



**PENSION FUND COMMITTEE AND
PENSION BOARD
THURSDAY, 22 JUNE, 2023**

**Please find attached the report in respect of Item No. 10
on the agenda for the above meeting**

10.	Business Plan 2023/24 - 2025/26 (Pages 3 - 34) Consider report by Acting Chief Financial Officer. (Copy attached.)	10 mins
-----	--	---------

This page is intentionally left blank



BUSINESS PLAN 2023/24 – 2025/26

Report by Acting Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 June 2023

1 PURPOSE AND SUMMARY

- 1.1 This report presents the draft Pension Fund Business Plan 2023/24 – 2025/26 for approval by Committee.**
- 1.2 Best practice suggests that having a business plan for the pension fund is a good way of demonstrating compliance with the “Myners Principle” relating to effective decision making. Appendix 1 contains the first Pension Fund Business Plan, covering the period 2023/24 – 2025/26.
- 1.3 The Business Plan 2023/24 – 2025/26 identifies an Action Plan that will be delivered during the next three years to support the aims and objectives of the Fund.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Business Plan 2023/24 – 2025/26 as set out in Appendix 1 is approved.**

3 BACKGROUND

- 3.1 Local Government Pension Scheme (LGPS) administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These are referred to as the "Myners Principles" which are set out in the Statement of investment principles elsewhere on the committee agenda.
- 3.2 Best practice suggests that having a business plan for the Pension Fund is a good way of demonstrating compliance with the Myners Principle that relates to effective decision making.

4 PENSION FUND BUSINESS PLAN 2023/24- 2025/26

- 4.1 Appendix 1 contains the proposed Pension Fund Business Plan 2023/24 – 2025/26 (the Business Plan).
- 4.2 The Business Plan has been developed by officers in Human Resources and Finance and uses the template developed for the Council, with some adjustments to meet the specific needs of the Pension Fund.
- 4.3 The sections of the Business Plan are:
- a) Overview of the Pension Fund;
 - b) A summary of what must be done;
 - c) The Fund's aims and objectives;
 - d) A summary of successes and areas for improvement; including the actions completed in 2022/23 from the previous Business Plan;
 - e) Management of Risk Summary;
 - f) Key stakeholders;
 - g) An overview of the Fund's resources;
 - h) How Performance is managed;
 - i) The Fund's Action Plan, including performance indicators for 2023/24 – 2025/26.
- 4.4 The Action Plan is split into three objectives which support the Strategic Aims of the Fund. These are:
- a) Set levels of employer contributions that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund, and invest in assets that grows the Fund's assets in such a way that produces levels of employer contribution that are as stable as possible.
 - b) Deliver a High Quality Pension Service to Members.
 - c) Ensure that Scottish Borders Pension Fund is managed effectively, transparently and in compliance with legal requirements.

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer
Ian Angus	HR Shared Services Manager

Background Papers: Pension Fund Business Plan 2022/23 – 2024/25

Previous Minute Reference: Joint meeting Pension Fund Committee and Pension Fund Board, 29 June 2022.

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

Contact us at Pensions & Investments Team, Council Headquarters, Newtown St Boswells, Melrose, TD6 PSA
Tel: 01835 825249
email: [t&cteam@scotborders .gov.uk](mailto:t&cteam@scotborders.gov.uk)

APPENDIX 1

What we want to achieve ... (Objective)

Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund, and invest in assets that grows the Fund's assets in a such a way that produces levels of employer contribution that are as stable as possible

Page 7

How?				By whom?	By when?			IIA	
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	22/23	23/24	24/25		
P	1	Review Pension Strategies informed by 2023 Triennial Valuation Results							
		Monitor and report investment performance	P1-A1	P&I Manager	•	•	•		
		Undertake and complete Triennial valuation.	P1-B1 P1-B2	HRSS Manager P&I Manger		•		•	
		Approval and implementation of 2023 Triennial Valuation employer contribution results, including update of Funding Strategy Statement	P1-C1 P1-C2	HRSS Manager P&I Manager		•	•	•	
P	2	Maximise investment performance							
		Review Strategic asset allocation following completion of 2023 valuation	P2-A1	P&I Manager			•		
		Implementation of approved strategic asset allocation	P2-B1 P2-B2	P&I Manager	•				

PI ref.	How we will know we have achieved our objective ... (Performance Indicator)	Target	Progress
P1-A1	Fund Investment Performance at Benchmark	Attain or Exceed Benchmark return on annualised 3 Year Rolling Basis	The fund has not met its benchmark target in the last financial year. Review investment performance with Isio

			to see if there is way this could be enhanced.
P1-B1	Triennial Actuarial Valuation Funding Level of assets against liabilities	100%	
P1-B2	Data provision review to meet the requirements of Actuary	By 30/06/2023	Due 2023
P1-C1	Correct employer contribution rates in Pensions System for each employer	By 30/06/2021	Complete
P1-C2	Pension Fund Committee approval of Funding Strategy Statement	By 30/06/2022	Complete
P2 – A1	Undertake full review of strategic asset allocation	By 30/09/2024	Due 2024
P2 – B1	Agree plan for implementation of approved strategic asset allocation	By 31/12/2024	Due 2024
P2 – B2	Action plan for strategic asset allocation implementation	By 31/12/2024	Due 2024

