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PENSION FUND COMMITTEE AND PENSION BOARD THURSDAY, 22 JUNE 2023

A MEETING of the PENSION FUND COMMITTEE AND PENSION BOARD will be held VIA MICROSOFT TEAMS on THURSDAY, 22 JUNE 2023 at 10.00 AM

All attendees, including members of the public, should note that the public business in this meeting will be livestreamed and video recorded and that recording will be available thereafter for public view for 180 days

J. J. WILKINSON,
Clerk to the Council,

15 June 2023

BUSINESS		
1.	Apologies for Absence	
2.	Order of Business	
3.	Declarations of Interest	
4.	Minute (Pages 5 - 10) Minute of Meeting held on 21 March 2023 to be noted and signed by the Chairman. (Copy attached).	2 mins
5.	Pension Fund Investment and Performance Sub-Committee (Pages 11 - 14) To note the Minutes of the Pension Fund Investment and Performance Sub-Committee Meetings held on 28 June 2022 and 27 February 2023. (Copies attached.)	2 mins
6.	Internal Audit Annual Assurance Report 2022/23 for the Scottish Borders Council Pension Fund (Pages 15 - 20) Consider report by Chief Officer – Audit and Risk. (Copy attached.)	10 mins
7.	Governance Policy and Compliance Statement 2023 (Pages 21 - 40) Consider report by Acting Chief Financial Officer. (Copy attached.)	5 mins
8.	Pension Administration Performance 2022/23 (Pages 41 - 56) Consider report by Director – People, Performance and Change. (Copy	5 mins

	attached.)	
9.	Pensions Dashboard and Data Readiness (Pages 57 - 72) Consider report by Director – People, Performance and Change. (Copy attached.)	5 mins
10.	Business Plan 2023/24 - 2025/26 Consider report by Acting Chief Financial Officer. (To follow.)	10 mins
11.	Responsible Investment Monitoring - Project Plan (Pages 73 - 76) Consider update from Isio. (Copy attached.)	10 mins
12.	Pension Fund Budget Out-Turn to 31 March 2023 (Pages 77 - 82) Consider report by Acting Chief Financial Officer. (Copy attached.)	10 mins
13.	Information Update (Pages 83 - 108) Consider briefing paper by Acting Chief Financial Officer. (Copy attached.)	10 mins
14.	Draft Annual Report and Accounts 2022/23 Consider report by Acting Chief Financial Officer (To Follow.)	10 mins
15.	Any Other Items Previously Circulated	
16.	Any Other Items which the Chairman Decides are Urgent	
17.	Items Likely To Be Taken In Private Before proceeding with the private business, the following motion should be approved:- “That und Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 8 of Part 1 of Schedule 7A to the aforementioned Act.”	
18.	Minute (Pages 109 - 112) Private Section of Minute of Meeting held on 21 March 2023 to be noted and signed by the Chairman. (Copy attached).	2 mins
19.	Pension Fund Investment and Performance Sub-Committee (Pages 113 - 122) To note the Private Sections of the Minutes of the Pension Fund Investment and Performance Sub-Committee Meetings held on 28 June 2022 and 27 February 2023. (Copies attached.)	2 mins
20.	Investment Performance Quarter to 31 March 2023 (Pages 123 - 170) Consider report by Isio. (Copy attached.)	20 mins
21.	Quinbrook Renewables Impact Fund (Pages 171 - 206) Consider Investment Due Diligence and ESG Review report by Isio. (Copy attached.)	10 mins

22.	ESG Impact Assessment - 6 Month Progress Report (Pages 207 - 246) Consider report by Isio. (Copy attached.)	15 mins
23.	TCFD - Strategy and Risk Management (Pages 247 - 278) Consider report by Isio. (Copy attached.)	15 mins

NOTES

- 1. Timings given above are only indicative and not intended to inhibit Members' discussions.**
- 2. Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

Membership of Committee:- Councillors D. Parker (Chairman), P. Brown, C. Hamilton, W. McAteer, D. Moffat, S. Mountford, S. Scott, J. Pirone, Mr D Bell, Mr A Daye, Mr M Drysdale, Mr M Everett, Ms K M Hughes and Ms K Robb

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**SCOTTISH BORDERS COUNCIL
PENSION FUND COMMITTEE AND PENSION BOARD**

MINUTES of Meeting of the PENSION
FUND COMMITTEE AND PENSION
BOARD held via Microsoft Teams on
Tuesday, 21 March 2023 at 10.00am.

Present:- Councillors D. Parker (Chairman), P. Brown, C. Hamilton, W. McAteer, D. Moffat, S. Mountford, W. McAteer, J. Pirone, S. Scott, Mr D. Bell, Mr M. Drysdale, Mr M. Everett, and Ms L. Stephen.

Apologies:- Mr A. Daye, Ms K M Hughes and Ms K Robb

In Attendance: Chief Executive, Acting Chief Financial Officer, Chief Legal Officer, HR Shared Services Manager, Democratic Services Officer (D. Hall).

Also in Attendance: Mr A Ross and Mr A Singh (Isio), Mr J Boyd and Ms S Harold (Audit Scotland)

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 12 December 2022.

DECISION

NOTED for signature by the Chairman.

2. **PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**

There had been circulated copies of the Minute of the Meeting of the Pension Fund Investment and Performance Sub-Committee held on 31 October 2022.

DECISION

NOTED for signature by the Chairman.

2. **STATEMENT OF INVESTMENT PRINCIPLES**

There had been circulated copies of a report by the Acting Chief Financial Officer which proposed the revised Statement of Investment Principles (SIP) for 2023. The report explained that the SIP should be kept under review and updated and approved annually in line with the Pension Fund's business plan. The report discharged that requirement. The Pension Fund was required by the Local Government Pension Scheme Regulations to have an up-to-date Statement of Investment Principles. Appendix A to the report contained the revised Statement of Investment Principles. The Acting Chief Financial Officer, Mrs Suzy Douglas, presented the report and provided an overview of the SIP. Mr Andrew Singh of Isio explained that the report represented an annual refresh of the principles which govern the Fund. Members welcomed the report.

DECISION

AGREED to approve the Statement of Investment Principles contained in Appendix A to the report.

3. **RISK REGISTER UPDATE**

With reference to paragraph 2 of the Minute of the Meeting held on 13 December 2022 there had been circulated a report by the Acting Chief Financial Officer which formed part of the risk review requirements and provided an update on the risk register. The report explained that identifying and managing risk was a cornerstone of effective management and was required under the Council's Risk Management Policy and

process guide and CIPFA's guidance "Delivering Governance in Local Government Framework "2007". It was further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA. Following the Committee meeting on 13 December 2022 the Council had appointed Isio to assist with the management of the Pension Fund. As part of their remit, they had reviewed the risk register and had made a number of observations and comments. In response to a question regarding the appointment of Isio to assist with management of the Fund, Mrs Douglas confirmed that the appointment was on an interim basis whilst SBC went through the recruitment process to hire an in-house Pension Fund Manager. Mrs Douglas confirmed that additional costs would be incurred by the Fund due to the extra work carried out by Isio, and undertook to share the details with Members. Members highlighted that the Fund had been quick to respond to the recommendations of Clare Scott's report, and had taken steps to reduce the number of risks within the register promptly.

**DECISION
AGREED:-**

- (a) to a review of the Risk Register as outlined the report; and**
- (b) to the timetable set out in paragraph 3.1 (f) of the report.**

4. PENSION FUND BUDGET MONITORING TO 31 DECEMBER 2022

With reference to paragraph 4 of the Minute of the Meeting held on 12 December 2022, there had been circulated copies of a report by the Acting Chief Financial Officer which provided an updated position of the Pension Fund budget to 31 December 2022 including projections to 31 March 2023. The Local Government Pension Scheme (Scotland) Regulation 2014 required Administering Authorities to ensure strong governance arrangements and set out the standards they were to be measured against. To ensure the Fund met the standards, a budget was approved on 17 March 2022 following the recommendations within the CIPFA accounting guidelines headings. The report was the third quarterly monitoring report of the approved budget. The total expenditure to 31 December 2022 was £3.739m, with a breakdown provided within the report. Total projected expenditure was £7.4m. Mrs Douglas presented the report and highlighted that the majority of the budget was based upon investment manager costs, which were in turn based on investor returns. It had been determined that it would be helpful to delay the setting of the budget until the 2022/23 outturn position was known, and that approval for the budget would therefore be sought at the next meeting. The third quarter expenditure for investment management fees was not available and therefore had not been included in the monitoring to 31 December 2022, and would be reflected in the report which would be presented at the next meeting of the Committee. In response to a question regarding the inclusion of the additional costs incurred with Isio in the 2022/23 outturn, Mrs Douglas confirmed that they would be included. Regarding the budget for 2023/24, Mrs Douglas confirmed that the proposed budget would be presented to the Committee in June. The final 2022/23 outturn would also be presented at that meeting. In response to a question regarding a fall in investment income in Quarter 4 compared to the preceding 12 months, the Chief Executive explained that investment income was highly variable in terms of quarterly performance, and that it was premature to state whether that formed part of an ongoing trend. There were no long term concerns regarding investment income.

**DECISION
AGREED to:**

- (a) note the actual expenditure to 31 December 2022; and**

(b) note the projected out turn position to 31 March 2023.

5. INTERNAL AUDIT PLAN 2022/24 FOR THE SCOTTISH BORDERS COUNCIL PENSION FUND

With reference to paragraph 10 of the Minute of the meeting held on 17 March 2022 there had been circulated copies of a report by the Chief Officer Audit and Risk which presented the Internal Audit Annual Plan 2022/23/24 for approval to enable the Chief Officer Audit and Risk to provide the required audit opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment. The report explained that the Public Sector Internal Audit Standards (PSIAS) required the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, to establish risk based plans to set out the areas of Internal Audit activity, consistent with the objectives of the Pension Fund. A fundamental role of the Internal Audit function was to provide senior management and members with independent and objective assurance, which was designed to add value and improve the organisation's operations. In addition, the CAE was also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment. The proposed Internal Audit Annual Plan 2023/24 for the Pension Fund in Appendix 1 to the report set out the range and breadth of audit areas and sufficient audit activity to enable the CAE to prepare an Internal Audit annual opinion for the Pension Fund. Key components of the audit planning process included a clear understanding of the organisation's functions, associated risks, and assurance framework. There were resources currently in place to achieve the Internal Audit Annual Plan 2023/24 for the Pension Fund and to meet its objectives. The Chief Legal Officer presented the report and explained that the Chief Officer Audit and Risk had been unable to attend. It was hoped that a change in format of the Audit would provide a greater level of transparency. The number of internal audit days deployed to the Pension Fund audit had increased from 5 to 20.

**DECISION
AGREED to**

(a) approve the Internal Audit Annual Plan 2023/23 for the Scottish Borders Council Pension Fund; and

(b) note that any changes in-year would be brought back for approval.

6. EXTERNAL AUDIT PLAN 2022/23

There had been circulated copies of the External Annual Audit Plan 2022/23 for the Scottish Borders Council Pension Fund prepared by Audit Scotland. The Chairman welcomed Mr John Boyd and Ms Stephanie Harold of Audit Scotland to the meeting to present the report. Mr Boyd explained that his team had been appointed as Auditor of the Fund for a five year period. The Plan for 2022/23 was comparable to preceding years. The main elements of Audit Scotland's work would include an evaluation of the key controls within the main accounting systems; an audit of the annual accounts and the provision of an independent Auditor's Report; an opinion on statutory information published in the annual accounts, comprising the Management Commentary, the Annual Governance Statement and the Governance Compliance Statement; and consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes. Regarding materiality, Mr Boyd explained that planning materiality had been set at 1.5% of gross investment assets based on the Quarter 2 2022/23 investment performance reporting. Considerable focus would be paid to asset performance. Audit Scotland were required to report to those charged with governance on all unadjusted misstatements more than the reporting threshold amount, which was set at 2%, or £250k. The report outlined two areas of risk, material misstatement due to fraud caused

by the management override of controls; and estimation applied to Level 3 Investments, which had been identified as significant risks of material misstatement to the financial statements. Those risks had the greatest impact on planned audit procedures. Level 3 investments were an inherent risk due to the subjectivity and estimation in their values as they were not based on published market data. The report outlined planned responses, which included engagement with investment managers and assessments of their controls on valuation and analytical procedures. Mr Boyd highlighted that a final area of focus for Audit Scotland would concern the estimations applied to the International Accounting Standard (IAS) 26 actuarial valuation. An assessment of the assumptions applied by the Fund through the appointed actuary would be carried out. The annual report would also include findings related to the financial management; financial sustainability; vision, leadership and governance; and the use of resources to improve outcomes. Mr Boyd confirmed that the statutory deadline for the independent auditors report was 30 September 2023, and that he expected to present the report to the Committee by that time.

DECISION

AGREED to approve the Scottish Borders Council Pension Fund External Audit Plan 2022/23.

