

SCOTTISH BORDERS COUNCIL
PENSION FUND COMMITTEE

MINUTE of MEETING of the PENSION FUND
COMMITTEE held in the Council Chamber,
Council Headquarters, Newtown St. Boswells
on 4 September at 10.00 am

Present:- Councillors B. White (Chairman), J. Campbell, M. Cook, G. Edgar, S. Mountford.
Apologies:- Councillors G. Logan, Mr A. Barclay, Mr J. Terras.
In Attendance:- Chief Financial Officer, Corporate Finance Manager, Mr Jeff Malluck – AON
Hewitt Consulting, Treasury and Capital Manager, Democratic Services Officer
(J. Turnbull).

MINUTE

1. There had been circulated copies of the Minute of Meeting of 17 June 2014.

DECISION:

NOTED for signature by the Chairman.

MEMBER

Councillor Cook joined the meeting during consideration of the following item.

RED RISK REVIEW

2. There had been circulated copies of a report by the Chief Financial Officer providing the Pension Fund Committee with an opportunity to review the Risks previously categorised as “Red” under the Council’s approach to managing risk, and updating members on progress made in mitigating the effect of these risks on the pension fund. Identifying and managing risk was a corner stone of effective management and was required under the CIPFA guidance “Delivering Governance in Local Government Framework 2007”. It was further reflected and enhanced in the “Local Government Pension Scheme” published by CIPFA. Appendix 1 to the report, detailed the progress of the additional control measures on the risks identified as “Red”. The Treasury and Capital Manager was in attendance and advised that a full risk review undertaken in June had identified two Red risks; with reference to risk 2.1, Members were advised that discussion had taken place with HR to consider the overall impact on the fund and progress was ongoing. The legislation changes, risk 6.2, continued to be monitored and the Pension Fund Committee would be informed of any impact on the fund. The Corporate Finance Manager advised that the new self-service system allowed staff to have electronic access to their annual pension statement, reducing printing and stationery costs and ensuring that accuracy was improved.

DECISION:-

(a) NOTED the progress on the Red risk items contained in Appendix 1 to the report.

(b) AGREED

- (i) To a quarterly Red and Amber risk review being undertaken with the next due in December 2014; and**
- (ii) To request a report to the December meeting detailing the composition and profile of Pension Fund membership.**

DRAFT ANNUAL REPORT AND ACCOUNTS 2013/14

3. There had been circulated copies of a report by the Chief Financial Officer, updating the Committee on the External Audit of the Pension Funds Annual Report and Accounts. The Pension Fund Annual Report and Accounts had been fully audited and received a draft unqualified audit opinion. The audit report was shown in Appendix 1 to the report. During the audit, minor presentational amendments had been required in the Statement of Investment Principles. These amendments were shown in Appendix 2 to the report. It was noted that there was a discrepancy in the KPMG report, on page 2, the last paragraph stated that "the three year rolling return on assets to 31 March 2014 was 9.2% compared to a benchmark of 8.5%", on page 4, paragraph 2 it read "The overall return of the fund over three years to 31 March 2014 was 8.9%". The Chief Financial Officer would clarify with KPMG the correct figure but highlighted the key issue was that the fund had increased by £40 million.

DECISION

(a) **NOTED the report; and**

(b) **AGREED to receive a copy of the final audited Annual Report and Accounts at the end of the audit to agree prior to its publication.**

UPDATE ON SCOTTISH LOCAL GOVERNMENT PENSION SCHEME REFORM

4. There was circulated at the meeting, a report by Chief Financial Officer, providing the Committee with an update on the progress of the implementation of the new Local Government Pension Scheme Regulations. This was being presented as a late report as it presented new information that had been recently made available and was useful for the Committee to consider prior to the December 2014 meeting as it related to work that needed to be in place by April 2015. As a result it had not been through the normal consultation process; however as this report was only to agree the first step to preparing the implementation of a Pension Board there would be future opportunities to consult on the proposals. Appendix 1 to the report set out the principles for governance arrangements. Each Pension Fund would be required to establish a Pension Board in addition to the Pension Fund Committee. Members were advised that the new Boards composition would be four members of employee representatives (non Council) and four Trade Union representatives. There would be an agreed training programme for all members of pension committees and pension boards. Members would have the opportunity to nominate a Chair to oversee the whole scheme. The Committee were concerned that there was a lack of clarity and responsibility, further information was required to enable understanding of what was required. The Corporate Finance Manager acknowledged the concerns of the Committee and advised that a workshop would assist with further detail and guidance to ensure compliance with the Pension Act legislation. The workshop would be held by the end of October to establish a draft constitution for each of the bodies; this would then be submitted to Council for approval.

DECISION

AGREED:-

(a) **That the Pension Fund Committee hold a workshop for Pension Fund Committee Members, Employer Bodies and Trade Unions to establish a draft constitution and model of working for the new Pension Board; and**

(b) **That the output of the workshop be presented to the Pension Fund Committee and Joint Consultative Group.**

PRIVATE BUSINESS

5. **DECISION**

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business contained in the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 6 and 8 of part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

Minute

1. The Committee noted the Private Minute of the meeting of 17 June 2014.

Minute

2. The Committee noted the Private Minute of the Pension Fund Appointment Sub-Group meeting of 22 August 2014.

Procurement Update.