What we want to achieve ... (Objective)

Deliver a High Quality Pension Service to Members

How?			By whom?	By when?			IIA	
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	22/23	23/24	24/25	
P 3	Develop and Implement an effective Communication Strategy for the Pension Fund							
		Review Communication Strategy and Action Plan in line with best practice and technological advancements	P3-A1	HRSS Manager	•	•	•	•
		Continue to proactively manage and engage Pension Fund Employers	P3-A2	HRSS Manager	•	•	•	
		Review all forms and communication material, including annual benefit statements	P3-A3 P3-A4	HRSS Manager P&I Manager	•	•	•	•
P 4	Ensure stability of Employers							
		Review of Employer covenants	P4-A1 P4-A2	HRSS Manager	•			
P 5	Ensure accuracy of Pension Records							

			Complete full reconciliation of Guaranteed Minimum Pension (GMP) amounts between Fund and HMRC	P5-A1 P5-A2	HRSS Manager	•			
			Consider the implications of the McCloud case	P5-A3	HRSS Manager	•			
			Consider the implications of the Goodwin case	P5-A4	HRSS Manager	•			
			Information requirements for Dashboard	P5-A5	HRSS Manager	•	•		
			Stronger Nudge on Pensions	P5-A6	HRSS Manager	•			
			Introduce Overpayment Policy	P5-A7	HRSS Manager	•			
			Review Privacy Notice	P5-A8	HRSS Manager	•			
P	6	Promotion of self service facility							
			Promotion and Improvement of self service facility	P6-A1 P6-A2 P6-A3	HRSS Manager	•	•		
P	7	System improvements to support home working							
			Consider implementation of workflow	P7-A1	HRSS Manager	•			
			Implementation of i-Connect for large employers	P7-A2	HRSS Manager	•			
			Digitisation of historical records	P7-A3	HRSS Manager	•			
			Continued promotion of availability for online payslip and P60's	P7-A4	HRSS Manager	•			

PI ref.	How we will know we have achieved our objective ... (Performance Indicator)	Target	Progress
P3- A1	Review of Communications strategy and action plan	30/09/2022	Complete
P3-A2	Hold Annual Employer Liaison Meeting	1 meeting by 31/03/2023	On track
P3-A3	Annual review of all forms, communication material, including annual benefit statements	31/08/2022	Complete
P3-A4	Development and publication of newsletter for publication and inclusion on Pension Fund web-site	31/12/2022	Delayed 31/03/2023

P4-A1	Review of admission agreement	31/12/2022	Delayed 31/03/2023
P4-A2	Review of employer guarantees	31/12/2022	Delayed 31/03/2023
P5-A1	Complete full reconciliation of Guaranteed Minimum Pension between Fund & HMRC	30/09/2022	Delayed 31/03/2023
P5-A2	Review of Common and Specific Data following annual review and return to The Pension Regulator.	31/12/2022	On track
P5-A3	Review all guidance and communication on McCloud case implications	31/03/2023	On track
P5-A4	Review all guidance and communication on Goodwin case implications	31/03/2023	On track
P5-A5	Review all guidance and communication of Pensions Dashboard, engaging with Pension Admin system provider as necessary	31/12/2023	Due 2023
P5-A6	Review all guidance and communication on Stronger Nudge on Pensions	30/09/2022	Complete
P5-A7	Present Overpayment Policy to Pensions Committee to improve governance arrangements	30/09/2022	Complete
P5-A8	Review the Privacy Notice to ensure this is in line with current data requirements	31/12/2022	On track
P6-A1	Promotion of self service to all active and deferred members	31/08/2022	Complete – Ongoing
P6-A2	Implementation of updated version of Self Service on a like for like basis	30/06/2023	Due 2023
P6-A3	Consider additional enhancements being developed for Self Service	30/06/2023	Due 2023
P7-A1	Implementation of workflow	31/12/2022	Delayed 30/06/2023
P7-A2	Implementation of i-Connect	31/12/2022	Delayed 30/06/2023
P7-A3	Digitisation of historical records	31/12/2023	Due 2023
P7-A4	Promotion of online payslips and P60's	31/03/2023	Complete – Ongoing

What we want to achieve ... (Objective)

Ensure that Scottish Borders Pension Fund is managed effectively, transparently and in compliance with regulation

How?			By whom?	By when?			EIA	
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	22/23	23/24	24/25	
P	8	Continue to develop robust governance and risk management						
		Review and update Governance Policy and Compliance Statement	P8-A1	P & I Manager	•		•	

