is greater than the amount invested. A leveraged Portfolio may result in large fluctuations in the value of the Portfolio and therefore entails a high degree of risk including the risk that losses may be substantial.

For full description of risks please refer to the Prospectus.

Asset Management

V. Macro Outlook

Summary

Key Views

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Growth: Global expansion continues

- Growth moderated over the first quarter but remains expansionary
- Easy financial conditions still provide a positive growth impulse
- Fiscal expansion will elongate the US economic and credit cycles
- EM-ex China is a growth bright spot and moderation in China due to deleveraging is encouraging

Inflation: Gradual normalisation is our base case

- Inflation is trending toward central bank targets, and upside surprises could be a source of volatility
- Labor market tightness and capacity constraints will support US wage growth and inflation
- Euro area inflation is subdued and our forecasts remain below consensus and the ECB

Policy: Steady monetary tightening

- Fed – we see scope for 3 further Fed rate hikes this year
- ECB – tapered purchases from Sep-18 with QE ending this year
- Elsewhere – BoJ on hold, modest tightening in other developed markets

Investment Views

- Bearish US rates, bullish European rates on a relative value basis
- Bullish EM currencies, neutral to underweight US dollar
- Cautiously optimistic on US corporate credit

Source: GSAM. As of March 21, 2018. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

Growth: Activity has moderated but remains expansionary

DM activity has fallen below above-trend levels but remains expansionary.

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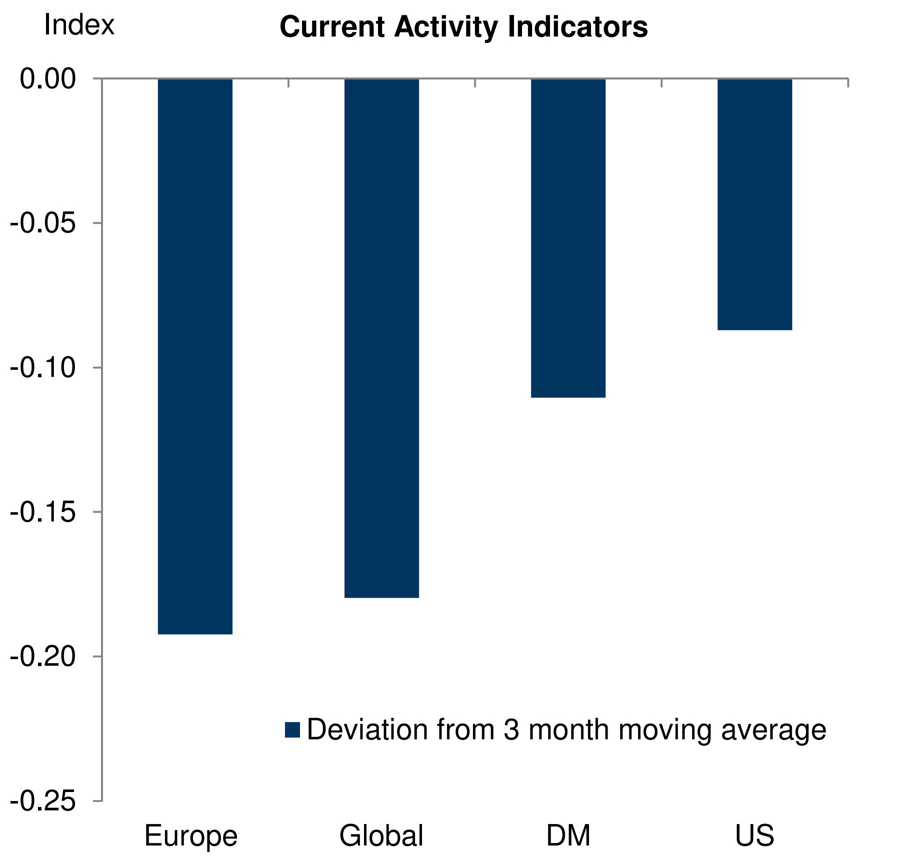
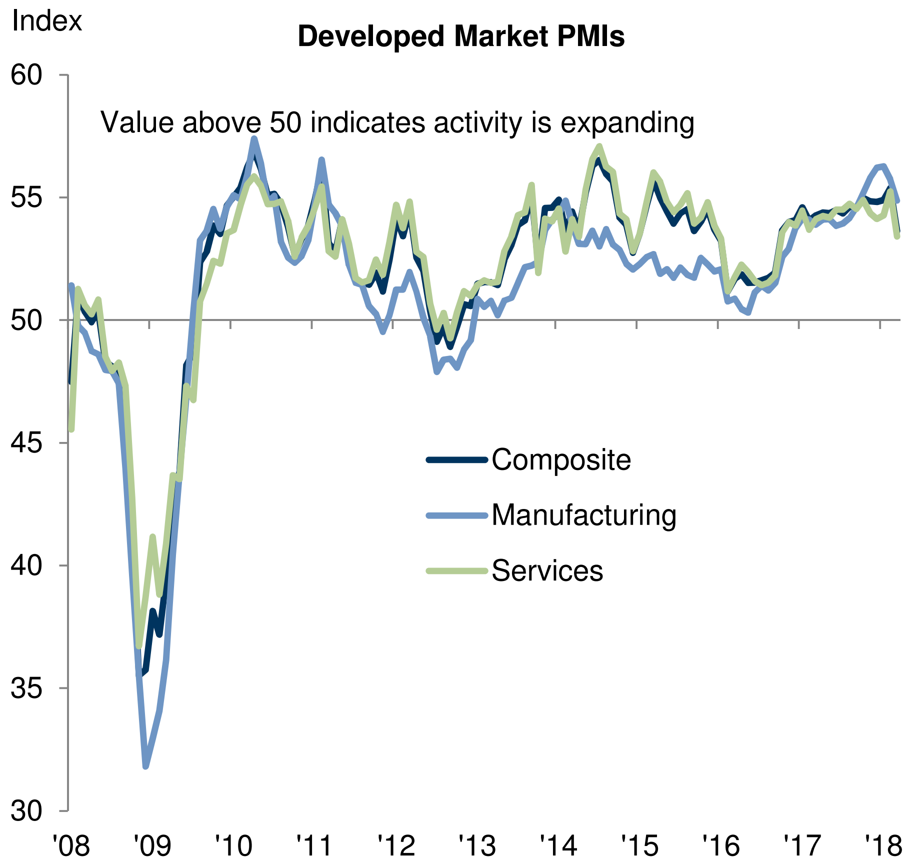
DM CAIs fall below recent elevated levels…



Source: GSAM. As of April 2018. Current activity indicators (CAI) provide us with a timely read of economic activity and are based on data which is released ahead of GDP figures and likely to be highly correlated with economic activity.

…but PMIs remain in expansionary territory



Source: Macrobond. As of March 2018.

Growth: Easy financial conditions continue to support growth

Growth is benefiting from accommodative financial conditions – tightening from recent market volatility was modest relative to easing seen since 2016.

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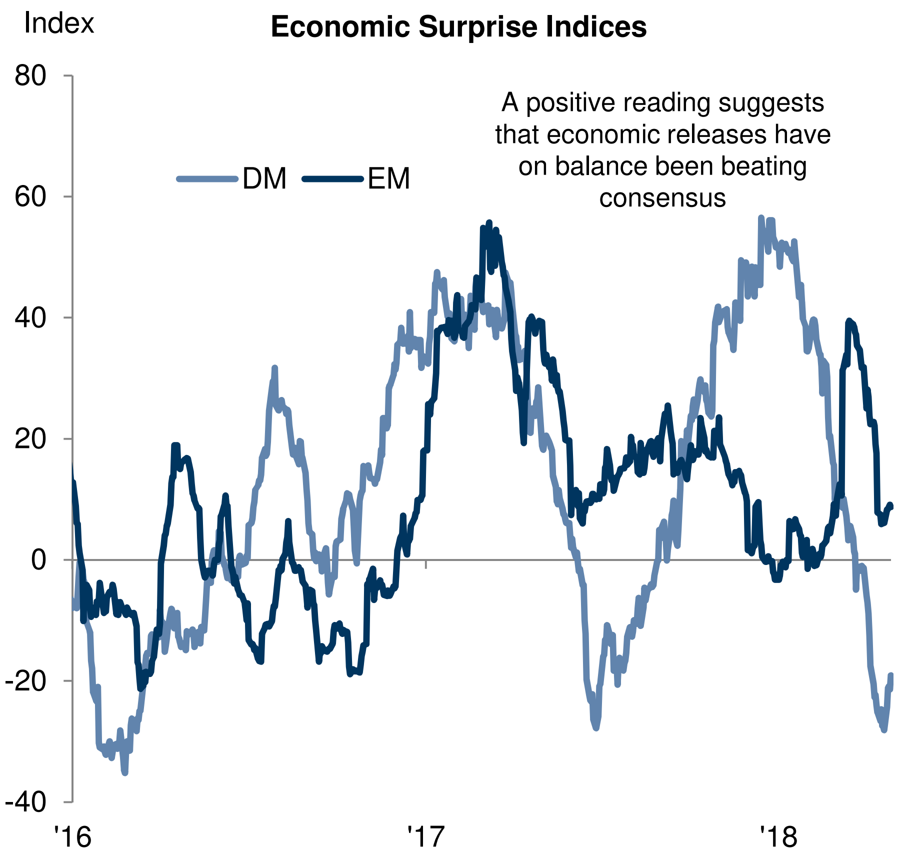
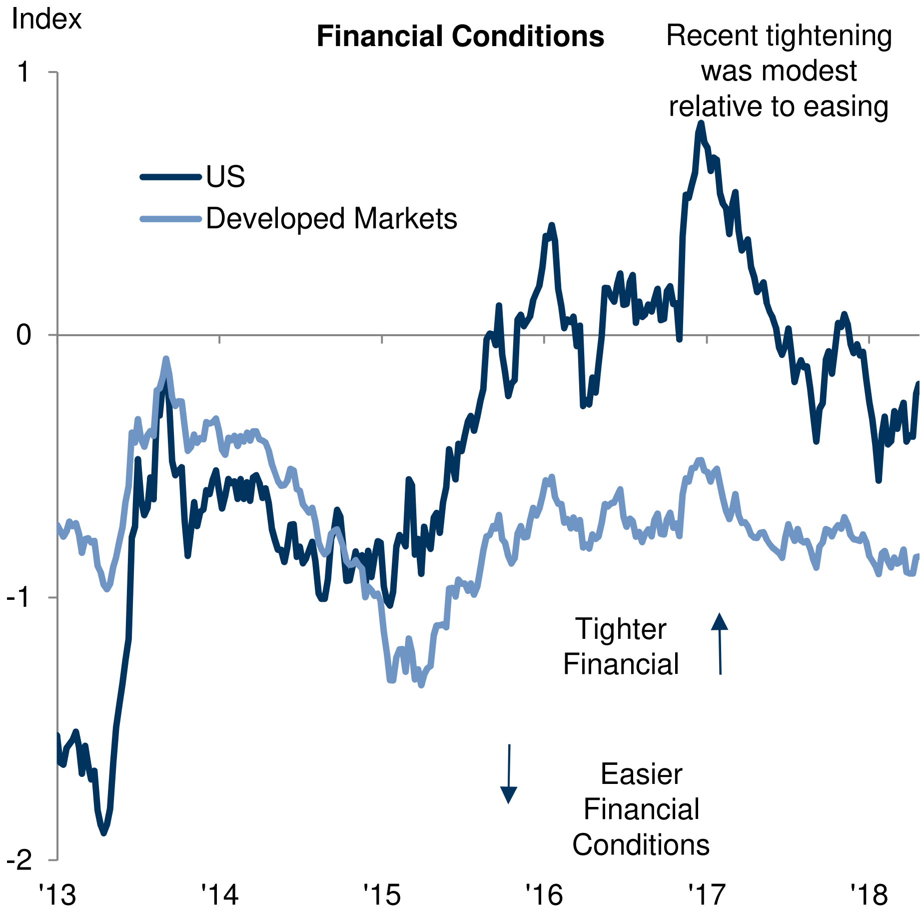
Downside surprises may be a catalyst for volatility…



Source: Macrobond, Citi. As of April 27, 2018. The Citi Economic Surprise Indices are calculated as weighted historical standard deviations of data surprises relative to market expectations.

…though financial conditions remain easy



Source: GSAM, Macrobond. Weekly data. As of April 27, 2018.

Growth: US fiscal expansion to further elongate current cycle

Fiscal expansion will boost US growth at an unusual point in the economic cycle while resulting in further widening of the fiscal deficit over the medium-term.

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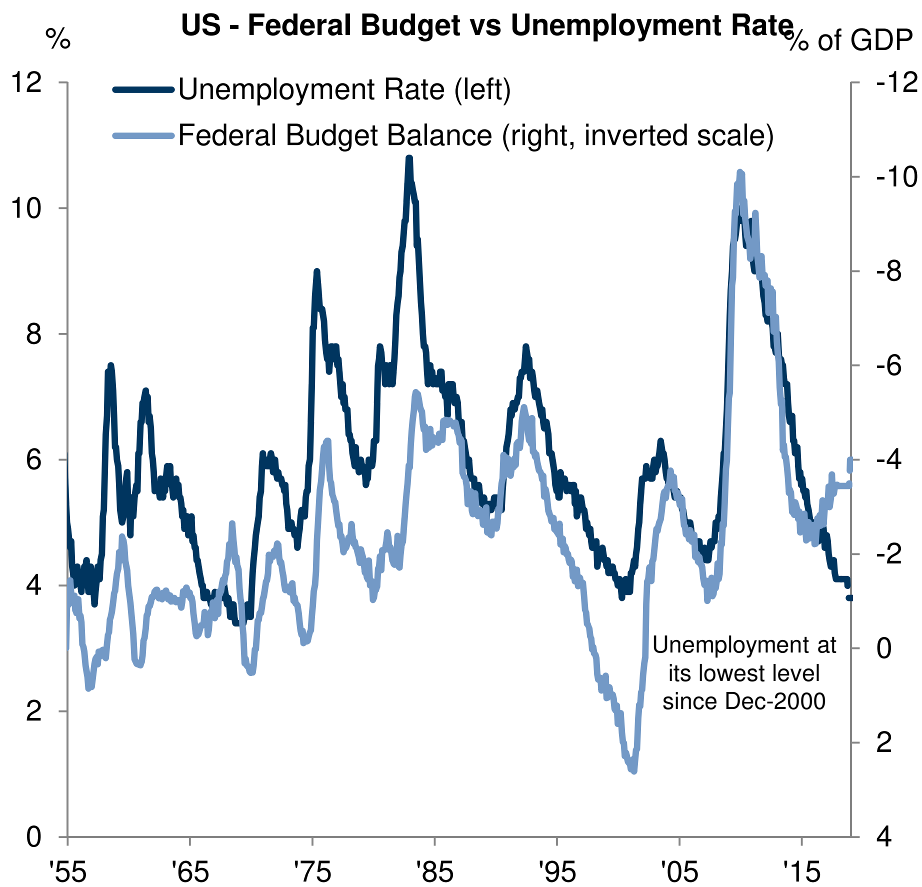
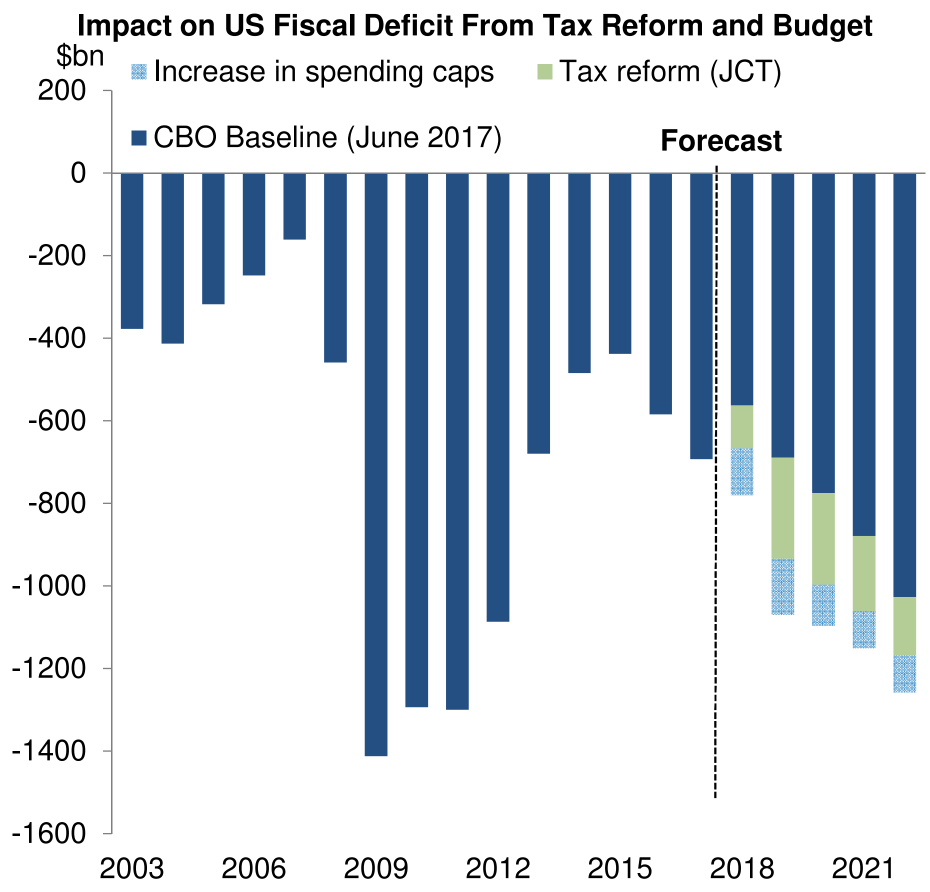
Near-term - boost for already strong economy



Sources: BLS, CBO, BEA, GSAM, US Treasury. Unemployment rate as of March 2018. Includes projections.

Medium- term – further fiscal deficit widening



Source: CBO via Haver. Projections as of February 2018.

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Growth: EM-ex China is a bright spot

EM ex-China is supported by early- or earlier-cycle countries that are emerging from commodity-induced recessions or benefiting from global growth and trade.

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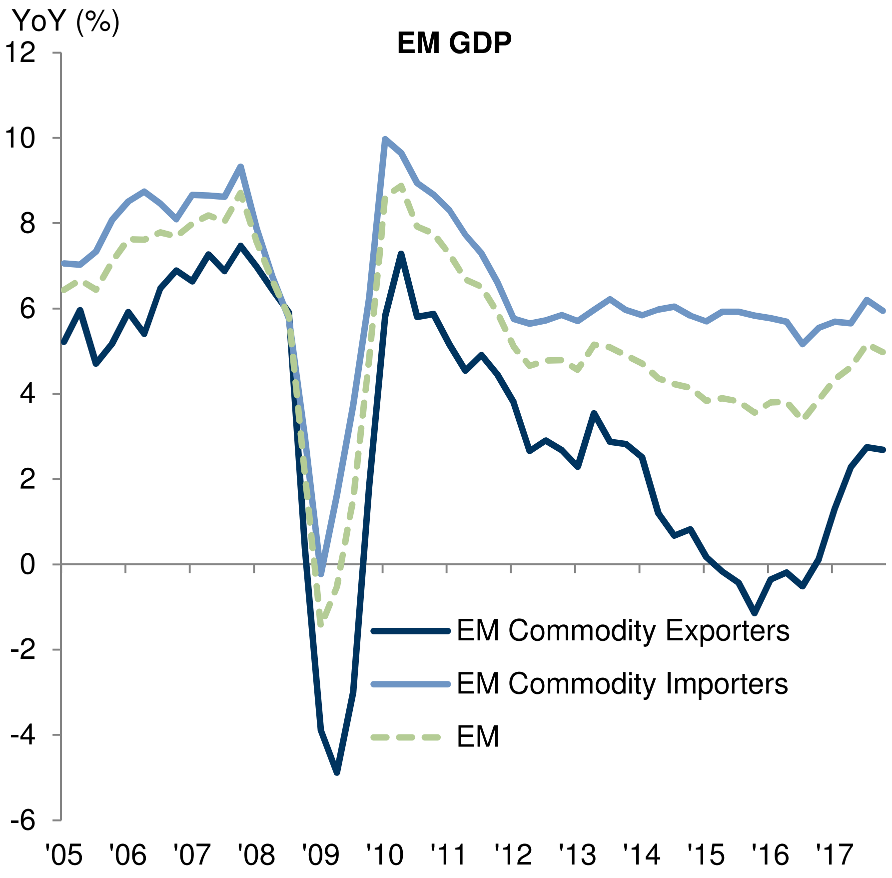
EM economies – recovered from oil price shock



Source: GSAM. As of Q4 2017.

EM growth – supported by global trade and capex

Global trade volume source: Netherlands Bureau for Economic Policy Analysis (CPB), as of February 2018. Global Investment source: Macrobond, GSAM, as of Q1 2018.

Growth: China is moderating but moving in the right direction

China tail risks have declined as financial deleveraging progress continues, while growth continues to shift towards consumption, services and higher value-add sectors.

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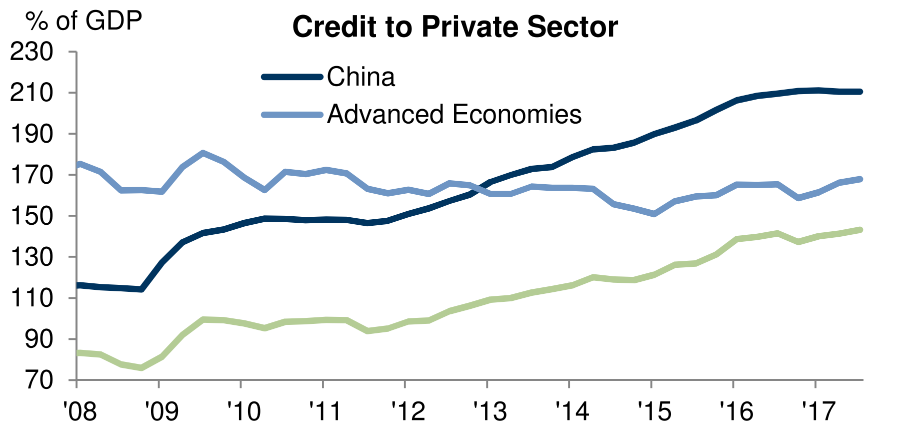
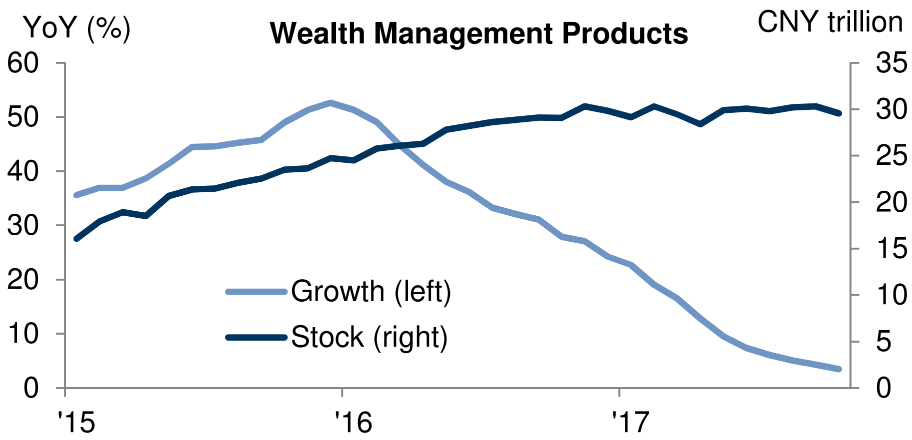
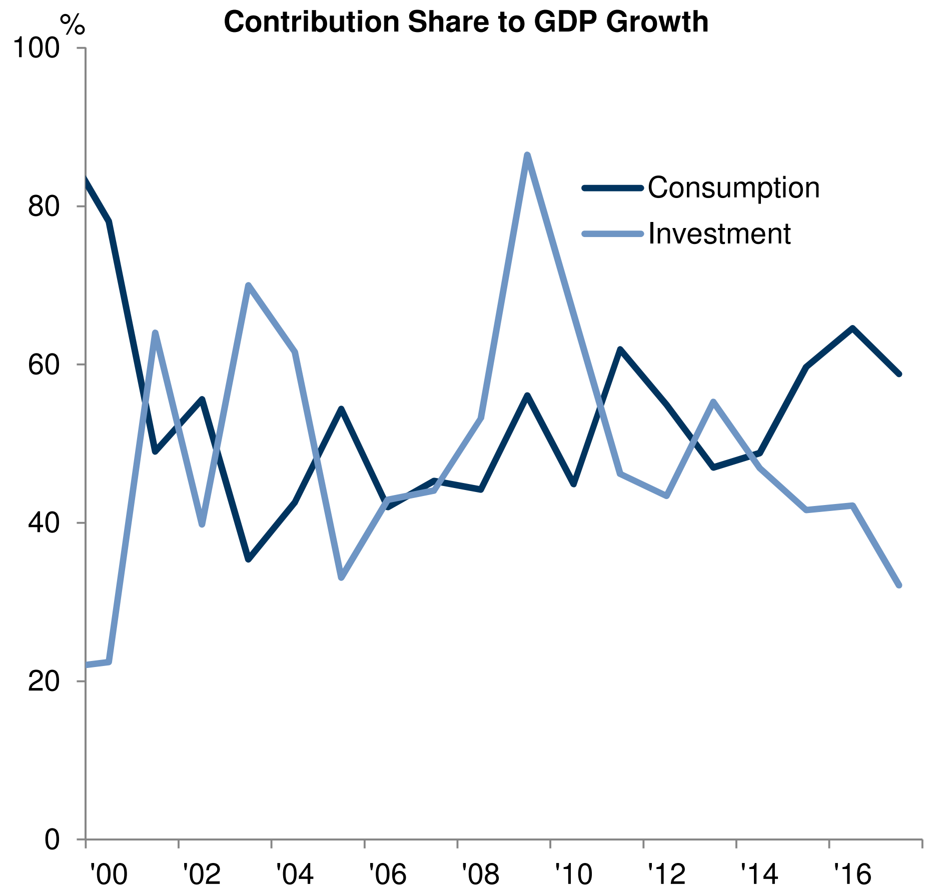
Financial leverage – high stock, moderating growth





Source: Macrobond. Top chart – BIS data, as of Q4 2017. Bottom chart – China commercial bank data as of December 2017.

Activity – more balanced and consumption-led



Source: Macrobond. Annual data – as of 2017 Annual data..

Inflation: Gradually rising inflation in the US

We expect labor market tightness and capacity constraints to gradually drive US wage growth and broader price inflation higher.

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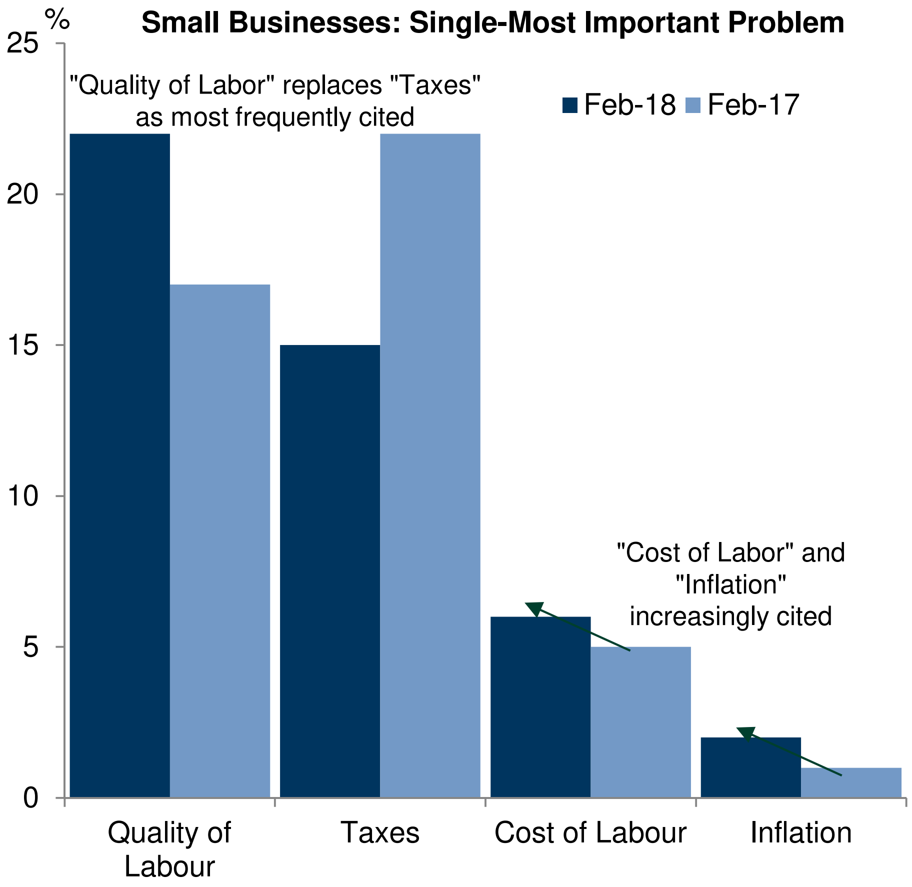
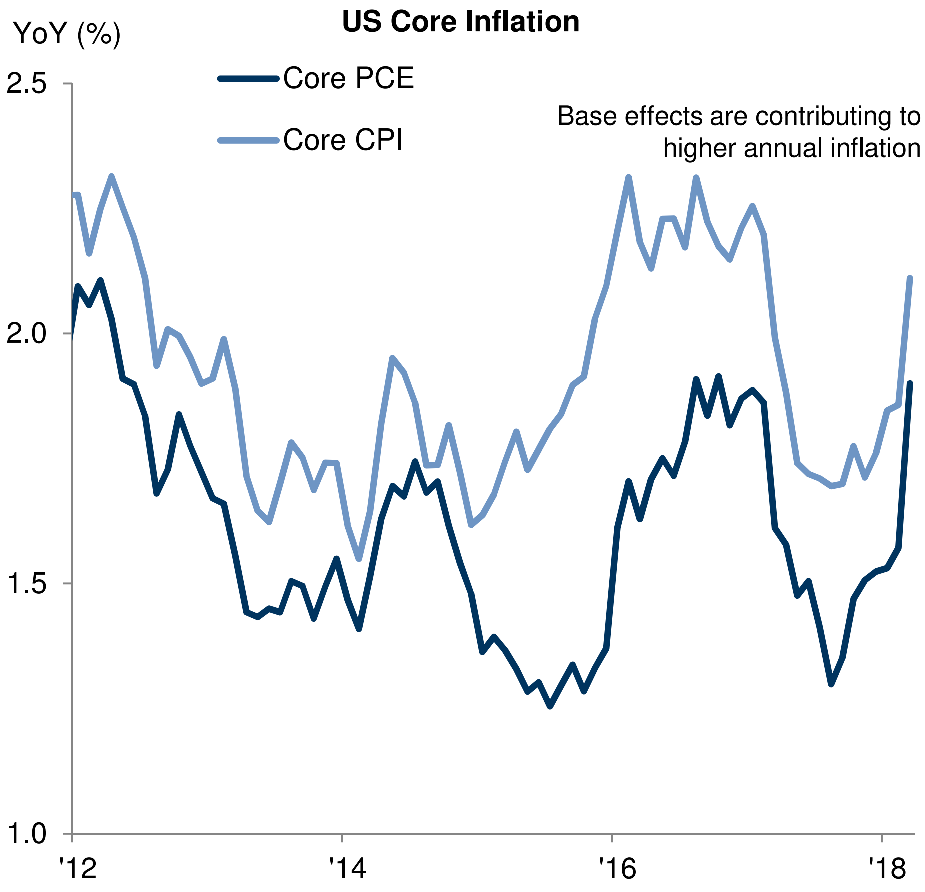
A tight labour market and capacity constraints…



Source: NFIB Business Survey.

…will see US wages and core inflation trend higher



Source: Macrobond. As of March 2018.

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Inflation: Slack points to subdued Euro Area inflation

A combination of mainly cyclical, but also structural forces (e.g. demographics, technology) support our below-consensus call for Euro area inflation.