3. The Committee noted an update by the Chief Financial Officer on the

Quarter Performance Update

4. The Committee noted a report by AON Hewitt Consulting.

Presentation – UBS

5. The Committee noted a report by UBS

Presentation – LGT

6. The Committee noted a report by LGT Capital Partners.

The meeting concluded at 13.00pm

PROFILE OF PENSION FUND MEMBERSHIP

Report by Chief Officer Human Resources

PENSIONS FUND COMMITTEE

11 December 2014

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Pension Fund Committee with the composition and profile of the membership of the Pension Fund. Details reflect current membership levels as at 6 November 2014.**
- 1.2 The report provides a breakdown of scheme membership by Admitted and Scheduled Body, by gender and full time equivalent pensionable salary.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee:-**
 - (a) Notes the composition and profile of the scheme membership as outlined in the report.**
 - (b) Notes that reports will be brought to Committee on an annual basis to monitor year on year changes in the composition and profile of scheme membership.**

3 BACKGROUND

- 3.1 At the September 2014 meeting a request was made for a report to be compiled detailing the composition and profile of the Pension Fund membership.
- 3.2 Within the Pension Fund risk register there is currently a red risk covering the potential "changes in composition of the Pension Fund membership", with the potential consequence of the risk being the "Fund matures more quickly than currently anticipated and this will require a complete review and potential change to the investment strategy and employer contributions levels".
- 3.3 There is also an amber risk within the Pension Fund risk register, in that there may be "insufficient funds to meet liabilities as they fall due to changes to active employment levels" with the potential consequence of the risk being the same as shown at 3.2 above.

4 PROFILE AND COMPOSITION

- 4.1 The Fund membership at the 31 March 2014 had increased by 245 to 9,556. This showed an increase of 68 contributing members.

Member Status	As at 31/03/2013	As at 31/03/2014
Contributing	4,298	4,366
Deferred	2,242	2,292
Pensioner/Dependants	2,771	2,898
Total	9,311	9,556

The positive effect on scheme membership is mainly attributable to those individuals who have opted to join the scheme following promotion of the scheme as employers complied with Auto Enrolment legislation.

- 4.2 Statistical analysis of the active scheme membership as at 6 November 2014 is included at Appendix 1.
- 4.3 The employer breakdown shows that Scottish Borders Council provides the highest number of scheme members by some distance, with over 4,000 scheme members, 91.75% of the active scheme membership.
- 4.4 The removal of the normal retirement age has seen an increase in the number of employees continuing to work, and be members of the pension scheme, past their 65th birthday.
- 4.5 The breakdown of employees by salary banding indicates that majority of employees fall into the lowest banding in terms of employee contribution rate and will be paying 5.5%. The remaining spread of scheme members is indicative of structures in the employing organisations with significantly lower numbers in the higher salary bands.
- 4.6 It is proposed that reports be presented to Committee on an annual basis to provide a breakdown of the profile and composition of the Fund membership, which will assist in the management of associated Fund risks.

5 IMPLICATIONS

5.1 Financial

- (a) There are no financial implications relating to this report.
- (b) The change in the profile of the Fund membership is nearing a tipping point where the number of pensioners and deferred members are outweighing the number of contributing members, this may lead to us changing our asset allocation in the near future towards income bearing assets.

5.2 Risk and Mitigations

The composition and profile of the scheme membership is a key consideration within the Pension Fund Risk Register, in terms of the make up of membership of the scheme. The composition and profile of scheme membership will be reviewed on an annual basis and will be included in future reports to Committee and consider on the Risk Register in accordance with the review timetable.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report. It should also be recognised that an independent Equality Impact Assessment of the scheme has been carried out.

5.4 Acting Sustainably

There are no significant effects on the economy, community or environment.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk and the Clerk to the Council have been consulted in the preparation of this report and any comments received have been incorporated into the final report.

Approved by

Chief Officer Human Resources

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager 01835 826696

Background Papers: Pension Fund Risk Register

Previous Minute Reference: Pension Fund Committee 4 September 2014

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

Contact us at Ian Angus, HR Shared Services Manager, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA; Tel: 01835 826696; Fax: 01835 825011; E-mail iangus@scotborders.gov.uk.

Appendix 1

The information within this document provides a statistical breakdown of the active membership of the Scottish Borders Council Pension Fund as at 6 November 2014.

Employer Breakdown

The following table provides a breakdown by Scheduled and Admitted Body of the number of Post Holding instances held by scheme members and the associated Full Time Equivalent (FTE).

Body	Post Holdings	FTE
AMEY	10	8.39
Borders College	147	95.91
Borders Sport & Leisure Trust	63	54.07
Lothian & Borders Community Justice Authority	3	1.95
Jedburgh Leisure Facilities Trust	2	2.00
Scottish Borders Council	4,008	2,776.49
Scottish Borders Housing Association	134	128.67
Visit Scotland	1	1.00
Total	4,368	3,068.48

Gender and Age Breakdown

The following table provides a breakdown of the scheme members by Gender and Age.

Age Band	Female		Male	
	Post Holdings	FTE	Post Holdings	FTE
Under 20	6	4.22	14	13.23
20 to 24	47	32.91	31	25.68
25 to 29	133	96.05	51	45.03
30 to 34	213	136.50	71	65.57
35 to 39	228	137.72	95	84.92
40 to 44	458	260.19	159	149.32
45 to 49	649	388.52	216	200.27
50 to 54	621	385.93	263	241.79
55 to 59	515	330.97	238	220.31
60 to 64	176	117.08	125	103.15
65 and above	35	14.91	24	14.21
Total	3,081	1,905.00	1,287	1,163.48

Salary Breakdown

The following table provides a breakdown of the scheme members by salary band, the salary band refers to the full time equivalent salary payable.