			Develop and deliver 2021/22 Training Programme	P8-A2 & A4	P & I Manager	•			
			Implement monitoring per Responsible Investment Policy	P8-A5 & A6	P & I Manager	•			
			Review and update Pensions Administration Strategy	P8-A3	HRSS Manager	•	•	•	•
			Ensure the Pension Fund is prepared to meet any future reporting requirements from the Stewardship Code 2020	P8-A7 & A8	P & I Manager	•	•		
			Implementation of The Pension Regulator "Single Code"	P8-A9 & A10	HRSS Manager P&I Manager	•			
P	9	Review services provided by IT providers to ensure data is secure and adheres to cyber security requirements							
			Implement annual assurance requirement for IT providers	P9-A1, A2 & A3	HRSS Manager	•	•	•	•
P	10	Review services provided externally to ensure that these represent best value to the Fund							
			Undertake procurement exercise for Custodian	P10-A1	P & I Manager		•		
			Undertake procurement exercise for Actuary	P10-A2	HRSS Manager P&I Manager			•	
			Under review of provision of Pension Administration system	P10-A3	HRSS Manager		•		

PI ref.	How we will know we have achieved our objective ... (Performance Indicator)	Target	Progress
P8-A1	Pension Fund Committee approval of Governance Policy and Compliance Statement 2020	30/06/2022	Complete
P8-A2	Pension Fund Committee approval of Training Policy 2020 and Training Programme 2021/22	30/06/2022	Complete
P8-A3	Pension Fund Committee approval of Pensions Administration Strategy	30/09/2022	Delayed 31/03/2023
P8-A4	Training Needs Self-Assessment Levels from 2020/21 to 2021/22	30/06/2022	Complete
P8-A5	Agree Action plan for implement of Responsible Investment monitoring	30/06/2022	Complete
P8-A6	Provide revised responsible investment monitoring report format	31/12/2022	On track
P8-A7	Undertake review of Stewardship Code 2020 and recommendations for adherence	31/12/2022	Complete

P8-A8	Implement recommendation from Stewardship Code review	30/09/2022	Resubmitted
P8-A9	Undertake review of TPR Single code and highlight changes required to meet the new code	30/09/2022	Complete
P8-A10	Implement changes required to meet code requirements	31/12/2022	On track
P9-A1	Request assurance of cyber security policy being in place from Aquila Heywood on an annual basis	30/09/2022	Complete
P9-A2	Request assurance of cyber security policy being in place from CGI on an annual basis	30/09/2022	Request submitted
P9-A3	Request assurance of cyber security policy being in place from Hymans Robertson on an annual basis	30/09/2022	Request submitted
P10-A1	Undertake procurement exercise for Custodian	30/09/2023	Due 2023
P10-A2	Undertake procurement exercise for Actuary	31/12/2024	Due 2024
P10-A3	Under review of provision of Pension Administration system	31/03/2023	Due 2023

Scottish Borders Council Pension Fund

Business Plan 2023/24 – 2025/26

Page 13

Contents

Page No.

About The Pension Fund	3
What we <i>must</i> do	4
Our Aims and Objectives	5
Our Successes, Areas for Improvement and Self-Assessment	6
Managing Our Risk	7
Our Key Stakeholders	9
Our Resources	10
Managing Our Performance	11
Our Action Plan	13

Page 14

Any areas of our business plan that require an **Equality Impact Assessment** are indicated within the Service Area Action Plans.

About the Pension Fund

This section gives an overview of our services.

Local Government Pension Scheme

- Scottish Borders Council an Administering Authority for the Local Government Pension Scheme (LGPS)
- Defined Benefit Pension Scheme
- LAPF – LGPS Fund of the Year (Assets under £2.5 billion) winners in 2021

Pension Fund Funding & Investments

- **£866m Net Investment Assets** under management
- **110%** of estimated liabilities as 31 March 2020 funded – per Triennial Actuarial Valuation
- 17 Investment Managers managing funds under 32 different mandates
- Investments in Equities, Gilts & Bonds, Alternative Assets, Private Credit, Property and infrastructure
- Accounting and Administration of Investments undertaken by the Council’s Pensions and Investments Team
- AVC option provided by Standard Life

Pension Fund Governance

- Functions of Administering Authority overseen by **Pension Fund Committee**
- Regulatory compliance support provided by **Pension Fund Board**
- Financial Scrutiny undertaken by Audit Committee
- Supported by external Custodian, Actuary and Investment Adviser
- Governance arrangements set out in Governance Policy and Compliance Statement

Pensions Administration

- **12,561 members** – 4,842 actively contributing to the Fund
- **4,532 pensioners** in receipt of LGPS pension from the scheme amounting to **£28.3m p.a. in pension benefit payments**
- 17 Employer Bodies – Scottish Borders Council with 89.4% of the membership
- Administration of Pension Benefits undertaken by the Council’s HR Shared Services Team

What we *must* do

This section gives an overview of the most significant legislative requirements affecting our services. This list is not exhaustive.