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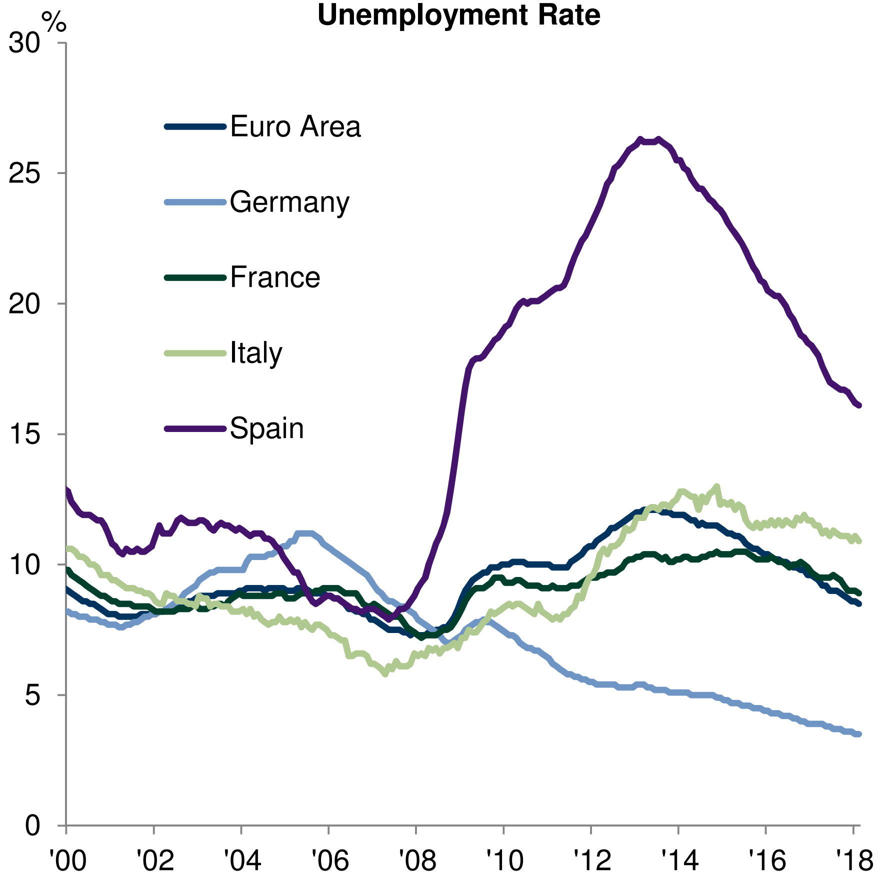
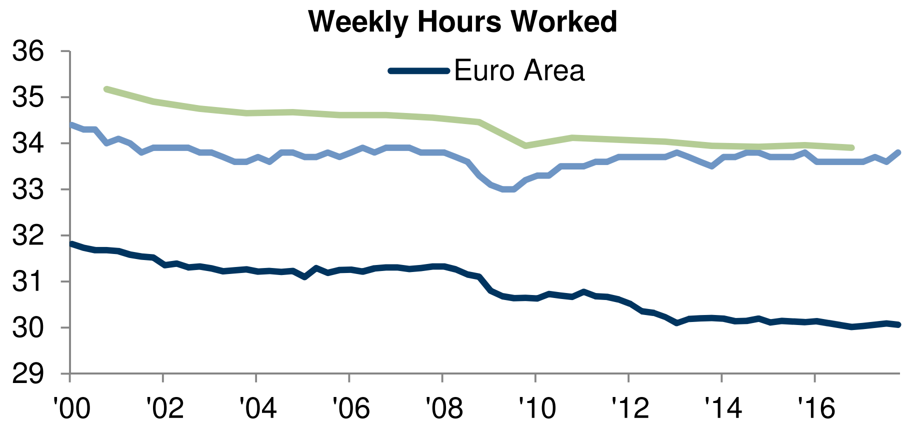
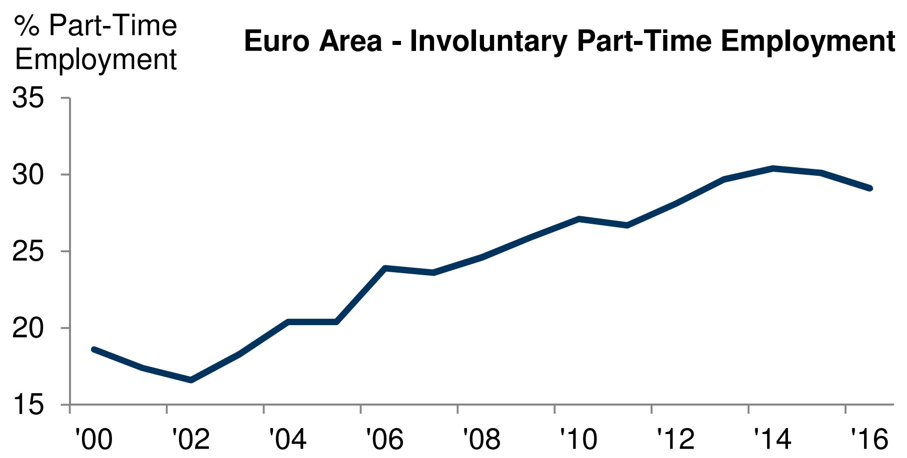
Despite a broad-based decline in unemployment…



Source: Eurostat, Macrobond. As of February 2018.

…the underlying picture in Europe points to slack





Source: Macrobond, OECD. Hours worked – quarterly data as of Q4 2017 for US and Euro area, annual data as of 2016 for OECD countries. Involuntary part-time employment (as a % of total part time employment) – annual data as of 2016.

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Inflation: Below consensus forecast in Europe

Market participants and the ECB are more optimistic in their inflation outlook, however, we do not see any signs of a convincing upward trend in underlying inflation.

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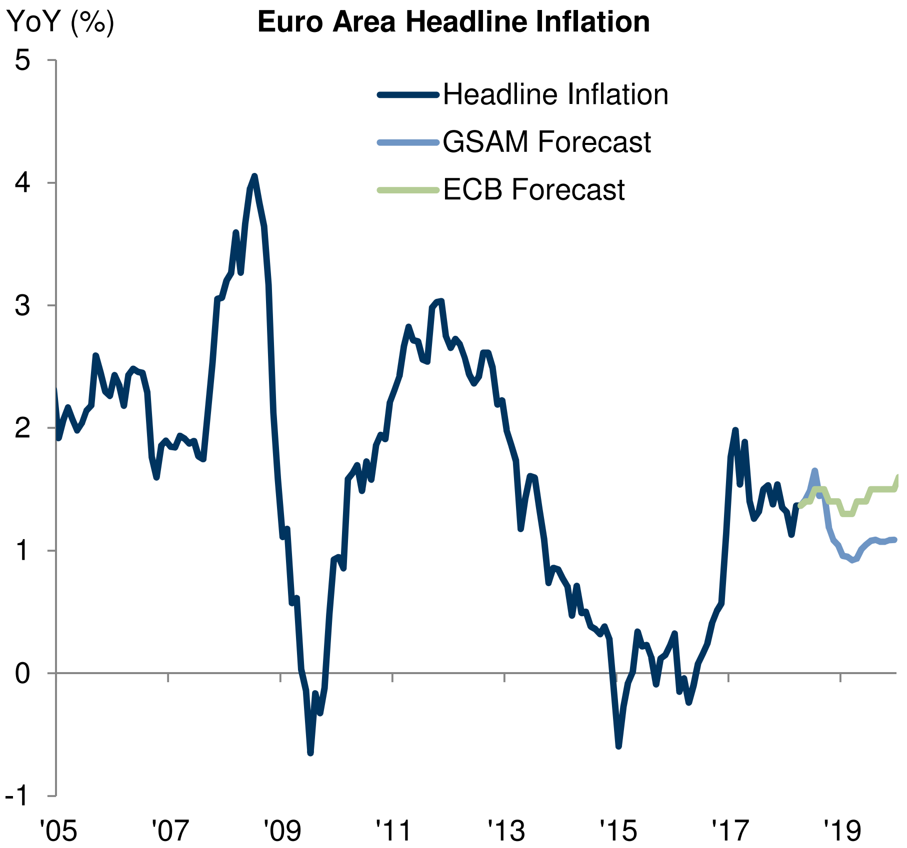
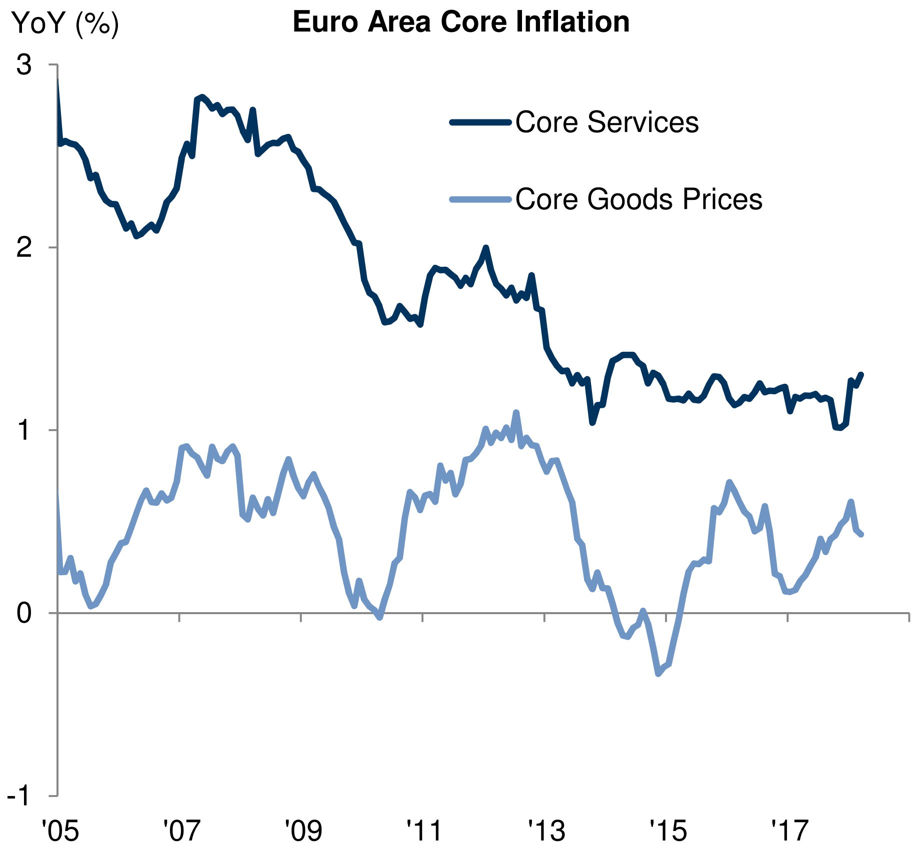
We retain our below consensus inflation view…



Source: GSAM, Macrobond, ECB. As of March 2018.

…as we see no upward trend in underlying inflation



Source: Macrobond, Eurostat, GSAM. As of March 2018.

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Central Banks: Steady normalization or tightening

In 2018, we expect the Fed to raise rates three further times while the ECB to draws QE to a close.

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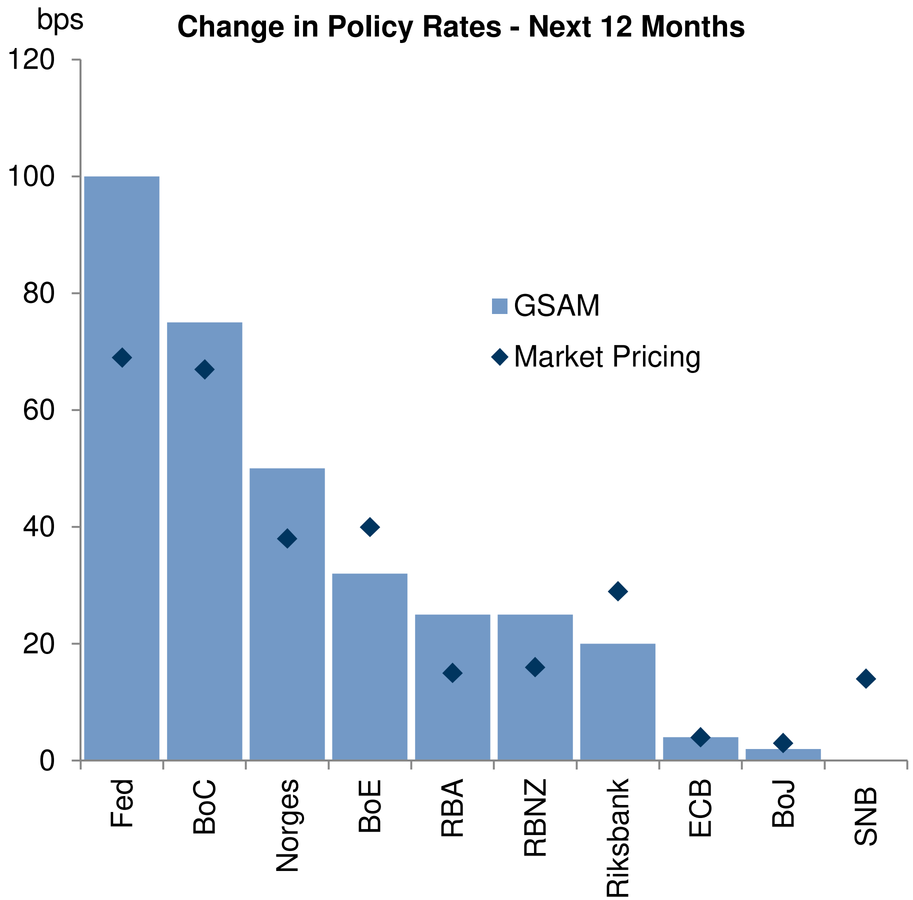
Monetary Policy - GSAM Expectations

Central Bank	GSAM Outlook
Fed	3 more rate hikes in 2018, 2 in 2019 Ongoing balance sheet unwind
ECB	Rate hike from mid-19 (short-lived hiking cycle) Tapered asset purchases from Sep-18 with QE ending Dec-18.
BoJ	No change in policy.
Other DM Central Banks	Monetary tightening in 2018: Sweden, Canada, UK and Norway No change in 2018: Australia, New Zealand and Switzerland

Source: GSAM. As of March 21, 2018.

GSAM vs Market-Implied Pricing



Source: GSAM, Bloomberg. Market pricing as of April 25 2018. GSAM Forecasts as of April 23, 2018.

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Investment Views: Bearish US Rates

Solid growth and easy financial conditions warrants further tightening. High supply and decreased bank demand is also creating a negative backdrop for Treasuries.

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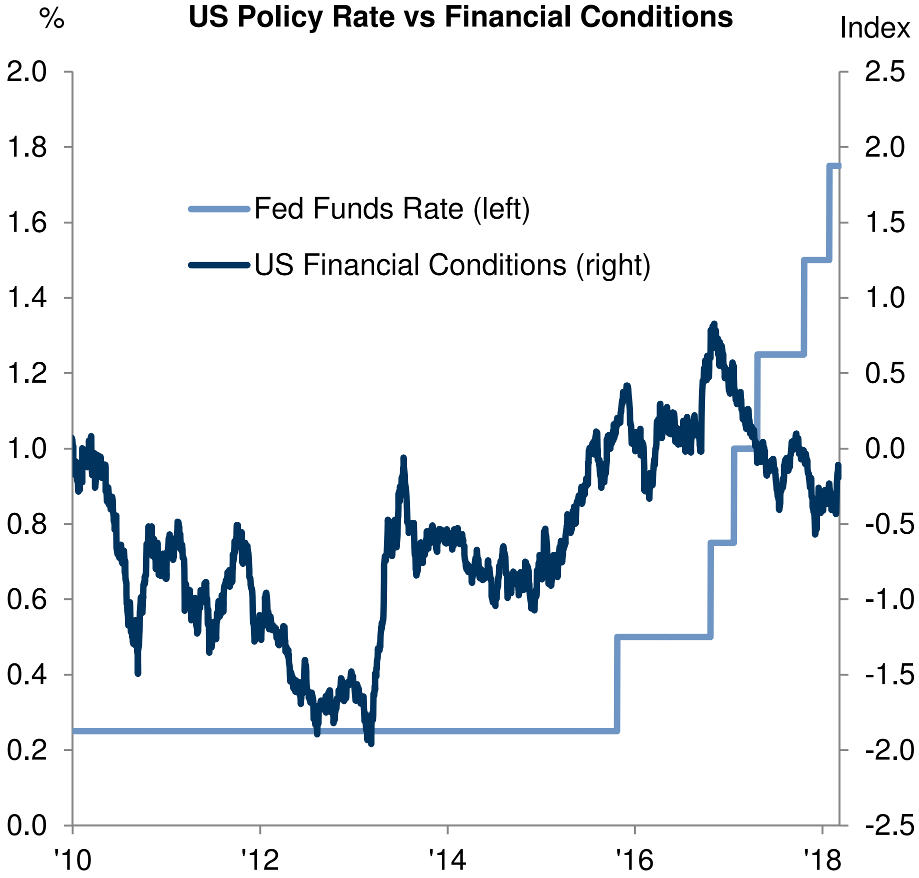
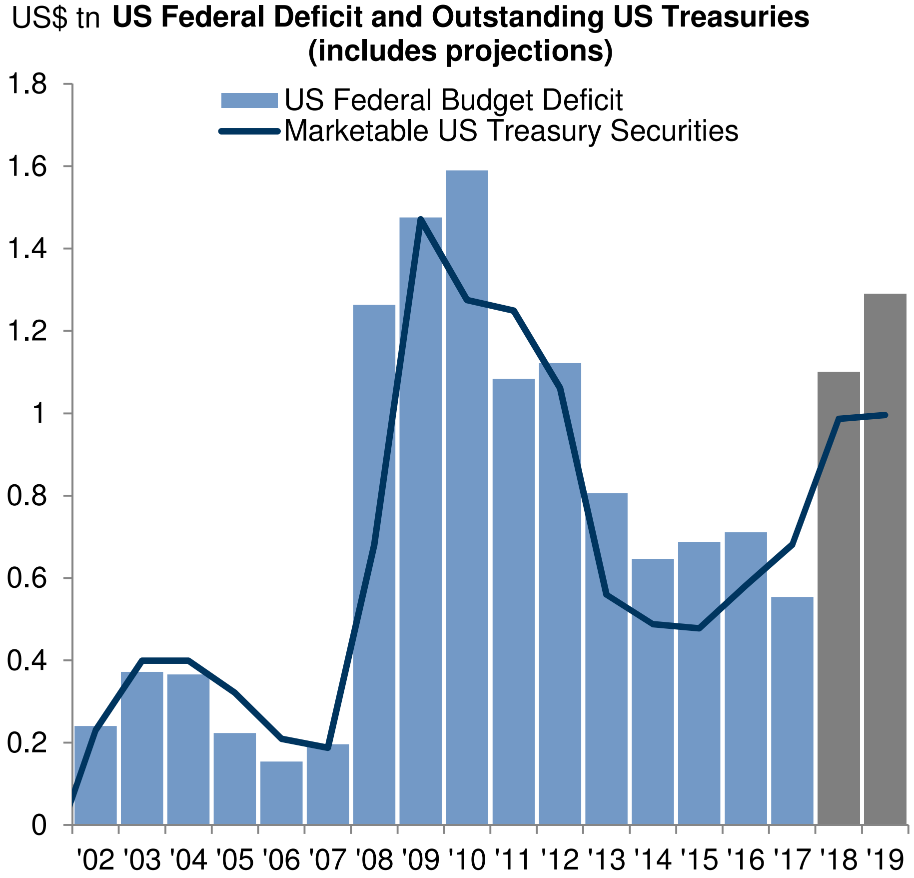
Easy financial conditions creates tightening room



Source: Macrobond, GSAM. As of April 30, 2018.

Headwind from increased supply post Budget Act



Source: Macrobond. US Budget deficit as of April 11, 2018 marketable securities as of March 8, 2018.

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Appendix

Global Fixed Income and Liquidity Solutions

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Jonathan Beinner, CIO & Co-Head of GSAM Global Fixed Income and Liquidity Solutions
Andrew Wilson, Co-Head of GSAM Global Fixed Income and Liquidity Solutions

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FISG
10 Investors

Jonathan Beinner
Andrew Wilson
Jonathan Bayliss
Simon Dangoor
Sam Finkelstein
Chris Hogan
Iain Lindsay
Michael Swell
Mark Van Wyk
Whitney Watson

24+ yrs avg experience*

Oversees portfolio strategy, key risk positions, investment process, medium to long-term themes and outlook

Global Portfolio Construction & Risk

Whitney Watson
+7 professionals
6+ yrs avg experience*

Monitors portfolio construction and provide risk oversight

Stable Value

Josh Kruk
+5 professionals
18+ yrs avg experience*

Customized capital preservation solutions for retirement plans and other investors

Product Management

Alicia Keenan
+48 professionals

Provides product support across all strategies

Quantitative Research and Strategists

Ersen Bilgin
Fred van der Wyck
+20 professionals

Build proprietary research and analysis platforms to support investment teams

Top-Down Strategy Teams

Macro Rates (Jonathan Bayliss)			Currency / Commodities (Sam Finkelstein)		Cross-Sector
Duration	**Country**	**Cross-Macro**	**Currency**	**Commodities**	
Jonathan Bayliss **+4 professionals** **17+ yrs avg experience***	**Simon Dangoor** **+4 professionals** **13+ yrs avg experience***	**Gilberto Marcheggiano** **+5 professionals** **18+ yrs avg experience***	**Sam Finkelstein** **+6 professionals** **16+ yrs avg experience***	**Michael Johnson** **+2 professionals** **12+ yrs avg experience***	**Jonathan Beinner** **+5 professionals** **21+ yrs avg experience***
Anticipates direction of markets and changing shape of yield curve using fundamental, quantitative and technical analysis	*Develops individual country views using a "balance sheet" research approach, using quantitative tools as an overlay to the process*	*Invests across asset classes to take advantage of market inefficiencies arising from investor segmentation between assets & to get efficient exposure to specific macro themes via a basket of assets*	*Employs a flexible, economics-based process to determine the relative attractiveness of currencies*	*Alpha strategies: timing, curve shape, relative value, and volatility trades* *Beta strategies: seek exposure to commodities index and manage roll on futures or enhanced swaps*	*Employs top-down fundamental analysis in allocating capital to bottom-up strategies*

Bottom-Up Strategy Teams

Securitized	Government / Swaps	Municipals	EMD	Liquidity Solutions
Chris Creed / Chris Hogan **+7 professionals** **15+ yrs avg experience***	**Mark Van Wyk** **+12 professionals** **11+ yrs avg experience***	**Ben Barber** **+15 professionals** **16+ yrs avg experience***	**Sam Finkelstein** **+22 professionals** **13+ yrs avg experience***	**Dave Fishman** **+16 professionals** **15+ yrs avg experience***
Agency mortgage selection and analysis *Securitized credit selection and analysis*	*Duration & curve* *Relative Value* *Issuer /Issue Selection* *Interest rate hedging*	*Taxable & tax-exempt* *Tax adjusted return and income* *Rates and curve strategies* *Municipal credit analysis*	*External and local sovereign, quasi-sovereign, corporate debt and EM currencies* *Fundamental research of country balance sheets* *Long-term orientation*	*Provide investment solutions for all liquidity tiers* *Incorporate liquidity issues with strategic view to determine optimum curve exposure*

Global Corporate Credit Team

Investment Grade		High Yield & Bank Loan	
PM / Trading	**Research**	**PM / Trading**	**Research**
Ben Johnson **+10 professionals** **12+ yrs avg experience***	**Stephen Waxman** **+18 professionals** **13+ yrs avg experience***	**Michael Goldstein / Rachel Golder** **+13 professionals** **17+ yrs avg experience***	**Rob Magnuson** **+19 professionals** **14+ yrs avg experience***

Portfolio Managers

Multi/Single Sector

Michael Swell	Avik Mittal
Iain Lindsay	Philip Moffitt
Ronald Arons	Jonathon Orr
Angus Bell	Owi Ruivivar
Hugh Briscoe	Jasper Sagoo
Jeremy Cave	Diana Sands
Russell Gao	Paul Seary
Rachel Golder	Jason Singer
Michael Goosay	Jason Smith
Matthew Kaiser	Ben Trombley
Michael Kashani	Jonathan Tung
Nini Lakew	Tetsuya Ukai
Alex Lawson	Ayumu Urata
Matthew Maciaszek	Weiliang Zhang

Liquidity Solutions

Dave Fishman
+7 professionals
17+ yrs avg experience*

Portfolio construction and customized investment solutions

Insurance

Matthew Armas
+16 professionals
14+ yrs avg experience*

Portfolio construction and customized investment solutions for insurance clients

Alternatives

Jonathan Xiong
+4 professionals
15+ yrs avg experience*

Focus on expanding the hedge fund alternative business, covering Global Ops, Commodities and Currency hedge fund strategies including FIMS

Source: GSAM. As of April 1, 2018. *Average years of experience includes investment professionals, VP and above.

Additional notes

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The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.

Portfolio Holdings may not be representative of current or future investments. The securities discussed may not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

High-yield, lower-rated securities involve greater price volatility and present greater credit risks than higher-rated fixed income securities.

Emerging markets securities may be less liquid and more volatile and are subject to a number of additional risks, including but not limited to currency fluctuations and political instability.

The currency market affords investors a substantial degree of leverage. This leverage presents the potential for substantial profits but also entails a high degree of risk including the risk that losses may be similarly substantial. Such transactions are considered suitable only for investors who are experienced in transactions of that kind. Currency fluctuations will also affect the value of an investment.

The strategy may include the use of derivatives. Derivatives often involve a high degree of financial risk because a relatively small movement in the price of the underlying security or benchmark may result in a disproportionately large movement in the price of the derivative and are not suitable for all investors. No representation regarding the suitability of these instruments and strategies for a particular investor is made.

Economic and market forecasts presented herein reflect a series of assumptions and judgments as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Goldman Sachs has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

Any mention of an investment decision is intended only to illustrate our investment approach or strategy, and is not indicative of the performance of our strategy as a whole. Any such illustration is not necessarily representative of other investment decisions.

Targets are subject to change and are current as of the date of this presentation. Targets are objectives and do not provide any assurance as to future results.

Confidentiality

No part of this material may, without GSAM's prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient.

Goldman Sachs Business Principles

Goldman Sachs

Asset Management

1. Our clients' interests always come first. Our experience shows that if we serve our clients well, our own success will follow
2. Our assets are our people, capital and reputation. If any of these is ever diminished, the last is the most difficult to restore. We are dedicated to complying fully with the letter and spirit of the laws, rules and ethical principles that govern us. Our continued success depends upon unswerving adherence to this standard
3. Our goal is to provide superior returns to our shareholders. Profitability is critical to achieving superior returns, building our capital, and attracting and keeping our best people. Significant employee stock ownership aligns the interests of our employees and our shareholders
4. We take great pride in the professional quality of our work. We have an uncompromising determination to achieve excellence in everything we undertake. Though we may be involved in a wide variety and heavy volume of activity, we would, if it came to a choice, rather be best than biggest
5. We stress creativity and imagination in everything we do. While recognising that the old way may still be the best way, we constantly strive to find a better solution to a client's problems. We pride ourselves on having pioneered many of the practices and techniques that have become standard in the industry
6. We make an unusual effort to identify and recruit the very best person for every job. Although our activities are measured in billions of dollars, we select our people one by one. In a service business, we know that without the best people, we cannot be the best firm
7. We offer our people the opportunity to move ahead more rapidly than is possible at most other places. Advancement depends on merit and we have yet to find the limits to the responsibility our best people are able to assume. For us to be successful, our men and women must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional; it is what we must be
8. We stress teamwork in everything we do. While individual creativity is always encouraged, we have found that team effort often produces the best results. We have no room for those who put their personal interests ahead of the interests of the Firm and its clients
9. The dedication of our people to the Firm and the intense effort they give their jobs are greater than one finds in most other organisations. We think that this is an important part of our success
10. We consider our size an asset that we try hard to preserve. We want to be big enough to undertake the largest project that any of our clients could contemplate, yet small enough to maintain the loyalty, the intimacy and the esprit de corps that we all treasure and that contribute greatly to our success
11. We constantly strive to anticipate the rapidly changing needs of our clients and to develop new services to meet those needs. We know that the world of finance will not stand still and that complacency can lead to extinction
12. We regularly receive confidential information as part of our normal client relationships. To breach a confidence or to use confidential information improperly or carelessly would be unthinkable
13. Our business is highly competitive, and we aggressively seek to expand our client relationships. However, we must always be fair competitors and must never denigrate other firms
14. Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives

BNY Mellon Absolute Return Bond Fund

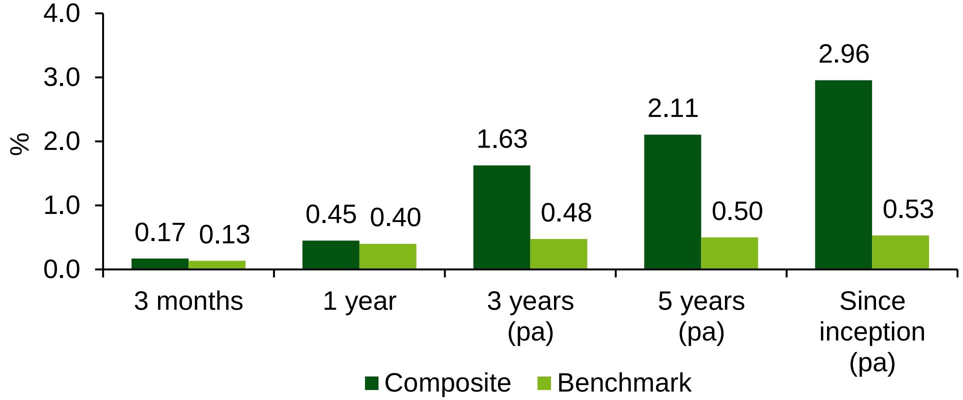
Portfolio summary as at 31 March 2018

Insight INVESTMENT

Investment summary

- A diversified fixed income absolute return fund
- Utilises broad fixed income opportunity set, e.g. government, inflation linked, corporate, emerging market debt, high yield, loans, asset backed securities and currency
- Launched in 2012, currently valued at £1,260m
- Target is to outperform benchmark by 3% pa on a rolling annualised three year basis before fees

Performance (GBP share class)



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Performance attribution (3 years)	bp
Market allocation, duration and yield curve	-24
Investment grade credit	211
Asset backed securities	143
High yield and loans	-28
Emerging market debt	22
Currency	-51

Risk statistics	
Information ratio (3 years)	0.39
Tracking error pa (3 years)	2.95%

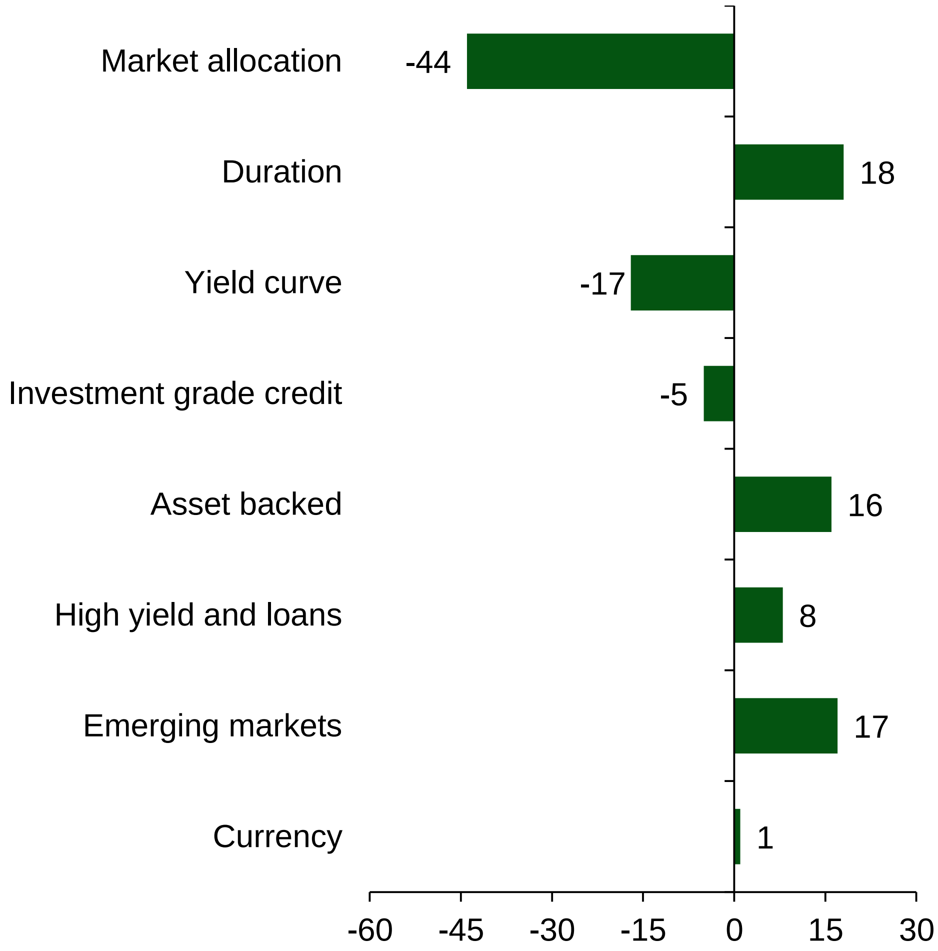
The Absolute Return Bond composite (C0850SCGBP) is gross of fees and in GBP. All returns over one year are annualised. Benchmark: 3 Month GBP Libor. Inception date: 31 March 2012. Fund size converted to GBP.

BNY Mellon Absolute Return Bond Fund
Performance attribution

Q1 2018

- The fund underperformed over the quarter.
- Market allocation was the largest detractor. This was driven largely by a short Germany versus long in Australia, US & UK cross market position. This was partially off-set by a positive from US inflation positioning.
- Duration positioning was positive, this was due to tactical positioning between neutral and short overall.
- Yield curve, the US yield curve steepener (long 10yr vs. short 30yr) was negative due to the US yield curve flattening.
- The contribution from investment grade credit was a small negative due to a general spread widening despite a much reduced position.
- ABS was positive, benefitting from tighter spreads.
- The contribution from short–dated High Yield and Loans was a small positive, benefitting from tactical positioning over the quarter, notably in CDS.
- Emerging market debt exposure was positive, this was driven by selected long local rates positioning and currency hedging.

Contribution by investment decision (bp)



As at 31 March 2018. Attribution shown gross of fees.