7. INFORMATION UPDATE

There had been circulated copies of a briefing paper by the Acting Chief Financial Officer which provided an update on a number of areas which were being monitored and areas where work was progressing. Full reports on the individual areas would be tabled as decisions and actions were required. The HR Shared Services Manager confirmed that Fund officers were working with Hymans Robertson as part of the triennial evaluation, and an indicative timeline had been provided. Formal training with Hymans Robertson was expected to be carried out at a future date. The Acting Chief Financial Officer provided a positive update on the Fund's application as a signatory to the UK Stewardship code to the UK Financial Reporting Council. The application had been successful, and the accreditation put the Fund in a select group of LGPS funds who had also become signatories. Further areas of improvement and future actions would be required to maintain the accreditation, and a further report would be brought to the Committee outlining an action plan for delivery. Future training opportunities would be circulated when they became available. It was agreed that future meetings of the Pension Fund Investment and Performance Sub-Committee would be held in person. Expenses would be incurred where Fund Managers had to travel in order to attend the meeting. In response to a question regarding the costs incurred as part of the Stewardship Code, the Chief Executive confirmed that there was a small fee, in the context of the Fund, and that the code demonstrated that the Fund was meeting the highest standard of governance. Regarding whether the Fund should focus on delivering profits over administrative matters, the Chief Executive highlighted that the Fund was well diversified and protected.

DECISION

NOTED

8. PRIVATE BUSINESS

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to excluded 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 paragraph 6 and 8 of Part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

9. **MINUTE**
The Committee considered the Private Minute of the Meeting held on 13 December 2022.
10. **PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**
The Committee considered the Private Minute of the Meeting of the Pension Fund Investment and Performance Sub-Committee held on 31 October 2022.
11. **QUARTER 4 INVESTMENT PERFORMANCE REPORT**
The Committee noted the Quarter 4 Investment Performance report by Isio.
12. **BAILLIE GIFFORD EQUITY ALLOCATION – PERFORMANCE ANALYSIS**
The Committee noted a report by Isio on Baillie Gifford's performance and agreed to hold a special meeting.

The meeting concluded at 11.40 am.

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**SCOTTISH BORDERS COUNCIL
PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**

MINUTES of Meeting of the PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE held via MS Teams on Tuesday, 28 June 2022 at 2.00 pm

Present:- Councillors D Parker (Chairman), S. Mountford and S. Scott
Apologies:- Councillors P. Brown, C. Hamilton, W. McAteer, D. Moffat and Ms K M Hughes
In Attendance:- Director Finance and Corporate Governance, Pension & Investments Manager, Ms A Buchanan (Isio), Mr A Ross (Isio), Mr A. Singh (Isio), Democratic Services Officer (D. Hall)

1. **MINUTE**

There had been circulated copies of the Minute of the meeting held on 28 February 2022.

DECISION

NOTED for signature by the Chairman.

2. **ITEMS LIKELY TO BE TAKEN IN PRIVATE**

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

3. **PRIVATE MINUTE**

The Sub-Committee noted for signature the Private Minute of the meeting held on 28 February 2022.

4. **INVESTMENT MANAGER BRIEFING PAPER**

The Committee noted a Manager Briefing Paper by Isio.

5. **PRESENTATION - PARTNERS GROUP**

The Committee noted a presentation by Partners Group.

6. **PRESENTATION - PERMIRA CREDIT SOLUTIONS**

The Committee noted a presentation by Permira Credit Solutions.

7. **PRESENTATION - LGT CAPITAL PARTNERS**

The Committee noted a presentation by LGT Capital Partners.

The meeting concluded at 4.50 pm

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SCOTTISH BORDERS COUNCIL PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE

MINUTES of Meeting of the PENSION FUND
INVESTMENT AND PERFORMANCE SUB-
COMMITTEE held Via Microsoft Teams on
Monday, 27 February 2023 at 10.00 am

Present:- Councillors D. Parker (Chairman), W. McAteer, D. Moffat, S. Mountford,
S. Scott, Ms K M Hughes and Ms K Robb.
Apologies:- Councillors P. Brown and C. Hamilton
In Attendance:- Chief Executive, Acting Chief Financial Officer, Mr. A Ross (Isio), Mr A. Singh
(Isio) and Democratic Services Officer (D. Hall)

1. **MINUTE**
There had been circulated copies of the Minute of the meeting held on 31 October 2022.

DECISION
NOTED for signature by the Chairman.

2. **PRIVATE BUSINESS**
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

3. **PRIVATE MINUTE**
The Sub-Committee noted for signature the Private Section of the Minute of the meeting held on 31 October 2023.
4. **INVESTMENT MANAGER BRIEFING PAPER**
The Committee noted a Manager Briefing Paper by Isio.
5. **PRESENTATION - IFM**
The Committee noted a presentation by IFM.
6. **PRESENTATION - BLACKROCK**
The Committee noted a presentation by BlackRock.
7. **PRESENTATION - MACQUARIE**
The Committee noted a presentation by Macquarie.

The meeting concluded at 1.05 pm

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INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23 FOR THE SCOTTISH BORDERS COUNCIL PENSION FUND

Report by Chief Officer Audit & Risk

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 June 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to present the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2022/23, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment.**
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Officer Audit & Risk provides an annual internal audit opinion and report on the adequacy and effectiveness of the Pension Fund's governance, risk management and internal controls to support the preparation of the Pension Fund's Governance Compliance Statement.
- 1.3 To meet the requirements of the PSIAS the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2022/23 includes the required Internal Audit annual opinion, provides details of the Internal Audit activity during the year to support the opinion, and states the conformance of the Council's Internal Audit service with the PSIAS.
- 1.4 The Chief Officer Audit & Risk's opinion is that there are generally sound systems of governance, risk management and internal control operating within the Scottish Borders Council Pension Fund during 2022/23. Some areas for improvement were identified.
- 1.5 The Internal Audit independent assurance opinion has been incorporated in the Pension Fund's Annual Governance Statement within the Annual Report and Accounts for the year to 31 March 2023.

2 RECOMMENDATIONS

- 2.1 I recommend that the Joint Pension Fund Committee and Pension Fund Board acknowledges the independent assurance provided on internal controls and governance arrangements as set out in the Internal Audit Annual Assurance Report 2022/23 for the Scottish Borders Council Pension Fund.**

3 BACKGROUND

- 3.1 The Joint Pension Fund Committee and the Pension Fund Board approved the Internal Audit Annual Plan 2022/23 for the Scottish Borders Council Pension Fund at its meeting on 17 March 2022. The Internal Audit Annual Plan sets out the range and breadth of audit areas and sufficient audit activity to enable the Chief Officer Audit and Risk to provide the required audit opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment.
- 3.2 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:
"The chief audit executive [SBC's Chief Officer Audit & Risk] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- The annual report must incorporate:
- the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

4 SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23

- 4.1 The Chief Officer Audit & Risk's opinion is that there are generally sound systems of governance, risk management and internal control operating within the Scottish Borders Council Pension Fund during 2022/23. Some areas for improvement were identified.
- 4.2 During 2022/23 the Internal Audit work included:
- a) An appraisal of the operation of corporate governance and risk management arrangements;
 - b) A review of key controls including pension administration and financial management arrangements in place;
 - c) A review of business plan objectives and outcomes.

Corporate Governance and Risk Management

- 4.3 The Fund has effective governance arrangements in place through the joint meetings of the Pension Fund Committee and the Pension Fund Board that support scrutiny and transparency of decisions made. A Skills and Knowledge self-assessment is carried out annually by Members, a Training Plan is proposed to meet those needs, and Members' participation in training events is monitored and reported to ensure Training policy commitments are met.
- 4.4 The Independent Adviser submitted a report 'Review of Governance of the Scottish Borders Council Pension Fund' with recommendations to the December 2022 meeting of the Pension Fund Committee and the Pension Fund Board. Those recommendations relating to Governance should also be considered and implemented. The Internal Audit review of the Pension Fund's Governance Policy and Compliance Statement identified that minor modifications are required to reflect practices actually in operation.

- 4.5 Identifying and managing risk is a cornerstone of effective management and the Risk Register for the Pension Fund has been developed in line with CIPFA guidance "Managing Risk in the Local Government Pension Scheme". The joint meeting of Pension Fund Committee and Pension Board received risk management updates on a quarterly basis to demonstrate appropriate scrutiny and oversight of risk management, including in June 2022 the outcomes of a full risk review carried out in May 2022 supported by a full version of the risk register.
- 4.6 A clear relationship exists between risk management and the Business Plan, and the Risk Register incorporates Investment and ESG risks in line with the Policy Framework of the Pension Fund. Overall, the Risk Register for the Pension Fund contains too many risks and requires rationalising to ensure focus on the key risks. At its March 2023 joint meeting, the Committee and Board agreed to the proposal to refresh the Pension Fund Risk Register. The Independent Adviser's recommendations relating to Risk should also be considered and implemented as part of the risk refresh process. The latter will be facilitated by the Council's Corporate Risk Officer to ensure resource is in place to support the refresh of the Pension Fund Risk Register.
- 4.7 The Independent Adviser's recommendations relating to Audit have been implemented during the preparation of the Internal Audit Annual Plan 2023/24 for the Pension Fund, which was approved by Joint Committee and Board on 9 March 2023; specifically the increase in the allocation of Internal Audit resources needed to deliver the broader range of risk-based work.
- 4.8 The Internal Audit Annual Assurance Report 2022/23 has been used to inform the Pension Fund's 2022/23 Annual Governance Statement and Governance Compliance Statement. The Internal Audit independent assurance opinion has been incorporated in the Pension Fund's Annual Governance Statement within the Annual Report and Accounts 2022/23.

Financial Governance and Key Controls

- 4.9 There was testing of Pensioner payments within Internal Audit work on Payroll to ensure transactions are valid, complete and accurate, and key controls to prevent fraud and error are operating effectively.
- 4.10 Pensions overpayments totalled 20 cases amounting to £3k. These can mainly be attributed to the timing issue of payments being prepared ahead of the payment date, and notification being received of a death of a pensioner which would impact the payment. There is a successful process for recovery of these overpayments, which is managed sympathetically. There is a direct link with the DWP "Tell us once" initiative, so a person registering a death would not have to advise SBC Pensions too. This ensures that all reported deaths in the UK are matched against the Pensioners data sets to give early notifications.
- 4.11 A new Pensions Overpayment Policy has been approved by the Joint Pension Fund Board/Committee on 13 December 2022. The Pensions Overpayment Policy links to the Financial Regulations to support the sound financial governance arrangements in place.
- 4.12 Pensions data has been submitted as part of the Council's participation in the National Fraud Initiative (NFI) exercise for 2022/2023. Staff resources are in place to investigate any data matches to ascertain whether these are the result of error or fraud. This will be ongoing during 2023/24.

4.13 Ongoing enrolments to the pension scheme are undertaken by the Council on a monthly basis as part of the payroll run. Any staff meeting the eligibility criteria are enrolled and the appropriate communication issued at that time. The re-enrolment and re-declaration process occurs every 3 years with the latest being undertaken in September 2022. A total of 48 staff were re-enrolled from a total employed staff of 5,296 at that time. Overall, the Council fully complies with the legislation (the Pensions Act 2008) to ensure that certain staff are automatically enrolled in a workplace pension, therefore mitigating the risk of enforcement action or penalties.

Business Plan Improvements and Developments

4.14 The 2022/23 – 2024/25 Business Plan for the Pension Fund was approved by the Committee/Board on 29 June 2022. Included within the plan were key objectives and actions with target dates. Having a Business Plan for the Pension Fund is a good way of demonstrating compliance with the “Myners Principle” relating to effective decision making.

4.15 The Action Plan is split into three objectives which support the Strategic Aims of the Fund:

- Set levels of employer contributions and investment returns that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund,
- Deliver a High Quality Pension Service to Members.
- Ensure that Scottish Borders Pension Fund is managed effectively, transparently and in compliance with legal requirements.

4.16 A Business Plan Performance Update, outlining progress on the Business Plan actions at mid-year, was presented to the Joint Pension Fund Committee and Pension Fund Board meeting on 13 December 2022. The Business Plan reflects both the Fund’s Statement of Investment Principles (SIP), and the Committee’s Environmental, Social and Governance (ESG) beliefs and its approach on how ESG factors should be integrated in investment decision-making. The implementation of the ESG responsible investment principles is ongoing as some Fund Managers require time to adjust to the Fund’s Policy requirements.

4.17 One of the Actions is the promotion of the Member Self Service facility (MSS). This provides direct access for active and deferred scheme members to view personalised pension data on the portal including the Annual Benefit Statement. Work is ongoing to increase uptake. The implementation of the updated version of Self Service on a like for like basis is scheduled in 2023/24, subject to release from the software provider, as are other enhancements being developed.

4.18 External access to Business World ERP system for pension members to view payslips and P60s is in place. Work continues to promote this facility.

4.19 Follow-up on the above will continue as part of the delivery of the approved Internal Audit Annual Plan 2023/24 for the Pension Fund.

Public Sector Internal Audit Standards and Quality Assurance

4.20 The 2022/23 annual internal self-assessment against the Public Sector Internal Audit Standards (PSIAS) demonstrates sufficient evidence that the Council’s Internal Audit team, which also provides Internal Audit services to the Pension Fund, conforms to the Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this assurance report.

5.2 Risk and Mitigations

This report provides assurance, including assurance on arrangements for managing risks in section 4, as part of the governance framework to manage the operation of the Pension Fund, and reflects best practice.

5.3 Integrated Impact Assessment

This is a routine good governance report for assurance purposes, required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

5.4 Sustainable Development Goals

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist.

5.5 Climate Change

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

5.6 Rural Proofing

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Data Protection Impact Statement

There are no personal data implications arising from the content of this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Acting Chief Financial Officer and HR Shared Services Manager of Scottish Borders Council, and Head of Governance at ISIO, have been engaged during consultation on the findings and recommendations at draft report stage, and have agreed these to enable finalisation of the Internal Audit Annual Assurance Report 2022/23 for the Pension Fund.