Where changes to services have been proposed within the Service Directorate Business Plan the individual Service Area concerned will have reviewed the proposed change(s) with due regard to the relevant legislative powers and duties.

Legislative power	Duty to ...	Other Directive(s) ...	Mandatory	Discretionary	Partnership / Service Level Agreement (SLA)
Public Service Pensions Act 2013	Sets out the parameters of the Public Service Pension Schemes, the design of the benefits and the governance arrangements including the identification of The Pensions Regulator as the regulator for Public Service Pension Schemes.	Guidance Published by The Pensions Regulator	✓		
Local Government Pension Scheme (Scotland) Regulations 2018 and subsequent Amendments	Sets out the benefits payable and the duties of the Council as administering authority of for a pension scheme for persons working in local government service		✓		
Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014	Sets out the transitional arrangements for the Council in relation to the transition to the new scheme set out in the 2014 regulations		✓		
Local Government Pension Scheme (Governance) (Scotland) Regulations 2015	Sets out the requirements for Scheme Advisory Boards and Pension Boards		✓		
Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2016	Sets out the parameters around the management and investment of the pension assets and the creation of a separate bank account.		✓		

Key: **Legislative power**, i.e. by statute, **Duty to**, i.e. list of main legal duties, **Other Directive(s)**, i.e. not covered by statute, **Mandatory**, i.e. we have to, **Discretionary**, i.e. we have the power to but not required to, **Partnership / Service Level Agreement (SLA)**, i.e. done in partnership / on behalf of

Our Aims and Objectives

Primary Aim of the Pension Fund

To provide for members' pension and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis.

Achieved through the following Objectives:

Funding Objectives of the Pension Fund

- Set levels of employer contribution that will **build up a fund of assets that will be sufficient to meet all future benefit payments** from the Fund; and
- Build up the required assets in such a way that produces levels of **employer contribution that are as stable** as possible through:
 - Ensuring effective and efficient management of employer's liabilities; and
 - Allowing the return from investments to be maximised within reasonable risk parameters.

Pensions Administration Objectives of the Pension Fund

- Deliver a **High Quality Pension Service to Members** through:
 - Continually developing and improving efficient working arrangements, making use of digital means where possible; and
 - Striving to exceed the Fund's service standards

Governance Objectives of the Pension Fund

- Ensure that Scottish Borders Pension Fund is **managed effectively, transparently and in compliance with regulations**

Our Successes, Areas for Improvement and Self-Assessment

This section gives an overview of our recent successes and areas of service delivery that could be improved, as well as feedback we have received.

	Successes	Areas for Improvement/Development
Pensions Administration	<ul style="list-style-type: none"> Annual Benefit Statements issued on time via Members Self Service for active and deferred members Continual review of manual off-system processes to ensure they are fit for purpose and making use of technology where possible, to facilitate the hybrid working arrangements Processed payments to pensioners in accordance with recognised timelines in all instances Provision of member details to Fund Actuary as required Recalculation of Pension Benefits following delayed implementation of Pay Award for SBC scheme members 	<ul style="list-style-type: none"> Continue to improve engagement with Employers and potential scheme members via website and Members Self Service portal Changes to the models of service delivery will require increased focus on the admitted bodies and their agreements Conclude the GMP reconciliation project Implementation of I-connect to increase automation of provision of employer information to the Fund Digitisation of scheme member records to support shift to hybrid working Preparation for McCloud, Goodwin and Pensions Dashboard
Pension Funding and Investments	<ul style="list-style-type: none"> 3 year performance to March 2023 with investment returns of 6.6% on a rolling 3 year annualised basis compared to a benchmark of 10.2% 1 year performance of -4.8% against benchmark of 2.3%, in very volatile market conditions Review and improvement to Responsible investment including identification of key priorities Review of strategic asset allocation and good progress on its implementation 	<ul style="list-style-type: none"> Further develop the Funds policy and monitoring approach to Responsible Investment Progress data collection for future TCFD reporting requirements
Pension Fund Governance	<ul style="list-style-type: none"> Completion of 2022/23 Training program Regular reviews of Risk Register No actions arising from External Audit of the Annual Report & Accounts 2021/22 Responding to consultations either individually or collectively with other Scottish LGPS Funds 	<ul style="list-style-type: none"> Continue to develop the knowledge and skills for all members of Pensions Committee and Board Updating of all Policy and Strategy documents in line with the legislative changes Review and implementation of TPR Single code Comprehensive review of Risk Register

- Signatories of Stewardship Code

- Complete actions outlined from Stewardship Code and independent review carried out

Managing Our Risk

This section gives an overview of the key strategic risks and includes the respective mitigating actions.

The Pension Fund Committee reviews the Risk Register in accordance with the Council’s Risk Management Framework.