Salary Band	Post Holdings	FTE
Under 10,000	13	13.00
10,000 to 14,999	620	238.60
15,000 to 19,999	2,110	1,379.41
20,000 to 24,999	704	591.29
25,000 to 29,999	347	320.13
30,000 to 34,999	284	250.45
35,000 to 39,999	116	107.47
40,000 to 44,999	97	91.33
45,000 to 49,999	38	37.80
50,000 to 54,999	7	7.00
55,000 to 59,999	8	8.00
60,000 to 64,999	2	2.00
65,000 to 69,999	3	3.00
70,000 to 74,999	10	10.00
75,000 to 79,999	3	3.00
80,000 to 84,999	2	2.00
100,000 and above	4	4.00
Total	4,368	3,068.48

LOCAL GOVERNMENT PENSION SCHEME (2015)

Report by Chief Officer Human Resources

PENSIONS FUND COMMITTEE

11 December 2014

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Pension Fund Committee with a further update on progress made at a National level with regard to the design of the new Local Government Pension Scheme (LGPS) in Scotland, scheduled for implementation from 1 April 2015.**
- 1.2 Information regarding the main scheme changes following the laying of the legislation before parliament is included at Appendix 1.
- 1.3 The implementation plan, including the planned communication and training strategies, is included at Appendix 2 providing a clear plan of how the scheme changes, regarding the administration of the new scheme, will be delivered.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Pension Fund Committee:-**
 - (a) Notes the progress that has been made at a National level, particularly with the laying of the Scheme Regulations before the Scottish Parliament.**
 - (b) Notes the impact of the scheme design in relation to the contributions payable.**
 - (c) Notes the main changes to the scheme and that these have been conveyed to all current scheme members.**
 - (d) Approves the implementation plan, including the planned communication and training strategy that will be applied to ensure a smooth transition between the current and new schemes.**

3 BACKGROUND

- 3.1 The reform of the LGPS, as with all the main public sector pension schemes, follows Lord Hutton of Furness' report of March 2011 and the resulting Public Service Pensions Act 2013.
- 3.2 The Scottish Local Government Pensions Advisory Group (SLOGPAG), a partnership between COSLA, trade unions for Local Government in Scotland and the Scottish Government, have been meeting since October 2012 in order to agree the terms of the new scheme. Which they agreed on 12 December 2013 with the signing of the Heads of Agreement New Local Government Pension (Scotland).
- 3.3 The high level objectives for the reform of the LGPS were set as follows: -
- To ensure the sustainability of the scheme, the design of the new scheme should be such that existing members remain in the scheme and non-members are encouraged to join
 - Levels of contribution rates which ensure protection of the lowest paid within the workforce
 - Provide quality benefits to scheme members
- 3.4 The new scheme was also subject to a robust and independent Equality Impact Assessment to ensure it met all legislative equality requirements in both effect and intent; to include inter-gender and inter-generation equity.
- 3.5 The new LGPS (Scotland) will take effect from 1 April 2015 replacing the existing scheme from that date. As the new scheme commences all existing scheme members and new entrants will become members of the new LGPS (Scotland).

4 UPDATE

- 4.1 The Local Government Pension Scheme (Scotland) Regulations 2014 were laid before the Scottish Parliament on 9 June 2014 and will come into force from 1 April 2015. These regulations cover Membership, Contributions, Benefits and Administration.
- 4.2 The most significant changes within the above regulations are included within Appendix 1. This bulletin has been issued to all scheme members along with their Annual Benefit Statement and separately to all new scheme members who have joined the scheme since 1 April 2014. Additionally, this has been provided to representatives of all the current active Admitted and Scheduled Bodies.
- 4.3 The following scheme legislation changes will have an impact on the Pension Fund with regard to the level of contributions being collected: -
- Contribution rates for employees are determined based on actual pay rather than full time equivalent
 - Material changes in pay, excluding pay awards and increments, will result in a review of the scheme members contribution rate
 - Contributions are taken for all hours worked up to the standard full time working week for each post a scheme member holds

- 4.4 The impact of the above changes in the scheme legislation has been considered with regard to the Scottish Borders Council scheme membership. The following figures have been calculated based on the 2013/14 financial year.

	Amount (£)
Reduction in members contribution rate	-30,472.24
Additional employee contribution for extra hours worked up to full time	32,717.58
Additional employer contribution for extra hours worked up to full time	104,079.60
Net Effect	106,324.94

As a result of the changes to the scheme it is estimated, based on Scottish Borders Council employees only, that there will be an increase in the annual contributions collected for the Fund as shown above.