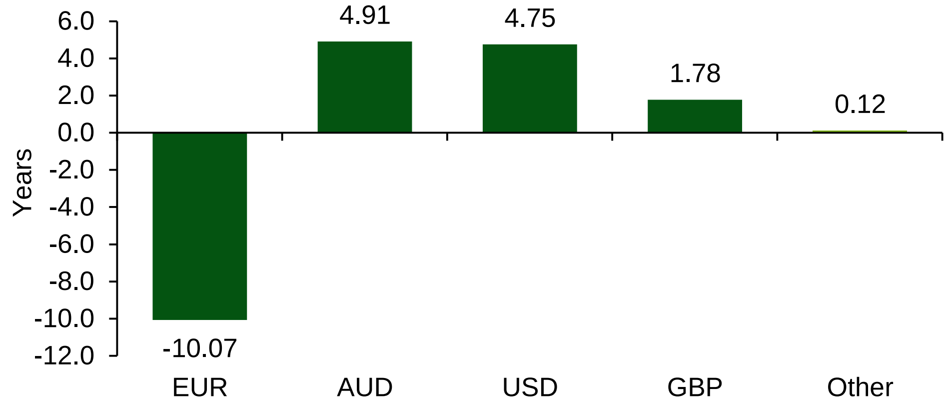
BNY Mellon Absolute Return Bond Fund

Portfolio summary as at 31 March 2018

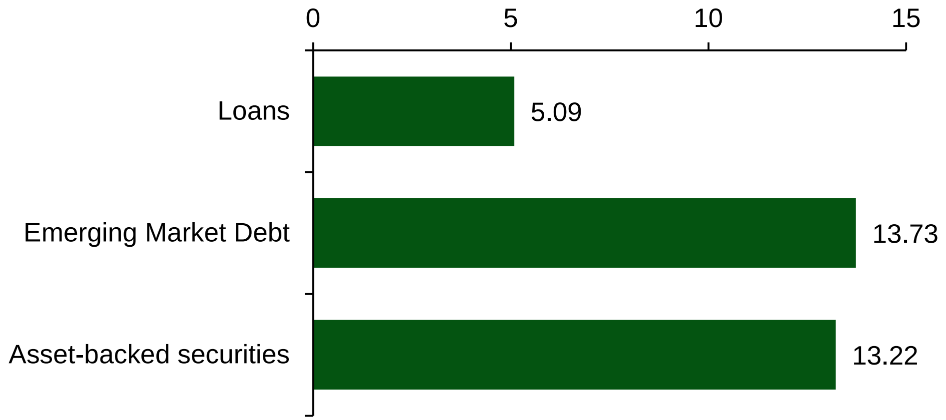
Key statistics

Yield (%)[1]	0.60
Spread over swaps (bp)	36
Overall duration (yrs)	1.49
Inflation-linked duration (yrs)	5.01
Credit spread duration (yrs)	1.73

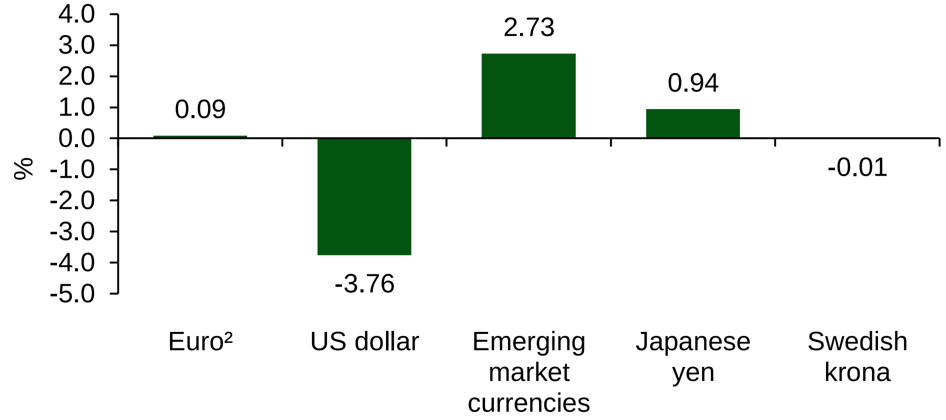
Duration exposure by currency (yrs)



Allocation to other fixed income markets (%)



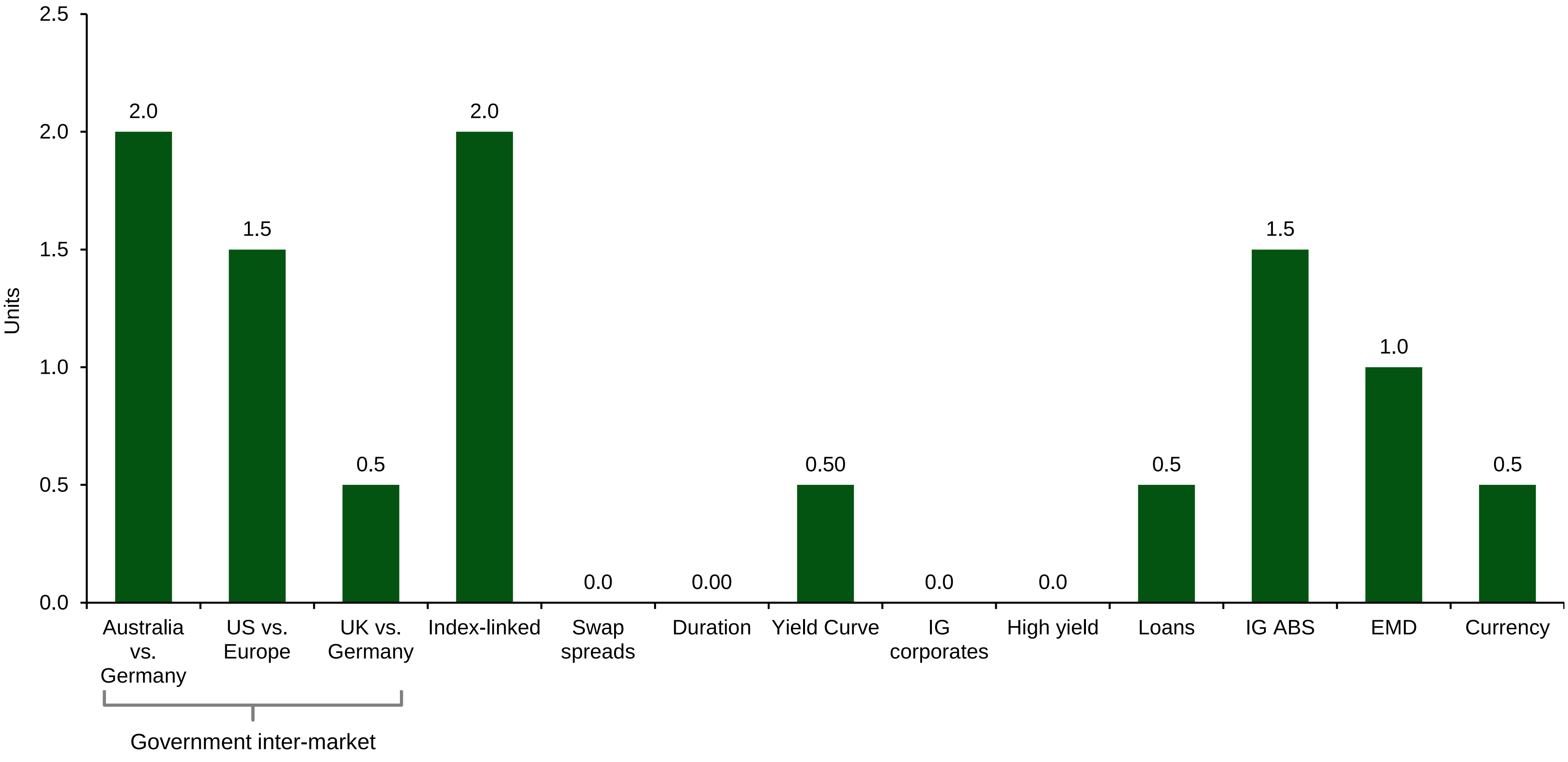
Top 5 relative currency exposures (%)



Allocations are subject to change at the manager's discretion and should not be viewed as investment recommendations. [1] The yield on the Fund includes the real yield of index-linked assets and therefore is likely to understate the conventional yield equivalent of the Fund. [2] Euro exposure is shown relative to the base currency of the Fund.

Insight institutional absolute return strategy
Units of risk: allocation

As at 31 March 2018



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Quarterly Investment Report - Q1 2018

London Borough of Tower Hamlets Pension Fund

Legal & General
INVESTMENT MANAGEMENT

Contents

Executive summary as at 31 March 2018

Fund overview

The Fund's assets are managed by investing in the pooled funds shown in the table below.

Important update

On-fund costs (OFC) deducted from the unit price of the Fund

Please use the link to access our latest Local Government Pension Scheme thought piece, LGPS Intelligence: www.lgim.com/lgpsintelligence

Funds held

Fund	Market index	Benchmark (%)
London Borough of Tower Hamlets		
All World Equity Index (OFC)	FTSE All-World NetTax (UKPN)	16.70
All World Equity Index Fund - GBP Currency Hedged (OFC)	Composite	33.30
MSCI World Low Carbon Target Index Fund-GBP Currency Hedged (OFC)	MSCI World Low Carbon GBP Hedged	50.00
Total London Borough of Tower Hamlets	**-**	**100.00**
London Borough Tower Hamlets Temp		
Over 5y Index-Linked Gilts (OFC)	FTSE A Index-Linked > 5 Years	-
Transition CSUF STBP	-	-

Fund performance (%)

Period	Fund (gross of fees)
Q1 2018	(2.40)
1 Year	2.46
3 Years	6.85
5 Years	7.22
Since inception	9.13

Inception date: 30 Jul 2010

Performance figures shown for periods in excess of one year are annualised

Fund cashflows

	GBP
Value at start of quarter	582,293,665
Net transactions	351,523
Value at end of quarter	568,658,036

Pricing basis: mid

Source: Legal & General Investment Management

Valuation summary as at 31 March 2018

We have recently launched our new client portal - LGIM Connect. To instantly view and download all valuations, transaction statements, performance, pricing and quarterly reports please log into www.lgimconnect.com. A breakdown of any investments, disinvestments and switches is also detailed in the Transaction Statements which have been issued to your nominated recipients.

Fund	Value at start of quarter			Net transactions (GBP)	Value at end of quarter			Benchmark distribution (%)	Ranges (%)
	GBP (mid)	Total (%)	Distribution (%)		GBP (mid)	Total (%)	Distribution (%)		
London Borough of Tower Hamlets									
All World Equity Index (OFC)	84,396,681		16.63	569,918	81,227,557		16.44	16.70	15.45 - 17.95
All World Equity Index Fund - GBP Currency Hedged (OFC)	169,280,045		33.35	10,585	165,160,341		33.43	33.30	31.05 - 35.55
MSCI World Low Carbon Target Index Fund-GBP Currency Hedged (OFC)	253,903,555		50.02	36,921	247,710,979		50.13	50.00	47.50 - 52.50
Total London Borough of Tower Hamlets Assets	**507,580,281**	**87.17**	**100.00**	**617,424**	**494,098,877**	**86.89**	**100.00**	**100.00**	**- -**
London Borough Tower Hamlets Temp									
Over 5y Index-Linked Gilts (OFC)	74,429,771		99.62	-	74,546,084		99.98	-	- -
Transition CSUF STBP	283,613		0.38	(265,901)	13,075		0.02	-	- -
Total London Borough Tower Hamlets Temp Assets	**74,713,384**	**12.83**	**100.00**	**(265,901)**	**74,559,159**	**13.11**	**100.00**	**-**	**- -**
Total	**582,293,665**	**100.00**	**-**	**351,523**	**568,658,036**	**100.00**	**-**	**-**	**- -**

Source: Legal & General Investment Management

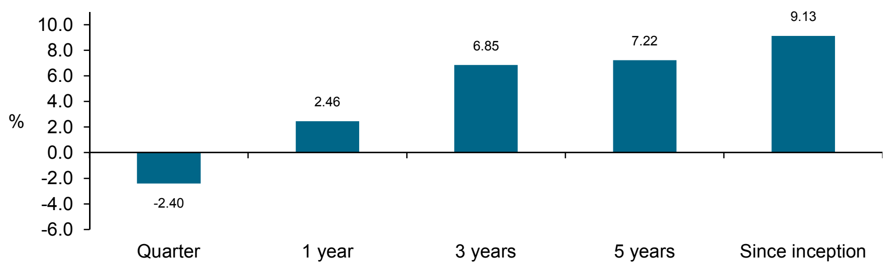
Performance summary as at 31 March 2018

Performance to date (%)

	Quarter	1 year	3 years	5 years	Since inception
Fund (gross of fees)	(2.40)	2.46	6.85	7.22	9.13

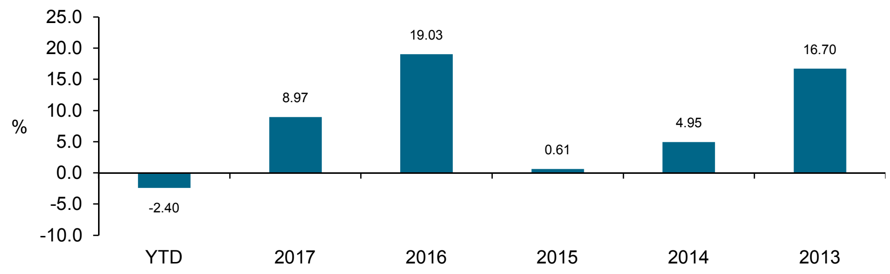
Inception date: 30 Jul 2010

Performance figures shown for periods in excess of one year are annualised



Calendar year performance (%)

	Year to date	2017	2016	2015	2014	2013
Fund (gross of fees)	(2.40)	8.97	19.03	0.61	4.95	16.70



Notes:

The performance tables/charts above show the time-weighted returns i.e. taking out the effects of cash flow, for the total Fund and where applicable its benchmark. Performance figures for any externally managed funds are excluded unless managed on the LGIM investment only platform. All performance returns are for the entire period stated, except where a bought or (sold) date denotes part period, as detailed on the following page.

Source: Legal & General Investment Management

Performance summary as at 31 March 2018

	Bought/(Sold) date *	Quarter's performance (%)			1 Year's performance (%)			3 Year's performance (%)		
		Fund	Index**	Relative	Fund	Index**	Relative	Fund	Index**	Relative
London Borough of Tower Hamlets										
All World Equity Index (OFC)		(4.39)	(4.42)	0.03	-	-	-	-	-	-
MSCI World Low Carbon Target Index Fund-GBP Currency Hedged (OFC)		(2.45)	(2.52)	0.07	-	-	-	-	-	-
All World Equity Index Fund - GBP Currency Hedged (OFC)		(2.44)	(2.47)	0.03	-	-	-	-	-	-
Total London Borough of Tower Hamlets Assets		**(2.77)**	**(1.54)**	**(1.23)**	**2.95**	**-**	**-**	**7.02**	**-**	**-**
London Borough Tower Hamlets Temp										
Over 5y Index-Linked Gilts (OFC)		0.16	0.15	0.01	-	-	-	-	-	-
Transition CSUF STBP		(5.74)	-	-	-	-	-	-	-	-
Total London Borough Tower Hamlets Temp Assets		**0.15**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**(2.40)**	**-**	**-**	**2.46**	**-**	**-**	**6.85**	**-**	**-**

* All performance returns are for the entire period stated, except where a bought or (sold) date denotes part period.

** For some funds a comparator will be shown instead of an Index. Comparators are shown for information purposes and the fund is not managed against these.

Notes:

The performance summary table shows the returns for each fund compared with the total return of the relevant market index, composite index or comparator. The Total line(s) show the time-weighted returns i.e. taking out the effects of cash flow, for the total Fund and where applicable its benchmark. All fund returns are shown before the deduction of charges except those marked '(Net)', '(chgs)' or '(charges included)'. Some index returns are net of fees. Performance figures shown for periods in excess of one year are annualised. Externally managed funds, where applicable, are excluded. Additional information on fund level performance can be found in the fund sections later in the report.

Please note that fund and client performance numbers for any investment periods up to the end of March 2018, are based on FX rates as at 30th March 2018. Due to the public holiday in the UK and some International markets on 30th March 2018, the end of March 2018 index performance numbers are based on FX rates as at 29th March 2018. The performance differential attributable to this timing discrepancy will be expected to reverse in April. Should you require more information please contact clientreportingteam@lgim.com.

Where applicable, the performance shown takes into account the return of funds held prior to the inception of the OFC funds.

Source: Legal & General Investment Management

LGIM Views

Thought leadership

Cashflow Awareness: Transfers out

In this paper, we describe how DB schemes can manage transfers out. Whilst they are unlikely to threaten the long-term solvency of schemes, transfers do require good liquidity management. Despite their unpredictability, we find that transfers can be well prepared for by using approaches that include cashflow matching.

http://www.lgim.com/uk/en/insights/our-thinking/client-solutions/cashflow-awareness-transfers-out.html

DC Governance: Is your scheme following best practice?

DC governance should focus on appropriate due diligence to ensure your scheme has the best chance of delivering optimal outcomes for members. In this DC Client Solutions article, we look closely at four governance factors that we believe are instrumental in helping to deliver DC scheme objectives.

http://update.lgim.com/e/22472/lutions-DC-Governance-2018-pdf/68gm6k/431166244

Fundamentals – Technology – The future of TV: It's blurred

Predictions about the demise of the TV industry have persisted for over a decade, even as UK TV advertising and subscription revenues have continued to grow. However, we believe the industry has reached a tipping point, driven by rapid developments in technology and changing demographics.

http://www.lgim.com/uk/en/insights/our-thinking/long-term-thinking/the-future-of-tv-is-blurred.html

Market views

Credit Outlook 2018 – Are market expectations too good to be true?

Consensus expectations for modest returns from credit markets in 2018 may well prove to be accurate. However, are investors underestimating the long-term risks posed by structural problems as central banks reverse their ultra-loose monetary policy?

http://www.lgim.com/uk/en/insights/our-thinking/market-insights/credit-outlook-2018.html

UK equities: On the brink of a new era

The UK equity market may be on the cusp of a long-term shift in market leadership. In this article, Stephen Message, manager of the L&G UK Equity Income Fund, discusses the sectors he sees as the possible leaders and laggards under the new regime.

http://www.lgim.com/uk/en/insights/our-thinking/market-insights/uk-equities-on-the-brink-of-a-new-era.html

You may have missed:

UK Real Estate 2018: Balancing resilience with growth potential

Returns in 2018 are unlikely to match the pace of 2017 and are set to favour more defensive portfolios. To meet investors' long-term objectives, we see an ongoing need to build portfolios that balance resilience against weaker economic conditions with sufficient growth potential to deliver in more benign environments.

http://www.legalandgeneral.com/institutional/real-assets/insights/thought_leadership/uk-real-estate-2018--balancing-resilience-with-growth-potential.html

Source: Legal & General Investment Management

LGIM Views continued

LGIM leads peers in demanding climate action

LGIM supported the vast majority of shareholder votes on climate change in the US in 2017 – more than the six largest asset managers in the world combined – as part of our efforts to press companies to address long-term environmental risks.

The 10 largest asset managers on average voted in favour of just 21.5% of such resolutions, according to a CERES/Fund Votes report. By contrast, LGIM voted in favour of 95.5% of them, our analysis of the voting data shows.

Most of the 89 resolutions demanded increased disclosure by companies, including the publication of sustainability reports, greater analysis of the business impact of a 2°C rise in global temperatures and information on spending on lobbying. Some called for the implementation of specific targets for renewable energy procurement or greenhouse gas reduction.

One example is a resolution that called on ExxonMobil to report on the impact of global steps designed to keep climate change to 2°C; our support, together with that of other shareholders, helped to pass the measure. Another example is a resolution that called on ConocoPhillips to disclose its lobbying activities.

A report from ShareAction, meanwhile, found cases when investors voted both for and against resolutions that were virtually identical, but filed at different companies. The report praised LGIM for being a “consistent supporter” of climate-related votes. Our leadership role in urging companies to take action to meet the challenges posed by climate change follows the introduction of LGIM’s Climate Impact Pledge.

This is a targeted process where we work directly with companies to bring about positive change, excluding those that do not meet the required standards after a certain engagement period.

We recognise many other investors are working hard to push companies to tackle environmental and social issues. In particular, we welcome the growing shareholder interest in improved environmental disclosures from companies, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures, which LGIM supports.

Increased transparency from companies would improve market efficiency. Investors at present lack consistent, comparable and reliable data to ascertain fully which companies and industries face the greatest risks from climate change – and which are best-placed to capture the opportunities stemming from the shift to a low-carbon economy.

Through its voting, engagement and investment solutions, LGIM is leading the way to accelerate the transition to a sustainable future.

Source: Legal & General Investment Management

Global equities: market background

Global equity markets

Equity markets began 2018 on the front foot, with global indices continuing to move higher in January and investor spirits becoming increasingly bullish. However, this positive environment proved to be relatively short-lived, and markets corrected sharply in February as concerns rose over the potential implications of rising government bond yields.

Higher levels of equity market volatility continued into March, as an escalation in trade tensions between the United States and China added to investor nervousness. As a result, global equity markets delivered negative returns overall for investors during the first quarter of the year **(Figure 1)**, with pan-European, US and Japanese indices all retreating. This was the first negative quarter for global equities for over two years.

Given the broad-based rise in risk aversion, emerging market equities were also volatile over the period. However, they outperformed developed markets over the quarter as a whole **(Figure 2)**. There were a number of factors contributing to this dynamic, including ongoing weakness in the US dollar, continued above-trend global growth, and rises in the prices of key commodities.

Figure 1: Volatility returns to global equities

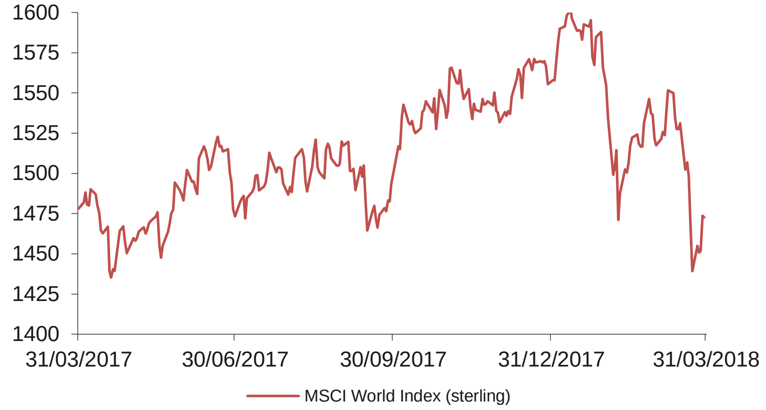
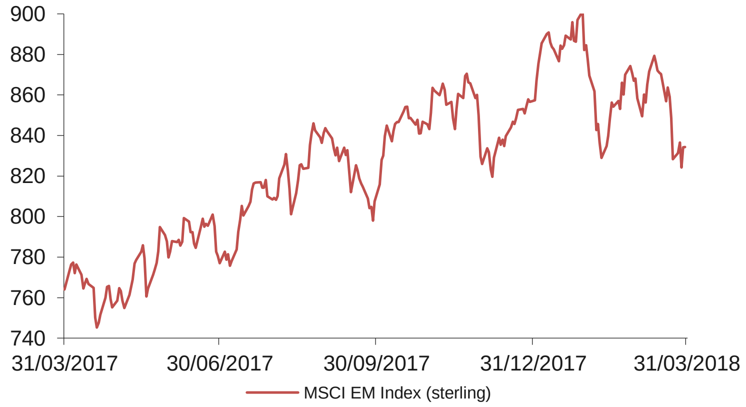


Figure 2: Emerging markets outperform



Global government bonds: market background

Global sovereign markets

Developed market 10-year government bond yields rose across the board in the first quarter of the year **(Figure 3)**. US yields led the way, rising sharply as investors weighed up the implications of President Donald Trump's fiscal stimulus, strong US wage growth data and higher inflation readings. With a strengthening economy, the Federal Reserve raised its benchmark interest rate from 1.5% to 1.75% **(Figure 4)**. This contributed to the rise in overall US government yields.

In Europe, government bond yields rose sharply in the first part of the quarter in response to the higher US yields, but retreated somewhat in March as the European Central Bank (ECB) continued to remain cautious on the outlook for European interest rates. In particular, ECB President Mario Draghi said that he expects rates to remain at their present levels for an extended period of time, well beyond the horizon of his programme of asset purchases.

In the UK, gilt yields mirrored moves in core mainland European government bond markets. The Bank of England kept key interest rates on hold over the quarter, but did signal that rates were likely to rise by more than the market expected over the course of 2018 as a result of stronger-than expected growth and stubbornly high inflation pressures.

Figure 3: 10-year government yields rise

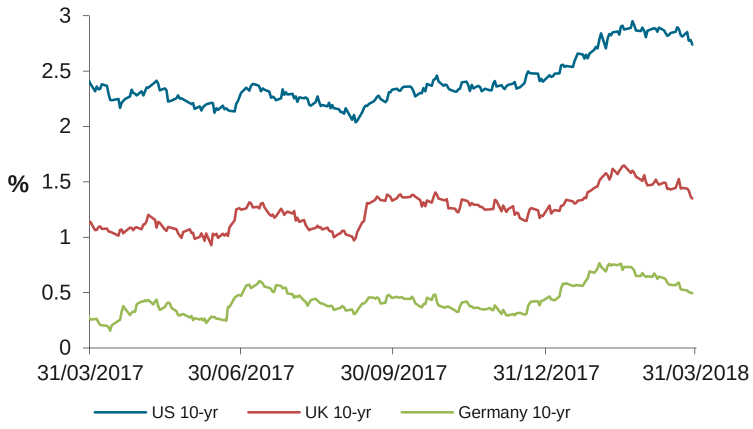
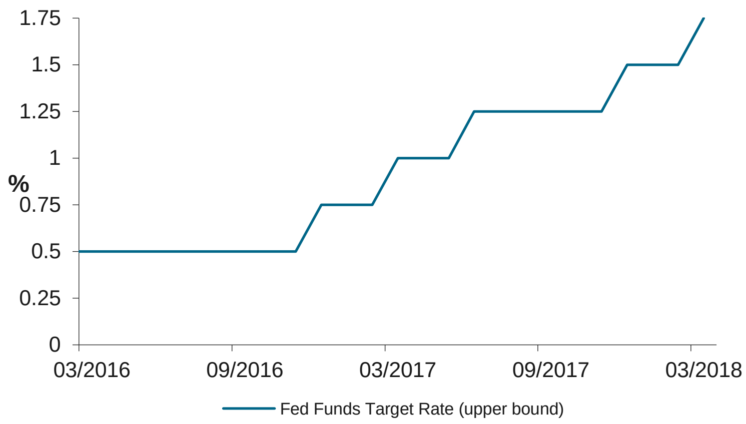


Figure 4: Fed raises interest rates again



Global corporate bonds: market background

Global credit markets

Global corporate bond markets had a weak quarter, with the rise in underlying government yields weighing on returns from the asset class. In addition, credit spreads (the additional yield available on corporate bonds compared to government bonds from the same region) widened notably **(Figure 5)** as risk aversion returned to markets amid fears of rising US inflation and growing international trade disputes.

Pan-European credit markets outperformed in relative terms, with investors encouraged by the combination of the ongoing regional economic recovery and continued supportive monetary policy from both the European Central Bank and the Bank of England. Meanwhile, US credit spreads widened notably amid greater concerns over rising interest rates and inflation in the region.

The performance of global high yield bonds was also dented by the rise in risk aversion **(Figure 6)**, although they held up relatively well as investors deemed high yield bonds more resilient to rises in underlying interest rates (also known as duration risk). Emerging market bonds were also volatile**,** although they were supported to some extent by continued weakness in the US dollar.

Figure 5: Credit spreads widen notably

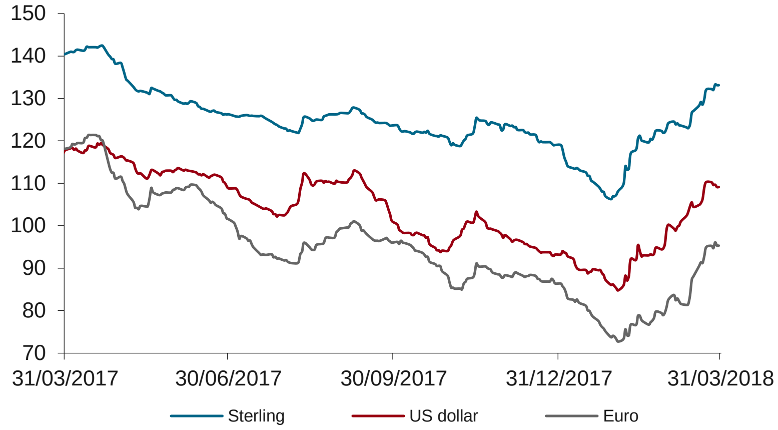
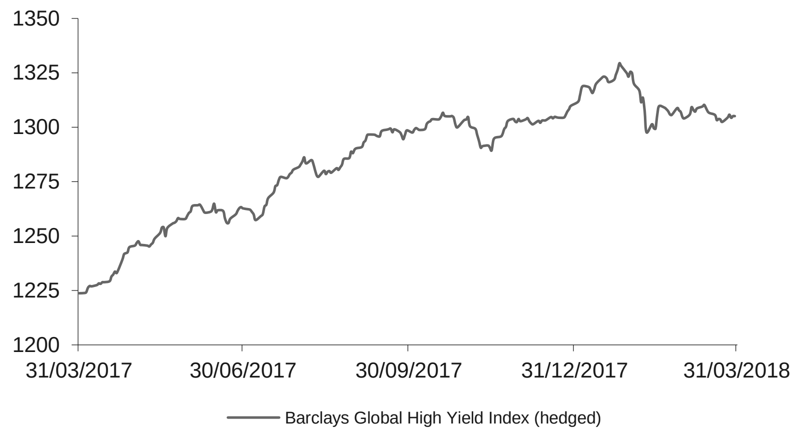


Figure 6: Global high yield bonds stall



Currencies: market background

Currency markets

Following a modest recovery in the final quarter of 2017, the US dollar resumed its downtrend on a trade-weighted basis in the first quarter of 2018. **(Figure 7)**. This was despite continued monetary tightening by the US Federal Reserve, which raised interest rates again. One of the reasons behind the US dollar weakness was President Donald Trump's fiscal package, which raised investors' inflation expectations for the US economy and deficit spending.

Instead, investors looked to more cyclical currencies such as the euro and sterling, which both had a positive quarter. In continental Europe, continued growth in domestic growth rates and abating political concerns were behind the euro strength. In the UK, meanwhile, the value of the pound was boosted by comments from the Bank of England suggesting that interest rate rises could be on the cards later in 2018.

The performance of emerging market currencies was strong over the quarter, despite the rise in overall market volatility. Asian currencies in particular performed well. For instance, both the Singapore dollar and Chinese yuan **(Figure 8)** appreciated markedly versus the US dollar as the cyclical strength in Asian economies continued. The Mexican peso was another notable performer as trade tensions with the United States abated.

Figure 7: US dollar index weakens

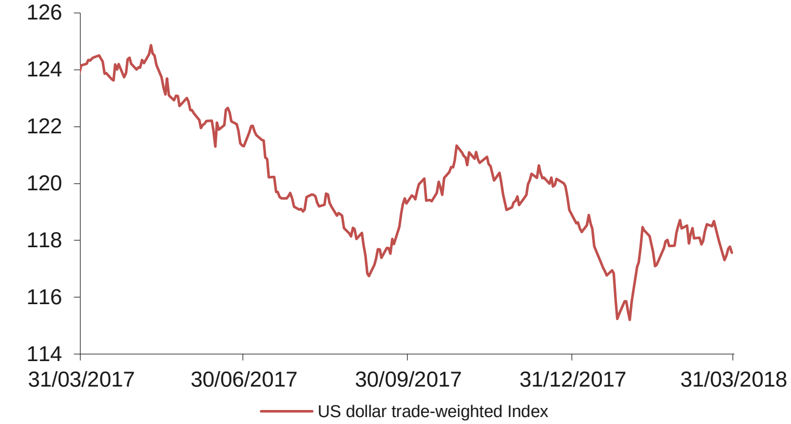
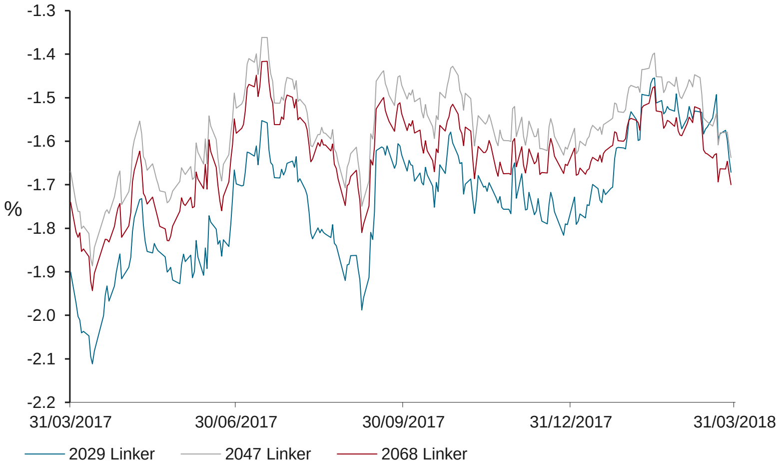


Figure 8: Chinese yuan appreciates

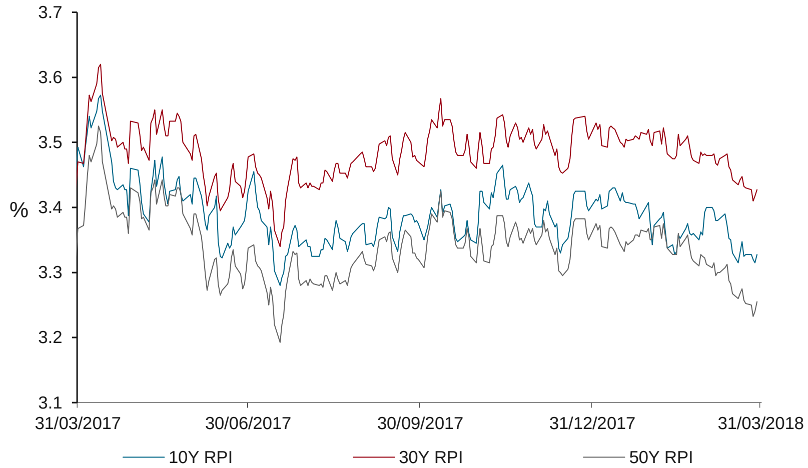
Sterling interest rate and inflation market background

Nominal yields

Real yields



Swap-based inflation



Commentary

In the first quarter of 2018, nominal yields initially rose following strong US economic data and comments from the Bank of England that short-term rates may rise more than anticipated. However, yields subsequently fell back as risk aversion increased following fears of potential disruptions to global trade.