6.2 In addition, Scottish Borders Council's Interim Chief Officer Corporate Governance (and Monitoring Officer), Director – People Performance and Change, Clerk to the Council, and Communications team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey
Chief Officer Audit & Risk

Signature

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk Tel 01835 825036
Sue Holmes	Principal Internal Auditor
Chris Hurt & Katrina Culley	Senior Internal Auditors

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Joint Pension Fund Committee & Board 17 March 2022

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GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2023

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 proposes the revised Governance Policy and Compliance Statement for the Scottish Borders Council Pension Fund (the Pension Fund) following implementation of the 2015 regulatory changes. It also requests approval of the Governance Compliance Statement for inclusion in the Pension Fund's Annual Report and Accounts 2022/23.**
- 1.2 Appendix 1 contains the revised Governance Policy and Compliance Statement for the Pension Fund 2023.
- 1.3 The Governance Compliance Statement for 2022/23 is included in Annex to the policy and demonstrates that the Pension Fund is in full compliance with published best practice guidance.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the revised Governance Policy and Compliance Statement 2023 is approved for inclusion in the Pension Fund Annual Report and Accounts 2022/23.**

3 BACKGROUND

- 3.1 The Scottish Borders Council Pension Fund (the Fund) is Part of the Local Government Pension Scheme (LGPS) and is administered by Scottish Borders Council (the Administering Authority). The Fund is administered in accordance with the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance)(Scotland) Regulations 2015.
- 3.2 It is a requirement of the LGPS Regulations that the Pension Fund maintains a Governance Policy and Compliance Statement. The statement is reviewed on an annual basis as part of the annual compliance review.

4 GOVERNANCE POLICY AND COMPLIANCE STATEMENT

- 4.1 A review of the Governance Policy has been undertaken and resulted in only minor changes including some wording amendments, changes to service name, a committee name and job title. The revised Policy and Statement are contained in Appendix 1.

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this proposal.

5.2 Risk and Mitigations

This report is part of the governance framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations.

5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance)(Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

5.5 Climate Change

There are no direct climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

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

6 CONSULTATION

6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications are being consulted and any comments received will be reported to the meeting.

Approved by

Suzy Douglas
Acting Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer, 01835 824000 X5881

Background Papers:

Previous Minute Reference: Pension Fund Committee, 29 June 2022

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SCOTTISH BORDERS COUNCIL PENSION FUND

GOVERNANCE POLICY AND COMPLIANCE STATEMENT

2023

Finance
Version: 2023
draft: Pension Fund Committee 22 June 2023

Introduction

This Statement documents the governance arrangements for the pension scheme administered by Scottish Borders Council. This version of the Governance Policy and Compliance Statement was approved by the Pension Fund Committee on 22 June 2023.

1. Administering Authority

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

2. Regulatory Framework

- 2.1 The Public Services Pensions Act 2013 set out the UK framework for the governance of Public Service Pensions and states that the responsible authority for LGPS (Scotland) scheme regulations is Scottish Ministers, and they have set out these within the Local Government Pensions Scheme (Scotland) Regulations 2018.
- 2.2 The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 provides the framework for the governance arrangements for the Scottish LGPS Funds.
- 2.3 The legislation referred to above identifies that the Pensions Regulator (TPR) has oversight of the Fund and requires compliance with the TPR's requirements.
- 2.4 The Scottish Public Pensions Agency (SPPA) is responsible for supporting the Scottish Ministers in their role as responsible authority.
- 2.5 The Fund is open to all employees of scheduled bodies except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Teachers). Employees of admitted bodies can join the scheme subject to those bodies meeting the statutory requirements and on such terms and conditions as the Council (as Administering Authority) may require. A list of scheduled and admitted bodies is attached in **Annex A**.
- 2.6 The Pension Fund Committee (the Committee) is a formal committee of Scottish Borders Council through which it exercises its role as Administering Authority.
- 2.7 The Pension Board (the Board) is established under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 with the remit to securing the Fund's compliance with the Regulatory Framework.
- 2.8 Financial affairs are conducted in compliance with the Council's Financial Regulations which have been formally adopted by the Pension Fund in 2012.
- 2.9 Funds are invested in compliance with the Fund's Statement of Investment Principles.

3. Pension Fund Committee

- 3.1 The Scheme of Administration for the Council specifies that the following functions shall be referred to the Committee:

All matters relating the Council's role as the Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.

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

Convener
One member of the Executive
Three other members of the Administration
Two members from the Opposition

- 3.6 The Independent Investment Consultant, the Acting Chief Financial Officer, HR Shared Services Manager and Chief Officer Audit & Risk also attend the Committee meetings as advisers.
- 3.7 The Committee meets at least quarterly, and the Chair shall be the Convener. Additional meetings are called as appropriate.
- 3.8 The Committee papers and minutes are publicly available on the Council's website, unless they have been considered as private business in terms of Schedule 7A to the Local Government (Scotland) Act 1973. Minutes of the Committee are presented to the Council.
- 3.9 The **Pension Fund Investment and Performance Sub-Committee** (the Investment Sub-Committee) is a sub-committee established under the Council's Scheme of Administration.
- 3.10 The Investment and Performance Sub-Committee is comprised of nine members, being the seven members of the Pension Fund Committee and two non-voting members nominated by the Pension Board.
- 3.11 The Scheme of Administration for the Council specifies that the following functions shall be referred to the Investment and Performance Sub-Committee:
- a) Reviewing the Pension Fund's Statement of Investment Principles.
 - b) Where appropriate, recommending changes to the Pension Fund Committee in relation to the Statement of Investment Principles.
 - c) Ensuring appropriate investment management arrangements are in place for monies of the Pension Fund and to review investment manager performance.
 - d) Overseeing the contractual review of the fund managers and investment adviser(s) and custodian.

- e) Where appropriate, making recommendations to the Pension Fund Committee in relation to the appointment or removal of a fund manager, investment adviser or custodian.
- f) Overseeing the overall approach to investment risk management and where appropriate recommending changes to the Pension Fund's Risk Register.

3.12 It is anticipated that the Investment and Performance Sub-Committee will meet at least every six months and that the Chair will be the Chair of the Pension Fund Committee.

3.13 From time to time, the Committee may establish a further additional Sub-Group to address a specific issue or need. Any such Sub-Group will be chaired by a member of the Committee and the remaining membership of the Sub-Group will be appropriate to the purpose and may therefore include other members of the Committee. The minutes and decisions of these sub-groups will be presented to the Committee for noting and agreement.

4. Pension Board

4.1 The Council approved the Constitution for the Pension Board on 2 April 2015.

4.2 The Objectives of the Board are as follows:

The **Pension Board** is the body responsible for assisting the Scheme Manager in relation to:

- a) Securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator; and
- c) such other matters as the regulations may specify .

4.3 The Board also has the remit to determine the areas they wish to consider including, amongst others:

- a) Reports produced for the Pension Fund Committee;
- b) Seek reports from the Scheme Manager on any aspect of the Fund;
- c) Monitor investments and the investment principles/strategy/guidance;
- d) The Annual Report and Accounts for the Fund;
- e) External voting and engagement provisions in relation to investments;
- f) Pension Fund Administrative Strategy and associated performance;
- g) Actuarial reports and valuations;
- h) Funding Strategy Statement and associated policy; and
- i) Any other matters that the Board deems appropriate within the responsibilities set out in 4.2 above.

4.4 The Board will consist of eight members and will consist of equal numbers of trade union representatives and employer representatives. The Board's current membership is as follows:

Employer Representatives	Borders College Scottish Borders Council South of Scotland Enterprise (SOSE) Borders Sport & Leisure Trust (LIVE Borders)
Trade Union Representatives	Unison – 2 members Unite – 1 member GMB – 1 member

4.5 There will be a Chair and Vice-Chair for the Board and will be rotated at the June meeting between the Trade Union and Scheme Employer Representatives on the Board.

5. Meetings

- 5.1 While the statutory roles and function of the Committee and Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pension Fund Committee chairing the concurrent meeting.
- 5.2 The process for resolving any differences between the two bodies is set out in the Council's Scheme of Administration and the Board's Constitution.

6. Administration and Management of the Fund

6.1 Acting Chief Financial Officer

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

6.2 The day-to-day management of the investment activities of the Fund is managed within the Finance Service, supported by the Independent Investment Consultant.

6.3 Director People, Performance & Change

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

7. Professional Advisers and External Service Providers

- 7.1 Hymans Robertson has been appointed to act as Actuary to the Fund. The services provided include advice on funding and actuarial valuations.
- 7.2 Isio is the Independent Investment Consultant employed by the Council to advise the Committee on investment strategy.
- 7.3 The Fund has appointed investment managers who have responsibility for the selection, retention and realisation of individual investments. Where appropriate, they also implement the Committee's policy in relation to corporate socially responsible investment and corporate governance.
- 7.4 Northern Trust is the global custodian for the Fund and is responsible for the safekeeping of the assets including transaction processing and making tax claims.

8. Internal and External Review

- 8.1 The annual financial statement of the Council, including the Fund, is subject to external audit. The current external auditors are Audit Scotland, as part of the process to ensure that public funds are properly safeguarded and accounted for.
- 8.2 The Council's Audit Committee oversees the output of the Annual Audit process in relation to the Pension Fund.
- 8.3 The Council provides Internal Audit arrangements to the Fund both as a tool of Management and with direct reporting to the Joint Pension Fund Committee and Pension Fund Board.

9. Risk Management

- 9.1 The Fund applies the principles and practices of the Council's risk management policy which includes the maintenance and regular review of a risk register. A standalone Risk Management Policy for the Fund shall be developed and maintained.
- 9.2 Risk awareness is embedded into the investment performance management process.

10. Access to Information

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

11. Review and Compliance with Best Practice

- 11.1 This Statement will be kept under review and will be revised and published following any material change in the governance arrangements of the Fund.
- 11.2 The Local Government Pension Scheme (Scotland) Regulations 2018 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via number of best practice principles. The Governance Compliance Statement (**Annex B**) that demonstrates the Fund's status against these standards is set out in the Annual Report and Accounts for the Fund.

Annex A

Scottish Borders Council Pension Fund

Scheduled and Admitted Bodies

Scheduled Bodies

- Borders College
- Scottish Borders Council

Admitted Bodies

Active Admitted Bodies

- Amey Community Limited (closed to new members)
- BC Consultants
- Gala Youth Project
- Jedburgh Leisure Facilities Trust
- Scottish Borders Housing Association (closed to new members)
- LIVE Borders
- CGI (closed to new members)
- South of Scotland Enterprise (SOSE)

Admitted bodies with Deferred or Retired Members only

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

Annex B

GOVERNANCE COMPLIANCE STATEMENT

The Pension Fund sets out its governance arrangements within the Governance Policy and Compliance Statement (as amended 16 June 2016).

The Local Government Pension Scheme (Scotland) Regulations 2014 require Administering Authorities to measure their governance arrangements set out against standards set by Scottish Ministers. These standards are established via number of best practice principles. The following table contains an assessment of the Fund’s compliance with these principles and reflects the changes following the introduction of the Pension Board.

Principle		Full Compliance	Comments
Structure			
A	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council.	Yes	<p>Scottish Borders Council acts as administering authority for the Pension Fund and delegates its responsibilities as Scheme Manager to the Pension Fund Committee (the Committee).</p> <p>The Committee comprises 7 elected Members.</p> <p>The Council’s Scheme of Administration sets out the Committee’s remit.</p>
B	Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee	Yes	<p>The Pensions Board (the Board) formalises the involvement of the employers and trade unions representing the membership.</p> <p>The Fund’s Board has eight members (four employer representatives and four trade union representatives) covering all pension fund members.</p> <p>The Board constitution is in line with the regulations, a copy of which is included in the Fund’s Governance Policy and Compliance Statement.</p> <p>The Board meets jointly with the Committee and the Board’s Constitution and the Scheme of Administration set out how disputes between the two bodies should be resolved.</p>

Principle		Full Compliance	Comments
			The Investment and Performance Sub-Committee (the Sub-Committee) established under the Committee and its remit is set out in the Scheme of Administration. Membership of the Sub-Committee is seven elected Members from the Pension Fund Committee and two (non-voting) members from the Pension Board.
C	Where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Yes	Minutes of the Sub-Committee and any other Sub-Groups are submitted to the Pension Fund Committee for approval. Two members from the Pension Board and all Members of the Committee are part of the Sub-Committee which has a remit to monitor investment performance.
D	Where a secondary committee or panel has been established, at least one seat of the main committee is allocated for a member from the secondary committee or panel.	Yes	The Scheme of Administration states that any Sub-Group established will have member(s) of the Committee as part of its membership.
Committee Membership and Representation			
A	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members), (iii) where appropriate, independent	Yes	The Pension Board and Pension Fund Committee meet jointly ensuring employer and member (trade union) representation at meetings. The Investment and Performance Sub-Committee has two non-voting members from the Pension Board. The Independent Investment Consultant, Finance and HR Officers also attend in an advisory capacity.

