

DRAFT

**SCOTTISH BORDERS COUNCIL
PENSION FUND**

**GOVERNANCE POLICY AND
COMPLIANCE STATEMENT**

2013

Introduction

This Statement documents the governance arrangements for the pension scheme administered by Scottish Borders Council. This version of the Governance Policy and Compliance Statement was approved by the Pension Fund ~~Sub-Committee~~ of Scottish Borders Council on ~~15 September 2011~~ 18 June 2013 and updated ~~under delegated authority in June 2012~~ following changes to the Scheme of Administration approved by Council on the 26 June 2013 **TBC**.

1. Administering Authority

- 1.1 Scottish Borders Council (the Council) is the Administering Authority for the Local Government Pension Scheme (LGPS) set up for the Scottish Borders geographic area.
- 1.2 The Council has delegated its pension's functions to the **Pension Fund ~~Sub-Committee~~**.

2. Regulatory Framework

- 2.1 The Scottish Public Pensions Agency (SPPA) is responsible for regulating the LGPS in Scotland and the Council administers the pension scheme in accordance with these regulations.
- 2.2 The Scottish Borders LGPS scheme is open to all employees of scheduled bodies except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Teachers). Employees of admitted bodies can join the scheme subject to those bodies meeting the statutory requirements and on such terms and conditions as the Council (as Administering Authority) may require. A list of scheduled and admitted bodies is attached in Appendix A.
- 2.3 The Pension Fund ~~Sub-Committee~~ (the ~~Sub-Committee~~) is a formal sub-committee of Scottish Borders Council's ~~Executive~~. The Scheme of Administration for the Council specifies that the following functions shall be referred to the PFSCPFC:
 - i All matters relating to the Management of the Council's Pension Fund
 - ii Employer discretions under Local Government Pension Scheme (Scotland) Regulations 1998⁴.
- 2.4 Financial affairs are conducted in compliance with the Council's Financial Regulations which have been formally adopted by the Pension Fund in 2011.
- 2.5 Funds are invested in compliance with the Council's Statement of Investment Principles.

⁴ ~~These functions are referred to the Sub-Committee for consideration and recommendation only and must receive approval of the Executive~~

3. Pension Fund ~~Sub~~-Committee

- 3.1 The members of the ~~Sub~~-Committee act as quasi-trustees and oversee the management of the Scottish Borders Council Pension Fund (the Fund).
- 3.2 Their overriding duty is to ensure the best possible outcomes for the Fund, its participating employers and scheme members.
- 3.3 The members' knowledge is supplemented by professional advice from Officers of the Council, professional advisers and external experts.

- 3.4 The ~~Sub~~-Committee is comprised of twelve members [TBC at Council Meeting 26 June]. The following seven members of the Council have voting rights:

Depute Leader (Finance)

Executive Member for HR and Corporate Improvement

~~One other Member of Executive~~ Three members of the Administration

~~Two members of the Administration~~

Two members from the Opposition

- 3.5 ~~In addition, Trade Unions, Scheduled and Active Admitted Bodies are invited to send representatives as observers. These observers do not have~~ A further five members with no voting rights and are appointed from:

A Scheduled Body

An Active Admitted Body

Each of the three recognised Trade Unions

~~These members do not have any voting rights but are present to observe encouraged to~~ participate in the debate and discussion and ~~to~~ provide input on behalf of the stakeholder groups they represent in order to inform the ~~elected representatives~~ Elected Members in their decision making.

- 3.6 The Chairman of the Committee shall be one of the Scottish Borders Council Members and the presence of four Members of the Council constitutes a quorum.

- 3.7 The Independent Investment Consultant, the ~~Director of Resources~~ Chief Executive, Chief Financial Officer, Corporate Finance Manager and Treasury and Capital Manager also attend the ~~Sub~~-Committee meetings as advisers.

- 3.8 The ~~Sub~~-Committee meets at least quarterly. Additional meetings are called as appropriate.