Meanwhile, long-term inflation expectations have fallen back somewhat to below 3.5%, with the value of sterling rising (particularly against the US dollar).

With both inflation expectations and nominal yields stabilising in 2017, real yields have moved broadly sideways, and remain well in negative territory. More recently, the comments from the Bank of England and strong US growth data in early 2018 resulted in moderately higher real yields initially, although they have retreated again since mid-February.

Fund reports performance as at 31 March 2018

	Price series	Quarter		Year to date		1 year		3 years		5 years	
		Fund	Index**	Fund	Index**	Fund	Index**	Fund	Index**	Fund	Index**
MSCI World Low Carbon Target Index Fund-GBP Currency Hedged (OFC)	Weekly close	(2.45)	(2.52)	(2.45)	(2.52)	-	-	-	-	-	-
All World Equity Index Fund - GBP Currency Hedged (OFC)	Weekly close	(2.44)	(2.47)	(2.44)	(2.47)	9.72	9.66	7.49	7.45	-	-
Transition CSUF STBP	Weekly close	(5.74)	-	(5.74)	-	-	-	-	-	-	-
All World Equity Index (OFC)	Weekly close	(4.39)	(4.42)	(4.39)	(4.42)	2.88	2.81	10.87	10.79	-	-
Over 5y Index-Linked Gilts (OFC)	Weekly close	0.16	0.15	0.16	0.15	0.70	0.69	7.77	7.76	7.71	7.68

** For some funds a comparator will be shown instead of an Index. Comparators are shown for information purposes and the fund is not managed against these.

Notes:

The performance summary table shows the returns for each fund compared with the total return of the relevant market index, composite index or comparator. All fund returns are shown before deduction of charges except those marked '(Net)', '(chgs)' or '(charges included)'. Some index returns are net of fees. Externally managed funds, where applicable, are excluded.

Please note that fund and client performance numbers for any investment periods up to the end of March 2018, are based on FX rates as at 30th March 2018. Due to the public holiday in the UK and some International markets on 30th March 2018, the end of March 2018 index performance numbers are based on FX rates as at 29th March 2018. The performance differential attributable to this timing discrepancy will be expected to reverse in April. Should you require more information please contact clientreportingteam@lgim.com.

Where applicable, the performance shown takes into account the return of funds held prior to the inception of the OFC funds.

Source: Legal & General Investment Management

MSCI World Low Carbon Target Index Fund

31 March 2018

Fund characteristics

	Fund
Number of holdings	1,221

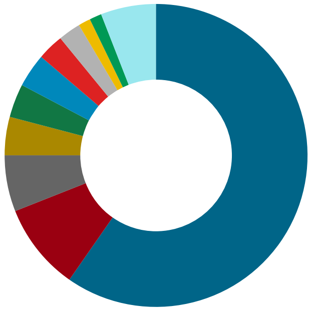
Sector breakdown (%)

	Fund
Financials	18.9
Information Technology	17.5
Industrials	13.4
Consumer Discretionary	12.8
Health Care	11.6
Consumer Staples	9.0
Energy	4.2
Materials	3.8
Telecommunication Services	3.1
Real Estate	3.0
Other	2.7
Total	**100.0**

Top 10 holdings (%)

	Fund
Apple Inc	2.2
Microsoft Corporation	1.7
Alphabet	1.6
Amazon.com	1.5
JPMorgan Chase & Co	1.0
Facebook Class A	0.9
Johnson & Johnson	0.9
Bank of America	0.8
Intel Corp	0.7
Nestle	0.7
Total	**12.0**

Country breakdown (%)



United States	59.7
Japan	9.3
United Kingdom	6.0
France	4.1
Canada	3.6
Germany	3.6
Switzerland	2.8
Australia	2.4
Hong Kong	1.3
Spain	1.3
Other	5.9

Totals may not sum due to rounding

For factsheets and other key information please visit our website http://www.fundslibrary.co.uk/FundsLibrary.BrandedTools/Lgim/FundCentral

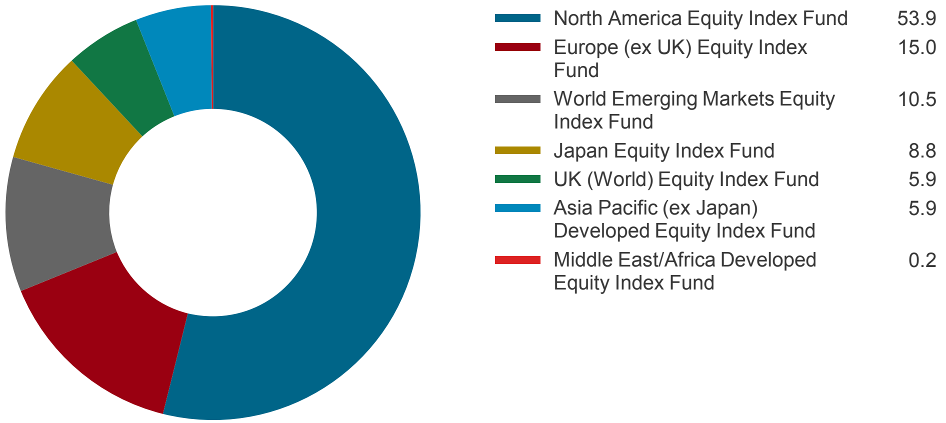
Source: Legal & General Investment Management

All World Equity Index Fund

31 March 2018

Asset allocation (%)

	Fund	Benchmark
UK (World) Equity Index Fund	5.88	5.87
North America Equity Index Fund	53.87	54.01
Europe (ex UK) Equity Index Fund	14.95	14.95
Japan Equity Index Fund	8.75	8.62
Asia Pacific (ex Japan) Developed Equity Index Fund	5.88	5.86
Middle East/Africa Developed Equity Index Fund	0.16	0.16
World Emerging Markets Equity Index Fund	10.51	10.53
Total	**100.00**	**100.00**



Totals may not sum due to rounding

For factsheets and other key information please visit our website http://www.fundslibrary.co.uk/FundsLibrary.BrandedTools/Lgim/FundCentral

Source: Legal & General Investment Management

Over 5 Year Index-Linked Gilts Index Fund

31 March 2018

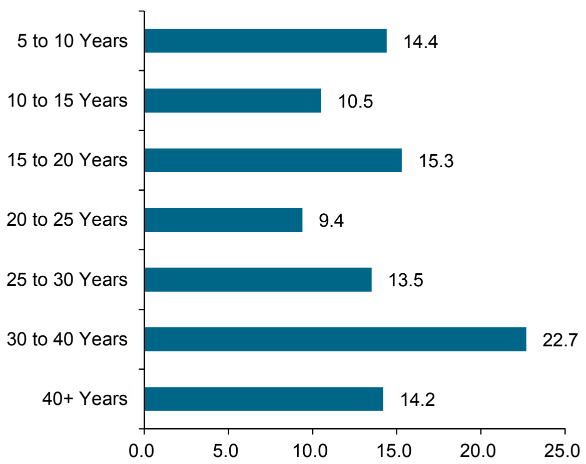
Fund characteristics

	Fund
Number of issuers	1
Number of issues	25
Modified duration (yrs)	24.9
Gross redemption yield (%)	(1.6)

Top 10 holdings (%)

	Fund
Gilts I-L 1.250% 2055	6.1
Gilts I-L 0.125% 2068	5.6
Gilts I-L 0.375% 2062	5.6
Gilts I-L 0.500% 2050	5.0
Gilts I-L 0.750% 2047	4.9
Gilts I-L 1.125% 2037	4.9
Gilts I-L 0.625% 2040	4.8
Gilts I-L 0.125% 2044	4.7
Gilts I-L 0.625% 2042	4.6
Gilts I-L 1.250% 2027	4.4
Total	**50.6**

Maturity breakdown (%)



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Totals may not sum due to rounding

For factsheets and other key information please visit our website http://www.fundslibrary.co.uk/FundsLibrary.BrandedTools/Lgim/FundCentral

Source: Legal & General Investment Management

Corporate Governance - Thought Leadership - Q1 2018

UK Corporate Governance and Stewardship Code Consultation

In February, LGIM responded to the consultation by the Financial Reporting Council (FRC) on proposed changes to the UK Corporate Governance and Stewardship Codes. Our response is publicly available on the FRC's website.

LGIM highlighted its support for the changes to the Corporate Governance Code which have been strengthened in key areas such as board diversity, director independence and consideration of the stakeholder voice.
Furthermore, a key feature of our submission to the FRC included new recommendations to improve stewardship in the UK. We highlighted how a number of areas of the Stewardship Code, including those related to disclosure by signatories, assurance and oversight of the Code can be enhanced to reinforce good stewardship.

Public Policy responses in Asia

We responded to a consultation launched by the Hang Seng Index on the inclusion of issuers with Weighted Voting Rights (WVR) in its indices. LGIM explained that this framework prevents mechanisms in the market from working effectively and that we are not supportive of its implementation. This is a message we have sent consistently to all indices.

A similar response was also given to the Hong Kong Stock Exchange on its consultation relating to Biotech, Innovative Companies and Issuers with WVR. We recommended the strengthening of corporate governance protections for investors and the establishment of sunset provisions to mitigate risks associated with unequal voting rights.

LGIM also submitted a response to the Monetary Authority of Singapore on their recommendations to improve the Corporate Governance Code. We highlighted a proposal to implement a two-tier voting regime to enhance the voice of minority shareholders where a controlling shareholder is present.

Launch of L&G Future World Equity Factors Index Fund

In January, LGIM launched the L&G Future World Equity Factors Index Fund for UK retail investors. This new fund mirrors the Future World Fund launched in November 2016 for institutional DB and DC investors.

New LGIM Voting and Engagement Policies

We reviewed and updated all our voting policies to ensure they remain aligned with evolutions in the corporate landscape and that they continue to respect our clients' investment beliefs and represent their interests. We also took into account the outcomes of our stakeholder roundtables on governance and sustainability.

Our new policies include our Global Corporate Governance & Responsible Investment Principles which set out LGIM's approach and minimum expectations with respect to key topics we believe are essential for an efficient governance framework, and for building a sustainable business model globally.

We took a stronger approach on some topics such as boardroom diversity by expecting at least one woman on the board, board independence with a minimum threshold of 30% of independent directors, and director tenure. We also added new sections on stakeholder engagement and virtual-only shareholder meetings.

This Principles document is to be read in conjunction with our stricter region-specific policies such as North America, the UK and Japan. These policies set out where LGIM's expectations differ from our Principles document or where issues are specific to their market. These policies were also reviewed and updated.

In addition, LGIM has made the rationale for all votes against management globally publicly available in our monthly voting reports, available on our website.

External presentations

As LGIM is developing its Future World strategy, we met various actors in the pension industry in the US to present LGIM's products, strategy and actions in the field of ESG and responsible investment.
In addition, as part of the 7th annual World Pensions & Investment Forum held in Paris, we participated in a panel discussion on how institutional investors are filling the gap of ESG and sustainability after the Paris Agreement.

We also took part in a panel discussion at the European Bank for Reconstruction and Development on the topic of the effective board, including the requirement to ensure an effective board and what needs to be done further.

News/Media coverage

In response to the collapse of construction company Carillion, our director of corporate governance published an editorial in the Financial Times on structural problems of UK companies and how corporate governance principles can act as a remedy to these issues.

LGIM was also mentioned in an article by The Times on the importance of pre-emption rights for shareholders in relation to the decision of the telecoms company TalkTalk to raise the equivalent of 20% of its share capital on a non-pre-emptive basis through a placing.

For more information, please go to: www.lgim.com/cgupdate

Source: Legal & General Investment Management

Dealing costs as at 31 March 2018

Costs of dealing in units during quarter

	Total unit transactions (GBP)*	Total dealing costs (GBP)**	Average dealing costs (%)**
Excluding Assets	851,539	508	0.06
Including Assets	883,325	508	0.06

*Unit transactions represent the sum of all activity and may not match total net transactions figures displayed elsewhere in the report

**Where applicable, figures shown in brackets represent total savings made rather than costs incurred

Fund dealing cost during quarter (%)

Fund	Explicit dealing costs (% within fund)
MSCI World Low Carbon Target Index Fund-GBP Currency Hedged (OFC)	less than 0.01%
All World Equity Index Fund - GBP Currency Hedged (OFC)	less than 0.01%
All World Equity Index (OFC)	less than 0.01%
Over 5y Index-Linked Gilts (OFC)	nil

*Fees are deducted from within the Fund - the fee scale is shown in your proposal form

#Custody and administration costs are borne by the Fund where applicable

Investment association's pension fund disclosure code

The voluntary code (Third Version) which has been adopted by the Investment Management Association and strongly endorsed by the National Association of Pension Funds is intended to assist those responsible for the pension fund assets in the understanding of the charges and costs levied on the assets. The code sets out the direct costs and related topics which fund managers should be able to report to their pension fund clients.

There are two levels of disclosure required by the code.

Level One – house policies, processes and procedures in relation to the management of costs incurred on behalf of clients. LGIM has issued to clients a paper covering Level One Disclosure and this is updated yearly.

Level Two – client specific information. The code requires details to be available of counterparties used and the split of commissions between execution and research. It further requires a comparison with appropriate firm-wide figures. For investors in pooled funds this comparison is at the pooled fund level; it is available on request from your client account manager.

Notes to level two disclosure - client specific information for pooled fund clients

Proportion of portfolio covered by the Code at period end: All asset classes are covered with the exception of Property which is outside of the Code.

Fund management fees: The fees applicable to your arrangements are shown in your quarterly invoice (unless otherwise stated).

Custody costs borne directly by the fund: Custody costs are included in the fund management fees and are, therefore, not borne directly by the pooled fund (except in the circumstances stated opposite).

Transaction values/explicit dealing costs: There are two tables within this dealing cost section. The first give details of the total cost to the scheme of dealing in units during the reporting period calculated by comparing the actual value of the units dealt with their mid value. The second table provides an estimate of the total explicit dealing costs incurred by each of the pooled funds during the quarter, after allowing for the dealing costs received by the pooled fund through the bid/offer spread from the dealing in units. In the second table, only the explicit dealing costs are shown.

Underwriting/sub-underwriting commissions received: Any commissions received are credited to the funds that underwrote the share issue.

Stock lending: Stock lending occurs in limited number of overseas equities index funds. All income arising from stock lending less the custodian/administrator's costs are credited to the funds lending the stocks. LGIM does not receive any revenue from the stock lending.

Taxation: Any UK stamp duty and overseas taxes are included in the costs shown. VAT is not payable on the fund management fees under current legislation.

Source: Legal & General Investment Management

LGIM News

Company news

LGIM announces 2017 full-year results

LGIM announced its financial results for 2017, with highlights including:

- Total net inflows of £43.5bn (2016: £29.2bn)
- AUM up 10% to £983.3bn (2016: £894.2bn)
- 29% increase in international AUM to £228bn (2016:£177.4bn)
- Workplace Savings assets up 33% to £27.7bn (2016: £20.8bn)
- Record retail net inflows of £3bn (2016: £1.4bn)

http://www.lgim.com/uk/en/press/2018/legal---general-investment-management-experiences-strong-growth-in-2017.html

LGIM completes acquisition of ETF platform Canvas

Further to November's announcement, LGIM completed the acquisition of ETF platform Canvas in March and launched the L&G ETF website.

LGIM wins Index Provider of the Year at the Pensions Age Awards

LGIM was awarded Index Provider of the Year at February's prestigious Pensions Age Awards.

LGIM launches Future World Fund for UK retail investors

Following investor demand, LGIM launched its innovative Future World Fund strategy for UK retail investors. The L&G Future World Equity Factors Index Fund seeks to address climate change risks to protect investments.

http://www.lgim.com/uk/en/press/2018/lgim-launches-a-future-world-fund-for-uk-retail-investors.html

Investment solutions

Legal & General announces hotel development in Glasgow

LGIM Real Assets signed an agreement to develop a new hotel in the heart of Glasgow city centre for Meininger Hotels.

https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-to-deliver-major-glasgow-city-centre-hotel-development-for-meininger-hotels/

Legal & General commits a further £350m to improving UK transport infrastructure

Having committed a total of more than £550 million of investment to the sector, the latest four transactions underline Legal & General's continued commitment to increasing its exposure to transport infrastructure.

https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-commits-a-further-350m-to-improving-uk-transport-infrastructure/

Legal & General Capital acquires full ownership of CALA Homes

Legal & General's Capital division acquired the 52.1% of CALA Homes that it did not previously own.
https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-capital-acquires-full-ownership-of-cala-homes/

Awards for excellence

LAPF INVESTMENTS AWARDS 2017 LGPS FUND MANAGER OF THE YEAR WINNER

Irish Pensions AWARDS 2016 WINNER Investment Manager of the Year

Professional Pensions Investment Awards 2016 WINNER European Fixed Income Manager of the Year

Professional Adviser 2017 awards WINNER Best Multi-Asset Fund Volatility Target

Professional Pensions UK Pensions Awards 2017 WINNER 20 Years of Excellence in Investment Management

Professional Pensions UK Pensions Awards 2017 WINNER DC Innovation of the Year

Professional Pensions UK Pensions Awards 2017 WINNER Fiduciary Manager of the Year

European Pensions Awards 2017 WINNER Transition Management Firm of the Year

European Pensions Awards 2017 WINNER Transition Management Firm of the Year

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If you would like any further information or assistance on the above then please do not hesitate to contact the Client Reporting Team via email at clientreportingteam@lgim.com or by telephone on +44 (0) 20 3124 3277.

Schroders

For professional investors only

The London Borough of Tower Hamlets Superannuation Fund

Q1 2018

Investment Report
Schroder Real Estate Capital Partners

This quarterly investment report is provided to you in supplement to your monthly performance report and other monthly investment reporting. It must be read in conjunction with your monthly performance report, which provides full details in a standard reporting format of the performance of your investment. This supplemental reporting is intended to provide you with an overview of portfolio activity during the period and should not be relied upon to make investment decisions or otherwise.

Q1/2018

Schroders

The London Borough of Tower Hamlets Superannuation Fund

In this report

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Overview

Portfolio Objective

To achieve a return of 0.75% pa net of fees over rolling three year periods above the AREF/IPD UK Quarterly Property Funds Indices - All Balanced Funds Weighted Average (benchmark).

Portfolio Valuation

Value at 31 Dec 2017	GBP	152,618,664
Net cash flow	GBP	-
Value at 31 Mar 2018	GBP	155,555,773

Performance

Periods to 31 Mar 2018

Total returns GBP	3 months %	12 months %	3 years % pa	5 years % pa	10 years % pa
Portfolio (gross)	1.9	10.9	8.4	10.2	3.7
Portfolio (net)	**1.9**	**10.7**	**8.2**	**10.0**	**3.5**
AREF/IPD UK Quarterly Property Fund Index All Balanced Funds Weighted Average	1.9	10.0	8.1	10.5	4.4
Difference	**0.0**	**+0.6**	**+0.1**	**-0.5**	**-0.9**

Breakdown of performance					
UK Investments (Gross)	2.2	11.3	8.6	11.1	3.9
European Investments (Gross)	-13.6	100.7	35.4	14.0	4.3

Source: Schroders & AREF/IPD UK Quarterly Property Fund Index, 31 March 2018.

The portfolio's returns are calculated on the basis that units in open-ended funds are valued at their mid price and closed-ended funds at their NAV price. Figures may be subject to rounding.

Summary

During the quarter there were circa £1.4 million of purchases and circa £2.5 million of sales / returns of capital. Units were acquired in Metro Property Unit Trust (circa £1.1 million), Multi-Let Industrial Property Unit Trust (£200,000) and Regional Office Property Unit Trust (circa £100,000). There were two sales / returns of capital over the quarter, with the final proceeds received from Aviva Investors Pensions Fund (circa £2.5 million) and one nominal return of capital from Schroder Fund of Funds – Continental European Fund I (circa £60,000).

Returns performed in-line with the benchmark over the quarter. Returns performed above the benchmark over twelve months (+0.6%) and three years (+0.1% per annum). Returns are weaker over the longer term, with performance below the benchmark over five years (-0.5% per annum) and ten years (-0.9% per annum).

Portfolio Strategy

The underweight position in central London offices (8.3% below benchmark) has contributed positively to returns. Central London offices are showing signs of rental value falls and performance from this sector over Q1 was generally anaemic. We would like to add to regional offices to bring the portfolio sector structure more in-line with our House View.

Consent has not been provided to invest in real estate debt. Schroders made an investment into real estate debt for many clients at the end of the first quarter. The Income Plus Real Estate Debt Fund, exclusive to SRECaP clients, is expected to deliver attractive risk adjusted returns and performance of 6-7% per annum over the fund's life. Investments into real estate debt offer low entry costs compared to acquiring newly created units in property funds.

At quarter end there was circa £3.2 million of uncommitted cash on account, representing circa 2.0% of portfolio value.

UK Property Market Summary

Schroders forecast that the UK economy will grow by 1.5-1.7% p.a. through 2018-19. Exporters are benefiting from the acceleration in world trade and the drop in sterling following the EU referendum and the conditional agreement on a post-Brexit transition period should help business confidence and investment. In addition, the squeeze on real incomes and consumer spending should ease, as inflation slows to around 2.2% by the end of 2018.

Profits in the retail sector are being squeezed by a combination of higher import prices, the increase in the national minimum wage and intense competition from online retailers. Several retailers fell into administration in the first quarter of 2018 and others deliberately entered into CVAs in order to cut their rents. In general demand for retail space is weak and many town centres are suffering from rising vacancy rates, higher business rates and falling rents. The exceptions are certain dominant shopping centres which offer a mix of retail and leisure experiences and convenience stores, as the big four grocery chains, Aldi and Lidl open more smaller format supermarkets.

The City of London has seen a bigger fall in prime office rents over the last two years (-7%) than the West End (-4%), according to PMA. Prime office rents in King's Cross, Shoreditch and the South Bank have been flat. Looking ahead, we expect that the City will continue to be the weakest sub-market over the next couple of years, while the West End should be more resilient thanks to a wider range of occupiers and limited new building. Areas like Farringdon, Stratford and Whitechapel will gain from the start of Crossrail services in December 2018. Outside London, we expect that office rents will generally be stable through 2018-2020, reflecting the bigger role played by government and local occupiers and lower reliance on international finance, modest levels of new building and the recent conversion of older offices to residential, particularly in southern England.

In the industrial sector, take-up of big logistics warehouses was lower in 2017 than 2016 (source: Gerald Eve), mainly because Amazon had a quiet year by its standards. The most active occupiers were manufacturing companies and discount supermarkets Aldi and Lidl, who took additional space to support their store expansion. While rental growth in the industrial sector will probably slow through 2018-2019, it is likely to remain positive at 1-3%, given the growth in online shopping and assuming developers continue taking a measured approach.

Based on our forecast for base rates, Schroders expects the yield on 10 year gilts to rise from 1.4% at the end of March 2018 to 3%

by mid-2020. While the all property initial yield is also likely to rise over the same period, we expect the increase to be much smaller – from 4.7% to 5.1% – for three reasons. First, the current gap between the all property initial yield and 10 year gilts is well above its long-term average of 2%. Second, real estate is not a fixed income asset and yields are also influenced by investors' rental growth expectations. While we expect retail rents and office rents in central London to fall over the next couple of years, we expect office rents across the rest of the country and industrial rents to be stable, or even rise slightly. Third, there is a large amount of international capital which is targeting UK and European real estate.

After good absolute performance in 2017 with all property total returns of 10%, we expect total returns in 2018 to be lower with capital value falls in parts of the market, including retail and City offices, which together account for almost half the index by value. For diversified portfolios our main focus is on industrial / logistics serving large population centres, offices in winning cities and certain alternative sectors and strategies which should be less correlated with the main commercial markets.

Continental European Property Market Summary

Schroders forecast that eurozone GDP will grow by 2-2.5% through 2018-2019, its best performance since 2007. This reflects our view that the eurozone has achieved "take-off velocity" and is benefiting from a virtuous circle of higher investment, falling unemployment and rising consumer spending. While stronger growth will feed through to higher inflation, Schroders expects inflation to remain at around 1.5% p.a. over the next couple of years, with the result that the European Central Bank (ECB) is unlikely to raise interest rates before 2019. The main downside risk is a trade war which would hurt export-orientated economies like Germany and Sweden, although so far the EU has sidestepped the dispute between China and the US.

In most European cities, office take-up is now back to the high levels of 2006-2007. The main driver is the growth in employment in professional services, media and technology, although serviced office providers are also becoming more active, notably in Amsterdam and Madrid. While office developers are starting to respond, new regulations on bank lending have helped to curb speculative schemes and vacancy rates in most cities have continued to decline. Consequently, we are now seeing a widespread increase in office rents and in several cities the fastest rental growth is outside the central core in tech districts (Amsterdam, Berlin), or in areas benefiting from major new investment, or transport (e.g. Hamburg, Stockholm).

In many respects the industrial sector resembles the office market. Logistics take-up in continental Europe hit a new record in 2017, reflecting the cyclical recovery in demand from manufacturers and third party logistics firms (3PLs) and the rapid structural growth in online retail. Although development is increasing, the vast majority of schemes are being built on a pre-let "build to suit" basis and vacancy in most locations remains low. Prime logistics rents increased by 3% on average last year according to CBRE.

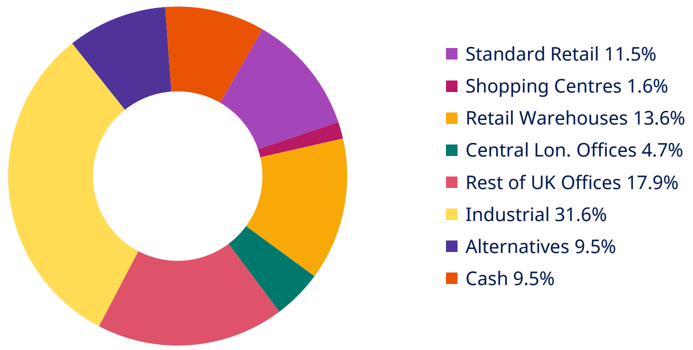
European retail markets present a more mixed picture. In the food sector the main change is the switch in format, away from big hypermarkets to smaller supermarkets and organic food stores. The internet typically only accounts for 2-3% of food sales, except in France where it has reached 6% due to the popularity of click & collect "drive" outlets. By contrast, the main disrupter in the fashion sector is the internet, which now accounts for 20% of clothing and footwear sales in northern Europe. Several smaller chains have fallen into insolvency and major retailers such as H&M and Inditex are closing stores and investing heavily in their websites and logistics. The luxury sector is also in flux, partly because of the internet, but also because certain chains over-expanded and rents on some prime pitches have risen to very high levels.

Retail was the one sector where liquidity declined last year. The value of retail investment deals in continental Europe was 16% lower in 2017 than 2016 according to Real Capital Analytics. Conversely, office and industrial deals increased and there were €15 billion of hotel transactions. Looking forward, the investment market is likely to remain highly competitive in 2018. While the gap between prime real estate and government bond yields has narrowed since 2015 to around 3.0-3.25%, it still looks attractive given the favourable outlook for rental and income growth in most sectors. Domestic institutions continue to allocate new capital to real estate and there is also a large amount of Asian and US capital targeting continental Europe.

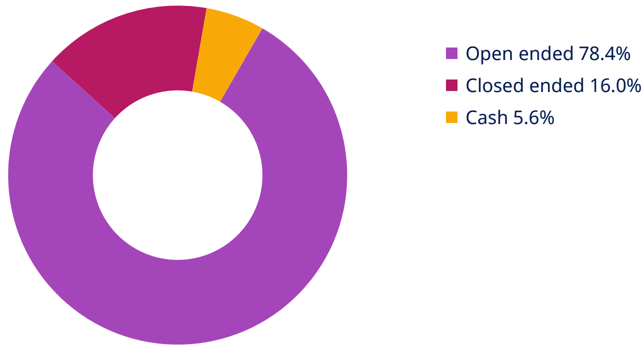
We forecast total returns of 5-6% p.a. on average investment grade European real estate between end-2017 and end-2022. The main component will be an income return of 4%, while rental value growth should provide capital appreciation. (Please note that CEF I's return during the latter stages of its life will differ from those forecast for the market as a whole.)

Portfolio Analysis

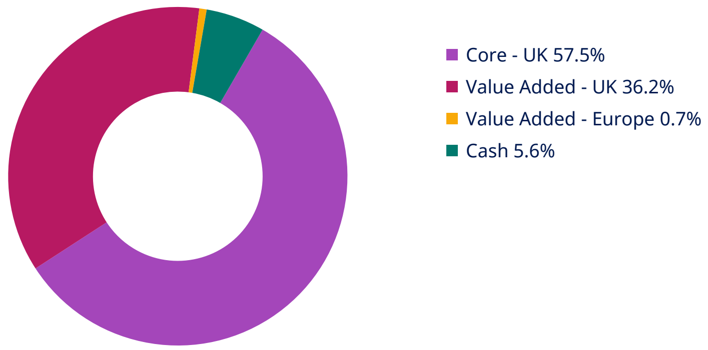
UK Portfolio sector exposure (including cash held by underlying property funds)



Open/closed-ended exposure



Fund style exposure



Source: Schroders & AREF/IPD UK Quarterly Property Fund Index, 31 Mar 2018. Totals subject to rounding. Cash includes look through cash in underlying holdings in the top chart.

Largest Stock Positions at 31 Mar 2018

Largest Positions	Style	% of NAV
SCHRODER UK REAL ESTATE FUND	Core	12.3
MAYFAIR CAPITAL PROPERTY UNIT TRUST	Core	11.6
METRO PROPERTY UNIT TRUST	Core	10.7
INDUSTRIAL PROPERTY INVESTMENT FUND	Value-added	9.3
SCHRODER REAL ESTATE REAL INCOME FUND	Value-added	8.6
HERMES PROPERTY UNIT TRUST	Core	8.3
BLACKROCK UK PROPERTY FUND	Core	8.1
STANDARD LIFE POOLED PENSION PROPERTY FUND	Core	6.6
GBP CASH	CURR	5.6
REGIONAL OFFICE PROPERTY UNIT TRUST	Value-added	5.2

Full details of holdings can be found in the Appendix.

Performance Review

Returns performed in-line with the benchmark over the quarter. Returns performed above the benchmark over twelve months (+0.6%) and three years (+0.1% per annum). Returns are weaker over the longer term, with performance below the benchmark over five years (-0.5% per annum) and ten years (-0.9% per annum).

Returns matched the benchmark over the quarter. Both value add funds (+0.2%) and core funds (+0.1%) made a positive contribution, whilst cash (-0.1%) and Continental Europe (-0.1%) were dilutive to returns. Funds with a high weighting to the industrial sector generally provided strong returns.

Industrial Property Investment Fund (IPIF) was the strongest contributor to performance in Q1, followed by four Schroder managed funds i.e. Metro Property Unit Trust ("Metro"), Mayfair Capital Property Unit Trust ("Mayfair Capital"), Multi-Let Industrial Property Unit Trust ("Multi-Let Industrial") and Schroder UK Real Estate Fund ("SREF")– Mayfair Capital, Metro and Multi-Let Industrial are all exclusive to Schroder RECaP clients.

Performance was above benchmark over one year (+0.6%), with the industrial sector and selected core funds making the strongest contributions. Value add funds (+0.9%) made a very positive contribution and core funds (+0.3%) and continental Europe (+0.1%) were also accretive to relative performance. Cash (-0.4%) was dilutive to returns.

As with Q4 2017, IPIF was the also strongest contributor over one year. Metro and Multi-Let Industrial were the next strongest performers, followed by Hermes Property Unit Trust ("Hermes") and Schroder Real Estate Funds of Funds – continental European Fund I ("CEF I"). Cash had the most significant negative impact on performance, followed by Aviva Investors Pensions Fund ("Aviva"), a fund that we have now fully exited.

Three-year performance was also above the benchmark (+0.1% per annum). Both Value add funds (+0.5% per annum) and continental Europe (+0.1% per annum) made a positive contribution to performance, whilst core funds performed in-line with the benchmark and cash (-0.3% per annum) was dilutive to returns.

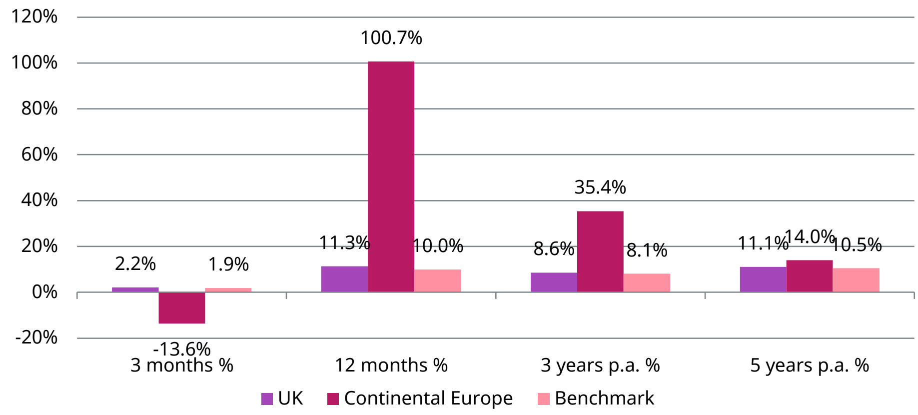
IPIF and Metro have also been the strongest contributing funds over three years. Other than cash, Aviva (a balanced fund that we have fully exited) and Standard Life Pooled Pension Property Fund (a balanced fund we have reduced exposure to) have been the weakest contributing funds.