Principle		Full Compliance	Comments
	professional observers, and (iv) expert advisors (on an ad-hoc basis)		
B	Where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training They are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee and Board are covered equally by the Training Policy (as amended annually). The Board was established by Council on 2 April 2015. The Scheme of Administration for the Pension Fund Committee, and the Pension Board Constitution, provide for joint meetings, with equal rights to receive papers and access meetings.
Selection and role of lay members			
A	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	For elected Members this is part of the Council’s Code of Governance along with the Members’ induction programme. In addition, the Fund’s Training Policy provides for an annual training needs assessment, and an annual programme of training to be made available to all members of the Committee and Board. All new members of the Committee and Board are also required, within six months of joining, to complete the Pension Regulator Trustee Toolkit.
B	At the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda	Yes	Part of the Council’s Code of Governance requires the declaration of Members’ interests for all committees as a standard agenda item.
Voting			
A	The policy of individual administrating authorities on voting rights is clear and	Yes	This is set out in the Council’s Scheme of Administration and the Pension Board’s Constitution

Principle		Full Compliance	Comments
	transparent, including justification for not extending voting rights to each body or group represented on main LGPS committees.		
Training/Facility time/Expenses			
A	In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	Members' expenses are managed under the Council's policies. The Training Policy also covers the reimbursement of training related expenses.
B	Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	The training policy for all members of the Pension Board and Pension Fund Committee is approved annually.
Principle		Full Compliance	Comments
C	The administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Annual Training Plan produced and implemented with logs of training attendance maintained.
Meetings (frequency/quorum)			
A	An administering authority's main committee or	Yes	The joint meetings of the Pension Fund Committee and Pension Board are quarterly.

Principle		Full Compliance	Comments
	committees meet at least quarterly		
B	An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the main committee dates.	Yes	The Investment and Performance Sub-Committee meets every four months between the joint Committee/Board meetings.
C	An administering authority who does not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not applicable	The Pension Board formally provides for stakeholders' engagement.
Access			
A	Subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee	Yes	Papers sent to all Committee/Board members as detailed in the Scheme of Administration.
Scope			
A	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	Yes	The Scheme of Administration sets out the Committee as having a remit which covers all matters relating to the Council's role as Administering Authority for the Scottish Borders Council Pension Fund, within the terms of all relevant Local Government Pension Scheme legislation and the requirements of the Pension Regulator.

Principle		Full Compliance	Comments
Publicity			
A	Administering authorities have published details of their governance arrangements in such a way that stakeholders, with an interest in the way in which the scheme is governed, can express an interest if wanting to be part of those arrangements.	Yes	Scottish Borders Council Pension Fund has a standalone website with all governance documents and Fund information. A link is provided to Minutes and public papers available via the Council's website.

VERSION CONTROL TABLE

Version	Nature of Amendment	Date of Change	Author
2010 1.0	Creation of Governance Statement	24 February 2010	L Mirley
2010 1.1	Final Draft for Pension Fund Sub-Committee	2 March 2010	L Mirley
2010 2.0	Sub-Committee Approved Version	11 March 2010	L Mirley
2011 1.0	Final Draft for Pension Fund Sub-Committee and Annual Report	30 August 2011	L Mirley
2012 1.0	Updated for amendment to Scheme of Administration and update of Pension Fund Annual Report and Accounts 2011/12	12 June 2012	L Mirley
2013 1.0	Final Draft to reflect proposed changes to Scheme of Administration	18 June 2013	L Mirley
2013 2.0	PFC approved version	19 June 2013	K Robb
2014 1.0	Final Draft for Pension Fund Committee and Annual report.	17 June 2014	K Robb
2015 1.0	Final Draft for Pension Fund Committee updated to reflect the introduction of Pension Boards	1 June 2015	L Mirley
2016 1.0	Final draft for Pension Fund Committee updated to reflect post implementation of Pension Board	05 May 2016	K Robb
2017 1.0	Final draft for Pension Fund Committee updated to reflect Pension Boards fully	21 March 2017	K Robb
2018 1.0	Final draft for Pension Fund Committee updated to reflect website	14 June 2018	K Robb
2019.1	Final draft for Pension Fund Committee updated to reflect changes in governing legislation and new actuary	13 June 2019	K Robb
2020.1	Draft for Pension Fund Committee to reflect title changes	22 June 2020	K Robb
2021.1	Draft for Pension Fund Committee to reflect change of Board members and changes to admitted bodies	10 June 2021	K Robb
2023.1	Draft for Pension Fund Committee to reflect minor updates	22 June 2023	S Douglas

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PENSION ADMINISTRATION PERFORMANCE 2022/23

Report by Director People Performance and Change

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 June 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report presents the Pensions Administration Performance for 2022/23 and requests the Committee's approval of its inclusion in the Annual Report for the Fund.**
- 1.2 **Appendix 1** contains the Pensions Administration Performance for 2022/23 as it will be included in the Fund's Annual Report and Accounts.
- 1.3 During 2022/23 all payments, lump sums and monthly pension, were made on time.
- 1.4 Performance has remained at the expected high standard, which is testament to the continued dedication of the staff within the Pensions Administration Team, having continued to homework for the majority of the year. The team also had turnover with two members of the team being replaced during the year.
- 1.5 The Annual Benefit Statements for all deferred members were issued in advance of the 31 August deadline in all instances and made available via Members Self Service for all active members.
- 1.6 The annual Employer Liaison Meeting was again held as a virtual meeting in March with the hybrid working arrangements that are in place for the majority of the Fund employers. The event was well attended with representatives from the majority of the Fund Employers. Updates were provide on Administration and the requirements for the year end reporting.
- 1.7 Due to the hybrid working position, with staff working predominantly from home, no payslips have been issued to pensioners, however online access has been promoted, this along with information on the application of the Pensions Increase have been published on the Pension Fund Website. The annual P60's have been issued in accordance with the statutory timelines.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee notes the Pension Administration Performance for 2022/23 as set out in Appendix 1 and approves its inclusion in the Pension Fund Annual Report and Accounts 2022/23.**

3 BACKGROUND

- 3.1 It is a requirement of the current LGPS Regulations and best practice that the Pension Fund maintains a Pensions Administration Strategy. At the joint meeting of the Committee and Board on 14 December 2021 the latest version of the Pension Administration Strategy for the Fund was approved.
- 3.2 In accordance with the Pension Administration Strategy a number of administration function performance measures were introduced to evaluate the performance of both the Fund and Employers.
- 3.3 A further requirement is that the performance against the Strategy is reported in the annual Report and Accounts for the Fund.

4 PENSIONS ADMINISTRATION PERFORMANCE 22/23

- 4.1 **Appendix 1** contains the Pensions Administration Performance Report for 2022/23 as it will be included in the Fund's Annual Report and Accounts.
- 4.2 Performance has remained at a high standard throughout the reporting year. This is testament to the continued dedication of the staff within the team, having coped with the continued hybrid working and predominance of working from home, coupled with integrating two replacement team members during the year. The Employers within the Fund are continuing to provide information in the expected timely manner with information on Starters, Leavers and Changes being received on a monthly basis.
- 4.3 The Pensions Team were able to comply with the legislative requirement to issue annual benefit statements by the deadline of 31 August 2023 by published online for all Active and Deferred scheme members on 24 August.
- 4.4 During 2022/23 it was agreed that the Pensions Administration Team would once again focus all efforts on ensuring the statutory elements of the service continued to be provided, with all payments to pensioners being issued on time. As a result there was a continued deviation from the previous recording of queries received which is reflected in the table contained in **Appendix 1**.

The 84 queries that were recorded in the log were all responded to within the timelines stated in the Pensions Administration Strategy. The team received 9,880 emails into the generic pensions mailbox during 2022/23, with a further 7,704 being received directly by team members, this saw an increase of 6,790 compared to the previous year.

With hybrid working continuing for the foreseeable future the recording of queries and response times is something that will need to be considered as part of the annual review of the Pensions Administration Strategy, which will be addressed as we work through the Clare Scott review findings. There is a continued commitment from the team members to adhere to the response timelines and this will have no detrimental impact on the service that is being provided to scheme members, only the reporting of figures within this annual report.

4.5 **Employer Performance Measures**

During 2022/23 there was one instance where payment was not received by the due date, with the payment being received one day late. Officers will monitor this employer going forward and take appropriate action should there be future instances of late payment.

4.6 **Administering Authority Performance Measures**

The key performance targets are set out in the **Appendix 1**. The performance achieved this year was very similar to the previous reporting year. The processing of Transfers is an area that we have seen a continued improvement in towards the 20 day target we have set. However, in all cases we met the legal requirement to carry out the transfer before the statutory six month deadline.

- 4.7 The Employer Liaison meeting was once again held as a virtual meeting with representatives from the majority of employers attending. This year's meeting provided an update on Administration along with the upcoming requirements for year end returns and action to be taken for the year ahead. Additionally, employers were asked to encourage those members who had not yet signed up for Members Self Service to do so and reminded them of the benefits that this brings.

In addition to the meeting an email was issued to all employers providing the details of the requirements for the year end reporting for the scheme and action to be taken in preparation for the coming years payroll.

- 4.8 To date there have been 376 pensioners signed up for online payslips an increase from 159 in the previous year report. When we have communication with pensioners we make them aware that this is an available option for viewing payslips.

The launch of Members Self Service is the most significant change that we have deployed to our scheme members in many years, which meets the Council's desire to engage with individuals in a digital means wherever possible. Whilst the uptake, 28.14%, is not as high as we had hoped we continue to have very positive feedback from members who have signed up. We continue to promote sign up and will be carrying out a further reminder of this in the coming weeks ahead of the issuing of the 2023 Annual Benefit Statements, asking Fund employers to convey the message to their active members. There were 16,715 benefit calculations run independently on the system by the member with no involvement from the Pensions Administration Team, an increase from the 12,759 run last year.

- 4.9 During 2022/23, 46,740 payments were processed, an increase from 44,688 in 2021/22, to pensioners for a total of £20.225m in net payments. In addition to this, 178 payments were also processed, an increase from 148 payments in 2021/22, to pensioners who now reside overseas for a total of £78,059, these payments are processed via Western Union, providing pensioners with a cost effective means of transferring a sterling pension payment into the appropriate local currency.

- 4.10 Information on the application of the Pensions Increase have been published on the Pension Fund Website. The annual P60's were issued in accordance with the statutory timelines.

4.11 Employer Contribution Rates

The following table outlines the employer contribution rates that are effective from 1 April 2023 in line with the previous triennial valuation.

Employer	Employer Contribution %
Borders College	18.50
Scottish Borders Council	18.50
AMEY	18.50
CGI	22.00 plus £21,000
Live Borders	18.50
Jedburgh Leisure Facilities Trust	18.50
Scottish Borders Housing Association	21.30
South of Scotland Enterprise	21.60

5 IMPLICATIONS

5.1 Financial

There are no direct financial implications arising from this report.

5.2 Risk and Mitigations

This report is part of the governance reporting framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks regarding the administration of the Pension Fund have been identified and included on the Pension Fund and HR risk registers, being managed and controlled following the Corporate Risk Management Framework.

5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

5.5 Climate Change

There are no direct climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Acting Chief Financial Officer, the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Clerk to the Council and Corporate Communications are currently being consulted and any comments received will be incorporated into the final report.

Approved by

Clair Hepburn
Director People Performance and Change

Author(s)

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

Background Papers:

Previous Minute Reference: Joint Meeting of Pension Fund Committee and Board on 14 December 2021

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

PENSION ADMINISTRATION PERFORMANCE 2022/23

In accordance with the Pension Administration Strategy, approved 14 December 2021, the following performance measures have been compared against the targets set within the said strategy document.

Employer Performance Measures

Service Standards

Standard – target completion 90%	Volume	%age Met
New starts notification – within 20 working days	905	100%
Change notification – within 20 days	950	100%
Retirement info – at least 20 working days before	158	100%
Early leaver notification – within 20 working days	571	100%
Death in service notification – within 10 working days	4	100%

Contribution Payments

The following tables compare the date contribution payments are received against the target date, of 19th of the month, for each of the Scheduled and Active Admitted Bodies.

Employer Body	By Target Date	Late	% On Time
Scottish Borders Council	12	-	100%
Borders College	12	-	100%
Scottish Borders Housing Association	12	-	100%
Jedburgh Leisure Facilities Trust	11	1	91.67%
Borders Sport and Leisure Trust	12	-	100%
AMEY Community Limited	12	-	100%
CGI	12	-	100%
South of Scotland Enterprise	13	-	100%

There was one late payment during the year, this payment was received one day later than the required date, we will monitor this employer going forward and take appropriate action should this occur again in the future.

Administering Authority Performance Measures

Service Standards

Standard	Volume	Target	%age Met
Estimates – Transfer In	130	20 days	69.23%
Estimates – Transfer Out	55	20 days	72.72%
Estimate – All Other	1,417	10 days	

With the continuation of hybrid working staff it was accepted that it was not going to be possible to record all queries received as in previous years. We also saw a further move to more queries coming in via email and Members Self Service, which is reflected in the table below.

Type of Query	Volume	Target	%age Met
Phone Calls – logged	84	5 days	100%
Phone Calls to team	3,388	Not measured	
Emails to pensions@scotborders.gov.uk mailbox	9,880	Not measured	
Emails to team members directly	7,704	Not measured	
Correspondence via Members Self Service	1,921	Not measured	
Total	22,977		

Other Measures

Area	Measure	Completed
Employer Liaison Meetings	1 per annum	21 st March 2023
Benefit Statements	by end of August	Issued by 24 th August 2022

The eighth liaison meeting, held virtually, with all Admitted and Scheduled Bodies was held during 2022/23 and re-enforced the changes that had been made to the annual reporting with the Fund Actuary from the 2020/21 year end and afforded the employers the chance to ask questions to the Pensions Team. Going forward we will continue to hold the liaison meeting towards the end of the financial year where we will discuss up-coming legislative changes and requirements for the year end processing.