- 4.5 The requirement to re-evaluate contribution levels for material changes will increase the workload for the Pensions Administration Team, through an increase in the volume of changes to scheme member's records required to be processed on an annual basis.
- 4.6 The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 were laid before the Scottish Parliament on 22 August 2014 and will come into force from 1 April 2015. These regulations cover the preservation of benefits accrued under the current and previous scheme regulations and the protections being afforded in certain circumstances under the new regulations.
- 4.7 Appendix 1 also contains summarised details of the main protections being afforded to scheme members in the above regulations.
- 4.8 A detailed Implementation Plan with regard to the administration of the new scheme is included at Appendix 2. This highlights the main tasks that need to be carried out to ensure a smooth implementation and transition from the current to the new scheme.
- 4.9 Details of the communications planned are also included within the implementation plan. The following summarises the methodologies that we plan to utilise as we communicate with all stakeholder groups: -
- SB Update for SBC scheme members
 - Direct written correspondence with current scheme members
 - Written correspondence to the active Admitted and Scheduled Bodies
 - Meeting with active Admitted and Scheduled Bodies
 - Content on SBC Website
- 4.10 As a result of the significant changes to the scheme it is imperative that we as Administering Authority ensure we are fully trained in the new scheme legislation. To date representatives from the pensions administration team have attended a workshop on the impact the changes will have on payroll processing teams, the knowledge gained from this session will be passed on to all the active Admitted and Scheduled Bodies when we meet to discuss the implications of the scheme changes.

- 4.11 There are two further training events being arranged for January/February 2015 to discuss the new regulations. The first being practitioner training which will be delivered by the Local Government Association, providing the practical background to the legislative changes. The second covering the changes required to the Pensions Administration system which will be delivered by Aquila Heywood the system provider.

5 IMPLICATIONS

5.1 Financial

There are no financial implications beyond those contained in the report.

5.2 Risk and Mitigations

The implementation of the new LGPS legislation will add further complexity to the calculation of member benefits, with existing scheme members having up to 3 different benefits (pre 2009 service, 2009 to 2015 service and post 2015 service) accruing depending on membership. However, this is mitigated through the implementation of the new Pensions Administration System along with the software release which will ensure compliance with the new legislation. It will be key to monitor the impact on scheme membership and the impact that the proposed changes have on the level of income the Fund will receive.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report. It should also be recognised that an independent Equality Impact Assessment of the scheme has been carried out.

5.4 Acting Sustainably

There are no significant effects on the economy, community or environment.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk and the Clerk to the Council have been consulted in the preparation of this report and any comments received have been incorporated into the final report.

Approved by

Chief Officer Human Resources

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager 01835 826696

Background Papers:

The Local Government Pension Scheme (Scotland) Regulations 2014
The Local Government Pension Scheme (Transitional Provisions and Savings)
(Scotland) Regulations 2014

Previous Minute Reference: Pension Fund Committee 4 December 2013

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Your pension scheme is changing from 1 April 2015

From 1st April 2015 the Local Government Pension Scheme (LGPS) is changing. The bulletin gives you details on the changes which include: -

- Your pension built up to 31st March 2015 is **protected** and keeps the final salary link
- Your pension built up from 1st April 2015 will be worked out differently
- Your contributions, life and health cover will remain the same
- The scheme remains the same great deal, with your employer paying in around twice what you pay.

Main provisions of the LGPS from 2015

The table below shows the main provisions of the new LGPS for membership from 1st April 2015 compared to those of the current final salary scheme.

When you are paying into the scheme			
	Changing?	LGPS 2015	LGPS 2009
How your pension is worked out	Yes	Career Average Revalued Earnings (CARE) Pension from 1 st April 2015	Final Salary – all benefits built up to 31 st March 2015 worked out on final salary when you leave
Rate your pension builds up	Yes	Higher Rate of 1/49 th = yearly pension slice – see overleaf	1/60 th
Revaluation Rate	Yes	Consumer Price Index (CPI) – each annual pension is revalued to keep up with inflation	N/A
Pensionable Pay	Yes	Pay excluding non-contractual overtime, with additional hours included for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours
What you pay	In Part	Contribution rates based on actual pay, therefore, part time staff will pay a lower contribution rate	Contributions rates are based on your full time equivalent pay
Contribution Flexibility	Yes	Yes, with the option to pay 50% contributions for 50% pension benefit	Not available
Certificate of Protection	To be confirmed	Will continue, no details on how this will operate have been received	Yes
Retirement			
	Changing?	LGPS 2015	LGPS 2009
Normal Pension Age (when you can take your pension without reduction for early payment)	Yes	Equal to individual member's State Pension Age. To find out your State Pension Age have a look at www.gov.uk/calculate-state-pension	65
Retirement from Age 60	No Change	Retirement from age 60 onwards, but with reduction for early payment before Scheme Normal Pension Age	
Rule of 85 protection	No Change	Protection for some members against reduction for early payment	
Lump sum swap	No Change	Swap £1 of annual pension for £12 tax free cash lump sum	

Other Scheme Benefits			
	Changing?	LGPS 2015	LGPS 2009
Death in Service Lump Sum	No Change	3 times Pensionable Pay	
Death in Service Survivor Benefits	No Change	Pension paid to husband/wife, civil or nominated cohabiting partner and eligible children	
Ill Health Provision	No Change	Tier 1 – Immediate payment with service enhanced to age 65 Tier 2 – immediate payment with 25% service enhancement to age 65	
Annual Increase of pension being paid	No Change	Consumer Price Index	
Period you need to be in Scheme before a pension is payable	No Change	2 years	

What about the pension I have already built up?

If you are paying into the LGPS on 31st March 2015, you will automatically join the new CARE scheme. The entire pension you have built up in the LGPS before this date will be **fully protected**.

All benefits built up before April 2015 will continue to be based on your final year's pay when you leave the scheme. The membership you built up to 31st March 2015 will be used to calculate your final salary benefits when you leave.