A full risk register review was undertaken in May 2022, with monitoring and reporting on a quarterly cycle to the Joint meetings of the Pension Fund Committee and Pension Fund Board. At its March 2023 joint meeting, the Committee and Board agreed to the proposal to refresh the Fund’s Risk Register. The table below summarises the risk register, as at 31 March 2023, by the Chartered Institute of Public Finance Accountants (CIPFA) Pension risk categories:

Risk Category	Risk Assessment					
	Before Controls/Mitigating Actions			After Controls/Mitigating Actions		
	Red	Amber	Green	Red	Amber	Green
Asset & Investment	5	7	-	-	9	3
Employer	1	6	-	-	2	5
Resource & Skill	-	5	-	-	1	4
Liability	2	5	-	-	2	5
Administrative	-	8	-	-	1	7
Regulatory & Compliance	4	2	-	1	3	2
Reputation	2	4	-	-	2	4
Total Number of Risks	14	37	0	1	20	30

Key Identified Risks which remain “Red” after existing controls and additional mitigating actions are as follows:

Risk	Inherent Risk Score	Controls/Mitigating Action(s)	Residual Risk Score
6.2 Changes in legislation and other regulatory frameworks may impact adversely on the Fund in terms of funding levels and governance structures	25	<p>Existing Controls: Participation in active CIPFA and Scottish Pension network allow changes and impacts to be identified quickly, Involvement with COSLA discussions on Pensions and monitoring and highlighting actions and decisions from scheme advisory board;</p> <p>Mitigating Actions: Seek to input into any of the legislative change through active membership of COSLA.</p>	16

Our Key Stakeholders

This section gives an overview of our key internal and external stakeholders, including community planning and cross-border partnerships.

Page 21

Internal	External	Cross-Border Partnerships / Other
Employees	Deferred and Pensioner Members	Scottish Pensions Liaison Group
Councillors	Investment Managers	Scottish Pensions Investments and Governance Group
Legal Services	Custodian – Northern Trust	Pensions & Lifetime Savings Authority
Finance & Procurement	Isio, Investment Advisor	Local Government Association
Local Trades Union Reps	Admitted & Scheduled Employers	
Human Resources	Scheme Advisory Board	
Democratic Services	Regional Trades Union reps	
	The Pensions Regulator	
	Scottish Public Pensions Authority (SPPA)	
	Scottish Government	
	Actuary – Hymans Robertson	
	Legal Advisors	
	Software Suppliers	
	Tax Advisers	

Our Resources

As at the 31 March 2022 the Fund's Net Investment Assets were valued at **£866m**

Page 22

Investment Manager	Asset Description	31-Mar-22	
		£'000	%
Baillie Gifford	UK Equities	31,138	3.6
Baillie Gifford	Global Equities	106,205	12.3
LGIM	Managed Fund - Passive Equities	92,733	10.7
UBS	Managed Fund - Property	13,664	1.6
BlackRock	Managed Fund – Long Lease Property	101,188	11.7
Morgan Stanley	Managed Funds - Global Equities	95,028	11.0
LGT	Managed Fund - Alternatives	48,862	5.6
M&G	Managed Fund - Diversified Income	118,834	13.7
M&G	Managed Fund – Index Linked	47,075	5.4
Permira	Managed Fund – Private Credit	26,096	3.0
Partners Group	Managed Fund – Private Credit	48,306	5.6
Macquarie	Infrastructure Debt	49,873	5.8
IFM Global	Infrastructure	30,535	3.5
Various (through LPFI)	Infrastructure	49,628	5.7
Cash	Internal	6,846	0.8
		866,011	100

During the financial year 2022/23 the benefits payable and contributions receivable from members and employers within the Fund were as follows:

	2022/23	
	Benefits Payable	Contributions Receivable
	£'000	£'000
Scottish Borders Council	25,317	20,203
Scheduled Bodies	658	1,019
Admitted Bodies	2,306	3,096
Total	28,281	24,318

Managing Our Performance

This section gives an outline of how performance will be measured, monitored and managed.

Pension Administration

- The **Pension Administration Strategy** (approved in December 2021) sets out the service standards that Employers can expect from the Fund and those expected from each Employer within the Fund.
- The annual performance against these service standards and performance measures set out in the Pensions Administration Strategy will be reported to the joint Pension Fund Committee/Pension Board meeting and then incorporated into the Fund's Annual Report and Accounts.

Investment Performance

- The **Statement of Investment Principles** (approved 21 March 2023) sets out the target long-term annual investment return for the Fund's assets of at least 3.8%. It also details the performance targets for each of the investment fund managers used by the Fund to benchmark returns, the service standards that Employers can expect from the Fund, and those expected from each Employer within the Fund.
- The quarterly performance report by the Investment Adviser is reviewed at the joint Pension Fund Committee/Board meetings. In addition, all of the investment managers attend at least one of the 4 monthly meeting of the Pension Fund Investment and Performance Sub-Committee to present a more comprehensive update on their performance.
- The Fund's Annual Report and Accounts will report the annual position and the annualised three year rolling average performance of the Fund and compare this against the Fund's benchmark and other Local Authority Pension Fund performance.