The Annual Benefit Statements for Active and Deferred were loaded into the Member Self Service (MSS) portal. Communications were issued via the scheme employers to alert scheme members that this was now available. All Deferred Members have been invited to sign up for MSS and were advised that they will be published online going forward. There have been regular reminders issued to those not yet signed up and requests made via employers to encourage their scheme members to sign up, this will be an ongoing exercise.

Key Administration Tasks

Task	Total received
New entrants	836
Early leavers	571
Retirements	317
Deaths in service	4
Deaths in deferment	4
Deaths in retirement	129
New Widows(ers), Child Pensions	51
Estimates	1,417
Pension credit members	0
Pay all Pensioners on 15 th of the month or prior working day when 15 th is a non-banking day	100% achieved

Member Self Service Statistics

Task	Total Active	Target	% Completed in target
Active Members	4,842	100%	28.14%
Deferred Members	3,187	100%	
Benefit calculations run	16,715		

Integrated Impact Assessment (IIA)

Stage 1 Scoping and Assessing for Relevance

Section 1 Details of the Proposal

A. Title of Proposal:	Pension Fund Administration Performance 31/3/2023
B. What is it?	A new Policy/Strategy/Practice <input type="checkbox"/> A revised Policy/Strategy/Practice <input checked="" type="checkbox"/>
C. Description of the proposal: (Set out a clear understanding of the purpose of the proposal being developed or reviewed (what are the aims, objectives and intended outcomes, including the context within which it will operate))	Pension Fund Administration Performance report to 31 March 2023, which forms part of good governance requirements under the LGPS (Governance) (Scotland) Regulations 2014
D. Service Area: Department:	Scottish Borders Council Pension Fund People, Performance and Change
E. Lead Officer: (Name and job title)	Ian Angus, HR Shared Services Manager
F. Other Officers/Partners involved: (List names, job titles and organisations)	
G. Date(s) IIA completed:	30 th May 2023

Section 2 Will there be any impacts as a result of the relationship between this proposal and other policies?

Yes / No <i>(please delete as applicable)</i>
If yes, - please state here:

Section 3 Legislative Requirements

3.1 Relevance to the Equality Duty:	
Do you believe your proposal has any relevance under the Equality Act 2010? <i>(If you believe that your proposal may have some relevance – however small please indicate yes. If there is no effect, please enter “No” and go to Section 3.2.)</i>	
Equality Duty	Reasoning:
A. Elimination of discrimination (both direct & indirect), victimisation and harassment. <i>(Will the proposal discriminate? Or help eliminate discrimination?)</i>	No, given the subject matter of this assessment, it is not relevant to Equality duty.
B. Promotion of equality of opportunity? <i>(Will your proposal help or hinder the Council with this)</i>	No, given the subject matter of this assessment, it is not relevant to Equality duty.
C. Foster good relations? <i>(Will your proposal help to foster or encourage good relations between those who have different equality characteristics?)</i>	No, given the subject matter of this assessment, it is not relevant to Equality duty.

**3.2 Which groups of people do you think will be or potentially could be, impacted by the implementation of this proposal?
(You should consider employees, clients, customers / service users, and any other relevant groups)**

Please tick below as appropriate, outlining any potential impacts on the undernoted equality groups this proposal may have and how you know this.

	Impact			Please explain the potential impacts and how you know this
	No Impact	Positive Impact	Negative Impact	
Age Older or younger people or a specific age grouping	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Disability e.g. Effects on people with mental, physical, sensory impairment, learning disability, visible/invisible, progressive or recurring	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Gender Reassignment/ Gender Identity anybody whose gender identity or gender expression is different to the sex assigned to them at birth	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Marriage or Civil Partnership people who are married or in a civil partnership	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Pregnancy and Maternity (refers to the period after the birth, and is linked to maternity leave in the employment context. In the non-work context, protection against maternity discrimination is for 26 weeks after giving birth),	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Race Groups: including colour, nationality, ethnic origins, including minorities (e.g. gypsy travellers, refugees, migrants and asylum seekers)	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.

Religion or Belief: different beliefs, customs (including atheists and those with no aligned belief)	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Sex women and men (girls and boys)	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
Sexual Orientation , e.g. Lesbian, Gay, Bisexual, Heterosexual	X			No impact or relevance. This is a routine good governance report required LGPS (Governance)(Scotland) Regulations 2014.
<p>3.3 Fairer Scotland Duty</p> <p>This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to how we can reduce inequalities of outcome caused by socioeconomic disadvantage when making <u>strategic</u> decisions.</p> <p>The duty is set at a strategic level - these are the key, high level decisions that SBC will take. This would normally include strategy documents, decisions about setting priorities, allocating resources and commissioning services.</p>				
<p>Is the proposal strategic? Yes/ No (<i>please delete as applicable</i>) If No go to Section 4</p>				
<p>If yes, please indicate any potential impact on the undernoted groups this proposal may have and how you know this:</p>				
	Impact			State here how you know this
	No Impact	Positive Impact	Negative Impact	
Low and/or No Wealth – enough money to meet basic living costs and pay bills but have no				

savings to deal with any unexpected spends and no provision for the future.				
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure and hobbies				
Area Deprivation – where you live (e.g. rural areas), where you work (e.g. accessibility of transport)				
Socio-economic Background – social class i.e. parents’ education, employment and income				
Looked after and accommodated children and young people				
Carers paid and unpaid including family members				
Homelessness				
Addictions and substance use				
Those involved within the criminal justice system				

3.4 Armed Forces Covenant Duty (*Education and Housing/ Homelessness proposals only*)

This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to the three matters listed below in Education and Housing/ Homelessness matters.

This relates to current and former armed forces personnel (regular or reserve) and their families.

Is the Armed Forces Covenant Duty applicable?

Yes/ No

If “Yes”, please complete below

Covenant Duty	How this has been considered and any specific provision made:
The unique obligations of, and sacrifices made by, the armed forces;	
The principle that it is desirable to remove disadvantages arising for Service people from membership, or former membership, of the armed forces;	
The principle that special provision for Service people may be justified by the effects on such people of membership, or former membership, of the armed forces.	

Section 4 Full Integrated Impact Assessment Required

Select No if you have answered “No” to all of Sections 3.1 – 3.3.

Yes/ No *(please delete as applicable)*

If yes, please proceed to Stage 2 and complete a full Integrated Impact Assessment

If a full impact assessment is not required briefly explain why there are no effects and provide justification for the decision.

Report is a regular governance report required to ensure good governance of the Pension Fund. All members of the Fund have equal status under the regulations followed.

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Signed by Lead Officer:	Ian Angus
Designation:	HR Shared Services Manager
Date:	30th May 2023
Counter Signature Director:	
Date:	

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PENSIONS DASHBOARD AND DATA READINESS

Report by Director People Performance and Change

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 June 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report seeks approval to delegate the responsibility for the procurement of the Data Cleansing and Enrichment Service, Internet Service Provider (ISP) and Altair Mortality screening, as a supplement to the existing Pensions Administration System, for the Scottish Borders Council Pension Fund to the Director People Performance and Change.**
- 1.2 In 2019 the Pension Fund agreed to the procurement and continued use of the Aquila Heywood (now known as Heywood Technologies) Pensions Administration System for a period of five years with the option to extend for a further five year period on the approval of the Joint Committee and Board.
- 1.3 All pension providers are going to need to connect to the Pensions Dashboard over time according to staging dates in legislation, the dates for this are currently unknown as there has been a delay announced and re-planning has not yet been shared. However, we need to take action to be prepared for this on both a data and ISP provider selection, in order to take this forward it is proposed that we take both of these forward with Heywood Technologies.
- 1.4 Officers have been in discussion with Heywood Technologies over the pricing of additional services to support the data readiness and ongoing data management. The additional cost for the data services is £8,345 per annum with a one-off implementation fee off £1,697, with the annual fee being subject to indexation in line with the overall contract. This will allow the Fund to get our data up to date ahead of the go live of the Pension Dashboard which will improve the matching for those carrying out searches and avoid unnecessary additional work for the Fund in looking at partial matches. Additionally this will address an action from the Clare Scott governance review to have a data improvement plan in place.

- 1.5 With regard to the ISP implementation, the fees for this are £11,000 per annum with a one-off implementation fee of £10,000, with the annual fee being subject to indexation in line with the overall contract. Payment of these fees will not commence until such a time as we are required to connect to the Dashboard.
- 1.6 Heywood Technologies have developed a new Mortality screening module that directly connects to the Pensions Administration database and carries out checks for deaths, this covers active, deferred and pensioner members of the Fund. This will be used to supplement the Tell Us Once reporting method to add a further layer of control and mitigate risk of Tell Us Once not picking up on the passing of a scheme member. The fees for this are £2,000 per annum with a one-off implementation fee of £1,697, with the annual fee being subject to indexation in line with the overall contract.

2 RECOMMENDATIONS

2.1 I recommend that the Committee:-

- a) **Approves the delegation of responsibility for the additional data cleansing and enrichment service along with the mortality screening to the Director People Performance and Change, with one off costs of £3,394 and annual fees of £10,345 for the duration of the contract subject to indexation on an annual basis for the support and maintenance;**
- b) **Approves the delegation of responsibility for the Internet Service Provider connection to the Pensions Dashboard to the Director People Performance and Change, with one off costs of £10,000 and annual fees of £11,000 for the duration of the contract subject to indexation on an annual basis for the support and maintenance at the time we are required by legislation to connect.**

3 BACKGROUND

- 3.1 The Pensions Administration Team, within HR Shared Services, currently uses the Heywood Technologies Altair system to assist with the administration of the Scottish Borders Council Pension Fund. The current contract was signed on 4 December 2019 for a period of five years with the option to extend for a further five years. This was agreed after us being named as an interested party on a full market test carried out by Lothian Pension Fund.
- 3.2 The Pensions Dashboards Regulations 2022 layout the requirements for pension providers to connect to the National Pensions Dashboard with effect from the announced staging date. At this time the staging date is unknown for the Scottish Borders Council Pension Fund due to a recently announced delay resulting in re-planning of the connection timelines.
- 3.3 A key element of the Pensions Dashboard is ensuring that our data is Dashboard ready, and then stays healthy on an ongoing basis, in order to deliver a smooth experience for scheme members and the Pensions Administration Team. If the Fund returns poor quality data to the dashboard, members will have a poor experience and there will be a significant increase in enquiries coming through the Administration Team dealing with possible matches.

- 3.4 There are two types of data relevant to Pensions Dashboard: -

Find Data - personal data used to match a member who has logged into the Pensions Dashboards to records held on our admin system.

View Data - information about a member's pension benefits which is returned to the user via the Pensions Dashboards.

- 3.5 Heywood Technologies have carried out a review of the current state of our Find Data to see the number of issues that currently exist and carried out a comparison of our data quality against our peer group of LGPS Funds who have had this exercise carried out. The issues identified are as follows: -

Out of date address – 375 members

Deceased not record – 12 members (note, there was a time delay from the provision of the data to the matching)

Gone Aways, where enhanced tracing will be required – 228 members

Missing Post Code – 122 members

Missing email address – 1,593 members

Missing mobile numbers – 4,808 members

Enhance or correct Forename – 3 members

Enhance of correct Middle Names – 2,675 members

Name format errors – 65 members

Date of Birth format errors – 8 members

Temporary NI Numbers – 0 members

Unlinked Members – 22 employments

Suspect Date of Birth – 0 members

Compared to the peer group we are in the generally healthy, top grouping.

- 3.6 The View Data is also in the generally healthy, top grouping when compared to our peer group. All records have had benefit calculations ran on them and only 17 records require an update on employer code for employments.
- 3.7 The Pensions Dashboard regulations require all pension schemes to connect to the national database where any member of public can search on their pension benefits regardless of provider. In order to do so there is a requirement for the Scottish Borders Council Pension Fund to connect in a secure manner using an ISP provider. The dates for connection are currently unknown as the dashboard project goes through a re-planning following a recent announcement on an overall project delay.
- 3.8 For Mortality Screening the Fund are currently using the Tell us Once database, whereby an upload of membership information on a monthly basis is carried out allowing any reported death to then be checked for a match against the DWP Tell Us Once data. This continues to work well, however, we have had a historic instance whereby the information did not come through. The Fund previously used ATMOS screening services in the past to supplement Tell Us Once and this was ended as both services were using a manually upload facility rather than any automation.
- 3.9 The Procurement Team have been consulted on the approach being taken for the addition of these modules to the existing contract with Heywood Technologies and will continue to do so, along with colleagues from Legal, as we look to agree and sign off on the terms and conditions.

4 PROPOSAL

- 4.1 It is proposed that the Scottish Borders Council Pension Fund sign up for the data cleansing and enrichment service to further improve the quality of the data ahead of the pension dashboard implementation date and continue to do so on an ongoing basis. The proposed service includes the following: -
- Up to date addresses for members
 - Enriching data with member telephone and email addresses
 - Managing our data improvement project and building a forward data management plan
 - Running a member communication campaign to collect missing personal data
 - Calculating and populating Accrued Pension and Estimated Retirement Income
- 4.2 The data cleansing and enrichment service is covered under the Heywood Technology ISO27001 certification which is also GDPR compliant, ensuring that our data is safe at all time. This service would not be a one off instance to get us dashboard ready, this would be an ongoing service that would address the Clare Scott review with regard to data improvement plans. Finally, there is automation of the processed results with integration to the Altair application, allowing file transfer, workflow creation and flexible data update rules, thereby removing data entry resource but retaining oversight before updates are automatically applied.