Returns are weaker over a five year period (below the benchmark by -0.5% per annum). Value add funds (+0.6% per annum) made a positive contribution, but this was more than offset by the negative contribution from continental Europe (-0.5% per annum) and to a lesser extent cash (-0.3% per annum) and core holdings (-0.1% per annum).

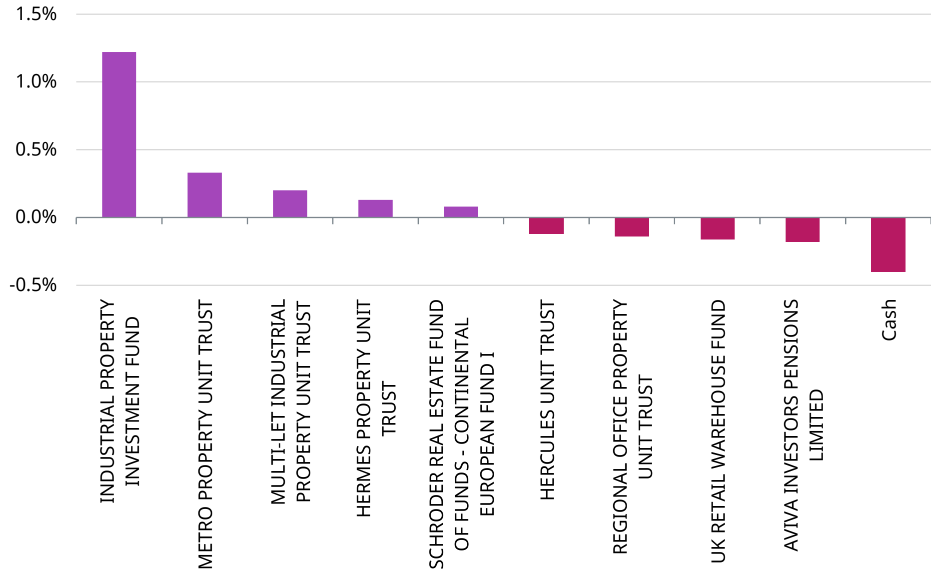
Over a five year period, IPIF and Hermes were again the mainstays of positive performance. CEF I is the weakest fund holding over five years.

The portfolio has underperformed the benchmark over ten years by -0.9% per annum. Core and value add funds have both made positive contributions (both +0.2% per annum), although this has been more than offset by the weak contributions from continental Europe (-0.5% per annum), opportunity funds (-0.5% per annum) and cash (-0.1% per annum). IPIF and Schroder Real Estate Real Income Fund have been the strongest performing funds over ten years, whilst CEF I has again been the weakest performing holding over this period.

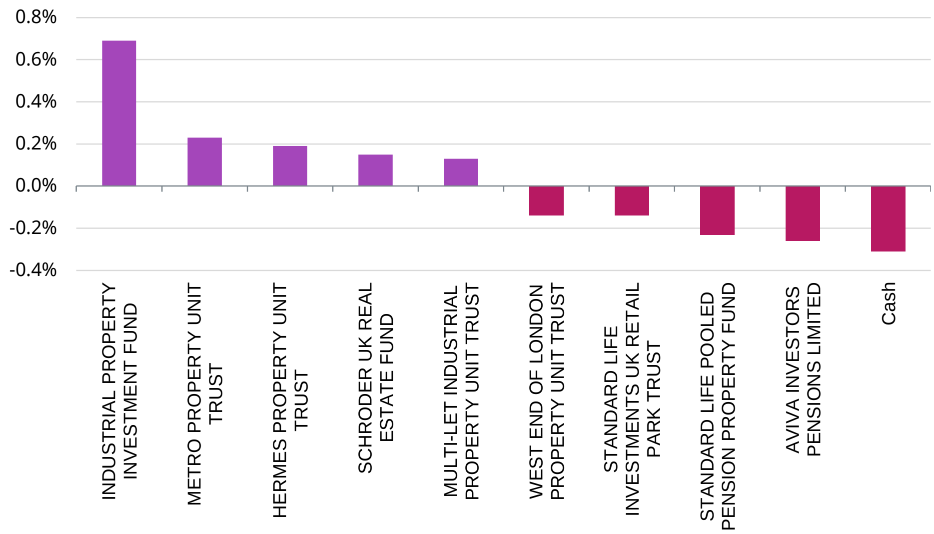
Total return by region
Periods to end 31 Mar 2018



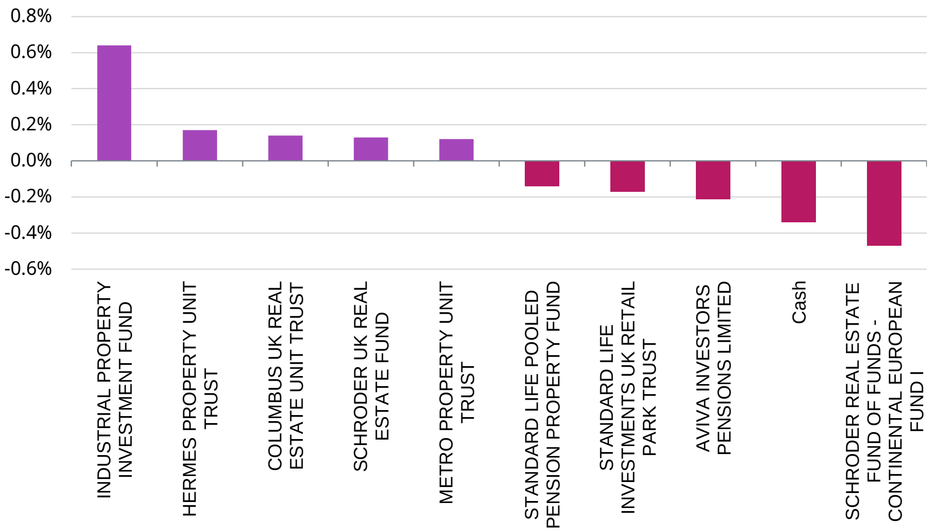
Total return attribution relative to benchmark top & bottom five contributors 12 months to 31 Mar 2018



Total return attribution relative to benchmark top & bottom five contributors 3 years to 31 Mar 2018



Total return attribution relative to benchmark top & bottom five contributors 5 years to 31 Mar 2018



Benchmark is AREF/IPD UK Quarterly Property Fund Index All Balanced Funds Weighted Average.
Source: Schroders & AREF/IPD UK Quarterly Property Index.
Note: Stock and fund style attribution is presented gross of fees. Periods over 12 months are annualised. Totals may be subject to compounding.

Portfolio Activity

During the quarter there were circa £1.4 million of purchases and circa £2.5 million of sales / returns of capital. Units were acquired in Metro Property Unit Trust (circa £1.1 million), Multi-Let Industrial Property Unit Trust (£200,000) and Regional Office Property Unit Trust (circa £100,000). There were two sales / returns of capital over the quarter, with the final proceeds received from Aviva Investors Pensions Fund (circa £2.5 million) and one nominal return of capital from Schroder Fund of Funds – Continental European Fund I (circa £60,000).

Purchases

Fund	Investment GBP	No. of units	Entry cost/(discount) (%)
METRO PROPERTY UNIT TRUST	1,100,001	2,062.63	3.8
MULTI-LET INDUSTRIAL PUT	193,247	150.31	3.8
REGIONAL OFFICE PROPERTY UNIT TRUST	101,460	95.36	3.8

Sales

Fund	Disinvestment GBP	No. of units	Realised loss/gain GBP
AVIVA INVESTORS PENSIONS LIMITED	2,464,914	-160,051.25	899,148
SCHRODER REAL ESTATE FUND OF FUNDS - CONTINENTAL EUROPEAN FUND I	58,129	0	3,527

Stock Activity

3 months to 31 Mar 18

Purchases	
Metro Property Unit Trust	Units were acquired at the current offer price.
Multi-Let Industrial Property Unit Trust	Units were purchased at the current offer price.
Regional Office Property Unit Trust	Units were acquired at the current offer price.

Sales	
Aviva Investors Pensions Limited	The final redemption proceeds from Aviva were received during the first quarter.

Return of capital	
Schroder Real Estate Fund of Funds - Continental European Fund I	A capital distribution was received during the quarter reflecting net proceeds received from the sale of assets in underlying funds.

Drawdowns
None

Redemptions Outstanding

Fund	Curr	Est. proceeds	No. of units	Date proceeds expected	Notice date
None					

Portfolio Commitments

Fund	Curr	Initial commitment	Drawn	Balance	Latest possible drawdown
Multi-Let Industrial Property Unit Trust	GBP	7,244,611	5,600,157	1,644,453	Q3 2018
Regional Office Property Unit Trust	GBP	11,895,000	7,967,386	3,927,614	Q3 2018

Strategy

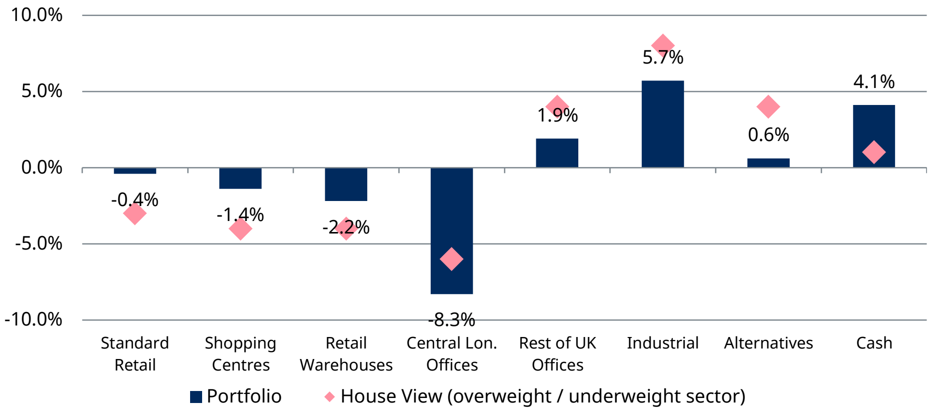
The underweight position in central London offices (8.3% below benchmark) has contributed positively to returns. Central London offices are showing signs of rental value falls and performance from this sector over Q1 was generally anaemic. We would like to add to regional offices to bring the portfolio sector structure more in-line with our House View.

Market returns in 2017 were stronger than expected. Q1 2018 provided a benchmark return of 1.9%, suggesting that there continues to be weak capital growth in the UK property market. Near term performance is expected to be driven by the correct sector calls, income and more defensive style assets.

Consent has not been provided to invest in real estate debt. Schroders made an investment into real estate debt for many clients at the end of the first quarter. The Income Plus Real Estate Debt Fund, exclusive to SRECaP clients, is expected to deliver attractive risk adjusted returns and performance of 6-7% per annum over the fund's life. Investments into real estate debt offer low entry costs compared to acquiring newly created units in property funds.

At quarter end there was circa £3.2 million of uncommitted cash on account, representing 2.0% of portfolio value.

UK portfolio sector weightings relative to benchmark



Source: Schroders & AREF/IPD UK Quarterly Property Fund Index, 31 Mar 2018.

Governance

Investment Resolution	Date	Voting Recommendation
None		

Sustainability

Sustainability is integral to Schroder Real Estate's investment strategy and we believe it is important to understand the approach of each fund manager included on our Investment Platform. Last quarter we made reference to our Sustainability Survey which has now been sent to all of our underlying managers.

The survey asks a number of questions that can be grouped into four main areas:

1. What are the fund's Environmental, Social and Governance (ESG) objectives and are there are dedicated resources assigned to the ongoing management of the policy? Does the evaluation of ESG principles form standard practice within the fund, department and company?

2. How are ESG objectives applied in every day decision making from acquisitions and disposals to asset management, refurbishment and development?

3. What are the wider impacts of the manager's sustainability initiatives, e.g. on surrounding communities, on the health and safety and wellbeing of tenants, suppliers and employees?

4. To demonstrate commitment to sustainability is the manager compliant with various regulatory standards and industry bodies including Minimum Efficiency Standards (MEES), INREV Sustainability Reporting Guidelines, United Nations Principles of Responsible Investment (UN PRI), Global Real Estate Sustainability Benchmark (GRESB), Environmental Management System (EMS) International Standard ISO:14001:2015 and AREF Corporate Governance Best Practice Guidelines?

We will report back on the survey results over the coming quarters and intend to work with managers who we feel may need to improve their ESG practices.

Case Studies – SRECaP Partnership Funds

This quarter, we present two case studies that highlight recent sustainability activity within some of our SRECaP Partnership funds:

Mayfair Capital Property Unit Trust

The portfolio contains two major refurbishment projects in Croydon and Maidenhead that are in their design phases and are targeting minimum Building Research Establishment Environmental Assessment Method ratings (BREEAM) of 'Very Good'. BREEAM is an internationally recognised third party certification process that assesses a building's environmental, social and economic sustainability performance. BREEAM sets minimum standards of performance in key areas; energy, water, waste, responsible sourcing of materials and responsible construction practices. The outcome of the assessment results in a BREEAM rating ranging from 'Acceptable' (for in-use schemes only), to 'Pass', 'Good', 'Very Good', 'Excellent' and 'Outstanding'. A rating of 'Very 'Good' represents performance equivalent to the top 25% of UK refurbishment or fit-out projects and is considered advanced good practice.

Metro Property Unit Trust

Great Sutton Street is a freehold converted warehouse building with a public house on the ground and lower floors and 9,723 sq.ft of office space on the first to third floors. Originally purchased for £5.05 million in March 2014 it has since been refurbished to a high standard. The refurbished floors are heated and cooled by a low energy independent air source heat pump system which is a low zero carbon technology in the form of a heat recovery Variable Refrigerant Flow (VRF) type. All refurbished areas have low energy LED luminaires and the office entrance has been modernised with a new energy efficient dual entry lift.

The combination of the use of low energy fittings, passive measures (i.e. using natural ventilation) and low zero carbon technologies have resulted in a significant improvement in the building's Energy Performance Certificate (EPC) from F (133) to B (39) and now complies with Minimum Energy Efficiency Standards (MEES) that came into force in April 2018. The asset is currently under offer at a price of £11 million and the sale is due to complete in May. The total return net of all costs over a four year period is 18% per annum, outperforming its market segment, London City offices, of 13% per annum, as measured by the MSCI Monthly Index.

Appendix

Investment Restrictions

Parameters	Restriction	Current status
Max. exposure to any common investment fund (CIS)	30%	12.3%
Max. in Schroder in-house funds (Manager & Adviser)	60%	18.2%
Min. exposure to open-ended funds	45%	84.0%
Max. exposure to opportunity funds	20%	0.0%
Max. exposure to property index certificates	20%	0.0%
Max. exposure to listed property securities	10%	0.0%
Max. exposure to Continental Europe	20%	0.7%

Source: Schroders, to 31 March 2018.

Notes:

Valuation data represents value calculated as at the final business day of the quarter to which this Investment Report relates. Pricing occurs 10 days following quarter end. Accordingly, the above noted column entitled "current status" refers to the quarter end valuation data.

The Investment Management Agreement (as amended from time to time) constitutes the final record of applicable investment restrictions incumbent on Schroder Real Estate Investment Management Limited. In the event of any inconsistency between the Investment Restrictions appearing in this Investment Report and the Investment Management Agreement, the Investment Management Agreement shall prevail.

Appendix

Portfolio Valuation
MID and NAV values

Fund	Description	Value at 31 Dec 2017 GBP	Value at 31 Mar 2018 GBP	Portfolio Value %
AVIVA INVESTORS PENSIONS	Core	2,549,684	0	-
BLACKROCK UK PROPERTY FUND	Core	12,494,805	12,597,914	8.1
HERMES PROPERTY UNIT TRUST	Core	12,828,755	12,956,715	8.3
MAYFAIR CAPITAL PROPERTY UNIT TRUST	Core	17,753,847	17,994,787	11.6
METRO PROPERTY UNIT TRUST	Core	15,206,822	16,574,967	10.7
SCHRODER UK REAL ESTATE FUND	Core	18,812,875	19,086,318	12.3
STANDARD LIFE POOLED PENSION PROPERTY FUND	Core	10,102,578	10,270,309	6.6
Sub total Core		**89,749,366**	**89,481,009**	**57.6**
HERCULES UNIT TRUST	Value Add	4,876,236	4,876,236	3.1
INDUSTRIAL PROPERTY INVESTMENT FUND	Value Add	13,895,834	14,446,777	9.3
LOCAL RETAIL FUND	Value Add	4,562,902	4,583,012	2.9
MULTI-LET INDUSTRIAL PUT	Value Add	6,084,424	6,418,208	4.1
REGIONAL OFFICE PROPERTY UNIT TRUST	Value Add	7,931,935	8,070,238	5.2
SCHRODER REAL ESTATE REAL INCOME FUND	Value Add	13,293,929	13,412,594	8.6
UK RETAIL WAREHOUSE FUND	Value Add	4,512,700	4,454,399	2.9
Sub total Value Add		**55,157,961**	**56,261,464**	**36.2**
SCHRODER REAL ESTATE FUND OF FUNDS CONTINENTAL EUROPEAN FUND I	Europe	1,314,265	1,080,159	0.7
Sub total Europe		**1,314,265**	**1,080,159**	**0.7**
EUR CASH	Cash	34	33	0.0
GBP CASH	Cash	6,397,038	8,733,107	5.6
Sub total Cash		**6,397,072**	**8,733,140**	**5.6**
Total		**152,618,664**	**155,555,773**	**100.0**

Totals may be subject to rounding

Portfolio valuations are calculated on the basis that units in open-ended funds are valued at their mid price and closed-ended funds at their NAV price.

Source: Schroders, periods to 31 March 2018.

The exchange rate as at 31 March 2018 was £1 to €1.14063.

Appendix

Partnership Fund Transactions

Fund	Local Retail Fund
Transaction Type	Acquisition
Sector	Convenience Retail
Address	Ffordd William Walker, Ammanford
Price	£2,850,000 (7.95% Net Initial Yield)
Principal Tenant(s)	Wilkinsons, Barnardos

Fund	Local Retail Fund
Transaction Type	Acquisition
Sector	Convenience Retail
Address	Moss Side District Centre, Leyland
Price	£1,150,000 (6.39% Net Initial Yield)
Principal Tenant(s)	Co-Operative Group Food Ltd

Fund	Local Retail Fund
Transaction Type	Acquisition
Sector	Convenience Retail
Address	Belgrave Retail Park, Stanningley
Price	£4,290,000 (6.68% Net Initial Yield)
Principal Tenant(s)	Home Bargains, Heron Foods, Indigo Sun, Greggs

Fund	Mayfair Capital Property Unit Trust
Transaction Type	Acquisition
Sector	Industrial
Address	Units 1&2 The Midas Centre, Peterborough
Price	£8,000,000 (5.34% Net Initial Yield)
Principal Tenant(s)	Royal Mail Group, Advanced Handling Ltd

Fund	Mayfair Capital Property Unit Trust
Transaction Type	Disposal
Sector	City Offices
Address	2-4 Eastcheap, London EC3M
Price	£15,500,000 (2.98% Net Initial Yield)
Principal Tenant(s)	Flight Centre (UK), Zeus Brokers, Newincco 2301, IPS Capital

Fund	Metro Property Unit Trust
Transaction Type	Disposal
Sector	Industrial
Address	511 Coldhams Way, Cambridge
Price	£16,300,000 (4.88% Net Initial Yield)
Principal Tenant(s)	Carl Zeiss Microscopy, Inca Digital Printers

Fund	Regional Office Property Unit Trust
Transaction Type	Acquisition
Sector	Regional Offices
Address	St Patrick's House, Cardiff
Price	£14,165,000 (7.00% Net Initial Yield)
Principal Tenant(s)	Network Rail

Notes

Responsible Investment: Schroders Socially Responsible Investment and Corporate Governance policies can be found on our website http://www.schroders.com/global/about-schroders/corporate-responsibility/responsible-investment/. We also publish regular articles on Socially Responsible Investing, which can be found on Schroders Talking Point www.schroders.com/talkingpoint.

Quarterly Performance
Service

LB OF TOWER HAMLETS - TOTAL COMBINED

QUARTERLY PERFORMANCE REVIEW

PERIODS TO END MARCH 2018

Produced 14 May 2018

Contents

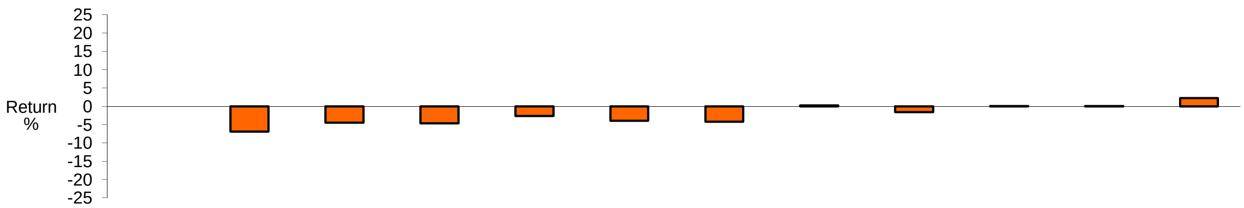
Market Background

Periods to end March 2018
Pound Sterling

This page details the performance of the major markets.

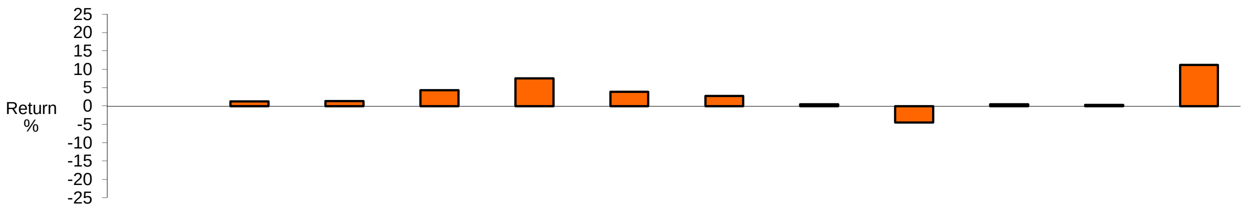
	UK Equities	N. America	Europe ex UK	Japan	Pacific	Other Intl.	UK Bonds	O/S Bonds	UK IL	Cash/ Alts	Property

Latest Quarter



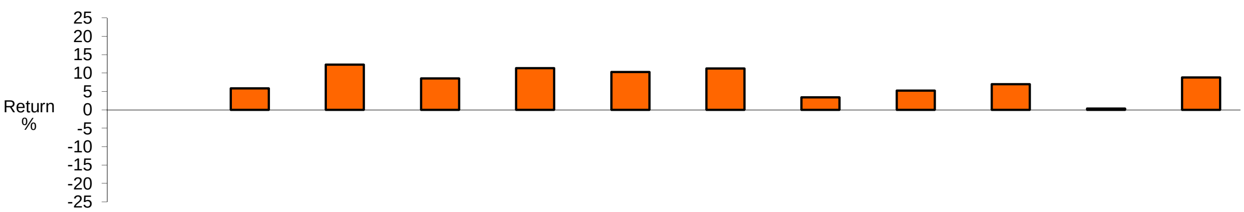
Return %	-6.9	-4.5	-4.6	-2.6	-3.9	-4.2	0.3	-1.6	0.1	0.1	2.3

Last 12 Months



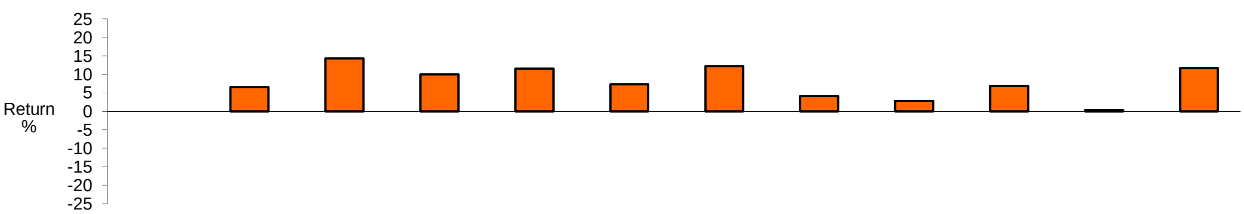
Return %	1.2	1.4	4.3	7.5	3.9	2.8	0.5	-4.4	0.5	0.3	11.3

Last Three Years



Return % pa	5.9	12.4	8.5	11.4	10.3	11.3	3.4	5.3	7.0	0.3	8.9

Last Five Years



Return % pa	6.6	14.4	10.0	11.6	7.3	12.2	4.2	2.8	6.9	0.3	11.7

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

Fund Structure and Benchmarks

LB OF TOWER HAMLETS - TOTAL COMBINED | **Periods to end March 2018**
Benchmark - LB TOWER HAMLETS TOTAL B/MARK | **Pound Sterling**

Structure

The Fund is managed on a specialist basis with Baillie Gifford managing the Global Equities on an active basis. Global equities and UK Index-Linked are passively managed by L&G. GSAM and Insight manage absolute return fundS and Schroders are the property manager..Baillie Gifford also manage a Diversified Growth Funds along with Ruffer. From1/4/14 all manager returns are net of management fees.

Benchmark

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

	L&G	GSAM/ Insight	Schroders	Baillie Gifford	BGiff/ Ruffer	Total Combined	Benchmark Indices
Global Equities				20.0		20.0	MSCI AC World NDR
Global Equities	5.0					5.0	FTSE All World
Global Equities	10.0					10.0	FTSE All World Hgd
Global Equities	15.0					15.0	MSCI World Low Carbon
Pooled Bonds		100.0				12.0	LIBOR 3 Month +4%
UK Index Linked	6.0					6.0	FTSE A Gov Index-Linked > 5 yrs
Property			100.0			12.00	HSBC/IPD Pooled All Balanced Funds Average
Diversified Growth				100.0	100.0	20.0	3 Month LIBOR +3%
% Allocation	36.0	12.0	12.0	10.0	20.0	100.0	

Targets

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

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

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

GSAM/Insight: 3 Month LIBOR +4% p.a.

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

SSGS - Performance Services Contact: Ann Gillies
Direct Telephone: (0131) 315 5465 E-mail: ann.gillies@statestreet.com

Performance Summary

LB OF TOWER HAMLETS - TOTAL COMBINED | **Periods to end March 2018**
Benchmark - LB TOWER HAMLETS TOTAL B/MARK | **Pound Sterling**
Category - TOTAL ASSETS

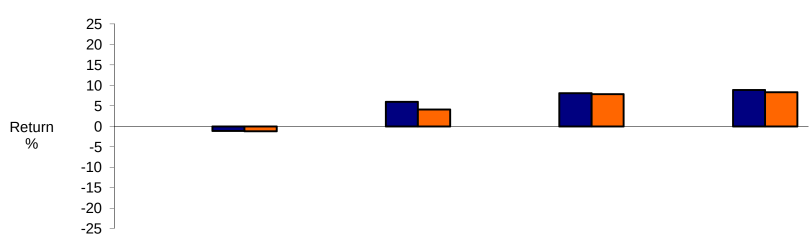
This page summarises the overall value and performance of the Fund.

Fund Value

Values (GBP)'000	Mandate	Value at 29/12/2017	Transactions	Capital Gain / loss	Income	Value at 30/03/2018	*% Fund*
L & G	Eq Glbl	507,580	617	-14,099	0	494,099	33
BAILLIE GIFF	Eq Glbl	321,042	152	-3,161	152	318,033	21
SCHRODERS	Prop UK	152,619	1,207	1,730	1,209	155,556	10
BAILLIE GIFF	Structured	135,730	481	233	481	136,444	9
RUFFER	Absolute	134,730	889	-4,321	889	131,297	9
GOLDMAN	Bd Glbl	77,151	1	-75	0	77,077	5
L & G	Bd UK I/L	74,430	0	116	0	74,546	5
INSIGHT INV	Absolute	71,797	0	-18	0	71,779	5
INT MGD	Cash	47,798	-21,314	0	0	26,484	2
INT FUND	Transition	284	-271	0	0	13	0
GMO	Eq Glbl	317	-317	-1	5	0	0
Total Fund		1,523,477	-18,553	-19,595	2,736	1,485,328	100

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

Fund Returns



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	-1.1	6.0	8.1	8.9
Benchmark	-1.2	4.1	7.9	8.4
Relative Return	0.0	1.8	0.2	0.5

The graphs show the performance of the Fund and Benchmark over the latest period and longer term.
The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods
= Data not available for the full period

Detailed Analysis of the Latest Quarter Performance

LB OF TOWER HAMLETS - TOTAL COMBINED	**Periods to end March 2018**
Benchmark - LB TOWER HAMLETS TOTAL B/MARK	**Pound Sterling**

Category - TOTAL ASSETS

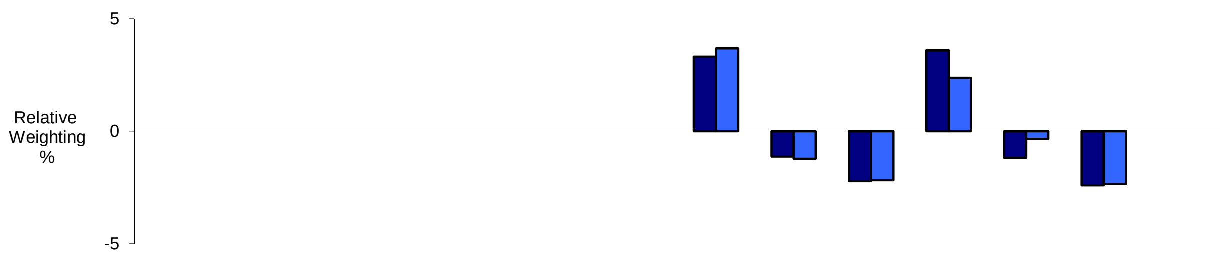
This page analyses in detail the Fund performance over the latest period.