Your Normal Pension Age is also protected. This means that the benefits you build up before April 2015 retain their Normal Pension Age under final salary scheme rules, which for almost all members is age 65.

Protection for those nearing retirement

There is protection for those nearing retirement who were paying into the Scheme on 31st March 2012 and remained in it on 31st March 2015. If you were born before 1st April 1957 and meet the qualifying conditions, your pension will be at least the same as you would have been paid under LGPS 2009.

How will your pension be worked out?

From 1st April 2015, your pension will be built up in separate annual 'slices' and every year the annual 'slices' will have inflation added. When you retire all these 'slices' are added together along with the pension built up to 31st March 2015 (which remains worked out on final salary) to give you a total pension payable.

More information

Visit www.scotlgps2015.org for more scheme information, pension examples, videos, calculators and the latest news. A new scheme booklet will be issued in advance of 1st April 2015.

Contacting us

You will be asked security questions when you contact us, including your full name, date of birth and national insurance number.

Email: - pensions@scotborders.gov.uk

Telephone: - 01835 825052 (Lync HR Shared Services Helpline 1 or 2) and ask for the Pensions Team

Disclaimer

This bulletin is based on our understanding of the Regulations proposed at this time. Some scheme Regulations are still to be approved by the Scottish Parliament and therefore changes may still apply.

New LGPS 2015 – Implementation Plan

Objectives

- To ensure the effective implementation of the 2015 Regulations
- Identify and work with key stakeholders to ensure that they are able to comply with the requirements of the new scheme
- Effectively communicate the key features of the new scheme with all stakeholders
- Carry out appropriate training to meet the individual needs of all the stakeholders
- Ensure pensions administration staff have sufficient knowledge and technical capability to implement the new scheme
- Ensure that appropriate Payroll and Pension Administration systems have the necessary software applied

Stakeholders

	Area of Interest
Internal	
Pensions Admin Team	Administer the LGPS (pay benefits, reconcile contributions, interpret legislation, etc.)
Payroll Team	Make deductions from pay and account for pension contributions deducted from SBC staff
HR Admin Team	Responsible for issuing contracts of service, with wording agreed in association with HR Advisory Team
HR Advisory Team	Represent employer interest and act as the main liaison with recognised Trade Unions
HR Systems	Responsible for ensuring the HR System calculates and deducts pension contributions in accordance with legislation
Corporate Finance	Liaison on budgetary and governance implications
Elected Members	Members of the LGPS Pension Committee
External	
Admitted & Scheduled Bodies	Members of the Scottish Borders Council Pension Fund – as listed in following table
SPPA	Responsible for making regulations, prior to them being paid before parliament, and providing guidance
SPLG	Quarterly meeting held with all Pension Funds in Scotland to discuss matters affecting the Funds generally
LGA	Provision of advice and support in association with SPPA
Aquila Heywood	Provider of the Pensions Administration System and responsible for ensuring this meeting the current legislation
Northgate	Provider of the Payroll System for SBC and responsible for ensuring they can meet the current legislation
GAD	Delivers actuarial guidance as required under the legislation
Barnett Waddingham – Fund Actuary	Carries out triennial actuarial valuation and provides information for final accounts on an annual basis
Trade Unions	Represent the employee interests of their membership

Contact Details for Admitted & Scheduled Bodies

Employer	Contact	Position	Address	E-mail
Scottish Borders Housing Association	Ms Carly Stewart	Director of Finance & Corporate Services	South Bridge House Whinfield Road Selkirk TD7 5DT	cstewart@sbha.org.uk
	Nicky Wood	Finance Manager		nwood@sbha.org.uk
Borders College	Mr Pete Smith	Director of Finance & Resources	Borders College Scottish Borders Campus Nether Road Galashiels TD1 3HF	psmith@borderscollege.ac.uk
	Debbie Kerr	Head of Human Resources		dkerr@borderscollege.ac.uk
Borders Sport and Leisure Trust	Mr Ewan Jackson	Chief Executive Officer	Melrose Road Galashiels TD1 2DU	Ewan.jackson@bslt.org.uk
BC Business Consultants	Same as Borders College			
Visit Scotland	Mr Richard Lamont	Rewards Manager	Visit Scotland Ocean point 1 94 Ocean Drive Edinburgh EH6 6JH	Richard.lamont@visitscotland.com
	Ms Linda Russell	Payroll Administrator		Linda.Russell@visitscotland.com
Jedburgh Leisure Facilities Trust	Ms Sharon Turnbull	Finance Manager	Laidlaw Memorial Pool Oxnam Road Jedburgh TD8 6QH	Info.lmp@btconnect.com
Lothian and Borders Community Justice Authority	Mr Rob Strachan	Chief Officer	Lothian & Borders CJA Scottish Borders Council Area Office Rosetta Road Peebles EH45 8HL	rscja@scotborders.gov.uk
Amey Community Limited	Mr Graeme Houston	Pension Support Consultant	Winchester House Heatley Road Oxford Science Park Oxford OX4 4GE	Graeme.houston@amey.co.uk onehr@amey.co.uk

The following Bodies have no active contributing members, deferred or retired members only, therefore will be excluded from communications: -