4.3 The data cleaning and address tracing services will be updated by Heywood Technology on a weekly basis and include over 70 data sources covering 56.3 million of the UK adult population. The source data sets include:-

- Electoral Roll, England, Scotland, Wales and Northern Ireland
- Credit Reference Agency data
- Government data
- Lifestyle data
- Financial Decisions data

With services underpinned by 2.7 billion records, 87 million emails and 209 million mobile phone numbers.

4.4 As well as preparedness for the pension dashboard the cleansing of the data will deliver additional benefits for the Fund.

- Enhanced operational efficiencies
 - Digital engagement with members
 - Higher sign up rates for Member Self Service
 - Minimise the number of 'possible' Dashboard matches
- Better member experience
- Reduced risk of fraud
- Improved Pension Regulator data quality scores
- Minimise potential GDPR breaches, ensuring communications go to the right address

4.5 The cost of adding the data cleansing and enrichment service on an ongoing basis for the duration of the Pension Administration system contract, including extension periods, are as follows: -

£8,345 per annum, subject to indexation on an annual basis
£1,697 one off consultancy costs for implementation

4.6 In order to connect to the Pensions Dashboard there is need to engage with an Internet Service Provider (ISP). Heywood Technologies have been engaged with the pension's dashboard from the outset and are one of the agreed ISP providers. With Heywood Technologies already providing the hosted pension's administration software it is proposed that we also use them for the ISP provision. The timeline for the ISP connection is not yet known following the recent delay in the overall programme.

4.7 The cost of adding the ISP for the duration of the Pension Administration contract, including extension periods, are as follows: -

£11,000 per annum, subject to indexation on an annual basis
£10,000 one off consultancy costs for implementation

These fees will only become payable from the time that we are required by legislation to connect to the Pensions Dashboard.

4.8 It is proposed that we enhance the mortality screening that the Fund currently has in place and take advantage of the new service that has been offered by Heywood Technologies. The new service is different from the Tell Us Once and previous schemes in that this is a direct connection to the

pensions administration system, no upload of data required, meaning that information is up to date at all times for carrying out matching. This new service enhances the screening and helps to further mitigate any potential fraud risk through the non-reporting of the death of a pensioner. Additionally we will also be advised of the death of any active or deferred members.

- 4.9 The cost of adding the mortality screening service on an ongoing basis for the duration of the Pension Administration system contract, including extension periods, are as follows: -

£2,000 per annum, subject to indexation on an annual basis
£1,697 one off consultancy costs for implementation

- 4.10 Whilst the current overall contract for the Pension Administration software ends on 5 December 2024 there is no intention to be moving supplier at this time and we will be looking to exercise the option to extend by a further five year and a paper will be presented to the Joint Meeting at the appropriate time.

However, the use of the extension period for these modules/services has been used by Officers to maximise the discounts that we have been provided and there will be no additional one-off licence fees for these modules/services at the point of invoking the five year extension period.

- 4.11 That responsibility for the procurement of the additional modules from Heywood Technologies be delegated to the Director People Performance and Change, with costs as per those stated at 5.1 below for the duration of the contract including the extension period.

5 IMPLICATIONS

5.1 Financial

- (a) The annual costs for the addition of the two modules/services that the Fund are able to use immediately are as follows: -

Data Cleansing and Enrichment Service	£8,345
Mortality Screening	£2,000

Both of the above are subject to indexation on an annual basis on the same basis as outlined in the overarching pension's administration software contract.

- (b) The implementation costs, which are on-off and fixed prices, for the two modules/services that the Fund are able to use immediately are as follows: -

Data Cleansing and Enrichment Service	£1,697
Mortality Screening	£1,697

- (c) The provision of the Internet Service Provider connection will become payable at a point in the future that will be determined by the pension's dashboard legislation. The annual fee is £11,000 per annum, subject to indexation on an annual basis with £10,000 one off consultancy costs for implementation.

5.2 Risk and Mitigations

By agreeing to the proposal the Pension Fund will demonstrate steps taken to further address the risk to prevent fraud through the introduction of the Mortality Screening service. The implementation of the data cleansing and enrichment service will help address the requirement to keep pension records up to date, ensure we are taking action to trace the Gone Aways and ensure pension benefits are paid timeously.

In planning for the provision of the ISP service ensures that we are taking action to comply with the legislation on the Pensions Dashboard and getting us prepared for this when the time comes to connect.

5.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

5.5 Climate Change

There are no direct climate change 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Acting Chief Financial Officer, the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Clerk to the Council and Corporate Communications are currently being consulted and any comments received will be incorporated into the final report.

Approved by

Clair Hepburn
Director People Performance and Change

Author(s)

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

Background Papers:

Previous Minute Reference: Joint Meeting of Pension Fund Committee and Board on 12 September 2019

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.

Integrated Impact Assessment (IIA)

Stage 1 Scoping and Assessing for Relevance

Section 1 Details of the Proposal

A. Title of Proposal:	Pensions Dashboard and Data Readiness
B. What is it?	A new Policy/Strategy/Practice <input checked="" type="checkbox"/> A revised Policy/Strategy/Practice <input type="checkbox"/>
C. Description of the proposal: (Set out a clear understanding of the purpose of the proposal being developed or reviewed (what are the aims, objectives and intended outcomes, including the context within which it will operate)	Implementation of additional modules/services within the Pensions Administration software. The first is a data readiness and enrichment service where data held within the Pensions Administration software will be matched against available data to provide accurate and updated information, which will help reduced the number of possible matches when we implement the Pensions Dashboard legislative changes. The second is a new mortality screening service whereby data from the admin system will be matched against recoded deaths and these will then be reported back to the Fund to ensure no further pension payments are processed, thus helping in fraud protection. Finally, there is a legislative requirement to connect to the Pensions Dashboard. The time frame for this is unknown at this time as re-planning of the DWP project is required. By getting arrangements in place for the ISP

	connection will allow us to progress this in a seamless manner when the time comes to make the connection
D. Service Area: Department:	Scottish Borders Council Pension Fund People, Performance and Change
E. Lead Officer: (Name and job title)	Ian Angus, HR Shared Services Manager
F. Other Officers/Partners involved: (List names, job titles and organisations)	
G. Date(s) IIA completed:	30 th May 2023

Section 2 Will there be any impacts as a result of the relationship between this proposal and other policies?

Yes / No (please delete as applicable)
If yes, - please state here:

Section 3 Legislative Requirements

3.1 Relevance to the Equality Duty:
Do you believe your proposal has any relevance under the Equality Act 2010?

(If you believe that your proposal may have some relevance – however small please indicate yes. If there is no effect, please enter “No” and go to Section 3.2.)

Equality Duty	Reasoning:
A. Elimination of discrimination (both direct & indirect), victimisation and harassment. <i>(Will the proposal discriminate? Or help eliminate discrimination?)</i>	No
B. Promotion of equality of opportunity? <i>(Will your proposal help or hinder the Council with this)</i>	No
C. Foster good relations? <i>(Will your proposal help to foster or encourage good relations between those who have different equality characteristics?)</i>	No

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3.2 Which groups of people do you think will be or potentially could be, impacted by the implementation of this proposal? (You should consider employees, clients, customers / service users, and any other relevant groups)				
Please tick below as appropriate, outlining any potential impacts on the undernoted equality groups this proposal may have and how you know this.				
	Impact			Please explain the potential impacts and how you know this
	No Impact	Positive Impact	Negative Impact	
Age Older or younger people or a specific age grouping	X			No impact or relevance.

Disability e.g. Effects on people with mental, physical, sensory impairment, learning disability, visible/invisible, progressive or recurring	X			No impact or relevance.
Gender Reassignment/ Gender Identity anybody whose gender identity or gender expression is different to the sex assigned to them at birth	X			No impact or relevance.
Marriage or Civil Partnership people who are married or in a civil partnership	X			No impact or relevance.
Pregnancy and Maternity (refers to the period after the birth, and is linked to maternity leave in the employment context. In the non-work context, protection against maternity discrimination is for 26 weeks after giving birth),	X			No impact or relevance.
Race Groups: including colour, nationality, ethnic origins, including minorities (e.g. gypsy travellers, refugees, migrants and asylum seekers)	X			No impact or relevance.
Religion or Belief: different beliefs, customs (including atheists and those with no aligned belief)	X			No impact or relevance.
Sex women and men (girls and boys)	X			No impact or relevance.
Sexual Orientation , e.g. Lesbian, Gay, Bisexual, Heterosexual	X			No impact or relevance.

3.3 Fairer Scotland Duty

This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to how we can reduce inequalities of outcome caused by socioeconomic disadvantage when making strategic decisions.

The duty is set at a strategic level - these are the key, high level decisions that SBC will take. This would normally include strategy documents, decisions about setting priorities, allocating resources and commissioning services.

Is the proposal strategic?

Yes/ No (*please delete as applicable*)

If No go to Section 4

If yes, please indicate any potential impact on the undernoted groups this proposal may have and how you know this:

	Impact			State here how you know this
	No Impact	Positive Impact	Negative Impact	
Low and/or No Wealth – enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future.				
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure and hobbies				

Area Deprivation – where you live (e.g. rural areas), where you work (e.g. accessibility of transport)				
Socio-economic Background – social class i.e. parents' education, employment and income				
Looked after and accommodated children and young people				
Carers paid and unpaid including family members				
Homelessness				
Addictions and substance use				
Those involved within the criminal justice system				

3.4 Armed Forces Covenant Duty (*Education and Housing/ Homelessness proposals only*)

This duty places a legal responsibility on Scottish Borders Council (SBC) to actively consider (give due regard) to the three matters listed below in Education and Housing/ Homelessness matters.
This relates to current and former armed forces personnel (regular or reserve) and their families.

Is the Armed Forces Covenant Duty applicable?

Yes/ No

If "Yes", please complete below	
Covenant Duty	How this has been considered and any specific provision made:
The unique obligations of, and sacrifices made by, the armed forces;	
The principle that it is desirable to remove disadvantages arising for Service people from membership, or former membership, of the armed forces;	
The principle that special provision for Service people may be justified by the effects on such people of membership, or former membership, of the armed forces.	

Section 4 Full Integrated Impact Assessment Required

Select No if you have answered "No" to all of Sections 3.1 – 3.3.

Yes / No *(please delete as applicable)*

If yes, please proceed to Stage 2 and complete a full Integrated Impact Assessment

If a full impact assessment is not required briefly explain why there are no effects and provide justification for the decision.

This is to introduce new software that will be used by the Pensions Administration Team to improve service provision and allow the Fund to move in a Digital direction in line with the Council objectives and prepare for the legislative requirement of the Pensions Dashboard.

Signed by Lead Officer:	Ian Angus
Designation:	HR Shared Services Manager
Date:	30th May 2023
Counter Signature Director:	
Date:	

Scottish Borders Council Pension Fund

Responsible Investment Monitoring - Project Plan

Meeting 1

June 2022 Committee Meeting

Project Plan

Present RI and TCFD project plan to Committee for consideration and approval.

Meeting 2

Additional meeting to be held between June 2022 and September 2022

TCFD and Climate Training

Training for Committee members on TCFD Regulations and Climate Science

Meeting 3

September 2022 Committee Meeting

RI Metrics and Targets

Data gathering and target setting

Governance

Define roles and responsibilities and update risk Register

Meeting 4

December 2022 Committee Meeting (TBC)

ESG/Climate Impact Assessment

(Optional but best practice)

Scheme Year End Date
(March 2023)

Meeting 5

June 2023 Committee Meeting (TBC)

Strategy & Risk Management

1. Risks and Opportunities (including Climate Scenario Analysis)
 2. Consider Covenant
 3. Consider Actuarial input
-

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PENSION FUND BUDGET OUT-TURN TO 31 MARCH 2023

Report by Acting Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

22 June 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Pension Fund Committee and Pension Fund Board with a final out-turn position of the Pension Fund for 2022/23 and agree the budget for 2023/24.**
- 1.2 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against.
- 1.3 To ensure the Fund meets the standards a budget was approved on 17 March 2022 following the recommendations within the CIPFA accounting guidelines headings. This report is the final quarterly monitoring report of the approved budgets. Budgets for 2023/24 are included within this report for approval.
- 1.4 The total expenditure to 31 March 2023 is £6.47m against a budget of £7.40m. This resulted in a budget underspend of £930k. The main element of underspend is within Investment Management fees due to the lower than estimated market valuations which form the basis of the fee charges.
- 1.5 A key objective of the Fund is to pay pension benefits as they become due. Due to the maturing nature of the Fund and this requirement the Fund has included within its investment strategy, the requirement for income generating assets. The graph in para 5.3 shows the Fund has been able to fully meet its cashflow requirements.

2 RECOMMENDATIONS

2.1 It is recommended that the Pension Fund Committee:-

- (a) Notes the actual expenditure to 31 March 2023**
- (b) Notes the cash flow position; and**
- (c) Agrees the proposed budget for 2023/24**

3 BACKGROUND

- 3.1 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against. The Fund is required to report on an annual basis within its Annual Report if it has met these standards. To demonstrate full compliance requires the setting and monitoring of a budget for the Fund.
- 3.2 A budget was approved at the Joint Pension Fund Committee and Pension Fund Board meeting on 17 March 2022 for 2022/23. The approved budget follows the Local Government Pension Scheme management costs guidance issued by CIPFA into the following 3 categories.