Summary

Fund Return	-1.1
Benchmark Return	-1.2
Relative Performance	0.0
attributable to:	
Asset Allocation	-0.2
Stock Selection	0.2

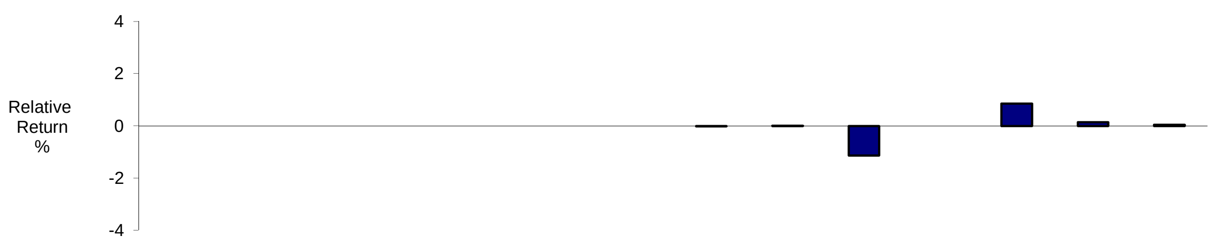
The relative performance can be attributed to the effects of stock selection and asset allocation as detailed below:

Asset Allocation



	O/S Equities	UK IL	Pooled Bonds	Cash	Alternatives	Property	Total Fund
Fund Start	33.3	4.9	9.8	3.6	38.8	9.6	100.0
Fund End	33.3	5.0	10.0	2.4	39.4	9.9	100.0
BM Start	30.0	6.0	12.0		40.0	12.0	100.0
BM End	29.6	6.2	12.2		39.8	12.2	100.0
Impact	-0.1	-	-	-	-	-0.1	-0.2

Stock Selection



	O/S Equities	UK IL	Pooled Bonds	Cash	Alternatives	Property	Total Fund
Fund	-2.8	0.2	-0.1	0.0	-1.0	2.0	-1.1
Benchmark	-2.8	0.2	1.1		-1.8	1.9	-1.2
Impact	-	-	-0.1		0.3	-	0.2

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

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

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

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

not invested in this area for the entire period

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

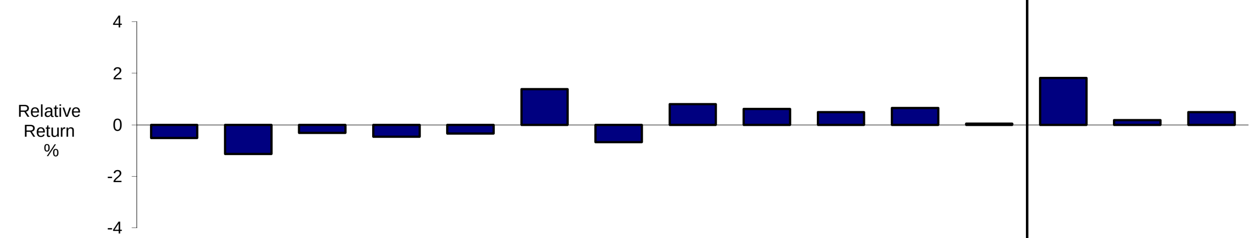
Long Term Performance Analysis

LB OF TOWER HAMLETS - TOTAL COMBINED	Periods to end March 2018
Benchmark - LB TOWER HAMLETS TOTAL B/MARK	Pound Sterling

Category - TOTAL ASSETS

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

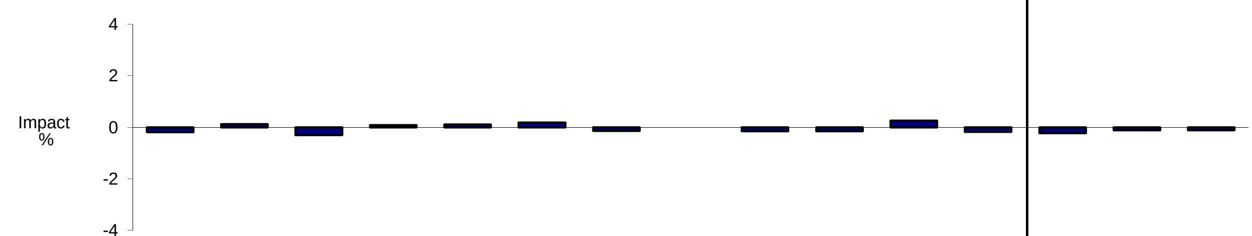
Fund Returns



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	-2.4	-4.0	4.2	1.2	4.8	6.9	3.1	4.5	1.5	2.2	3.4	-1.1	6.0	8.1	8.9
Benchmark	-1.9	-2.9	4.5	1.6	5.1	5.5	3.8	3.7	0.9	1.7	2.7	-1.2	4.1	7.9	8.4
Relative	-0.5	-1.1	-0.3	-0.5	-0.3	1.4	-0.7	0.8	0.6	0.5	0.7	0.0	1.8	0.2	0.5

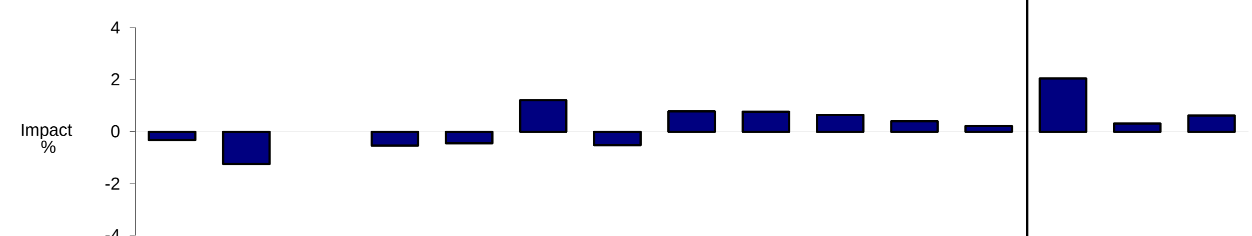
The relative performance can be attributed to the effects of asset allocation and stock selection as detailed below:

Asset Allocation



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Impact	-0.2	0.1	-0.3	0.1	0.1	0.2	-0.1	-	-0.2	-0.2	0.3	-0.2	-0.2	-0.1	-0.1

Stock Selection



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Impact	-0.3	-1.2	-	-0.5	-0.5	1.2	-0.5	0.8	0.8	0.6	0.4	0.2	2.1	0.3	0.6

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

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

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

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

not invested in this area for the entire period

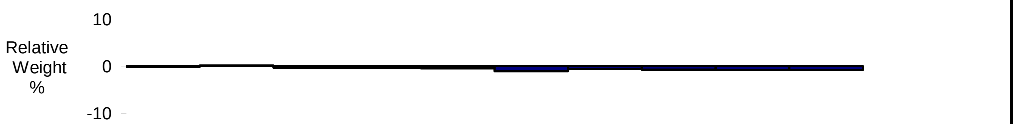
- indicates a value less than 0.05 and greater than -0.05

Long Term Asset Allocation

LB OF TOWER HAMLETS - TOTAL COMBINED	Periods to end March 2018
Benchmark - LB TOWER HAMLETS TOTAL B/MARK	Pound Sterling

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

U.K. EQUITIES



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	20.0	19.6	19.5	19.2	19.2	19.3	19.4	19.3	19.3	19.3	0.0				
Benchmark	20.1	19.4	19.9	19.6	19.7	20.4	20.0	20.1	20.1	20.1					
Impact	-	-	-	-	-	-	-	-	-	-	-		-	-	-

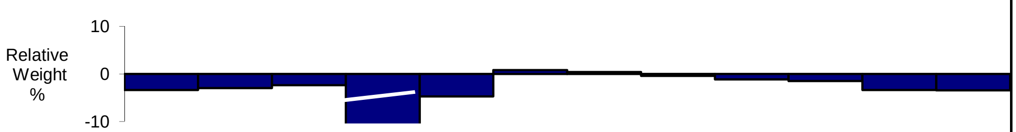
OVERSEAS EQUITIES

	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	22.0	20.9	21.2	21.5	22.3	22.5	23.1	23.5	19.8	14.6	33.3	33.3			
Benchmark	22.3	22.3	23.8	23.3	23.9	23.6	23.6	23.4	22.9	23.0	30.0	29.6			
Impact	-	0.1	-0.1	-	-0.1	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-

GLOBAL POOLED INC UK

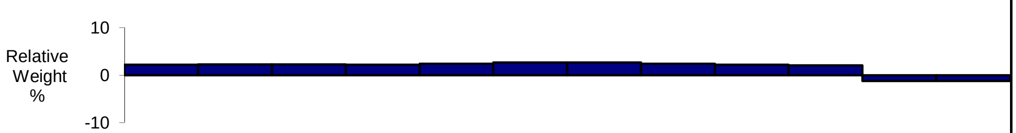
	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	18.0	17.7	18.7	18.6	0.0										
Benchmark	17.4	17.5	18.6	18.2											
Impact	-	-	-	-	-									-	-

TOTAL BONDS PLUS INDEX-LINKED



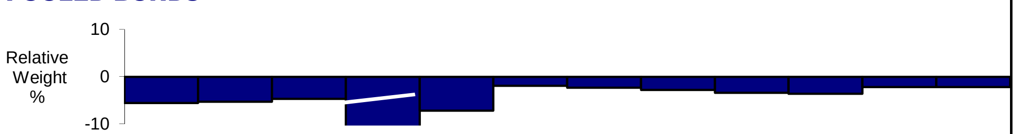
	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	14.0	14.7	13.9	5.4	11.9	17.4	16.9	16.2	15.8	15.4	14.7	15.0			
Benchmark	17.3	17.7	16.3	17.0	16.7	16.6	16.4	16.6	16.9	16.8	18.0	18.4			
Impact	-0.2	-0.1	-	0.2	0.4	0.2	-0.1	-	-0.1	-	-	-0.1	-0.2	0.1	0.2

U.K. INDEX - LINKED



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	5.2	5.5	5.1	5.4	5.7	5.9	5.5	5.4	5.2	5.0	4.9	5.0			
Benchmark	3.0	3.2	2.8	3.1	3.3	3.2	2.8	3.0	2.9	2.9	6.1	6.2			
Impact	-	0.1	-0.2	0.1	0.1	0.1	-0.2	-	-0.1	-	-	-	-0.2	-	-

POOLED BONDS



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	8.8	9.2	8.8	0.0	6.3	11.5	11.3	10.9	10.7	10.4	9.8	10.0			
Benchmark	14.4	14.5	13.5	13.9	13.4	13.4	13.6	13.7	14.0	13.9	11.9	12.2			
Impact	-0.1	-0.2	0.2	0.1	0.3	0.1	0.1	0.1	-	-	-	-	-	0.2	0.2

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

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

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

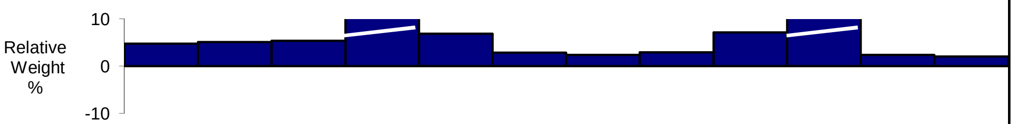
Long Term Asset Allocation

LB OF TOWER HAMLETS - TOTAL COMBINED — **Periods to end March 2018**

Benchmark - LB TOWER HAMLETS TOTAL B/MARK — **Pound Sterling**

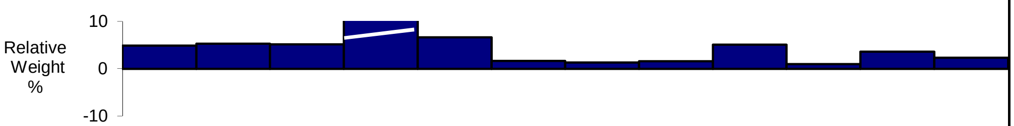
This page looks in more detail at asset allocation decisions, plotting the Fund's exposure at the end of each period relative to the Benchmark and detailing the impact on the total fund performance.

CASH/ALTERNATIVES



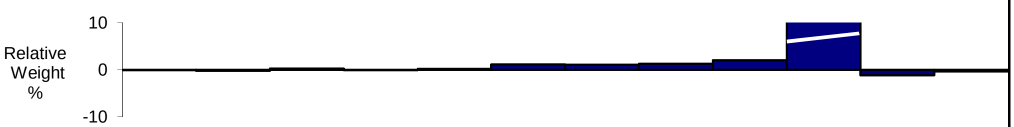
	2015			2016				2017				2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	1yr	3yrs % pa	5yrs % pa
Fund	15.1	15.5	15.0	23.5	35.2	30.9	30.6	31.0	35.0	40.8	42.4	41.8			
Benchmark	10.3	10.4	9.6	9.9	28.3	28.1	28.2	28.1	27.9	27.9	40.0	39.8			
Impact	0.1	0.2	-0.2	-0.1	-0.3	-0.1	-	-	-	-0.1	0.3	-	0.2	-0.1	-0.1

TOTAL CASH



	2015			2016				2017				2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	1yr	3yrs % pa	5yrs % pa
Fund	4.9	5.3	5.1	13.7	6.7	1.7	1.3	1.6	5.1	1.0	3.6	2.4			
Benchmark															
Impact	0.1	0.2	-0.2	-0.1	-0.3	-0.1	-	-	-	-0.1	0.3	-	0.2	-0.1	-0.2

ALTERNATIVES

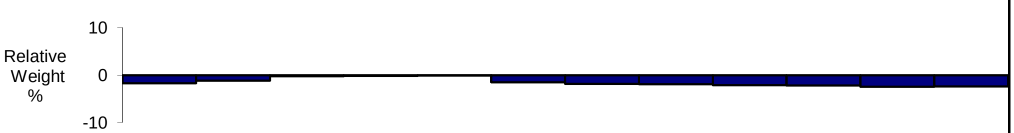


	2015			2016				2017				2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	1yr	3yrs % pa	5yrs % pa
Fund	10.2	10.2	9.9	9.8	28.5	29.2	29.2	29.4	29.9	39.9	38.8	39.4			
Benchmark	10.3	10.4	9.6	9.9	28.3	28.1	28.2	28.1	27.9	27.9	40.0	39.8			
Impact	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-

CURRENCY INSTRUMENTS

	2015			2016				2017				2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	1yr	3yrs % pa	5yrs % pa
Fund															
Benchmark															
Impact															-

TOTAL PROPERTY



	2015			2016				2017				2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	1yr	3yrs % pa	5yrs % pa
Fund	10.9	11.6	11.6	11.8	11.4	9.8	10.0	10.0	10.1	9.9	9.6	9.9			
Benchmark	12.6	12.7	11.8	11.9	11.4	11.3	11.8	11.8	12.2	12.1	12.0	12.2			
Impact	-0.1	-0.1	-	-	-	0.1	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1

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

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

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

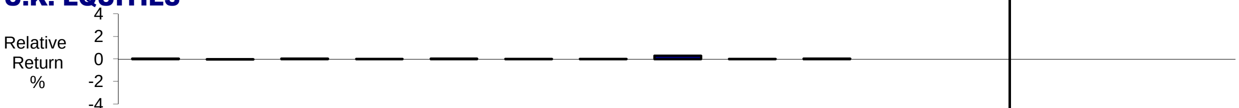
Long Term Stock Selection

LB OF TOWER HAMLETS - TOTAL COMBINED | **Periods to end March 2018**
Benchmark - LB TOWER HAMLETS TOTAL B/MARK | **Pound Sterling**

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

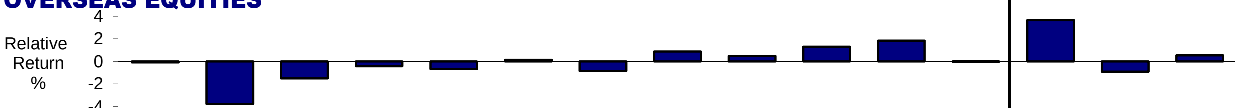
	---------- 2015 ----------			--------------- 2016 ---------------				--------------- 2017 ---------------				2018	1yr	3yrs	5yrs
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa

U.K. EQUITIES



Fund	-1.5	-5.7	4.0	-0.4	4.7	7.8	3.9	4.3	1.4	2.2	0.2 #				
Benchmark	-1.6	-5.7	4.0	-0.4	4.7	7.8	3.9	4.0	1.4	2.1	0.2 #				
Impact	-	-	-	-	-	-	-	0.1	-	-	-		-	-	0.1

OVERSEAS EQUITIES

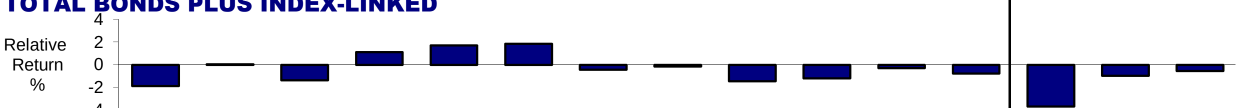


Fund	-5.2	-9.4	6.4	2.5	8.1	8.5	5.5	6.6	0.9	3.2	5.9	-2.8	7.2	9.8	11.8
Benchmark	-5.1	-5.9	8.1	2.9	8.8	8.4	6.4	5.6	0.4	1.8	4.0	-2.8	3.3	10.8	11.2
Impact	-	-0.8	-0.3	-0.1	-0.1	-	-0.2	0.2	0.1	0.2	0.3	-	0.6	-0.2	0.1

GLOBAL POOLED INC UK

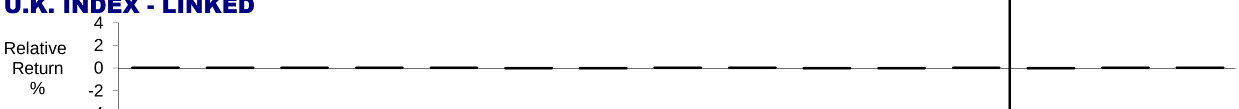
Fund	-4.9	-5.8	10.4	0.3	2.0 #										
Benchmark	-5.1	-5.9	8.1	2.9	-0.4 #										
Impact	-	-	0.4	-0.5	0.4									0.1	0.2

TOTAL BONDS PLUS INDEX-LINKED



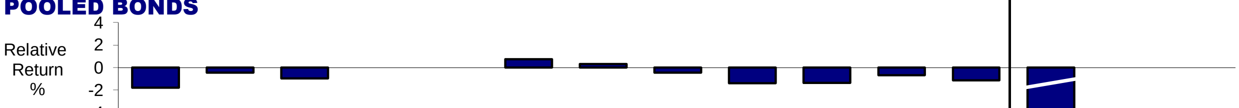
Fund	-1.9	1.0	-1.4	2.8	4.5	4.8	-0.1	1.1	-1.0	-0.5	1.5	0.0	0.0	3.5	3.5
Benchmark	-0.1	0.9	-0.1	1.7	2.7	2.9	0.4	1.2	0.5	0.7	1.8	0.8	3.9	4.5	4.1
Impact	-0.2	-	-0.1	-	-0.1	0.1	-	-	-0.2	-0.1	-0.1	-0.1	-0.5	-0.3	-0.2

U.K. INDEX - LINKED



Fund	-3.3	2.3	-3.3	6.5	11.1	11.0	-3.0	2.0	-2.4	-0.8	3.9	0.2	0.7	7.8	7.7
Benchmark	-3.3	2.3	-3.3	6.5	11.1	11.0	-3.0	2.0	-2.4	-0.8	3.9	0.2	0.7	7.8	7.7
Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

POOLED BONDS



Fund	-1.1	0.2	-0.3	0.4 #	-0.8 #	1.9	1.4	0.6	-0.3	-0.3	0.4	-0.1	-0.3		
Benchmark	0.6	0.6	0.6	0.6	0.8	1.1	1.1	1.1	1.1	1.0	1.1	1.1	4.3	3.7	3.2
Impact	-0.2	-	-0.1	-	-0.1	0.1	-	-	-0.2	-0.1	-0.1	-0.1	-0.5	-0.3	-0.2

For each area of investment the return for the Fund and the Benchmark is shown and the relative return plotted.
The impact of stock selection is the relative return weighted by the level of investment in the area.
not invested in this area for the entire period
- indicates a value less than 0.05 and greater than -0.05

Long Term Stock Selection

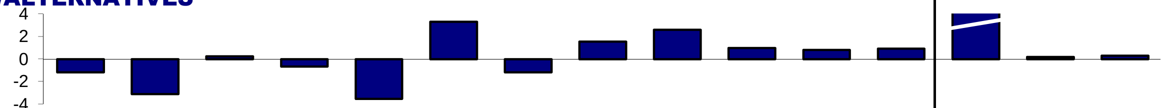
LB OF TOWER HAMLETS - TOTAL COMBINED | **Periods to end March 2018**

Benchmark - LB TOWER HAMLETS TOTAL B/MARK | **Pound Sterling**

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

CASH/ALTERNATIVES

Relative Return %



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	-0.4	-2.3	1.1	0.2	2.6	9.2	3.2	5.5	3.2	2.5	4.0	-0.9	9.0	9.4	7.1
Benchmark	0.8	0.8	0.8	0.8	6.4	5.7	4.4	3.9	0.5	1.5	3.2	-1.8	3.4	9.2	6.8
Impact	-0.1	-0.5	0.1	-0.1	-0.7	1.1	-0.3	0.5	0.8	0.5	0.2	0.3	1.8	0.6	0.4

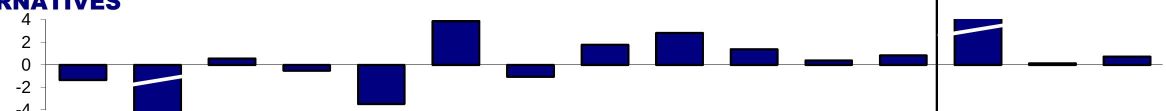
TOTAL CASH

Relative Return %

	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	0.0	0.4	0.4	0.8	0.4	1.0	1.1	0.0	-0.1	-0.2	2.4	0.0	2.1	2.1	1.4
Benchmark															
Impact															

ALTERNATIVES

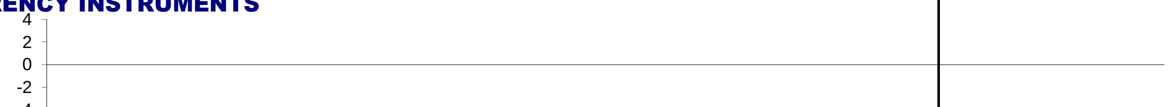
Relative Return %



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	-0.5	-3.8	1.4	0.3	2.7	9.8	3.3	5.8	3.4	2.9	3.6	-1.0	9.1	9.4	7.6
Benchmark	0.8	0.8	0.8	0.8	6.4	5.7	4.4	3.9	0.5	1.5	3.2	-1.8	3.4	9.2	6.8
Impact	-0.1	-0.5	0.1	-0.1	-0.7	1.1	-0.3	0.5	0.8	0.5	0.2	0.3	1.8	0.6	0.4

CURRENCY INSTRUMENTS

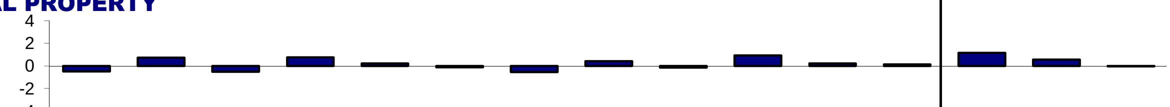
Relative Return %



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund															
Benchmark															
Impact															

TOTAL PROPERTY

Relative Return %



	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	1yr	3yrs % pa	5yrs % pa
Fund	2.8	3.8	2.3	1.9	0.4	-0.8	1.7	2.5	2.1	3.3	3.3	2.0	11.3	8.7	10.5
Benchmark	3.3	3.0	2.8	1.1	0.1	-0.7	2.3	2.0	2.3	2.4	3.1	1.9	10.0	8.1	10.5
Impact	-0.1	0.1	-0.1	0.1	-	-	-0.1	-	-	0.1	-	-	0.1	0.1	-

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

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

not invested in this area for the entire period

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

Rolling Years with Relative Risk

LB OF TOWER HAMLETS - TOTAL COMBINED — **Periods to end March 2018**

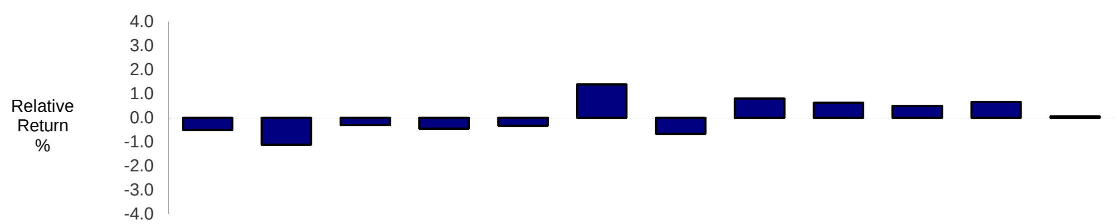
Benchmark - LB TOWER HAMLETS TOTAL B/MARK — **Pound Sterling**

Category - TOTAL ASSETS

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

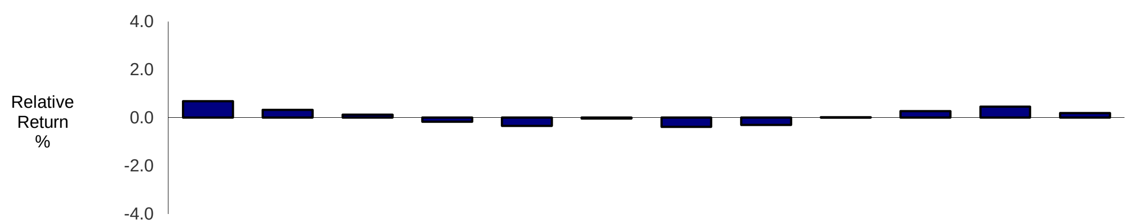
	---------- 2015 ----------			--------------- 2016 ---------------				--------------- 2017 ---------------				2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	1141.9	1115.6	1071.6	1117.7	1130.1	1185.6	1270.6	1312.6	1379.2	1399.1	1432.4	1523.5
Net Investment	4.8	3.7	3.6	1.9	5.3	5.7	6.2	12.1	3.8	7.9	44.2	-18.6
Capital Gain/Loss	-31.0	-47.7	42.4	10.5	50.2	79.3	35.8	54.6	16.2	25.3	46.9	-19.6
Final	1115.6	1071.6	1117.7	1130.1	1185.6	1270.6	1312.6	1379.2	1399.1	1432.4	1523.5	1485.3
Income	3.2	2.5	2.5	2.4	3.6	3.1	3.9	4.4	4.5	4.6	2.2	2.7
Proportion Of Total Fund (%)	100	100	100	100	100	100	100	100	100	100	100	100
Proportions (%) In												
Total Equity	60	58	59	59	42	42	43	43	39	34	33	33
Bonds + IL	14	15	14	5	12	17	17	16	16	15	15	15
Cash/ Alts	15	16	15	24	35	31	31	31	35	41	42	42
Property	11	12	12	12	11	10	10	10	10	10	10	10

Quarterly Returns



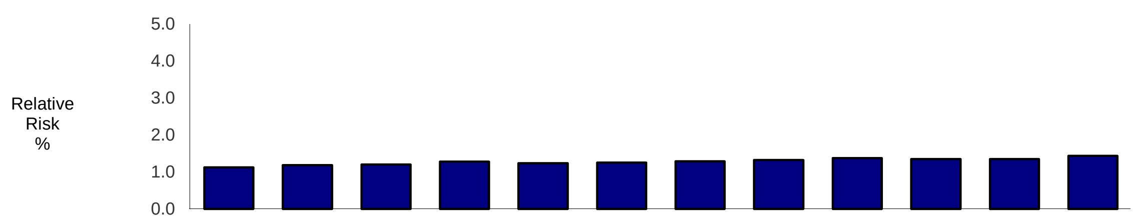
Fund	-2.4	-4.0	4.2	1.2	4.8	6.9	3.1	4.5	1.5	2.2	3.4	-1.1
Benchmark	-1.9	-2.9	4.5	1.6	5.1	5.5	3.8	3.7	0.9	1.7	2.7	-1.2
Relative Return	-0.5	-1.1	-0.3	-0.5	-0.3	1.4	-0.7	0.8	0.6	0.5	0.7	0.0

Annualised Rolling 3 Year Returns



Fund	10.7	8.3	8.8	6.2	7.8	9.2	8.9	10.0	9.9	10.3	10.5	8.1
Benchmark	10.0	7.9	8.7	6.3	8.2	9.2	9.3	10.3	9.9	10.0	10.0	7.9
Relative Return	0.7	0.3	0.1	-0.2	-0.3	-0.0	-0.4	-0.3	0.0	0.3	0.5	0.2

Rolling 3 Year Risk



Relative Risk	1.1	1.2	1.2	1.3	1.2	1.3	1.3	1.3	1.4	1.3	1.3	1.4
Information Ratio	0.6	0.3	0.1	-0.1	-0.3	-0.0	-0.3	-0.2	0.0	0.2	0.3	0.1

The relative return is the degree of out or underperformance of the Benchmark over these periods.
Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.
Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Summary of Manager Performance

LB OF TOWER HAMLETS - TOTAL COMBINED — **Periods to end March 2018**

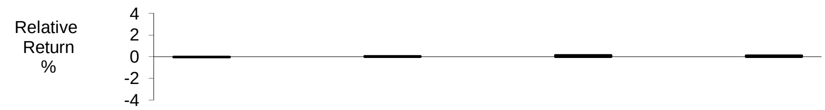
Benchmark - LB TOWER HAMLETS TOTAL B/MARK — **Pound Sterling**

Category - TOTAL ASSETS

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

L&G - TOTAL ASSETS

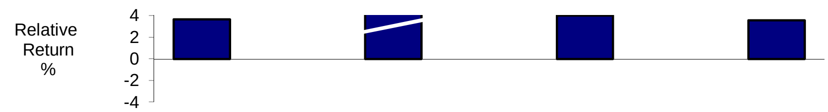
Tower Hamlets L&G Equity Bmk



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	-2.8	1.8	6.2	6.8
Benchmark	-2.8	1.7	6.0	6.7
Relative Return	-0.0	0.1	0.1	0.1

BAILLIE GIFFORD & CO - TOTAL ASSETS

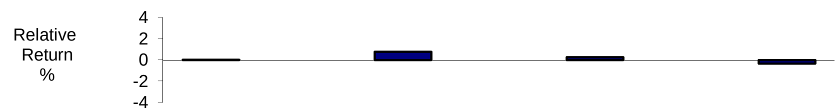
MSCI AC WORLD NDR



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	-0.9	13.1	14.6	14.9
Benchmark	-4.4	2.4	10.2	10.9
Relative Return	3.7	10.4	4.0	3.6

SCHRODER INVEST. MGMT. - TOTAL ASSETS

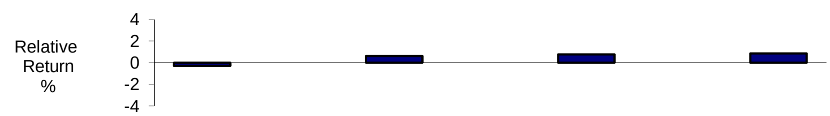
London Borough of Tower Hamlets - Schroders



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	1.9	10.9	8.4	10.1
Benchmark	1.9	10.0	8.1	10.5
Relative Return	0.0	0.8	0.3	-0.3

BAILLIE GIFFORD & CO - TOTAL ASSETS

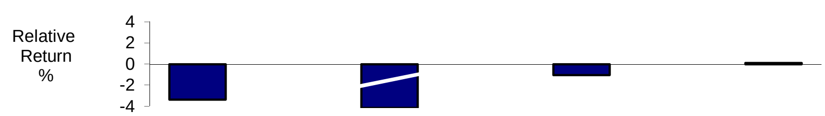
GBP 3 MONTH LIBOR + 3%



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	0.5	4.0	4.3	4.4
Benchmark	0.8	3.3	3.5	3.5
Relative Return	-0.3	0.6	0.8	0.9

RUFFER INVESTMENT MGMT LTD - TOTAL ASSETS

GBP 3 MONTH LIBOR + 3%



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	-2.5	-1.0	2.4	3.6
Benchmark	0.8	3.3	3.5	3.5
Relative Return	-3.4	-4.1	-1.0	0.1

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

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

not invested in this area for the entire period

Summary of Manager Performance

LB OF TOWER HAMLETS - TOTAL COMBINED — **Periods to end March 2018**

Benchmark - LB TOWER HAMLETS TOTAL B/MARK — **Pound Sterling**

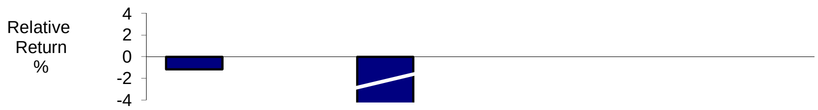
Category - TOTAL ASSETS

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

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

GOLDMAN SACHS ASSET MGMT - TOTAL ASSETS

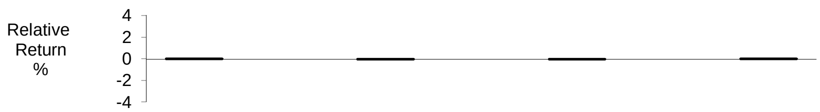
GBP 3 MONTH LIBOR +4%



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	-0.1	-0.7		
Benchmark	1.1	4.3		
Relative Return	-1.2	-4.8		

L&G - TOTAL ASSETS

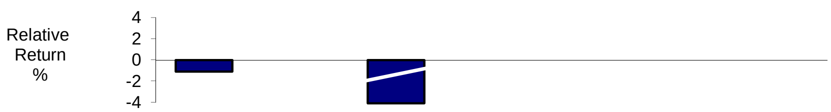
FTSE UK GILTS INDEXED > 5 YRS



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	0.2	0.7	7.7	7.7
Benchmark	0.2	0.7	7.8	7.7
Relative Return	0.0	-0.0	-0.0	0.0

INSIGHT INVESTMENTS - TOTAL ASSETS

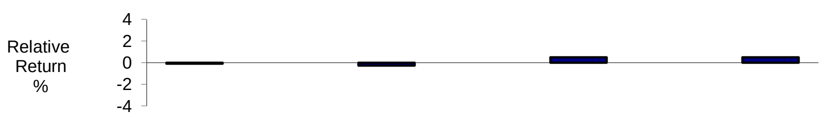
GBP 3 MONTH LIBOR +4%



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	-0.0	0.0		
Benchmark	1.1	4.3		
Relative Return	-1.1	-4.1		

INTERNALLY MANAGED - TOTAL ASSETS

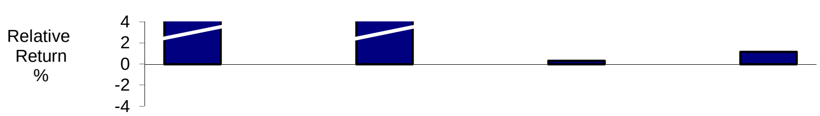
LB TOWER HAMLETS INTERNAL BM



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	0.0	0.1	0.8	0.8
Benchmark	0.1	0.3	0.3	0.3
Relative Return	-0.1	-0.3	0.5	0.5

GMO - TOTAL ASSETS

LB OF TOWER HAMLETS - GMO BM.