- 3.9 The ~~Sub~~-Committee papers and minutes are publicly available on the Council's website, unless they have been considered as private business in terms of Schedule 7A to the Local Government (Scotland) Act 1973. Minutes of the ~~Sub~~-Committee are presented to the Executive of the Council.
- 3.10 From time to time, the ~~Sub~~-Committee may establish a Sub-Group to address a specific issue or need. Any such Sub-Group will be chaired by a member of the ~~Sub~~-Committee and the remaining membership of the Sub-Group will be appropriate to the purpose and may therefore include other members of the ~~Sub~~-Committee. The minutes and decisions of these sub-groups will be presented to the ~~Sub~~-Committee for noting and agreement.

4. Administration and Management of the Fund

4.1 Chief Financial Officer

- i The Council's Chief Financial Officer is the Officer with responsibility to ensure proper administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973.
- ii He is responsible for:
 - a) the financial accounting of the Fund,
 - b) the preparation of the Pension Fund Annual Report, and
 - c) being the principal advisor on investment management to the Council in its capacity as Trustee to the Fund and as the Fund's Administering Authority.

4.2 The day-to-day management of the investment activities of the Fund is managed by the ~~Treasury and Capital Section within Corporate Finance Team within~~ the Finance Service.

4.3 Head of ~~Customer~~Shared Services

- i The pension benefits policy oversight and day-to-day administration for the Fund is managed by the Human Resources Shared Services Team ~~within Customer Services.~~

5. Professional Advisers and External Service Providers

5.1 Barnett Waddingham has been appointed to act as Actuary to the Fund. The services provided include advice on funding and actuarial valuations.

5.2 AON Hewitt is the Independent Investment Consultant employed by the Council to advise the ~~Sub~~-Committee on investment strategy.

5.3 The Fund has appointed investment managers who have responsibility for the selection, retention and realisation of individual investments. Where appropriate, they also implement the ~~Sub~~-Committee's policy in relation to corporate socially responsible investment and corporate governance.

5.4 J.P. Morgan is the global custodian for the Fund and is responsible for the safekeeping of the assets including transaction processing and making tax claims.

5.5 WM Performance Services has been appointed as the independent performance services company for the Fund. They have responsibility for measuring and reporting on the performance of individual portfolios and the overall Fund.

6. Internal and External Review

- 6.1 The annual financial statement of the Council, including the Fund, is subject to external audit. The auditors are appointed by Audit Scotland, as part of the process to ensure that public funds are properly safeguarded and accounted for.
- 6.2 [The Council's Audit Committee oversees the output of the Annual Audit process in relation to the Pension Fund.](#)
- 6.3 The Council provides internal audit arrangements to the Fund both as a tool of management and with direct reporting to the Council's Audit Committee.

7. Risk Management

- 7.1 The Council has a corporate risk management policy which includes the maintenance and regular review of a risk register.
- 7.2 Risk awareness is embedded into the investment performance management process.

8. Access to Information

- 8.1 Sub-Committee papers and minutes are available via the Council Papers website <http://councilpapers.scotborders.gov.uk/>
- 8.2 The Fund's Annual Report and Accounts is available via the Fund website www.scotborders.gov.uk/pensions. A hard copy of the full version of this report is provided to the scheduled and active admitted bodies of the scheme and a summary of the review is provided to all Fund members.
- 8.3 This Governance Policy and Compliance Statement and all supporting statements and policies are available on the Fund website www.scotborders.gov.uk/pensions.

9. Review and Compliance with Best Practice

- 9.1 This Statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Fund.
- 9.2 The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via number of best practice principles. The Governance Compliance Statement that demonstrates the Fund's status against these standards is set out in the Annual Report and Accounts for the Fund.