Funding Levels

- The **Funding Strategy Statement** sets a target of 100% funding level and stable employer contributions; this is assessed every three years by the Fund's Actuary.
- The last triennial valuation was undertaken as at 31 March 2020 and reported a certified 110% funding level and stability of employer contributions for open and active employer bodies.

Governance

- The Fund is required to report on its Governance in the Fund's Annual Report and Accounts. This includes an Annual Governance Statement and a Governance Compliance Statement.

Statutory returns

The Fund makes a number of statutory and other returns to Scottish Government, the Scheme Advisory Board and third party agencies / organisations, including the Office of National Statistics.

Benchmarking

Finally, the Fund is committed to assessing how it is performing and uses an independent performance service to provide additional analysis to assess investment performance relative to the market at a Fund, asset class and investment manager level.

Officers participate in the Scottish Pensions Liaison and Investments & Governance Groups which shares good practice and also gather comparative data on administration and investments across the 11 Scottish LGPS Funds.

The following Table provides an analysis of how the Fund's investments performed against the Fund's own benchmark:

Return on Investment as at 31/3/2023	1 year rolling return		3 year rolling return	
	Fund %	Bench ¹ %	Fund %	Bench ¹ %
Total Fund	-4.8	2.3	6.6	10.2
Global Equities	-3.1	-1.0	10.8	16.3
UK Equities	-1.6	3.0	9.0	14.1
Bonds	-9.4	-7.7	1.7	-0.3
Alternatives	2.7	8.3	6.8	5.8
Property	-13.0	12.2	0.8	10.1
Cash	-	-	-	-

Our Action Plan

Actions successfully completed during 2022/23

Key Tasks	PI ref.	Actions	Completed
Monitor and report investment performance	P1-A1	Fund Investment Performance at Benchmark on quarterly basis	Presented quarterly to Joint meeting
Implementation of approved strategic asset allocation	P2-B1	Agree plan for implementation of approved strategic asset allocation	Completed and approved by Committee 14 December 2021. No further action required during 22/23
	P2-B2	Action plan for strategic asset allocation implementation	
Review Communication Strategy and Action Plan in line with best practice and technological advancements	P3-A1	Review of Communications strategy and action plan	Revised strategy approved 15 September 2022
Continue to proactively manage and engage Pension Fund Employers	P3-A2	Hold Annual Employer Liaison Meeting	Regular communication and employer meeting 21 March 2023
Review all forms and communication material, including annual benefit statements	P3-A3	Annual review of all forms, communication material, including annual benefit statements	Annual Benefit statements were reviewed prior to production and loading to MSS. Other forms continue to be reviewed with a view to digitising wherever possible
Stronger Nudge on Pensions	P5-A6	Review all guidance and communication on Stronger Nudge on Pensions	All documentation relating to Transfers were reviewed to ensure they were compliant with the Stronger Nudge requirements
Overpayment Policy	P5-A7	Present Overpayment Policy to Pensions Committee to improve governance arrangements	Policy approved 13 December 2022
Review Privacy Notice	P5-A8	Review the Privacy Notice to ensure this is in line with current data requirements	Reviewed to ensure this meets the current arrangements during 2022
Promotion of Self Service facility	P6-A1	Promotion of self service to all active and deferred members	Initially rolled out in August 2021, continuing to promote the benefits

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

			of the system to all active and deferred members through various communication channels
Promotion of online payslips and P60's	P7-A4	Promotion of online payslips and P60's	Ongoing promotion and highlighted to any members who contact the Fund and included in new Pensioner communications
Review and update Governance Policy and Compliance Statement	P8-A1	Pension Fund Committee approval of Governance Policy and Compliance Statement	Completed and approved 29 June 2022
Review and update Pensions Administration Strategy	P8-A3	Pension Fund Committee approval of Pensions Administration Strategy	Completed and approved 14 December 2021
Develop and deliver 2020/21 Training Programme	P8-A2	Pension Fund Committee approval of Training Policy 2020 and Training Programme 2022/23	Completed and approved 29 June 2022
	P8-A4	Training Needs Self-Assessment Levels from 2019/20 to 2020/21	
Review and update Responsible Investment Policy and annual reporting	P8-A5	Review current and developing best practice for responsible investment	Monitoring report approved 24 September 2020
	P8-A6	Review current and developing best practice for responsible investment	Responsible Investment policy updated and approved 29 June 2022. Work continues to implement
Review services provided by IT providers to ensure data is secure and adheres to cyber security requirements	P9-A1	Request assurance of cyber security policy being in place from Aquila Heywood	Completed for 2022/23 with updates provided to Joint Meeting
	P9-A2	Request assurance of cyber security policy being in place from CGI	
	P9-A3	Request assurance of cyber security policy being in place from Hymans Robertson	

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

This section gives an overview of the **ACTIONS** that will be undertaken to achieve our objectives, the **PERFORMANCE INDICATORS** that will show whether we have achieved our objectives and the **RISKS** that will detail what may stop us from achieving our objectives.