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Portfolio	1.9	9.9	10.8	12.2
Benchmark	-4.4	2.4	10.5	10.9
Relative Return	6.7	7.2	0.3	1.2

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

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

not invested in this area for the entire period

Performance Summary - Manager Attribution

LB OF TOWER HAMLETS — **Quarter to end March 2018**
Benchmark - LB TOWER HAMLETS TOTAL B/MARK — **Pound Sterling**

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

Summary

Fund Return		-1.1
Benchmark Return		-1.2
Relative Performance		0.0
	attributable to:	
	Strategic Allocation	-0.3
	Manager Contribution	0.3
	Residual	-

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

Detail

Strategic Allocation				Manager Contribution		
Distribution		Policy	Investment	Weighted	% Return	
Portfolio	Benchmark	Contribution	Manager	Contribution	Portfolio	Benchmark
33.3	30.0	-0.1	L&G	-	-2.8	-2.8
21.1	20.0	-0.1	BAILLIE GIFFORD & CO	0.8	-0.9	-4.4
10.0	12.0	-0.1	SCHRODER INVEST. MGMT.	-	1.9	1.9
8.9	10.0	-	BAILLIE GIFFORD & CO	-	0.5	0.8
8.8	10.0	-	RUFFER INVESTMENT MGMT LTD	-0.3	-2.5	0.8
5.1	6.0	-	GOLDMAN SACHS ASSET MGMT	-0.1	-0.1	1.1
4.9	6.0	-	L&G	-	0.2	0.2
4.7	6.0	-	INSIGHT INVESTMENTS	-0.1	0.0	1.1
3.2	0.0	-	INTERNALLY MANAGED	-	0.0	0.1
0.0	0.0	-	GMO	-	1.9	-4.4
		-0.3		0.3		

The Strategic Allocation quantifies the impact of the fund being invested differently from the Strategic Benchmark set.
The Manager Contribution comes about from the out / underperformance of each manager relative to their benchmarks weighted by the value of assets held.
= not invested in this area for the entire period

Appendices

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

All values are shown in GBP'000s	Asset Allocation								Stock Selection	
	29/12/2017				Gain/		30/03/2018			
	Value	%	Purchases	Sales	Loss	Income	Value	%	Return	B'M
TOTAL EQUITIES	*507,580*	*33*	*617*		*-14,099*	*5*	*494,099*	*33*	*-2.8*	*-2.8*
U.K. EQUITIES										
OVERSEAS EQUITIES	*507,580*	*33*	*617*		*-14,099*	*5*	*494,099*	*33*	*-2.8*	*-2.8*
NORTH AMERICA						*5*			*n/a*	
TOTAL USA						*4*			*n/a*	
CONTINENTAL EUROPE						*0*			*n/a*	
EUROLAND TOTAL						*0*			*n/a*	
NON EUROLAND TOTAL										
JAPAN										
TOTAL PACIFIC (EX.JAPAN)										
OTHER INTL EQUITIES	*507,580*	*33*	*617*		*-14,099*		*494,099*	*33*	*-2.8*	*-2.8*
EMERGING MARKETS										
All World Equity Index Fd GBP HDG	*169,280*	*11*	*11*		*-4,130*		*165,160*	*11*	*-2.4*	*-2.4*
All World Equity Index	*84,397*	*6*	*570*		*-3,739*		*81,228*	*5*	*-4.4*	*-4.4*
MSCI Wld Low Carbon Target Index	*253,904*	*17*	*37*		*-6,229*		*247,711*	*17*	*-2.5*	*-2.5*
OTHER OVERSEAS	*0*	*0*			*0*	*0*	*0*	*0*	*-3.2*	
UK GLOBAL	*0*	*0*			*0*	*0*	*0*	*0*	*-3.2*	
Global Transition										
GMO EMERGING MARKETS EQUITY										
TOTAL BONDS PLUS INDEX-LINKED	*223,377*	*15*	*1*		*23*		*223,402*	*15*	*0.0*	*0.8*
U.K. INDEX - LINKED	*74,430*	*5*			*116*		*74,546*	*5*	*0.2*	*0.2*
POOLED BONDS	*148,948*	*10*	*1*		*-93*		*148,856*	*10*	*-0.1*	*1.1*
CASH/ALTERNATIVES	*646,297*	*42*	*13,822*	*31,865*	*-7,249*	*1,522*	*621,005*	*42*	*-0.9*	*-1.8*
TOTAL CASH	*54,796*	*4*	*12,299*	*31,865*	*0*	*0*	*35,230*	*2*	*0.0*	
ALTERNATIVES	*591,501*	*39*	*1,522*		*-7,249*	*1,522*	*585,774*	*39*	*-1.0*	*-1.8*
LGPS CIV Diversified Growth Fund (Class A	*135,730*	*9*	*481*		*233*	*481*	*136,444*	*9*	*0.5*	
LGPS CIV Global Equity Alpha Fund (Class A	*321,042*	*21*	*152*		*-3,161*	*152*	*318,033*	*21*	*-0.9*	
LCIV RF ABSOLUTE RETURN FUND	*134,730*	*9*	*889*		*-4,321*	*889*	*131,297*	*9*	*-2.5*	
TOTAL PROPERTY	*146,222*	*10*	*5,689*	*6,818*	*1,729*	*1,209*	*146,823*	*10*	*2.0*	*1.9*
TOTAL ASSETS	***1,523,477***	***100***	***20,129***	***38,683***	***-19,595***	***2,736***	***1,485,328***	***100***	***-1.1***	***-1.2***

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

not invested in this area for the entire period

Summary of Long Term Returns

LB OF TOWER HAMLETS - TOTAL COMBINED | **Periods to end March 2018**

Benchmark - LB TOWER HAMLETS TOTAL B/MARK | **Pound Sterling**

This page summarises the long term returns at asset class level

	---------- 2015 ----------			--------------- 2016 ---------------				--------------- 2017 ---------------				2018	1yr	3yrs	5yrs
Return %	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		% pa	% pa
UK Equities	*-1.5*	*-5.7*	*4.0*	*-0.4*	*4.7*	*7.8*	*3.9*	*4.3*	*1.4*	*2.2*	*0.2 #*				
N. America	*-5.4*	*-7.0*	*4.3*	*2.4*	*8.9*	*6.8*	*8.8*	*4.9*	*-0.5*	*1.8*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Europe ex UK	*-5.8*	*-9.2*	*10.8*	*0.5*	*3.1*	*9.4*	*8.5*	*5.0*	*3.3*	*6.5*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Pacific	*-4.9*	*-16.1*	*6.4*	*0.6*	*9.7*	*12.2*	*-0.4*	*8.7*	*-0.6*	*3.5*	*2.4 #*				
Japan	*-0.1*	*-8.5*	*14.6*	*-3.9*	*9.7*	*9.6*	*7.7*	*2.7*	*0.6*	*1.8*	*8.1 #*				
Global Eq	*-4.9*	*-5.8*	*10.4*	*0.3*	*2.0 #*										
UK IL	*-3.3*	*2.3*	*-3.3*	*6.5*	*11.1*	*11.0*	*-3.0*	*2.0*	*-2.4*	*-0.8*	*3.9*	*0.2*	*0.7*	*7.8*	*7.7*
Pooled Bonds	*-1.1*	*0.2*	*-0.3*	*0.4 #*	*-0.8 #*	*1.9*	*1.4*	*0.6*	*-0.3*	*-0.3*	*0.4*	*-0.1*	*-0.3*		
Cash	*0.0*	*0.4*	*0.4*	*0.8*	*0.4*	*1.0*	*1.1*	*0.0*	*-0.1*	*-0.2*	*2.4*	*0.0*	*2.1*	*2.1*	*1.4*
Alternatives	*-0.5*	*-3.8*	*1.4*	*0.3*	*2.7*	*9.8*	*3.3*	*5.8*	*3.4*	*2.9*	*3.6*	*-1.0*	*9.1*	*9.4*	*7.6*
Curr Instr															
Property	*2.8*	*3.8*	*2.3*	*1.9*	*0.4*	*-0.8*	*1.7*	*2.5*	*2.1*	*3.3*	*3.3*	*2.0*	*11.3*	*8.7*	*10.5*
Total Assets	-2.4	-4.0	4.2	1.2	4.8	6.9	3.1	4.5	1.5	2.2	3.4	-1.1	6.0	8.1	8.9

not invested in this area for the entire period

Rolling Years with Relative Risk - GMO World Equity

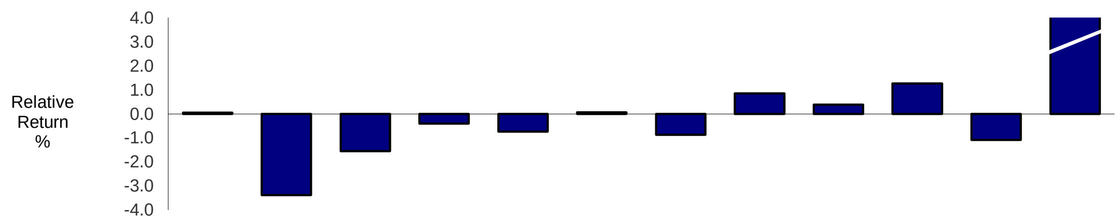
LONDON BOROUGH OF TOWER HAMLETS - GMO	Periods to end March 2018
Benchmark - LB OF TOWER HAMLETS - GMO BM.	Pound Sterling

Category - TOTAL ASSETS

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

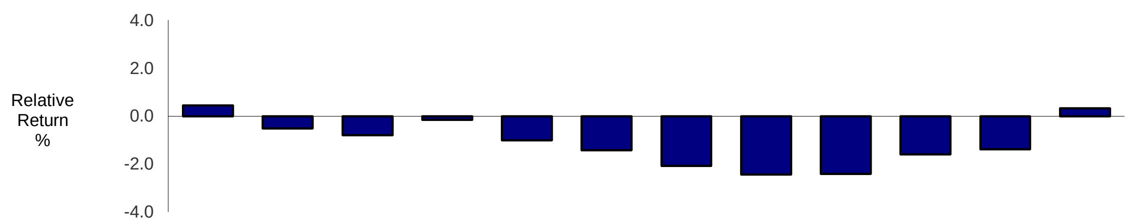
	---------- 2015 ----------			--------------- 2016 ---------------				--------------- 2017 ---------------				2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	273.4	249.2	226.6	241.4	247.3	267.2	289.7	305.9	325.3	278.0	211.1	0.3
Net Investment	-8.6	1.5	1.8	0.9	2.5	1.7	2.9	1.3	-47.3	-73.8	-219.1	-0.3
Capital Gain/Loss	-15.6	-24.1	13.0	5.0	17.4	20.8	13.4	18.1	0.0	6.9	8.3	-0.0
Final	249.2	226.6	241.4	247.3	267.2	289.7	305.9	325.3	278.0	211.1	0.3	0.0
Income	2.1	1.5	1.5	1.2	2.4	1.8	2.4	2.0	2.4	1.6	0.6	0.0
Proportion Of Total Fund (%)	22	21	22	22	23	23	23	24	20	15	0	0

Quarterly Returns



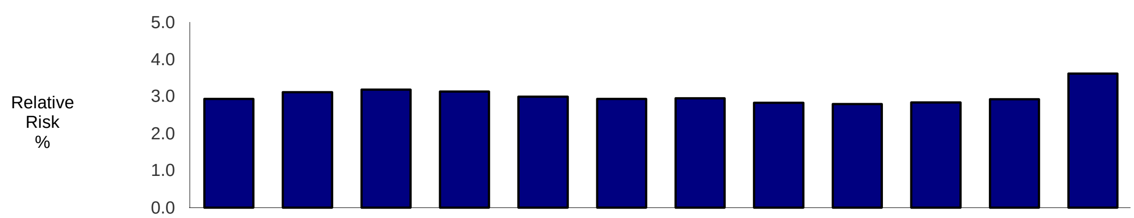
Fund	-5.1	-9.0	6.4	2.5	8.0	8.4	5.5	6.5	0.8	3.1	3.7	1.9
Benchmark	-5.1	-5.9	8.1	2.9	8.8	8.4	6.4	5.6	0.4	1.8	4.9	-4.4
Relative Return	0.1	-3.4	-1.6	-0.4	-0.7	0.1	-0.9	0.9	0.4	1.3	-1.1	6.7

Annualised Rolling 3 Year Returns



Fund	13.8	9.1	10.2	7.1	9.1	10.6	10.6	12.0	11.4	12.5	13.4	10.8
Benchmark	13.3	9.7	11.0	7.3	10.2	12.2	12.9	14.8	14.2	14.3	14.9	10.5
Relative Return	0.4	-0.5	-0.8	-0.1	-1.0	-1.4	-2.1	-2.4	-2.4	-1.6	-1.4	0.3

Rolling 3 Year Risk



Relative Risk	2.9	3.1	3.2	3.1	3.0	2.9	2.9	2.8	2.8	2.8	2.9	3.6
Information Ratio	0.2	-0.2	-0.3	-0.0	-0.3	-0.5	-0.7	-0.9	-0.9	-0.6	-0.5	0.1

The relative return is the degree of out or underperformance of the Benchmark over these periods.
Relative risk measures the degree of fund performance deviation from benchmark. The larger the relative risk number the greater the monthly deviation from benchmark.
Information Ratio is often interpreted as a measure of manager skill in adding value over and above the benchmark.

Rolling Years with Relative Risk - L&G Global Equity

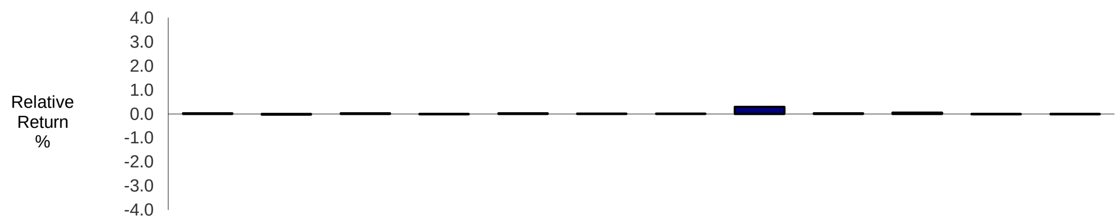
LB OF TOWER HAMLETS - L&G	Periods to end March 2018
Benchmark - Tower Hamlets L&G Equity Bmk	Pound Sterling

Category - TOTAL ASSETS

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

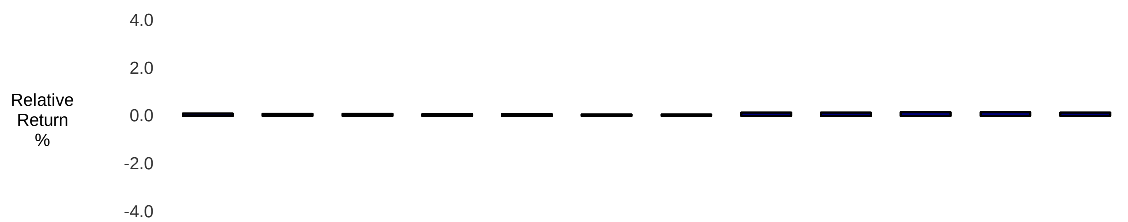
	2015			2016				2017				2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	226.3	222.8	210.1	218.4	217.5	227.8	245.6	255.2	266.3	270.1	276.0	507.6
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	227.1	0.6
Capital Gain/Loss	-3.5	-12.7	8.4	-0.9	10.3	17.8	9.6	11.0	3.8	5.9	4.5	-14.1
Final	222.8	210.1	218.4	217.5	227.8	245.6	255.2	266.3	270.1	276.0	507.6	494.1
Income	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0
Proportion Of Total Fund (%)	20	20	20	19	19	19	19	19	19	19	33	33

Quarterly Returns



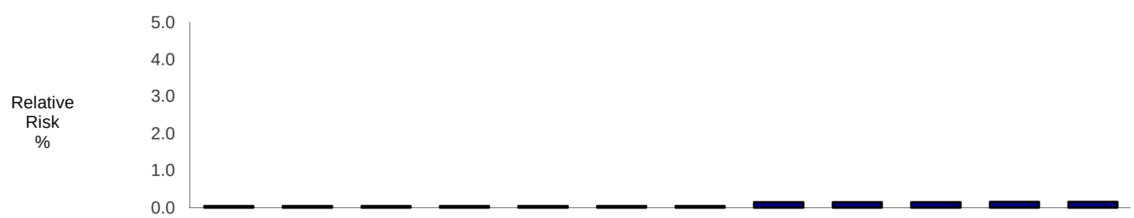
	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Fund	-1.5	-5.7	4.0	-0.4	4.7	7.8	3.9	4.3	1.4	2.2	1.0	-2.8
Benchmark	-1.6	-5.7	4.0	-0.4	4.7	7.8	3.9	4.0	1.4	2.1	1.0	-2.8
Relative Return	0.0	-0.0	0.0	-0.0	0.0	0.0	0.0	0.3	0.0	0.1	-0.0	-0.0

Annualised Rolling 3 Year Returns



	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Fund	11.1	7.3	7.4	3.7	5.9	6.6	6.1	7.8	7.5	8.7	8.8	6.2
Benchmark	11.0	7.2	7.3	3.7	5.8	6.6	6.1	7.7	7.4	8.5	8.7	6.0
Relative Return	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1

Rolling 3 Year Risk



	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Relative Risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Information Ratio	2.2	2.1	2.4	1.8	1.6	1.4	1.3	0.9	1.0	1.1	1.0	0.9

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

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

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

Rolling Years with Relative Risk - B Gifford World Equity

LONDON BOROUGH OF TOWER HAMLETS - BAILLIE GIFFORD & CO — **Periods to end March 2018**

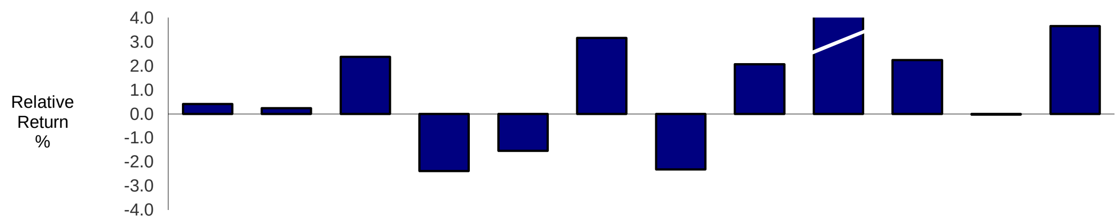
Benchmark - MSCI AC WORLD NDR — **Pound Sterling**

Category - TOTAL ASSETS

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

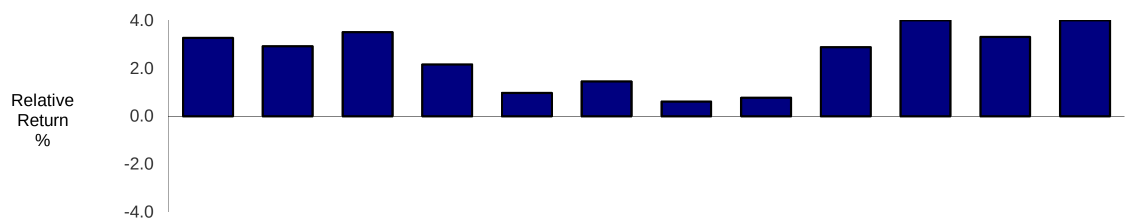
	---------- 2015 ----------			-------------- 2016 --------------				-------------- 2017 --------------				2018
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Values (GBPm's)												
Initial	217.7	200.8	189.3	209.2	209.9	224.4	251.5	261.4	281.2	294.1	306.2	321.0
Net Investment	-6.3	0.1	0.1	0.1	0.0	0.6	0.5	0.2	0.8	0.8	0.5	0.2
Capital Gain/Loss	-10.5	-11.7	19.8	0.6	14.5	26.5	9.4	19.7	12.1	11.3	14.3	-3.2
Final	200.8	189.3	209.2	209.9	224.4	251.5	261.4	281.2	294.1	306.2	321.0	318.0
Income	0.1	0.1	0.1	0.1	0.0	0.0	0.5	0.8	0.8	0.8	0.5	0.2
Proportion Of Total Fund (%)	18	18	19	19	19	20	20	20	21	21	21	21

Quarterly Returns



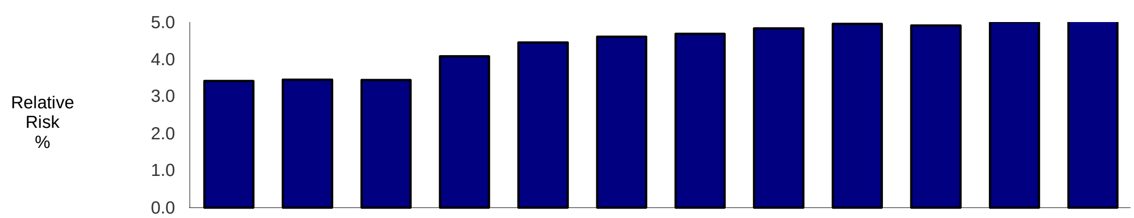
Fund	-4.9	-5.8	10.5	0.3	6.9	11.8	3.9	7.8	4.6	4.1	4.8	-0.9
Benchmark	-5.3	-6.0	7.9	2.8	8.6	8.4	6.4	5.6	0.4	1.8	4.9	-4.4
Relative Return	0.4	0.2	2.4	-2.4	-1.5	3.2	-2.3	2.1	4.2	2.2	-0.0	3.7

Annualised Rolling 3 Year Returns



Fund	16.6	12.4	15.2	9.8	11.6	14.8	14.4	16.5	18.2	19.0	18.4	14.6
Benchmark	12.9	9.2	11.3	7.5	10.6	13.2	13.7	15.6	14.9	14.4	14.6	10.2
Relative Return	3.3	2.9	3.5	2.2	1.0	1.4	0.6	0.8	2.9	4.0	3.3	4.0

Rolling 3 Year Risk



Relative Risk	3.4	3.4	3.4	4.1	4.5	4.6	4.7	4.8	5.0	4.9	5.0	5.2
Information Ratio	1.0	0.8	1.0	0.5	0.2	0.3	0.1	0.2	0.6	0.8	0.7	0.8

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

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

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

Rolling Years with Relative Risk - Schroders UK Property

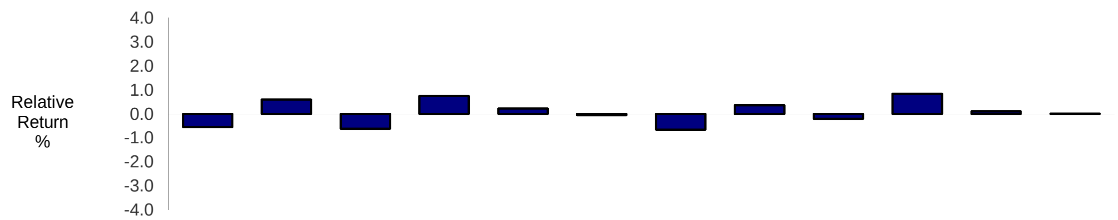
LB OF TOWER HAMLET PROPERTY PORTFOLIO - SCHRODER INVEST. MGMT.	Periods to end March 2018
Benchmark - London Borough of Tower Hamlets - Schroders	Pound Sterling

Category - TOTAL ASSETS

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

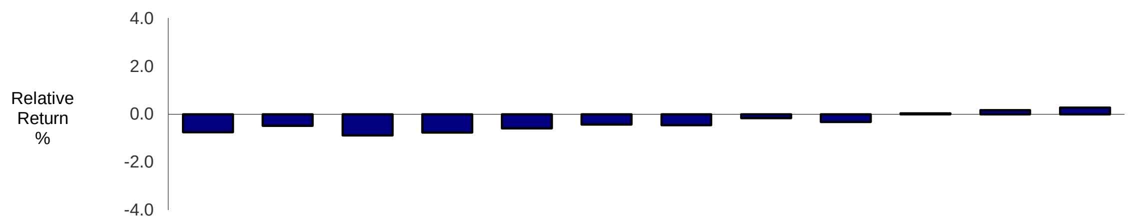
	---------- 2015 ----------			--------------- 2016 ---------------				--------------- 2017 ---------------				2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	122.2	125.6	130.1	133.0	135.4	135.9	134.9	137.0	140.3	143.2	147.9	152.6
Net Investment	0.9	0.9	0.9	0.9	1.0	1.2	1.0	1.1	1.3	1.1	1.1	1.2
Capital Gain/Loss	2.4	3.6	2.0	1.5	-0.5	-2.2	1.1	2.2	1.7	3.5	3.6	1.7
Final	125.6	130.1	133.0	135.4	135.9	134.9	137.0	140.3	143.2	147.9	152.6	155.6
Income	0.9	0.9	0.9	0.9	1.0	1.2	1.0	1.1	1.3	1.1	1.1	1.2
Proportion Of Total Fund (%)	11	12	12	12	11	11	10	10	10	10	10	10

Quarterly Returns



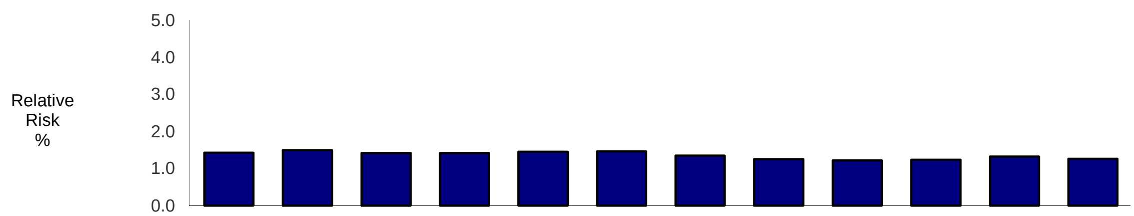
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fund	2.8	3.6	2.2	1.8	0.4	-0.7	1.6	2.4	2.1	3.2	3.2	1.9
Benchmark	3.3	3.0	2.8	1.1	0.1	-0.7	2.3	2.0	2.3	2.4	3.1	1.9
Relative Return	-0.5	0.6	-0.6	0.7	0.2	-0.1	-0.7	0.4	-0.2	0.8	0.1	0.0

Annualised Rolling 3 Year Returns



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fund	9.7	11.1	11.9	12.1	11.8	10.9	10.1	10.0	9.1	8.9	8.6	8.4
Benchmark	10.6	11.7	12.9	13.0	12.5	11.4	10.7	10.2	9.5	8.9	8.4	8.1
Relative Return	-0.7	-0.5	-0.9	-0.8	-0.6	-0.4	-0.5	-0.2	-0.3	0.0	0.2	0.3

Rolling 3 Year Risk



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Relative Risk	1.4	1.5	1.4	1.4	1.4	1.5	1.3	1.3	1.2	1.2	1.3	1.3
Information Ratio	-0.5	-0.3	-0.6	-0.5	-0.4	-0.3	-0.3	-0.1	-0.3	0.0	0.1	0.2

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

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

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

Rolling Years with Relative Risk - L&G Index Linked

LB OF TOWER HAMLETS - L&G — **Periods to end March 2018**

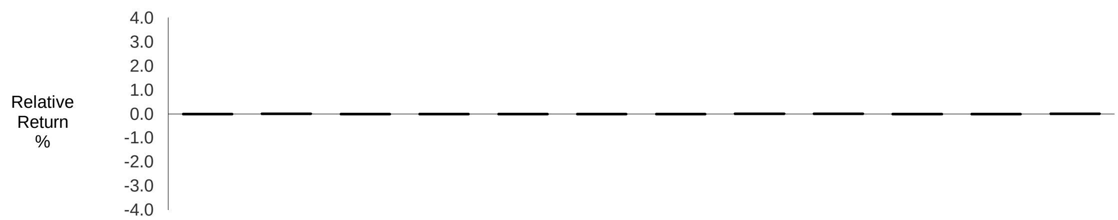
Benchmark - FTSE UK GILTS INDEXED > 5 YRS — **Pound Sterling**

Category - TOTAL ASSETS

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

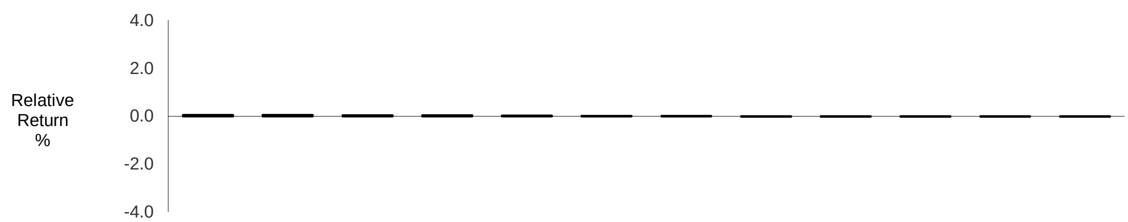
	2015			2016				2017				2018
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Values (GBPm's)												
Initial	59.5	57.6	58.9	57.0	60.7	67.4	74.8	72.6	74.0	72.2	71.6	74.4
Net Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0
Capital Gain/Loss	-2.0	1.3	-1.9	3.7	6.7	7.4	-2.2	1.4	-1.8	-0.6	2.8	0.1
Final	57.6	58.9	57.0	60.7	67.4	74.8	72.6	74.0	72.2	71.6	74.4	74.5
Income	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0
Proportion Of Total Fund (%)	5	5	5	5	6	6	6	5	5	5	5	5

Quarterly Returns



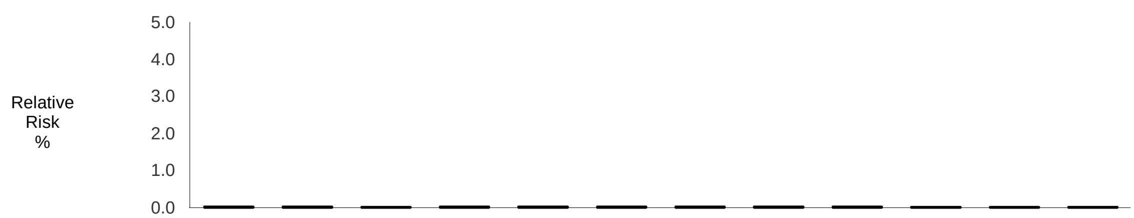
	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Fund	-3.3	2.3	-3.3	6.5	11.1	10.9	-3.0	2.0	-2.4	-0.8	3.9	0.2
Benchmark	-3.3	2.3	-3.3	6.5	11.1	11.0	-3.0	2.0	-2.4	-0.8	3.9	0.2
Relative Return	-0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0	0.0	0.0	-0.0	-0.0	0.0

Annualised Rolling 3 Year Returns



	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Fund	7.5	9.4	6.5	5.6	12.2	16.0	15.2	14.6	13.2	10.8	8.9	7.7
Benchmark	7.4	9.4	6.4	5.6	12.2	15.9	15.2	14.6	13.2	10.8	8.9	7.8
Relative Return	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	-0.0	-0.0

Rolling 3 Year Risk



	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Relative Risk	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information Ratio	2.2	2.3	1.9	1.3	1.1	0.5	0.2	-0.1	-0.1	-0.3	-0.6	-0.5

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

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

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Rolling Years with Relative Risk - B Gifford Divers Growth

LB OF TOWER HAMLETS - BAILLIE GIFFORD & CO — **Periods to end March 2018**

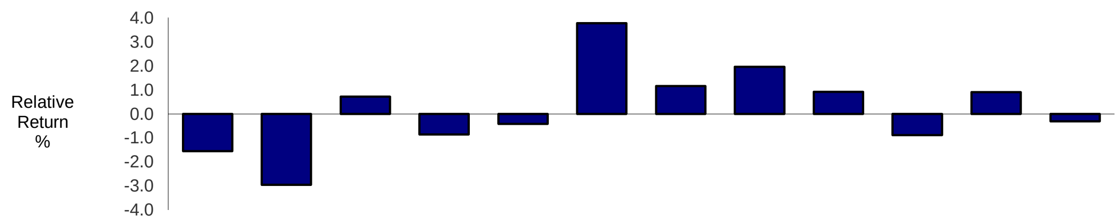
Benchmark - GBP 3 MONTH LIBOR + 3% — **Pound Sterling**

Category - TOTAL ASSETS

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

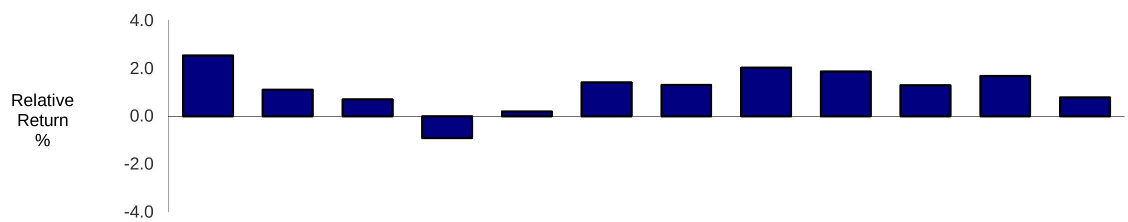
	2015			2016				2017				2018
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Values (GBPm's)												
Initial	50.7	56.7	55.5	56.4	56.3	56.6	59.3	60.5	62.2	63.3	133.4	135.7
Net Investment	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	70.8	0.0	0.5
Capital Gain/Loss	-0.5	-1.2	0.9	-0.1	0.3	2.7	1.2	1.4	1.1	-0.6	2.3	0.2
Final	56.7	55.5	56.4	56.3	56.6	59.3	60.5	62.2	63.3	133.4	135.7	136.4
Income	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.3	0.0	0.8	0.0	0.5
Proportion Of Total Fund (%)	5	5	5	5	5	5	5	5	5	9	9	9

Quarterly Returns



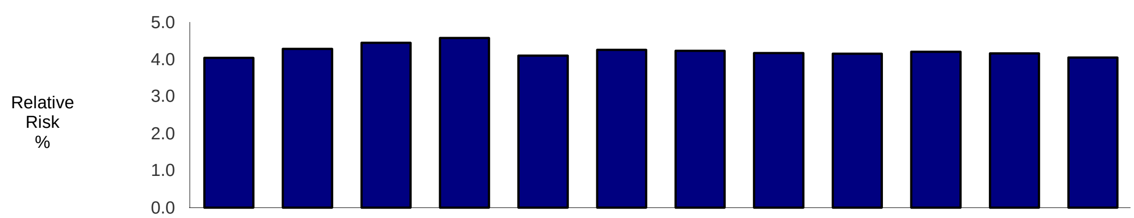
Fund	-0.7	-2.1	1.6	0.0	0.5	4.7	2.0	2.8	1.8	-0.1	1.7	0.5
Benchmark	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Relative Return	-1.5	-2.9	0.7	-0.9	-0.4	3.8	1.2	2.0	0.9	-0.9	0.9	-0.3

Annualised Rolling 3 Year Returns



Fund	6.2	4.7	4.3	2.6	3.8	5.0	4.9	5.6	5.5	4.8	5.2	4.3
Benchmark	3.5	3.5	3.5	3.5	3.6	3.6	3.6	3.5	3.5	3.5	3.5	3.5
Relative Return	2.5	1.1	0.7	-0.9	0.2	1.4	1.3	2.0	1.9	1.3	1.7	0.8

Rolling 3 Year Risk



Relative Risk	4.0	4.3	4.4	4.6	4.1	4.3	4.2	4.2	4.1	4.2	4.2	4.0
Information Ratio	0.6	0.3	0.2	-0.2	0.0	0.3	0.3	0.5	0.4	0.3	0.4	0.2