Category	Costs included
Investment Management	All expenses incurred in relation to management of pension fund assets. Including costs invoiced direct and fees deducted from fund assets. Custody and performance fees also included
Administration	Costs incurred in administration of the fund including staff, IT costs and associated overheads, benefits consultants.
Oversight and governance	Costs incurred in the selection & appointment of managers, audit fees, investment advisory services, tax advisory, accounting services, banking service and support to the Pension Fund Committee and Board.

4 MONITORING TO 31 MARCH 2023

- 4.1 The table below shows the expenditure to 31 March 2023, against the approved budget and details the proposed budget for 2023/24.

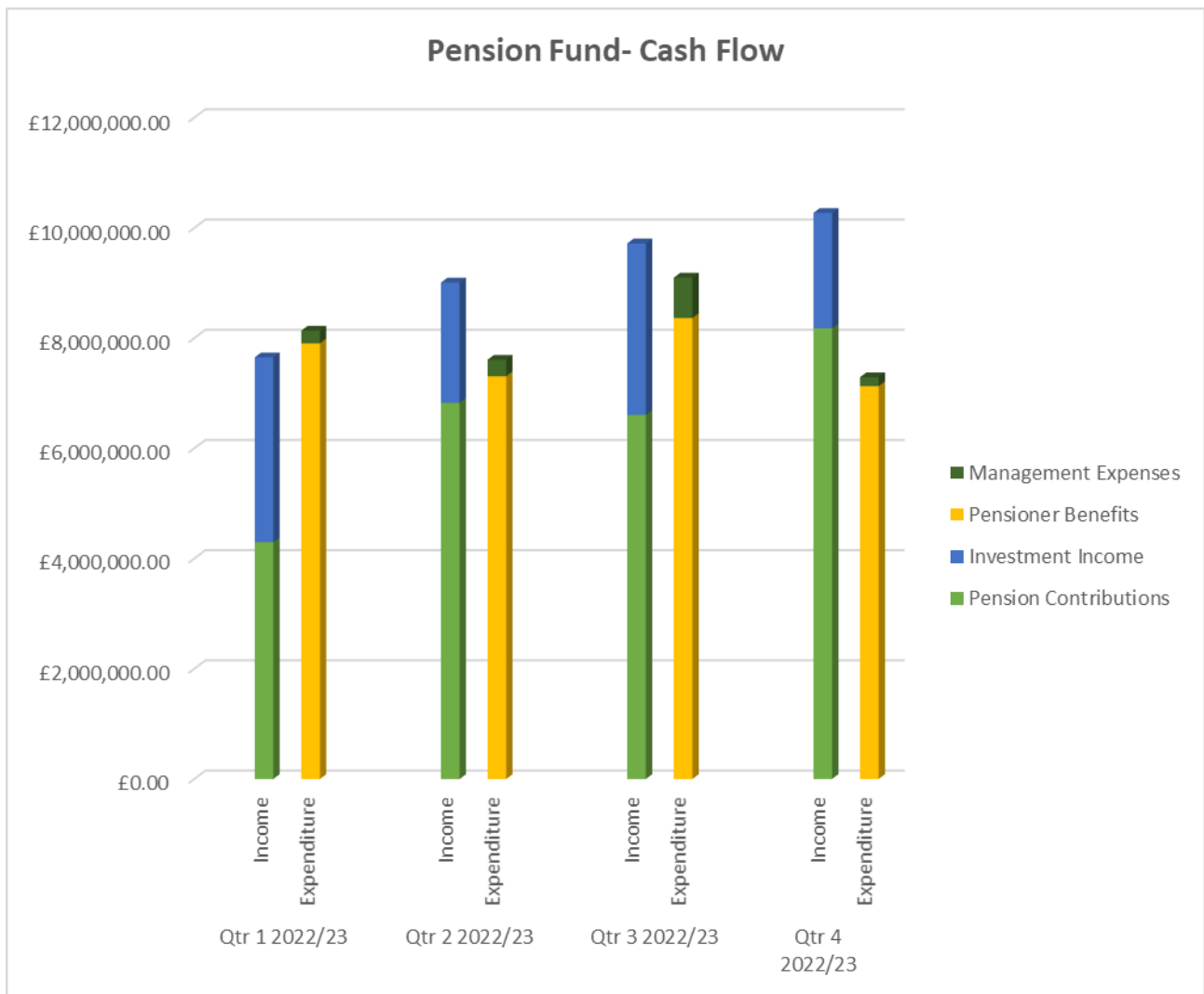
	Expenditure 31 March 23 £000's	2022/23 Budget £000's	2022/23 Variance £000's	2023/24 Budget
Investment Management	5,682 (Please see 4.2)	6,564	(882)	6,008
Administration	450	497	(47)	474
Oversight & Governance	338	339	(1)	458
Total	6,470	7,400	(930)	6,940

- 4.2 Investment Management fees are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. The underspend of £0.882m is a result of the fluctuating nature of the markets during the year which resulted in valuations less than those estimated when setting the budget.

- 4.3 Included within the Oversight & Governance outturn above are costs of £20,300 in relation to additional ISIO support costs to assist with management of the Pension Fund during 2022/23 with the 2023/24 budget including an estimate of £50,000 for ongoing temporary ISIO support costs pending appointment of a Pensions Manager.
- 4.4 The budget for 2023/24 investment manager fees is based on the current managers with full implementation of the approved strategic asset allocation.
- 4.5 The budget for 2023/24 for Administration includes an allowance for work required for the Triennial Valuation and Pension Fund Training delivered on 17 May 2023.

5 CASHFLOW MONITORING

- 5.1 A key objective of the Fund is to ensure the funds are in place to pay the members benefits. The Fund has been a mature fund since 2013/14 with the number of pensioners and their dependants exceeding contributing members. This in turn has resulted in the monthly cash out goings for pension benefits and expenses being higher than the contributions collected from active members.
- 5.2 To ensure the Fund continues to meet its primary objective the investment strategy approved by Committee incorporates an element of income generating assets to supplement member and employer contributions. These income generation assets are expected to enable the cash flow requirements of the Fund to be fully met without the requirement to disinvest from assets.
- 5.3 The table over details the cashflow movements for the financial year 2022/2023. The graph reflects cash expenditure for pension benefits, investment manager fees and operational costs of the Fund. Income shown is the contributions received from employers and employee and investment income received as cash. The figures excluded any principle returned or invested.



5.4 The graph shows some months with surplus income and others with deficits. However over the 12 month period shown the total cash received was £36.7m, cash expenditure was £32.1m, resulting in a cash surplus of £4.6m over the period. This surplus has been utilised in part to fund draw down notices from the Infrastructure managers.

6 IMPLICATIONS

6.1 Financial

There are no costs attached to any of the recommendations contained in this report.

6.2 Risk and Mitigations

This report is part of the governance framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks are managed in line with the Corporate Risk Management framework, with risks and controls monitored and reported on a quarterly basis.

6.3 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

6.4 Sustainable Development Goals

There are no direct impacts from this report on the sustainable development goals of the Council.

6.5 Climate Change

There are no direct climate change impacts as a result of this report.

6.6 Rural Proofing

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

6.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

6.8 Changes to Scheme of Administration or Scheme of Delegation

There are not changes to the Scheme of Administration or the Scheme of Delegation required as a result of this report.

7 CONSULTATION

7.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications are being consulted on this report and any comments will be reported at the Committee meeting.

Approved by

Name Suzy Douglas **Signature**
Title Acting Chief Financial Officer

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Acting Chief Financial Officer 01835 82600 extension 5881

Background Papers: Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 21 March 2023

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

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March 2023

BULLETIN

Cost Transparency

Supporting funds to drive down investment costs remains an important area of work for the SAB, and the online reporting system for fund managers helps make these more transparent and comparable across investments. The SAB noted the latest data, with a significant increase in the number of response, and agreed to a training session on the system for Pension Committee and Fund Board members, and technical staff.

Costs of Scheme Actuarial support

Legislation requires certain actuarial work to take place, including “Section 13 “ reports and “cost cap” assessments. Previously these have been funded by Scottish Ministers, and the SAB was approached for its view on whether Funds should take on these costs, which are quite significant. The opinion of the SAB was that the current system was appropriate, and as legislative requirements it would be inappropriate for these costs to be paid by funds, and ultimately by members pension contributions. It advised Scottish Ministers of this view.

Structures of the LGPS in Scotland

The SAB heard that two funds are continuing to explore merger proposals, and discussed a proposal for a series of workshops to better understand key issues involved in such changes, highlighting governance but also considering investments and other issues. A series of workshops are planned for later this year. It also wrote to Ministers seeking more clarification on the advice they wished the SAB to give on this.

National Care Service

The National Care Service Bill under consideration by the Scottish Parliament proposes a significant reorganisation of services, and potential impacts on pensions. The SAB was informed of consultatnts retained to advise on this, and has written to ministers seeking greater detail about the commissioned work and what advice the SAB can provide to Ministers regarding the implications for the SLGPS.

The SAB also invited Ministers to meet in person to develop a dialogue on issues around the structures review and National Care Service.

Further details on our website www.lgpsab.scot.

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May 2023

BULLETIN

Update on the Scheme Valuation

The SAB received a report from The Government Actuary's Department (GAD) on a review of actuarial factors affecting the LGPS. The highlight was the mortality of members, who now aren't living as long as previous expected. This affects the assessment of whether the "cost collar" of the scheme has been breached, but also the reduction factors for members who retire early, and the value of a pension being transferred into or out of the LGPS.

GAD also reported on the reduction in the "SCAPE" discount rate, which estimates how fast the economy will grow, from "Inflation plus 2.4%" to "Inflation plus 1.7%". Reductions in the SCAPE rate have previously meant that the "cost-collar" of the LGPS might be breached, which means the scheme would be changed to become more generous (funded by increased employer-contributions). However, the new "cost-collar" includes an extra "economic check", which is likely to stop any changes on the grounds that they are not affordable.

SCAPE does not have the same impact on employer contributions in the (funded) LGPS as it does on other (unfunded) public sector pension schemes. This is because the discount rate used in Fund valuations is set by the Fund actuary using more fund-specific information.

National Care Service

The SAB received a reply from the Minister (more overleaf) to its letter requesting consultation on the LGPS dimension of the creation of a National Care Service. The legislative process of the NCS Bill has recently been delayed for a number of months. It is currently not clear what options are being analysed by the consultant, Deloitte, who was appointed to examine the pension implications. The SAB welcomed the reassurance in the letter that it would be consulted, and expressed a wish for an ongoing process of engagement to commence in the near future.

McCloud Remedy regulations

Funds have been undertaking substantial work in relation to the remedy from the McCloud legal case. These regulations are currently expected by the start of October 2023.

Cost Transparency - Training

The SAB has taken up the offer of training for Fund administrators and political representatives on the online Cost Transparency System. The system is now bedded in, and aims to shine a light on costs and returns of investments in a range of different

investment classes and fund sizes. The training will include examples of how different funds have got benefits from using the system in practice, and is expected to run for Scottish Funds in Autumn 2023.

Good Governance

The good practice recommendations in the report on Good Governance from the E&W SAB was noted by the SAB. It agreed to circulate this to Funds and, given the variety of funds in Scotland, to ask for information on whether the recommendations were currently in place. Reinforcing the good governance agenda, the SAB also agreed to include a section in its annual report on attendance of Board Members.

LGPS Structures

The Minister has noted the current review of pooling in England and Wales, and the proposed merger of Lothian and Falkirk Funds under “Project Forth” has asked the SAB to consider pausing its work on structures to understand the outcome of these. In response, the SAB agreed a programme of three training events to upskill SAB board members to be better prepared to understand and respond to these two processes.

Response from Minister

Given the importance of understanding the Ministers thinking on the NCS and LGPS Structures, below are relevant excerpts of the correspondence from the Minister to the SAB.

On the National Care Service

First of all, it may be helpful if I set out the background to the planned set-up of the NCS. On 1 September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the Programme for Government. The principal aim of the review was to recommend improvements to adult social care in Scotland. This agenda extends to the outcomes for the people who use services, their carers and families and the experience of people who work in adult social care.

The Independent Review concluded at the end of January 2021 and the key outcomes for this are better terms for and strengthening of the workforce by embedding fair work and workforce development into Scotland’s legislation. The NCS Bill sets out a framework for the changes the Scottish Government wants to make in response to the review and gives Scottish Ministers powers to work through the detail with people who access support and those who provide it.

We recognise the crucial importance in allowing Care Boards to make staffing decisions based on their own needs and circumstances, and the need of the communities in which they operate. It remains the Scottish Government’s position that new local care boards will work collaboratively and in partnership with the NHS, local authorities, third and independent sectors to improve support locally and nationally. Once the structure and governance of care boards and their localities have been decided, decisions about the employment of local government staff can be made.

We are aware of the legitimate held concerns and questions raised around pensions and for that reason, we have commissioned support for expert pensions advice, which is being provided by Deloitte. The aim of this is to help us understand what options might look like, what some of the risks and opportunities are with each, the data we require to make informed decisions and the next steps required.

Thorough consideration will be given to all options for pension transfers and stakeholders will be consulted on any decisions that will need to be taken. We are actively considering pensions implications and will look to engage with the wider sector, including yourselves, at the right time. Our intention will be to avoid any detriment to staff, including in relation to pensions.

To this end, I welcome your offer of help and would ask that you work with relevant officials to understand the full significance of any possible unwanted outcomes. I have asked my officials to ensure that the views of the SAB are sought and I would be grateful if you would provide any recommendations that result from this collaboration, at the end of the review.