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

	Stage	Summary of Actions	Delivered
1	Gain knowledge of New Scheme Legislation		
1.1	The Local Government Pension Scheme (Scotland) Regulations 2014, laid before the Scottish Parliament 9 th June 2014	Study the regulations and asses the full impact of changes. Utilise technical help from SPPA, SPLG and LGA.	
1.2	The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, laid before the Scottish Parliament 22 nd August 2014	Study the regulations and asses the full impact of changes. Utilise technical help from SPPA, SPLG and LGA.	
1.3	The Local Government Pension Scheme (Governance) (Scotland) Regulations 2014	Currently under a period of consultation, due to close no later than 11 th November 2014	
2	Scheme Member Communications		
2.1	Issue initial information on scheme changes to SBC members	Arrange for inclusion in SB Update	November 2013
2.2	Issue initial information on scheme changes to other bodies members	Request this be issued by employing body	November 2013
2.3	Issue information on www.scotlgps2015.org website to SBC members	Arrange for inclusion in SB Update	November 2014
2.4	Issue information on www.scotlgps2015.org website to other bodies members	Request this be issued by employing body	October 2014
2.5	Issue details of scheme changes along with 2014 Annual Benefit Statements		November 2014
2.6	Issue details of scheme changes to those scheme members who joined the scheme on or after 1 st April 2014		
2.7	Issue details of scheme changes to all new members after 2.6		

	Stage	Summary of Actions	Delivered
	has been completed		
2.8	Review content on SBC website		
2.9	Issue new scheme booklet to all scheme members	Expected that this will be delivered by LGA in January 2015, will then need to be tailored to meet requirements of our Fund prior to issue	
2.10	Consider holding Roadshows for SBC members	Is there any merit in holding roadshows in order to deliver key messages of the changes to the scheme, likely that this will be off most interest to those nearing retirement age	
2.11	Consider holding Roadshows for other bodies members	As 2.10, gauge interest in holding such events in discussion with employer representatives	
3	Employer Communications		
3.1	Initial advice that LGPS is changing	Advise all bodies that the scheme is changing, providing details of the headline changes	November 2013
3.2	Follow up information, advising details of the www.scotlgps2015.org website and the payroll processing guidance	Letter to be issued to all bodies, enclosing links to the website and a copy of the payroll processing guide. Will also advise that a date is being set for a meeting with all bodies to discuss the impact of the requirements on them as employers	October 2014
3.3	Presentation to key employer staff (HR/Payroll/Finance)	Delivery of presentation designed by LGA	
3.4	Provide detailed information on key areas of change: <ul style="list-style-type: none"> • Tiered contribution determination • Material change for tiered contribution • Assumed pensionable pay • Reporting requirements (documentation) 		
3.5	Assist with modification of forms, procedures and policy statements for each of the bodies		
3.6	Assist with modification of wording included on bodies website relating to LGPS		
4	Staff Training		
4.1	LGA Employer Training	Attended by members of the Pensions Administration Team, dealing with the payroll processing requirements. Staff who attended the training session will be responsible for pulling together main changes and training materials for the other bodies	August 2014

	Stage	Summary of Actions	Delivered
4.2	LGA Administrators Practitioner Training	In the process of being arranged, likely to be delivered January/February 2015	
4.3	Pensions Administration Team Training – Regulations	Passing on of knowledge gained from above event to ensure all team members have the required knowledge to prepare them for the upcoming changes.	
4.4	Pensions Administration Team Training – Systems	Covering the changes required for system entry into the Altair application	
4.5	SBC Payroll Team Training – Regulations	Internal training session to deliver the key areas of change as described at 4.2	
4.6	SBC Payroll Team Training – Systems	Covering the changes required for system entry into the Resourcelink application	
5	Employer Training		
5.1	Training Session/Workshops on key areas of change: <ul style="list-style-type: none"> • Tiered contribution determination • Material change for tiered contribution • Assumed pensionable pay • Reporting requirements (documentation) 	Delivered as part of the employer communications session	
6	Software Changes		
6.1	Modification of the Aquila Heywood Altair Pension Administration System	2015 Pensions Reform Addendum signed July 2014	
6.2	Modification of the Northgate Resourcelink Payroll System	Northgate have delivered a solution for similar legislation in England & Wales	
7	Procedures and Documentation		
7.1	Identify procedures to be reviewed	Review all procedures and identify where changes are required	
7.2	Review all documentation and update references to new regulations	For both internal and external documents	
8	Policy Changes		
8.1	Identify any areas that require an employer policy to be updated	Where required, draft policy and then arrange for publication	

The above plan will be updated when tasks have been completed or new tasks need to be added.

RISK REGISTER UPDATE

Report by Chief Financial Officer

PENSION FUND COMMITTEE

11 December 2014

1 PURPOSE AND SUMMARY

- 1.1 **This report provides the Pension Fund Committee with an opportunity to review the Risks previously categorised as "Red" under the Council's approach to managing risk, and updates members on progress made in mitigating the effect of these risks on the pension fund.**
- 1.2 Identifying and managing risk is a corner stone of effective management and is required under the CIPFA guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 1.3 Appendix 1 details the progress of the additional control measures on the risk identified as "Red" and "Amber".
- 1.4 Appendix 2 details the new risks identified around possible changes to national jurisdictions and there initial scores

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Pension Fund Committee:-**
- (a) **Notes the progress on the Red and Amber risk items contained in Appendix 1**
 - (b) **Agrees to a quarterly Red risk review being undertaken with the next due in March 2015; and**
 - (c) **Agrees to the inclusion of the new risk contained in Appendix 2.**