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

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

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

Rolling Years with Relative Risk - Ruffer Div Growth

LB OF TOWER HAMLETS - RUFFER INVESTMENT MGMT LTD — **Periods to end March 2018**

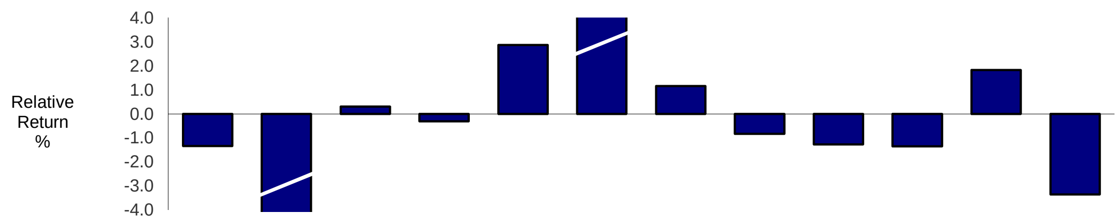
Benchmark - GBP 3 MONTH LIBOR + 3% — **Pound Sterling**

Category - TOTAL ASSETS

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

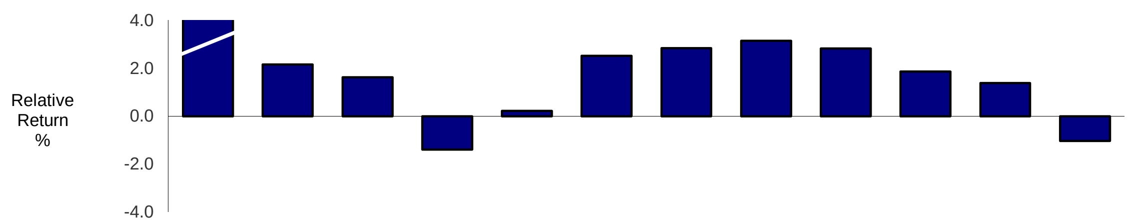
	---------- 2015 ----------			-------------- 2016 --------------				-------------- 2017 --------------				2018
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Values (GBPm's)												
Initial	50.6	56.8	53.7	54.3	54.6	56.7	60.6	61.8	61.8	61.6	131.2	134.7
Net Investment	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	70.3	0.0	0.9
Capital Gain/Loss	-0.3	-3.1	0.6	0.3	2.1	3.9	1.2	-0.2	-0.3	-0.6	3.5	-4.3
Final	56.8	53.7	54.3	54.6	56.7	60.6	61.8	61.8	61.6	131.2	134.7	131.3
Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.0	0.9
Proportion Of Total Fund (%)	5	5	5	5	5	5	5	4	4	9	9	9

Quarterly Returns



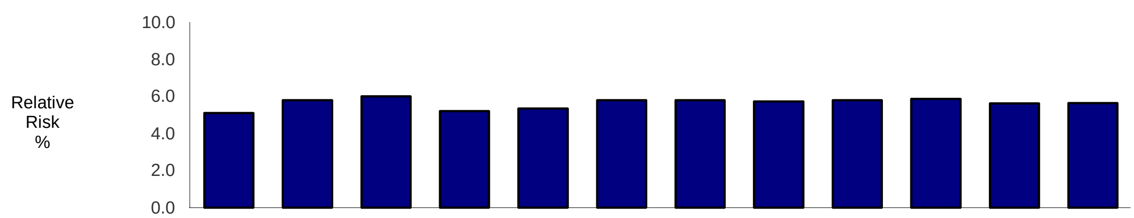
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fund	-0.5	-5.5	1.2	0.6	3.8	6.9	2.0	0.0	-0.4	-0.5	2.7	-2.5
Benchmark	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Relative Return	-1.3	-6.3	0.3	-0.3	2.9	6.0	1.2	-0.8	-1.3	-1.3	1.8	-3.4

Annualised Rolling 3 Year Returns



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fund	8.2	5.8	5.2	2.1	3.8	6.2	6.5	6.8	6.5	5.4	4.9	2.4
Benchmark	3.5	3.5	3.5	3.5	3.6	3.6	3.6	3.5	3.5	3.5	3.5	3.5
Relative Return	4.5	2.2	1.6	-1.4	0.2	2.5	2.8	3.1	2.8	1.9	1.4	-1.0

Rolling 3 Year Risk



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Relative Risk	5.1	5.8	6.0	5.2	5.3	5.8	5.8	5.7	5.8	5.9	5.6	5.6
Information Ratio	0.9	0.4	0.3	-0.3	0.0	0.4	0.5	0.5	0.5	0.3	0.2	-0.2

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

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

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

Rolling Years with Relative Risk - Goldman Absolute Ret

LONDON BOROUGH OF TOWER HAMLETS - GOLDMAN SACHS ASSET MGMT | **Periods to end March 2018**

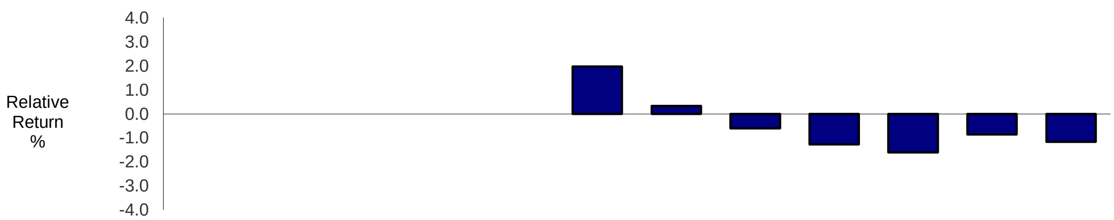
Benchmark - GBP 3 MONTH LIBOR +4% | **Pound Sterling**

Category - TOTAL ASSETS

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

	2015			2016				2017				2018
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Values (GBPm's)												
Initial					0.0	74.2	76.5	77.6	77.9	77.8	77.0	77.2
Net Investment					74.8	0.0	0.0	0.0	0.0	-0.3	0.0	0.0
Capital Gain/Loss					-0.6	2.3	1.1	0.4	-0.2	-0.4	0.1	-0.1
Final					74.2	76.5	77.6	77.9	77.8	77.0	77.2	77.1
Income					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proportion Of Total Fund (%)					6	6	6	6	6	5	5	5

Quarterly Returns



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fund						3.1	1.4	0.5	-0.2	-0.6	0.2	-0.1
Benchmark						1.1	1.1	1.1	1.1	1.0	1.1	1.1
Relative Return						2.0	0.3	-0.6	-1.3	-1.6	-0.9	-1.2

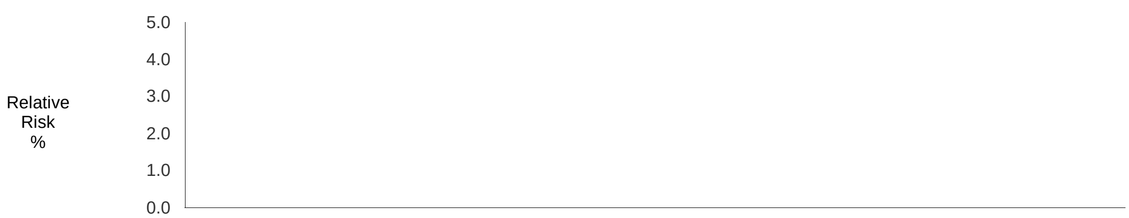
Annualised Rolling 3 Year Returns

Fund

Benchmark

Relative Return

Rolling 3 Year Risk



Relative Risk

Information Ratio

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

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

Rolling Years with Relative Risk - Insight Absolute Ret

LB OF TOWER HAMLETS - INSIGHT INVESTMENTS | **Periods to end March 2018**

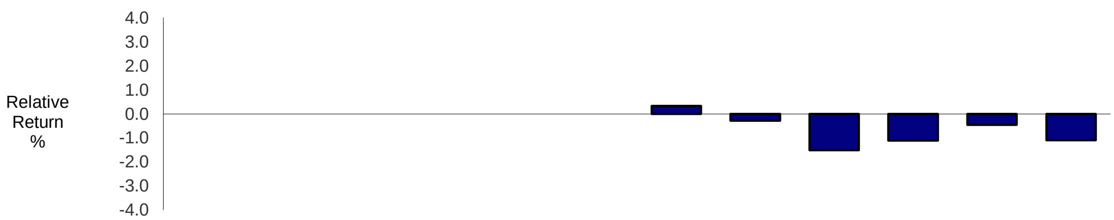
Benchmark - GBP 3 MONTH LIBOR +4% | **Pound Sterling**

Category - TOTAL ASSETS

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

	---------- 2015 ----------			--------------- 2016 ---------------				--------------- 2017 ---------------				2018
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Values (GBPm's)												
Initial						0.0	70.2	71.2	71.7	71.4	71.4	71.8
Net Investment						70.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Gain/Loss						0.2	1.0	0.6	-0.3	-0.0	0.4	-0.0
Final						70.2	71.2	71.7	71.4	71.4	71.8	71.8
Income						0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proportion Of Total Fund (%)						6	5	5	5	5	5	5

Quarterly Returns



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Fund							1.4	0.8	-0.4	-0.1	0.6	-0.0
Benchmark							1.1	1.1	1.1	1.0	1.1	1.1
Relative Return							0.3	-0.3	-1.5	-1.1	-0.5	-1.1

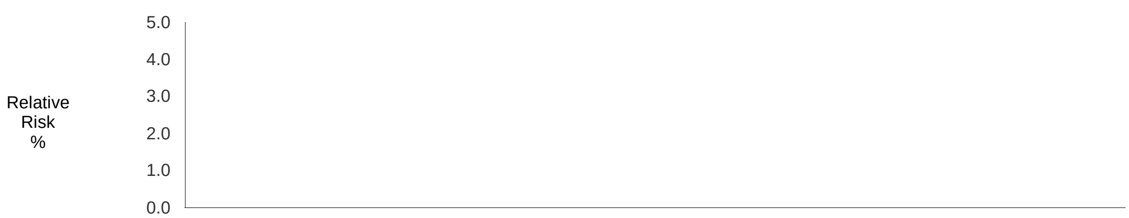
Annualised Rolling 3 Year Returns

Fund

Benchmark

Relative Return

Rolling 3 Year Risk



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Non-Executive Report of the: **Pensions Committee** 24th July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	**Classification:**
Pension Scheme Administration Update	

Originating Officer(s)	**Tim Dean, Pensions Team Leader**
Wards affected	All

Executive Summary

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

Recommendations:

Members of the Pensions Committee are asked to:

1. Note the information provided in this report in respect of the scheme administration and the performance metrics;
2. Note the changes to the Local Government Pension Scheme regulation set out in Appendix 2.
3. Note the Statement of Policy for the payment of lump sum Death Grants as set out in Appendix 3.

1. REASONS FOR THE DECISIONS

1.1 The report asks the Committee members to note the activities and performance of the Pensions Administration team.

2. ALTERNATIVE OPTIONS

2.1 The report asks the Committee to note the activities and performance of the Pensions Administration team and therefore its members are not required to consider any alternative options.

3. DETAILS OF THE REPORT

3.1 STAFFING

3.2 One of the Pensions Administrators was seconded to another part of the HR department from 4 December 2017. She was due to return to the section on 1 June 2018 but has now been appointed to a permanent post within the new Human Resources structure.

3.3 The team's other Pensions Administrator has been on maternity leave since March 2017. She has now resigned from her post. Her last day was 14th May 2018.

3.4 An officer from the Ideas Store remains with the team on a temporary secondment (part-time three days a week). The secondment was due to end on 30th June 2018 but has now been extended until 30th September 2018.

3.5 Resources remain under review as part of a wider restructure across the finance division.

4. ACTIVITY AND PERFORMANCE

4.1 The activity levels and performance against service standards are reported in the appendices to this report. Activity levels and performance are monitored on a monthly basis. Appendix 1 gives a summary of the performance during the current financial year.

4.2 Overall, in the first quarter of 2018/19, the Pensions team has completed 89.43% of its workload in line with the services standards measured by the performance indicators. This is an improvement from the 85.66% completed in line with service standards during the 2017/18 year.

5. SCHEME EMPLOYERS

5.1 There are ongoing changes to the status of employers that are admitted to the fund. At this time, the Committee is asked to note that Green Spring Academy Shoreditch will be joining Mulberry Schools Trust from 1 September 2018. The academy will then be known as Mulberry Academy Shoreditch.

5.2 At the last meeting of the Committee there was an in principle agreement that should Tower Hamlets Youth Sports Foundation become an independent body in its own right, it would be an admitted body to the scheme subject to getting appropriate guarantees in place. The status of the Foundation has not yet been concluded so at the current time it is unlikely to be admitted to the scheme.

5.3 Tower Hamlets Community Homes (THCH) has now converted to a Community Benefit Society as reported to the committee in March 2018. In line with the authority that was delegated to officers at that meeting, a funding agreement has now been agreed which will come into force should THCH have to cease membership of the fund at a future date.

6. CHANGES TO THE PENSION SCHEME REGULATIONS

6.1 Changes to the Local Government Pension Scheme regulations came into effect from 14 May 2018 that affect both active and deferred members. These are summarised in Appendix 2.

6.2 Deferred members have been notified of the changes in accordance with regulation 8 and part 1 of Schedule 2 of the Occupational and Personal Pension Scheme (Disclosure of Information) Regulations 2013.

6.3 Active members will be issued with a notification with this year's benefit statements. The statements will need to be issued by 14^{th} August 2018 in order to comply with the Disclosure of Information regulations.

6.4 One of the main changes will mean that deferred members who left the Pension Scheme between 1 April 1998 and 31 March 2014 no longer need the consent of their former employer to take their benefits between the age of 55 and 59.

6.5 The Pensions team have identified just over 1200 deferred members that could potentially claim payment of their benefits with immediate effect. Further work will be undertaken to look at the potential impact on the fund.

7. STATEMENT OF POLICY – PAYMENT OF LUMP SUM DEATH GRANTS

7.1 The Local Government Pension Scheme regulations give responsibilities and discretions to the London Borough of Tower Hamlets as the administering authority of the Tower Hamlets Pension Fund in respect of certain aspects of administration.

7.2 This statement (Appendix 3) outlines the policy for the payment of Lump Sum Death Grants that may become due under:

- Local Government Pension Scheme Regulations 2013: Regulation 40(2); 43(2) and 46(2)
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007: Regulation 23(2); 32(2) and 35(2)
- Local Government Pension Scheme Regulations 1997: Regulation 38(1) and 155(4)
- Local Government Pension Scheme Regulations 1995: Regulation E8

8. ANNUAL BENEFIT STATEMENTS

8.1 Annual benefits statements have been issued to deferred members.

8.2 Annual benefit statements for active members will be issued by 14 August 2018.

9. EQUALITIES IMPLICATIONS

9.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration..

10. OTHER STATUTORY IMPLICATIONS

10.1 There are no specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

11. COMMENTS OF THE CHIEF FINANCE OFFICER

11.1 This is a noting report and there are no direct financial implications arising from the recommendations within the report.

12. COMMENTS OF LEGAL SERVICES

12.1 The Pensions Committee 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 Committee to receive information from the Pensions Administration team about the performance of the administration function of the pension fund.

12.2 The Local Government Pension Scheme (Amendment) Regulations 2018 came into force on the 14th May 2018. The Committee should note the main changes introduced by the regulations which are summarised in Appendix 2 and ensure compliance with the same and all relevant deadlines. Of particular note is the requirement by an Administering Authority to publish a list of persons included in admission agreements made before 14th May 2018 (and to which the authority is a party), within 12 months i.e. by 13th May 2019. Members should also note the change to the definition of local government service and the ablility of deferred members who left the pension scheme between 1st April 1998 and 31st March 2014 to take their benefits between age 55 and 59 without their employer's consent.

Linked Reports, Appendices and Background Documents

Linked Report
- NONE

Appendices
- Appendix 1 – Activity and performance
- Appendix 2 – LGPS Regulation Changes
- Appendix 3 – Statement of Policy – Lump Sum Death Grant Payments

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

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London Borough of Tower Hamlets

Statement of Policy – Payment of Lump Sum Death Grants

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- Local Government Pension Scheme Regulations 1997: Regulation 38(1) and 155(4)
- Local Government Pension Scheme Regulations 1995: Regulation E8

Where an Expression of Wish form has been completed

- The Pensions Administration Team will pay the lump sum Death Grant in accordance with the wishes of the deceased as recorded on the Expression of Wish form.
- There is no need for the approval of Legal Services or for the Scheme Trustees to sign an authority form.

Where an Expression of Wish form has been completed, but one or more of the beneficiaries has pre deceased the member

- The Pensions Administration Team will pay the lump sum Death Grant to the remaining beneficiary or beneficiaries as recorded on the Expression of Wish form.
- Where there is more than one remaining beneficiary, the Pensions Administration Team will determine how the lump sum Death Grant should be distributed between the beneficiaries so that it reflects the wishes of the deceased as recorded on the Expression of Wish form.

Where an Expression of Wish form has been completed, but the circumstances of the member are known to have changed

- Where the Pensions Administration Team has good reason to believe that the circumstances of the deceased member have changed since the Expression of Wish form was completed, the Expression of Wish form will be declared invalid and the lump sum Death Grant payment will be paid as if no Expression of Wish form had been completed.

Where an Expression of Wish form has not been completed

- The Pensions Administration Team will pay the lump sum Death Grant to the deceased’s partner where a survivor’s pension is being paid.
- Where there is no surviving partner, payment of the lump sum Death Grant will be made to the deceased’s estate on production of Grant of Probate or Letters of Administration.
- The Pensions Administration Team has the discretion to make lump sum Death Grant payments of less than £5,000.00 under the Administration of Estates (Small Payments) Act 1965. An indemnity form should be complete.

Payment of the lump sum Death Grant to a minor

- Where the nominated beneficiary is under 18 at the time of the members death, the Expression of Wish form will be declared invalid and the lump sum Death Grant payment will be paid as if no Expression of Wish form had been completed.

Cases	April	May	June	July	August	September	October	November	December	January	Total
Address Changes	19	23	28								
Bank Account Changes	1	8	6								
Death of a Pensioner	29	35	27								
Deferred Calculations	24	21	22								
Estimates	15	33	47								
General Enquiries	51	44	29								
Lump Sum Payments	22	27	19								
Nomination Updates	29	27	26								
Refund Calculations	41	38	32								
Refund Payments	9	40	42								
Retirements	28	18	20								
Transfers In (Actual)	10	12	6								
Transfers In (Quotes)	8	8	5								
Transfers Out (Actual)	10	6	11								
Transfers Out (Quotes)	10	0	10								
% in target	306	340	330	0	0	0	0	0	0	0	0
Address Changes	100.00	100.00	100.00								
Bank Account Changes	100.00	87.50	100.00								
Death of a Pensioner	82.76	74.29	77.78								
Deferred Calculations	100.00	76.19	95.45								
Estimates	93.33	96.97	95.74								
General Enquiries	82.35	95.45	75.86								
Lump Sum Payments	72.73	70.37	84.21								
Nomination Updates	100.00	92.59	96.15								
Refund Calculations	95.12	97.37	90.63								
Refund Payments	100.00	85.00	95.24								
Retirements	100.00	94.44	95.00								
Transfers In (Actual)	80.00	83.33	66.67								
Transfers In (Quotes)	87.50	100.00	100.00								
Transfers Out (Actual)	40.00	83.33	90.91								
Transfers Out (Quotes)	100.00	100.00	90.00								
	88.92	89.12	90.24	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

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Amendments to the Local Government Pension Scheme (LGPS)

Information for administering authorities to provide to scheme members regarding recent amendments to the LGPS

Introduction

LGPS administering authorities will be aware of the recent changes to the LGPS following the introduction of the LGPS (Amendment) Regulations 2018 which were made on 17 April 2018 and came into force on 14 May 2018. The regulations amend the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

This short document is designed to assist administering authorities when communicating the material changes to scheme members as required under regulation 8 and part 1 of Schedule 2 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

The suggested areas of communication do not include all the amendments made by the amendment regulations and bulletin 171 should be consulted alongside SI 2018/493 for details of all the amendments made by that statutory instrument.

Disclosure requirements

The Disclosure 2013 Regulations require that pension schemes inform all members and beneficiaries of the scheme of any change to the scheme that results in a material change to the basic scheme information, as listed in Part 1 of Schedule 2 of those regulations. The basic scheme information is generally the information that would be included in the brief scheme guide.

Administering authorities should note that, in accordance with regulation 8(5)(a) of the Disclosure 2013 Regulations, no information is required to be given unless it is relevant to the person's rights or prospective rights under the scheme. This leaflet therefore suggests which areas of communication are relevant to the different categories of membership.

With regard to the expansion of the underpin, as the change is backdated to 1 April 2014 administering authorities should review past cases to determine if the underpin should have applied to benefits that are already in payment. If affected members are contacted on an individual basis, in the Secretariat's view, there would be no need to publish the change in a pensioner newsletter.

Communication of the changes should take place as soon as possible, and in any event, within three months of the date of change (i.e. by 13 August 2018).

Sample text

Changes have been made to the Local Government Pension Scheme (LGPS). These changes, unless indicated otherwise, come into effect from 14 May 2018 and are summarised below.

[Deferred / deferred pension credit member newsletter text]

Changes to when you can take your deferred benefit

Early payment of deferred benefits – if you left the LGPS with a deferred benefit between 1 April 1998 and 31 March 2014 you can now choose to take early payment of your deferred benefits from age 55 (rather than 60). The change to the scheme rules means that you no longer need the consent of your former employer to take your benefits between the age of 55 and 59. Members who left the LGPS with a deferred benefit on or after 1 April 2014 (except councillors) were already able to choose to take early payment of their deferred benefits from age 55 without needing their former employer's consent, and this has not changed.

Early payment of deferred benefits for leavers before 1 April 1998 - if you left the LGPS with a deferred benefit before 1 April 1998 the scheme rules have been changed to allow you to take your benefit at age 55 (rather than 60) or the date your deferred benefit will be payable without a reduction for early payment – this is called your Normal Pension Age (NPA). Your NPA will be between age 60 and 65 depending on when you joined the scheme – you can find this information on your annual benefit statement.

The Ministry for Housing, Communities and Local Government (MHCLG), who make the scheme rules for the LGPS, have confirmed their intention to allow members who left the LGPS before 1 April 1998 to also be allowed to take early payment of their deferred benefits from age 55 (rather than only allowing payment at age 55 or NPA), without their former employer's consent. This option is already available to people who left the LGPS on or after 1 April 1998. We will update you when we have further news on this.

Early payment of deferred benefits for pension credit members
If you were awarded a share of your ex-spouse's LGPS pension as part of a divorce settlement and you are a pension credit member in the LGPS, you can now elect to take payment of these benefits from age 55 regardless of when the pension sharing order took effect. Before the change, if the pension sharing order took effect before 1 April 2014 or your ex-spouse left the LGPS before 1 April 2014 you could only choose to take early payment from age 60.

Reductions to your benefits for early payment
If you choose to take your deferred benefits earlier than your Normal Pension Age (NPA) they will normally be reduced to take account of the fact that your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you take them. The reduction is based on the length of time (in years and days) between the date you take them and the date your deferred benefit will be payable without a reduction for early payment. If you are unsure when your NPA is you should check your annual benefit statement.

The early reduction factors are set by the Government and can vary from time to time. The current factors can be found on the national LGPS member website - www.lgpsmember.org/more/reductions.php

More information about taking your deferred is available on the national LGPS website - www.lgpsmember.org/arl/already-left-when.php

[Deferred member newsletter text]

Changes to pre- April 2014 AVC contracts

If you were a member of the LGPS on or after 1 April 2014 and you paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, you will see some changes in how you can take your AVC plan.

When you take your AVC plan:

- you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.
- when you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.
- if you die before taking your AVC and a lump sum is to be paid from your AVC plan, your pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

For information about the other ways you can use your AVC plan see the national LGPS website - www.lgpsmember.org/more/AVCoptions.php

[Active member newsletter text]

Changes to pre- April 2014 AVC contracts – if you are a member of the LGPS who is, or was, paying Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, you will see some changes to the way your AVCs are calculated and how you can take your AVC plan.

If you are currently paying AVCs:

- you can now pay up to 100% (rather than 50%) of your pensionable pay into your AVC plan.
- AVCs will now also be deducted from any voluntary overtime you work (if you pay AVCs as percentage of your salary).

When you take your AVC plan:

- if you leave the scheme with a deferred benefit you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.
- when you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.

- if you die before taking your AVC and a lump sum is to be paid from your AVC plan your pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

For information about the other ways you can use your AVC plan see the national LGPS website - www.lgpsmember.org/more/AVCoptions.php

[Active / deferred / pensioner member newsletter text]

Expansion of the underpin

The way your pension is calculated in the LGPS changed from 1 April 2014. If you were a member of the LGPS before 1 April 2014 any benefits built up to 31 March 2014 are protected as final salary benefits and will normally be calculated using your membership to 31 March 2014 and your final year's pay.

An additional protection was put in place for members who were active members of the LGPS on 31 March 2012 and who were within 10 years of age 65 at 1 April 2012. Subject to certain conditions, these members will get a pension at least equal to that which they would have received had the scheme not changed on 1 April 2014. This protection is known as the underpin.

This underpin protection has now been extended to also apply to people who were active members of a different public service pension scheme on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012; if these people join the LGPS and transfer their pension benefits from the other public service pension scheme into the new LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS, subject to certain conditions, the underpin will apply.

This change takes effect from 1 April 2014.

More information on the underpin is available on the national LGPS website - www.lgpsmember.org/more/underpin.php

Non-Executive Report of the: **Pensions Committee** 24 July 2018	TOWER HAMLETS
Report of: Zena Cooke, Corporate Director of Resources	**Classification:** Unrestricted
The Pensions Regulator Compliance Checklist For Tower Hamlets Pension Fund	

Originating Officer(s)	Tim Dean, Pensions Team Leader
Wards affected	All wards

Executive 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 Pension's 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 THE 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 July 2018 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 that stood out at the last review of this document whereby had more items that need further attention which are highlighted in red were Internal Dispute Resolution and Providing Information to Members Others.

3.7 The items in respect to Internal Dispute Resolution (IDRP) relate largely to the need to update the IDRP notes and application form to ensure they include all required and additional helpful information. These documents have now been updated.

3.8 A number of items requiring attention in Section H: Providing Information to Members and Others. The principal areas of concern at the last review of this section relate to the content of the Annual Benefits Statements. A review of the content of this year's statements will be completed before they are issued.

3.9 Most of the items requiring attention in Section H are now in progress as they relate to the source and format of information. New procedures have been put in place to ensure that new members are provided with the required information. A further review of how information is circulated to members is being undertaken.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

5. OTHER STATUTORY IMPLICATIONS

5.1 There are no specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 This is a noting report. There are no specific financial implications arising from the contents of this report.

7. COMMENTS OF LEGAL SERVICES

7.1 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 pension's 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.

7.2 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 scheme. 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.

7.3 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).

Linked Reports, Appendices and Background Documents

Linked Report

- List any linked reports
-
- State NONE if none.

Appendices

- Appendix 1 – LBTH Compliance Checklist as at July 2018

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

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

Officer contact details for documents:
Tim Dean (Pensions Team Leader) x4530

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	Notes from TPR Code	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?	188 - Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme. The statement must include a description of the benefits earned by a member in respect of their pensionable service. 189 - The first statement must be provided no later than 17 months after the scheme regulations establishing the scheme come into force (i.e. 31st August 2015). Subsequent statements must be provided at least annually after that date.	Yes	Ongoing (annual check)	27/02/2018	Fully completed	Fully compliant		
H2	Do these meet the legal requirements in relation to format?	190 - Statements must also comply with HM Treasury directions in terms of any other information which must be included and the manner in which they must be provided to members.	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)	27/02/2018	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?	191 - Managers of a scheme must also provide a benefit statement following a request by an active, deferred or pension credit member of a DB scheme if the information has not been provided to that member in the previous 12 months before that request. 193 - The information must be given as soon as practicable but no more than two months after the date the request is made	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)	27/02/2018	Fully completed	Fully compliant		
H4	Does this meet the legal requirements in relation to format?	192 - These benefit statements must include information about the amount of benefits by reference to a particular date and how they are calculated. The full details depend on the type of member making the request.	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 and the method of calculating member and survivor benefits.	Ongoing (annual check)	10/07/2018	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?	194 - Managers of a scheme must provide a benefit statement to a member of a DC public service pension scheme, who is not an 'excluded person', within 12 months of the end of the scheme year. An 'excluded person' is a member or beneficiary whose present postal address and email address is not known to the scheme because the correspondence has been returned (in the case of postal correspondence) or has not been delivered (in the case of electronic correspondence).	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)	27/02/2018	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?	195 - The information which must be provided includes the amount of contributions (before any deductions are made) credited to the member during the immediately preceding scheme year, the value of the member's accrued rights under the scheme at a date specified by the managers of the scheme and a statutory money purchase illustration. The full detail of the information that must be provided is set out in the Disclosure Regulations 2013.	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)	27/02/2018	Fully completed	Fully compliant		
H7	Is basic scheme information provided to all new and prospective members within the required timescales?	200 - Managers must disclose certain basic information about the scheme and the benefits it provides to a prospective member (if practicable to do so) or a new member. Where the manager has received jobholder information for the member or prospective member they must provide the information within a month of the jobholder information being received. Where they have not received jobholder information, they must provide the information within two months of the date the person became an active member of the scheme. 201 - Managers must also provide the information on request to a relevant person within two months of the request being made, except where the same information was provided to the same person or trade union in the 12 months before the request.	All new members are sent a letter confirming their Scheme membership has started. The letter includes when the membership started and details of the LGPS members website. Information is supplied to prospective jobholders as part of the automatic enrolment procedure, but not to prospective new employees	Ongoing (annual check)	10/07/2018	In progress	Employers - Partially compliant		Review how information is circulated to new joiners, such as perhaps reinstate the use of statutory notices with a brief guide.
H8	Does this meet the legal requirements in relation to format?	200 - As per Regulation 6 of the Disclosure Regulations 2013.	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.	Ongoing (annual check)	13/07/2018	Fully completed	Partially compliant		
H9	Is all other information provided in accordance with the legal timescales?	196 - Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request). The Regulations set out the information which must be given, the timescales for providing such information and the methods that may be used. Not all information must be provided in respect of all public service pension schemes (there are some exemptions for specified public service schemes or according to the type of benefit offered), but information which scheme managers may need to provide includes: - information about the scheme that has materially altered - information about the constitution of the scheme - information about transfer credits - information about life styling (this requirement will not apply in respect of DB benefits in public service pension schemes) - information about accessing benefits, and - information about benefits in payment. 197 - The detail of the information that must be provided to scheme members and others and any exemptions are set out in the Disclosure Regulations 2013. Managers must provide the required information, along with confirmation that members may request further information and the postal and email addresses to which a person should send those requests and enquiries	It is not fully apparent whether all disclosure timescales are being met, for example. However, 2017/8 performance is above 85% for most tasks and it is therefore it is expected that average times are well within the statutory requirements. Other communications include a pensioner newsletter every year with pension increase letter, deferred members receive a newsletter with their statements and active members are sent a newsletter with the benefit statements. Key scheme changes are notified separately where the benefit statements will not be issued before the Disclosure Regulations deadline LBTH are waiting verification from the AVC providers regarding their compliance with these disclosure requirements	Ongoing (annual check)	10/07/2018	In progress	Partially compliant		Waiting confirmation that requirements are met from AVC providers
H10	Is all other information provided in the format and methods required by law?	See above.	Internal communications comply with the regulations but this cannot be confirmed until confirmation from AVC providers.	Ongoing (annual check)	27/02/2018	In progress	Partially compliant		Waiting confirmation that requirements are met from AVC providers

No.	TPR Requirement	Notes from TPR Code	London Borough of Tower Hamlets Approach / Evidence	Frequency of Review	Last Review Date	Check Completed	Compliant	Notes	Action
H11	Where any information is only provided electronically (i.e. instead of any hard copy) does it comply with the legal requirements?	203 - Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided. Where schemes wish to provide information required under the Disclosure Regulations 2013 by electronic means there are important steps and safeguards that must first be met. These include: - scheme members and beneficiaries being provided with the option to opt out of receiving information electronically by giving written notice to the scheme - managers being satisfied that the electronic communications have been designed: A) so that the person will be able to access and either store or print the relevant information and B) taking into account the requirements of disabled people - ensuring that members and beneficiaries who were members or beneficiaries of the public service pension scheme on 1 December 2010 (where the scheme had not provided information electronically prior to that date) has been sent a written notice (other than via email or website), informing them that: A) it is proposed to provide information electronically in the future and B) scheme members and beneficiaries may opt out of receiving information electronically by sending written notice. 204 - Where schemes make information or a document available on a website for the first time, they must give notice (other than via a website) to the recipient. They must ensure that the notice includes: - a statement advising that the information is available on the website - the website address - details of where on the website the information or document can be read, and - an explanation of how the information or document may be read on the website. 205 - When any subsequent information is made available on a website, managers of a scheme must give a notice (other than via a website) to recipients informing them that the information is available on the website. This notice will not be required where: - at least two documents have been given to the recipient by hand or sent to the recipient's last known postal address - each of those letters asks the recipient to give their electronic (email) address to the scheme and informs the recipient of their right to request (in writing) that information or documents are not to be provided electronically - a third letter has been given to the recipient by hand or sent to the recipient's last known postal address and includes a statement that further information will be available to read on the website and that no further notifications will be sent to the recipient and - the managers of the scheme do not know the recipient's email address and have not received a written request that information or documents are not to be provided to the recipient electronically.	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)	27/02/2018	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?	207 - Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. It is important that members are able to understand their pension arrangements and make informed decisions where required.	Communications are produced internally with the LBTH design team and are review by the council's Communications 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)	10/07/2018	Fully completed	Fully compliant		
H13	Does the Administering Authority use a tracing service?	208 - Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date.	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)	27/02/2018	Fully completed	Partially compliant		Consider carrying out regular tracing service checks on other deferred members.