What we want to achieve ... (Objective)

Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund, and invest in assets that grows the Fund's assets in a such a way that produces levels of employer contribution that are as stable as possible

How?			By whom?	By when?			IIA	
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	23/24	24/25	25/26	
P	1	Review Pension Strategies informed by 2023 Triennial Valuation Results						
		Monitor and report investment performance	P1-A1	P&I Manager	•	•	•	
		Undertake and complete Triennial valuation.	P1-B1 P1-B2	HRSS Manager P&I Manger	•			•
		Approval and implementation of 2023 Triennial Valuation employer contribution results, including update of Funding Strategy Statement	P1-C1 P1-C2	HRSS Manager P&I Manager	•	•	•	•
P	2	Maximise investment performance						
		Review Strategic asset allocation following completion of 2023 valuation	P2-A1	P&I Manager		•		
		Implementation of approved strategic asset allocation	P2-B1 P2-B2	P&I Manager	•	•		

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

PI ref.	How we will know we have achieved our objective ... (Performance Indicator)	Target	Non-recurring	Qtr	Ann
P1-A1	Fund Investment Performance at Benchmark	Attain or Exceed Benchmark return on annualised 3 Year Rolling Basis		•	
P1-B1	Triennial Actuarial Valuation Funding Level of assets against liabilities	100%	As at 31/3/2023 reported by 31/03/2024		
P1-B2	Data provision review to meet the requirements of Actuary	By 30/09/2023	•		
P1-C1	Correct employer contribution rates in Pensions System for each employer	By 30/06/2024			•
P1-C2	Pension Fund Committee approval of Funding Strategy Statement	By 30/06/2023			•
P2 – A1	Undertake full review of strategic asset allocation	By 30/09/2024	•		
P2 – B1	Agree plan for implementation of approved strategic asset allocation	By 31/12/2024	•		
P2 – B2	Action plan for strategic asset allocation implementation	By 31/12/2024	•		

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

What we want to achieve ... (Objective)

Deliver a High Quality Pension Service to Members

How?			By whom?	By when?			IIA	
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	23/24	24/25	25/26	
P	3	Develop and Implement an effective Communication Strategy for the Pension Fund						
		Review Communication Strategy and Action Plan in line with best practice and technological advancements	P3-A1	HRSS Manager	•	•	•	•
		Continue to proactively manage and engage Pension Fund Employers	P3-A2	HRSS Manager	•	•	•	
		Review all forms and communication material, including annual benefit statements	P3-A3 P3-A4	HRSS Manager P&I Manager	•	•	•	•
		Annual Newsletter	P3-A5	HRSS Manager P&I Manager	•			
P	4	Ensure stability of Employers						
		Review of Employer covenants	P4-A1 P4-A2	HRSS Manager	•			
P	5	Ensure accuracy of Pension Records						
		Complete full reconciliation of Guaranteed Minimum Pension (GMP) amounts between Fund and HMRC	P5-A1 P5-A2	HRSS Manager	•			
		Consider the implications of the McCloud case	P5-A3	HRSS Manager	•			
		Consider the implications of the Goodwin case	P5-A4	HRSS Manager	•			
		Information requirements for Dashboard	P5-A5	HRSS Manager	•	•		
		Review Overpayment Policy	P5-A6	HRSS Manager	•			
		Review Privacy Notice	P5-A7	HRSS Manager	•			
P	6	Promotion of self service facility						

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

			Promotion and Improvement of self service facility	P6-A1 P6-A2 P6-A3	HRSS Manager	•				
P	7	System improvements to support home working								
			Consider implementation of workflow	P7-A1	HRSS Manager	•				
			Implementation of i-Connect for large employers	P7-A2	HRSS Manager	•				
			Digitisation of historical records	P7-A3	HRSS Manager	•				
			Continued promotion of availability for online payslip and P60's	P7-A4	HRSS Manager	•				

PI ref.	How we will know we have achieved our objective ... (Performance Indicator)	Target	Non-recurring	Qtr	Ann
P3- A1	Review of Communications strategy and action plan	30/09/2023			•
P3-A2	Hold Annual Employer Liaison Meeting	1 meeting by 31/03/2024			•
P3-A3	Annual review of all forms, communication material, including annual benefit statements	31/08/2023			•
P3-A4	Development and publication of newsletter for publication and inclusion on Pension Fund web-site	31/12/2023		•	
P4-A1	Review of admission agreement	31/12/2023	•		
P4-A2	Review of employer guarantees	31/12/2023	•		
P5-A1	Complete full reconciliation of Guaranteed Minimum Pension between Fund & HMRC	30/09/2023	•		
P5-A2	Review of Common and Specific Data following annual review and return to The Pension Regulator.	31/12/2023			•
P5-A3	Review all guidance and communication on McCloud case implications	31/03/2024	•		
P5-A4	Review all guidance and communication on Goodwin case implications	31/03/2024	•		
P5-A5	Review all guidance and communication of Pensions Dashboard, engaging with Pension Admin system provider as necessary	31/12/2025			•
P5-A6	Review Overpayment Policy to ensure appropriate governance arrangements are in place	30/09/2023			•
P5-A7	Review the Privacy Notice to ensure this is in line with current data requirements	31/12/2023			•
P6-A1	Promotion of self service to all active and deferred members	31/08/2023			•
P6-A2	Implementation of updated version of Self Service on a like for like basis	31/12/2023	•		