3 BACKGROUND

- 3.1 Identifying and managing risk is a corner stone of effective management and is required under the CIPFA guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 3.2 The Risk Register has been developed in line with the Council's approach to risk management as set out in "Managing Risk: A Practical Guide to Risk Management in the Borders" and assesses risks using a risk score based on likelihood and impact. It has been further refined to reflect best practice "Managing Risk in the Local Government Pension Scheme" published by CIPFA.
- 3.4 A full risk review was undertaken in June 2014 and agreed the Council's policy of review cycle, as shown below was followed:

RED - 3 monthly reviews of action progress throughout the year

AMBER - 6 monthly reviews throughout the year coinciding with red reviews

YELLOW/
GREEN - Annual reviews, coinciding with red and amber reviews

This report forms the second of the 3 monthly reviews of the Red risk items and first of the 6 monthly reviews of the Amber risk items.

4 RISK PROGRESS

- 4.1 The current approved risk register contains 2 Red risks and 13 Amber risks. These are shown in **Appendix 1** with an update on progress in relation to the proposed actions.
- 4.2 At March Pension Fund meeting a number of new risks were identified in connection with changes in national jurisdictions which could have arisen from the Referendum and possible changes to the position of the United Kingdom within the European Union. These risks were not scored at the meeting and it was agreed they would be brought back to the December meeting. These are contained in **Appendix 2**. Due to the result of the Referendum only one risk remains a valid risk for inclusion in the risk register. This risk has been provisionally scored by Officers for discussion.

5 IMPLICATIONS

- 5.1 Financial
There are no direct financial implications of this report.
- 5.2 Risk and Mitigations
The purpose of providing the update to the Committee is as part of improving the risk management framework for the Pension Fund to demonstrate that it understands the risks faced and how it is proposing to manage, mitigate or tolerate these risks.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 **Carbon Management**

There are no direct carbon emissions impacts as a result of this report.

5.6 **Rural Proofing**

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 **Changes to Scheme of Administration or Scheme of Delegation**

No changes to the Scheme of Administration of Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted in the preparation of this report and any comments received on the report have been incorporated.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
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Background Papers:

Previous Minute Reference: Pension Fund Committee 4 September 2014

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treasuryteam@scotborders.gov.uk

Risk Register:

SCOTTISH BORDERS COUNCIL PENSION FUND

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures in Place	Proposed Additional Control Measures	Assessment of Residual Risk (likelihood x impact) With Control Measures		
					Likelihood	Impact	Risk Score
1. Asset & Investment Risks							
1.1	Poor/negative Investment Returns	Poor/negative investment returns leading to increased employer contribution rates. Significant rises in the employer contributions due to poor/negative investment returns. Cost involved in implementing changes to investment strategy	Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation. Scrutiny of Investment Manager performance by PFC.	Tolerate Risk. Enhance officer role in monitoring of investment returns to enable more timely action to be taken. Encourage more thorough challenge of Advisers and Fund Managers.	3	4	12
1.4	Poor investment Advice	Wrong decisions - poor return as a result of Investment Consultant advice	Robust procurement processes around the recruitment and appointment process. Continual review of Investment Adviser performance. Benchmark performance against other LAs. Use other information sources to validate advice and performance of Fund. Use independent Performance monitoring company.	Treat Risk. Regular benchmarking and cross verification of advice with other local authorities through the Local Government Pension Scheme(Scotland) Investment & Governance Group. Ongoing training for elected members of the PFC. Utilise independent performance monitoring service to provide an independent annual review/health check to the PFC.	3	4	12
1.5	Currency Management risk	Impacts on value and inability to meet future liability - negative impact on cash flow	Passive Currency hedge in place for Equity investments on major currencies. Monthly review of hedge levels.	Treat Risk. Procurement commenced to move currency hedge to 50% passive and 50% active management	3	3	9

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures in Place	Proposed Additional Control Measures	Assessment of Residual Risk (likelihood x impact) With Control Measures		
					Likelihood	Impact	Risk Score
1.6	Equity risk	Financial loss to the Fund due to market sector falling substantially.	Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation. Diversification of asset classes and investment managers. Scrutiny of Strategic Asset Allocation and Investment performance by PFC.	Tolerate Risk. Long term view of investment growth is required and will continue to use existing controls for the Pension Fund.	3	3	9
1.7	Active manager risk	Financial loss to the Fund due to investment manager underperformance.	Robust procurement processes around the managers placed on short lists. Diversification of investment managers. Continual monitoring of investment performance against benchmark, targets and tolerance, engagement with Investment Adviser in relation to monitoring external environment in respect of the individual investment managers. Scrutiny of Investment Manager performance by PFC. Monitoring of financial media.	Tolerate Risk.	3	3	9
1.10	Failure to react to major change in market/economics conditions	Impacts on value and inability to meet future liability - negative impact on cash flow	Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation. Scrutiny of Investment Manager performance by PFC.	Tolerate Risk.	3	4	12