Appendix A

Scottish Borders Council Pension Fund Scheduled and Admitted Bodies

Scheduled Bodies

- Borders College
- Scottish Borders Council
- Visit Scotland

Admitted Bodies

Active Admitted Bodies

- Amey Community Limited
- BC Consultants
- Borders Sport and Leisure Trust
- Gala Youth Project
- Jedburgh Leisure Facilities Trust
- Lothian and Borders Community Justice Authority
- Scottish Borders Housing Association

Admitted bodies with Deferred or Retired Members only

- Berwickshire Housing Association
- Heriot Watt (former Scottish College of Textiles)
- Project '80 Council Burnfoot
- Red Cross Housing Association
- Scottish Borders Careers

Appendix B

GOVERNANCE COMPLIANCE STATEMENT

The Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via number of best practice principles. The following table contains an assessment of the Fund’s compliance with these principles.

References to Sections relate to Sections within the main Governance Policy Statement (GPS)

Principle		Full Compliance	Comments
Structure			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes	The Scheme of Administration sets out the remit of the Pension Fund Committee (PFC). (see GPS Section 2.3)
B	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	Yes	ObserversNon-voting appointed members representing scheduled and admitted bodies and trade unions are invited to attendpart of the PFSC as observersPFC . (see GPS Section 3.5)
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	Minutes of Sub-Groups are submitted to PFC for approval. (see GPS Section 3.10)
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	Any Sub-Group established will have member(s) of the PFC as part of its membership. (see GPS Section 3.10)
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members), (iii) where appropriate, independent professional observers, and	Yes	ObserversNon-voting members representing scheduled and admitted bodies and trade unions are part of the PFC. The Independent Investment Consultant and key Finance Officers also attend in an advisory capacity.

Principle		Full Compliance	Comments
	(iv) expert advisors (on an ad-hoc basis)		(see GPS Sections 3.5 & 3.7)
B	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.	Yes	<p>All members of the PFC irrespective of voting rights are covered equally by the Training Policy.</p> <p>All members, following the amendment to the Scheme of Administration agreed by Council on 26 June 2013 [TBC], have equal rights to receive papers and access meetings in the same way.</p>
Selective and role of lay members			
A	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.	Yes	Part of Council's Code of Governance along with Member induction programme.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Yes	Part of Council's Code of Governance requires the declaration of members' interests as a standard agenda item on all committees.
Voting			
A	The policy of individual administering authorities on voting rights is clear and transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	This explained in GPS Section 3.5.

Principle		Full Compliance	Comments
Training/Facility time/Expenses			
A	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.	Yes	The Members Expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of Training Related Expenses..
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	
C	The Administering Authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The first Annual Training Plan was agreed in September 2012 and logs of training are being maintained.
Meetings (frequency/quorum)			
A	An administering authority's main committee or committees meet at least quarterly	Yes	(See GPS Section 3.8)
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with dates when the main committee sits	Not applicable	No formal secondary committee/panel
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	All members of the PFC are covered by the Scheme of Administration.
Access			
A	Subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Yes	Scheme of Administration changed by Council on 26 June 2013 [TBC] to change observers to non-voting members to enable this to happen.

Principle		Full Compliance	Comments
Scope			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes	The Scheme of Administration sets out the remit of the PFC (see GPS Section 2.3)
Publicity			
A	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.	Yes	PFC Minutes and Public papers available via website, as are various governance and schemed policy documents. (See GPS Section 8)

VERSION CONTROL TABLE

Version	Nature of Amendment	Date of Change	Author
2010 1.0	Creation of Governance Statement	24 February 2010	L Mirley
2010 1.1	Final Draft for Pension Fund Sub-Committee	2 March 2010	L Mirley
2010 2.0	Sub-Committee Approved Version	11 March 2010	L Mirley
2011 1.0	Final Draft for Pension Fund Sub-Committee and Annual Report	30 August 2011	L Mirley
2012 1.0	Updated for amendment to Scheme of Administration and update of Pension Fund Annual Report and Accounts 2011/12	12 June 2012	L Mirley
2013 1.0	Final Draft to reflect proposed changes to Scheme of Administration	18 June 2013	L Mirley

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