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

P6-A3	Consider additional enhancements being developed for Self Service	31/12/2023	•		
P7-A1	Implementation of workflow	31/12/2023	•		
P7-A2	Implementation if i-Connect	31/03/2024	•		
P7-A3	Digitisation of historical records	30/06/2024			
P7-A4	Promotion of online payslips and P60's	31/03/2024			•

What we want to achieve ... (Objective)

Ensure that Scottish Borders Pension Fund is managed effectively, transparently and in compliance with regulation

How?			By whom?	By when?			EIA	
Action No.	How we will achieve our objective ... (Action)	Key Tasks	PI ref.	Owner	23/24	24/25	25/26	
P 8	Continue to develop robust governance and risk management							
		Review and update Governance Policy and Compliance Statement	P8-A1	P & I Manager	•	•	•	•
		Develop and deliver 2023/24 Training Programme	P8-A2 P8-A4	P & I Manager	•			
		Implement monitoring per Responsible Investment Policy	P8-A5 P8-A6	P & I Manager	•			
		Review and update Pensions Administration Strategy	P8-A3	HRSS Manager	•	•	•	•
		Ensure the Pension Fund in prepared to meet any future reporting requirements from the Stewardship Code 2020	P8-A7 P8-A8	P & I Manager	•	•		
		Implementation of The Pension Regulator “Single Code”	P8-A9 P8-A10	HRSS Manager P&I Manager	•			
P 9	Review services provided by IT providers to ensure data is secure and adheres to cyber security requirements							
		Implement annual assurance requirement for IT providers	P9-A1 P9-A2 P9-A3	HRSS Manager	•	•	•	•

Scottish Borders Council Pension Fund

Draft Business Plan 2023/24 – 2025/26

P	10	Review services provided externally to ensure that these represent best value to the Fund							
			Undertake procurement exercise for Custodian	P10-A1	P & I Manager	•			
			Undertake procurement exercise for Actuary	P10-A2	HRSS Manager P&I Manager		•		
			Under review of provision of Pension Administration system	P10-A3	HRSS Manager	•			

PI ref.	How we will know we have achieved our objective ... (Performance Indicator)	Target	Non Recurring	Qtr	Ann
P8-A1	Pension Fund Committee approval of Governance Policy and Compliance Statement	30/06/2023			•
P8-A2	Pension Fund Committee approval of Training Policy and Training Programme 2023/24	30/06/2023			•
P8-A3	Pension Fund Committee approval of Pensions Administration Strategy	30/09/2023			•
P8-A4	Training Needs Self-Assessment Levels from 2022/23 to 2023/24	30/06/2023			•
P8-A5	Agree Action plan for implement of Responsible Investment monitoring	30/06/2023	•		
P8-A6	Provide revised responsible investment monitoring report format	31/12/2023			•
P8-A7	Undertake review of Stewardship Code 2020 and recommendations for adherence	31/12/2023			•
P8-A8	Implement recommendation from Stewardship Code review	30/09/2023	•		
P8-A9	Undertake review of TPR Single code and highlight changes required to meet the new code	30/09/2023	•		
P8-A10	Implement changes required to meet code requirements	31/12/2023	•		
P9-A1	Request assurance of cyber security policy being in place from Aquila Heywood on an annual basis	30/09/2023			•
P9-A2	Request assurance of cyber security policy being in place from CGI on an annual basis	30/09/2023			•
P9-A3	Request assurance of cyber security policy being in place from Hymans Robertson on an annual basis	30/09/2023			•
P10-A1	Undertake procurement exercise for Custodian	30/09/2023	•		
P10-A2	Undertake procurement exercise for Actuary	31/12/2024	•		
P10-A3	Undertake review of provision of Pension Administration system	31/03/2023	•		

Additional Information

The public papers and minutes of the Pension Fund Committee are available on the Council’s website for Council papers via the following link:

<http://scottishborders.moderngov.co.uk/>

The Pension Fund’s key policy and strategy documents can be found on the Scottish Borders Council Pension Fund website via the following link:

www.scottishborderscouncilpensionfund.org

Page 33

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

Contact us at: -

Suzy Douglas, Acting Chief Financial Officer, Council Headquarters, Newtown St Boswells

01835 825881, sdouglas@scotborders.gov.uk

Ian Angus, HR Shared Services Manager, Council Headquarters, Newtown St Boswells

01835 826696, iangus@scotborders.gov.uk

This page is intentionally left blank