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures in Place	Proposed Additional Control Measures	Assessment of Residual Risk (likelihood x impact) With Control Measures		
					Likelihood	Impact	Risk Score
2. Employer Risks							
2.1	Changes in composition of Pension Fund membership i.e. active/deferred/pensioners	Fund Matures more quickly than currently anticipated and this will require a complete review and potential change to the investment strategy and employers contribution levels.	Implementation of Auto enrolment for the Council met in July 2013. Adopted transitional arrangements until Sept 2017. Borders College staging date February 2014 and SBHA staging date April 2014. Pension Administration Strategy in place and monitored.	Treat Risk. Close monitoring of early retiral decisions and quantification of impact on pension fund to be included as part of the Council reports. Communication strategy to be developed linking to new self service systems currently being implemented.	4	4	16
2.5	Significant structural changes in employers membership, or not being advised of an employer closing scheme to new entrants due to affordability to employer.	Individual employers contribution levels becomes inappropriate, requiring review and increase. Adverse impact on cash flow and funding levels. Fund reaches maturity more quickly.	Employers (SBLT and SBHA) discussions taken place. 2 Officers, from largest employer, observers at Pension Committee. Full actuarial valuation undertaken on Triennial basis. Low number of admitted and scheduled bodies and any new admitted bodies are carefully considered before admission.	Implement Employer Liaison Group per Pension Administration Strategy. Initial meeting to be held XXX January 2015. To form part of communication strategy being developed	4	3	12

3. Resource & Skill Risks

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures in Place	Proposed Additional Control Measures	Assessment of Residual Risk (likelihood x impact) With Control Measures		
					Likelihood	Impact	Risk Score
4. Liquidity Risks							
4.1	Insufficient funds to meet liabilities as they fall due to changes to active employment levels	Fund Matures more quickly than currently anticipated and this will require a complete review and potential change to the investment strategy and employers contribution levels.	Funding Strategy Statement, Statement of Investment Principles and Triennial Valuation all work together to identify funding requirements and how these are met. Use of an Investment Consultant and Actuarial services as and when required.	Treat risk. Review to be undertaken of scenarios to identify timelines and impact of changing legislation. Scenarios to be undertaken once full changes to regulations known.	3	4	12
4.2	Employees can no longer afford to participate in the scheme	Reduced income into Fund	Limited measures in place. National negotiations on minimising employee contribution increases. Pay awards now being given. LGPS changes implementation of 50/50	Treat Risk. Ensure regular information is issued to employees setting out the continued benefits of scheme membership e.g. tax relief on contributions/employers contribution. Communication strategy being developed. Initial communication issued with annual benefits statements in November.	3	4	12
4.3	Inflation increases - Funds assets do not keep pace	Funding levels fall, SBC pay more contributions into Fund	Continual monitoring of investment performance, engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation.	Treat Risk. Regular dialogue with Fund Actuary. Attendance at Pension Fund Committee on an annual basis between triennial valuations.	3	3	9
4.5	Frequency of early retirements increases to levels in excess of the actuarial assumptions	Increase required in employer contributions.	Full actuarial valuation undertaken on Triennial Valuation. Regular information provided by Actuary on differences as they occur from assumptions.	Reduction in applications being supported seen in recent tranches of ER/VS applications. Will continue to monitor ER/VS applications and impacts.	4	3	12

No.	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures in Place	Proposed Additional Control Measures	Assessment of Residual Risk (likelihood x impact) With Control Measures		
					Likelihood	Impact	Risk Score

5. Administrative Risks

5.6	Loss of funds through fraud or misappropriation by an investment manager, custodian or other agent of the Fund.	Financial loss to the Fund	Fund Managers provide copies of annual Internal Controls report from their External Auditors. They are also required to operate to stringent FCA standards of operation. Legal recourse within contracts to Fund Managers	Tolerate Risk. Enhance oversight role of pension by council officers.	3	4	12
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6. Regulatory & Compliance Risks

6.2	Legislation changes	Loss of independence; impact on Fund value and benefits	Active participation in Scottish pension investment and administration networks. Involvement with COSLA discussions on Pensions.	Tolerate Risk. Seek to input into any of the legislative change through active membership of COSLA.	4	4	16
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7. Reputation Risks

7.4	Delays in implementation of decisions reduces the effectiveness of the decision	Loss incurred or reduce income received.	Decisions minuted and appropriate staff assigned to implement. Implementation timescales priorities according to risk levels and available resources levels.	Treat Risk Development of Business Plan to allow early identification and allocation of staff resources to actions.	3	3	9
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Risk Register:

SCOTTISH BORDERS COUNCIL PENSION FUND

No.	Risk Category	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i>			Risk Control Measures in Place	Assessment of Residual Risk (likelihood x impact) With Control Measures		
				Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score

New risks which will be scored at the December Pension Fund

		Changes in national jurisdictions	Reduction in income due to inability to reclaim holding tax	2	2	4	Monitoring of political position via news releases and group networks. Monitoring of future government elections	2	2	4
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Risk previously identified at time of Referendum - No longer required

		Changes to national currency due to changes in national jurisdictions	Adverse impact on non UK residents paid from pension fund due to currency fluctuations.				Monitoring of political position via news releases and group networks			
		Changes to national currency due to changes in national jurisdictions	Loss/gain on investments both UK and Global due to currency valuations							
		Changes to national currency due to changes in national jurisdictions	Increased volatility in the Gilts market				Monitoring of political position via news releases and group networks			
		Changes to Local Authority boundaries or responsibilities following changes to national jurisdictions.	Loss of Pension fund members to other organisations may result in inability to meet ongoing pension fund payments and result in maturity of fund.				Triennial valuation of fund undertaken and annual review of investment strategy.			