On the Structures Review

On the Structural Review, I would once again wish to offer my thanks to the SAB for the comprehensive work undertaken so far in researching and reviewing the options for the future structure of local government funds in Scotland.

As you are aware, following research commissioned in 2015 which indicated that significant savings could be delivered by the creation of investment pools, the UK Government obliged each LGPS administering authority in England and Wales to join, or help create, six investment pools with other LGPS administering authorities.

It was expected that cost-savings would be achieved through economies of scale and increased bargaining power; investment costs would be reduced along with other costs for all types of investment used in the pool. It was also envisioned that the creation of investment pools would make it easier for LGPS funds to invest in local infrastructure, due to their increased scale.

I understand that the Department for Levelling up, Housing and Communities in England and Wales expect to launch a review of the outcomes of the 'Pooling Agenda', looking at best practice and understanding the experience of the funds there.

As you set out in your letter, I am aware that Lothian Pension Fund (LPF) and Falkirk Council Pension Fund (FCPF) are currently engaged in work to achieve a merger of the function of those two funds. Officials are supporting this work and I am particularly interested to learn of the proposed governance models for any new fund established.

With all this in mind, I invite the SAB to consider whether is preferable that any further work on scheme structure is put on hold, until the outcome of the E&W review of the 'Pooling' agenda becomes clear and the process of the proposed merger and governance model planned LPF and FCPF merger is established.

Further details on our website www.lgpsab.scot.

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A Brief Guide to the

Local Government Pension Scheme

LGPS Basics

The LGPS is a defined-benefit occupational pension scheme set up by government regulations.

This scheme is open to local government employees and public service employers like charities. Benefits, which are set nationally, are very secure, because they're written in statute.

The LGPS is a nationwide scheme made up of many standalone funds, which are usually administered by local authorities. Separate regulations for administration, governance and investments apply in England & Wales, Scotland and Northern Ireland. But the scheme is broadly similar in each country or province.

Key LGPS Facts: England and Wales

- Made up of 85 regional funds
- Around 6.3 million members
- Total fund assets: £364 billion
- Total expenditure on benefits of £14.4 billion pa

Source: DLUHC LGPS Funds: England and Wales statistical release 2021/22

Key LGPS Facts: Scotland

- Made up of 11 regional funds
- Over 0.6 million members
- Total fund assets: more than £57 billion
- Total expenditure on benefits of £1.5 billion pa

Source: Scottish Scheme Advisory Report 2020/21

Since 1 April 2014, the LGPS in England and Wales (2015 for the other regions) has been a Career Average Revalued Earnings (CARE) scheme. That means pensions accrue each year based on members' earnings over their career.

The scheme is also 'funded', which means it's built up from employee and employer contributions, investment income and growth to meet future benefit payments. Most other public service schemes are unfunded or pay-as-you-go.

Pooling LGPS Investments

- Every fund in England and Wales invests a proportion of its assets through one of eight investment pools. The UK government's pooling policy is under review, but the guidance expected later in 2023 is expected to promote further pooling.
- Each administering authority (usually through the pension committee) sets its own objectives, beliefs and strategic asset allocation, as well as setting the fund's policy on ESG matters.
- The responsibility for choosing investment managers sits largely with the pool, depending on the type of pool structure.
- The pension committee must monitor its own fund's arrangements to ensure the pool is performing as required.
- At the time of writing, there are no requirements for pooling in Scotland.

Resources and training

To help pension committees and boards achieve the right level of knowledge in all these areas, Hymans Robertson has created an online learning tool – the LGPS Online Learning Academy (LOLA). This innovative digital learning plan mirrors the topics of the National Knowledge Assessment, and covers all key areas needed to successfully manage the running of a fund, including:

- Committee Role and Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial methods, Standards and Practices

This cost-effective training provides LGPS funds with the key information required and allows them to record and track all training progress for committees, boards and officers. Funds will receive regular progress reports, allowing them to easily evidence their members' knowledge and skills. Funds can also record all training that has taken place on the platform.

Who's who in the LGPS

Your own officers will be able to provide you with details of the people involved in your fund, and your governance arrangements. But it's likely that you'll deal with or hear about most of the following groups or individuals.

The Administering Authority

Usually a council – it has the responsibility of managing all aspects of the fund.

Advisers

These may include auditors; lawyers; investment managers; actuaries; investment, governance and benefit consultants; and custodians.

Department for Levelling Up, Housing and Communities (DLUHC)

The central government department responsible for strategic management and policymaking for the LGPS in England and Wales. The Scottish equivalent is the Scottish Public Pensions Agency, while the Northern Irish version is the Department of the Environment.

Officers

Employees of the administering authority, who carry out the fund's administration and management for the elected members.

Local Pension Board

Member and employer representatives, who assist the administering authority in the scheme's governance. Unlike the pension committee, local pension boards have no direct delegated decision-making responsibilities.

The Pension Committee

Usually elected members from the council. Most committees have some delegated authority from the administering authority, but some are advisory only. Normally, the committee has overall responsibility for the fund, like trustees in private sector pension schemes.

Pools (England and Wales only)

LGPS funds are grouped into eight pools. Each LGPS fund in England and Wales is a member of one of these pools, which were created to reduce costs, improve investment oversight and provide access to alternative asset classes.

Scheme Advisory Board (SAB)

A national body that works with government and other stakeholders to encourage best practice, increase transparency and coordinate technical and standards issues. There are separate SABs for England & Wales, Scotland and Northern Ireland.

Scheme Employers

Local authorities, public service organisations and private contractors providing an outsourced service.

Scheme Manager

The body that runs a public sector pension scheme. Each administering authority is a scheme manager in the LGPS.

Scheme Members

Active, deferred or pensioner members of the LGPS.

The Pensions Regulator (TPR)

TPR regulates the governance and administration of pension schemes and has published a code of practice for public service schemes.

Other groups you'll come across include:

- LGA (Local Government Association), who provide guidance on the technical aspects of the LGPS
- CIPFA (Chartered Institute of Public Finance and Accountancy), who support reporting and accountancy aspects

What are the pension committee's duties?

Agreeing the fund's objectives and investment beliefs

- Monitoring the fund's progress against its objectives
- Using the beliefs to form the fund's investment strategy

Deciding an appropriate investment strategy and structure for your fund

- Considering advice from your investment advisers and the fund's actuary
- Identifying and managing the fund's key risks
- Setting ESG-related policy matters, including climate change

In relation to the management of your fund's assets

- Liaises with your pool on investment options (England and Wales)
- Selects new investment managers (Northern Ireland and Scotland)
- Monitors performance of decisions delegated to other parties (all)

Dealing with your fund actuary

- Ensuring that you have an appropriate funding strategy for setting contributions
- Agreeing contribution rates at the triennial valuation
- Monitoring the funding level between valuations

Ensuring all relevant documentation is in order

- Reviewing and updating the mandatory documents (including the annual report, funding strategy statement and governance compliance statement)
- Reviewing administering authority policies
- Approving your pension fund accounts

Being responsible for risk management of the fund

Maintaining an up-to-date risk register

- Establishing appropriate policies to deal with the admission and departure of employers into or from the fund
- Ensuring smooth administration of the fund for members and employers
- Keeping an eye out for possible long-term risks, eg how your longevity experience is changing over time

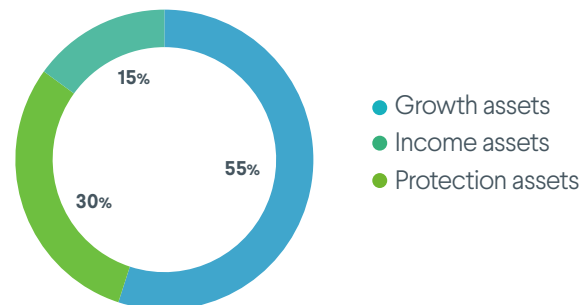
Investment Decisions

The pension committee's main tasks include setting the fund's investment objectives, beliefs and strategy, as set out in the investment regulations.

Once the objectives and beliefs are established, attention turns to the fund's investment strategy. Funds will typically invest in:

- **Growth** assets, such as equities, which generally provide an above-inflation return over the long term.
- **Income** assets like property, infrastructure and other alternatives that provide diversification. These also typically generate above-inflation returns, with a high proportion as income, which can help to fund benefits payments.
- **Protection** assets like gilts and high-quality corporate bonds, which are usually held for funding stability and security.

A typical LGPS fund's asset allocation could look like this:



- A high allocation to return-seeking assets helps to keep pensions affordable, but also increases downside funding risk.
- A long-term approach, seeking return, is generally considered appropriate – hence the higher allocation to growth and income assets in the LGPS world relative to most private sector pension schemes.
- ESG-related aspects (including climate change) are increasingly important when making investment decisions.

Types of asset classes

Equities

Shares in companies, which can provide dividends and the prospect of capital gains. Equities are expected to deliver a higher long-term return than bonds.

Bonds

These provide a regular income and are repaid in full at maturity. Gilts are bonds issued by the UK government, and corporates are issued by companies. Corporate bonds are perceived as being higher risk than gilts, so they pay a higher interest rate. Index-linked gilts provide income and maturity payments that increase (or decrease) in line with inflation.

Property

Covers commercial and, increasingly, residential property. Due to the size of individual properties and the need for diversification, investment is often through pooled funds.

Infrastructure

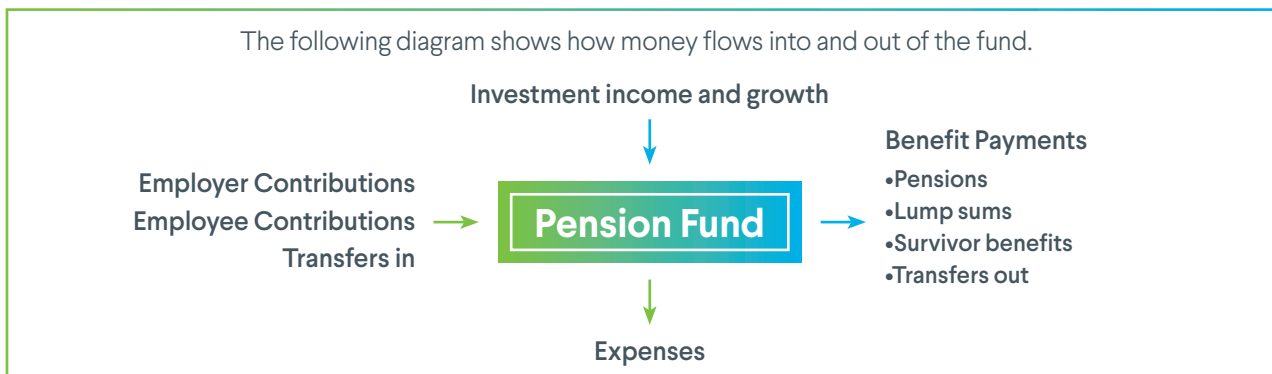
A highly diverse asset class comprising the facilities and essential services for the functioning of modern economies. Covers economic infrastructure like transportation networks, power generation/distribution and telecommunications, and social infrastructure such as schools and hospitals.

Alternatives

Asset classes that add diversification by delivering returns in a different pattern from equities. Includes hedge funds, infrastructure and diversified growth funds (funds that invest in a range of different assets).

The actuary's role

Your main objectives when running a pension fund are to ensure there are sufficient funds to pay for the benefits when they're due, and that contributions are paid at an appropriate level.



Your fund actuary will perform regular actuarial valuations of the fund to:

- Comply with legislation (valuations every three years are mandatory)
- Monitor the ongoing health of the fund and manage actuarial risks (ie do you have enough money to pay the pensions?)
- Recommend appropriate contribution rates for employers
- Monitor the actual experience of the fund against the assumptions made

To carry out the valuation, assumptions must be made about future experience. The most important decisions will concern the expected investment return, inflation (to determine pension and salary increases) and longevity assumptions. These feed into financial modelling to help decisions about funding strategies. At valuation time, your actuary will provide analysis and advice in determining these assumptions and setting funding strategies.

The Funding Strategy Statement documents how the fund will pay for benefits and the approach the actuary will use when setting employer contribution rates.

Important definitions for valuation

Funding strategies

These target full funding for each employer over an appropriate time horizon by balancing future employer contributions with future investment returns. The financial strength and risk profile of employers are key factors.

Rates and Adjustments Certificate

A document required by the LGPS Regulations, which must be updated after each formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the fund until the next valuation is completed.

Primary contribution rate

The employer contribution rate required to pay for new benefits earned by staff, expressed as a percentage of pensionable pay.

Secondary Contribution Rate

Any adjustment to the Primary Contribution Rate (such as additional contributions to repair any deficits), which can be expressed as a percentage of pensionable pay or as annual lump-sum amounts.

LGPS boards

All LGPS funds must have a local pension board to ensure that funds are governed in line with regulatory and best-practice requirements.

The local pension board assists the scheme manager (the administering authority) in complying with:

- The scheme regulations
- Other governance and administration legislation
- Any TPR requirements
- Additional matters, if specified by scheme regulations

Boards must have an equal number of representatives from employers and scheme members. Other types of members – independent experts, for example – are allowed, but they won't have a vote.

The law requires local pension board members to have knowledge and understanding of relevant pensions laws, the LGPS and its documentation.

The pension committee's role usually involves decision-making, but members of pension boards should focus on the processes involved in running the fund.

For example, are policies and procedures up to date? Are the requirements of The Pensions Regulator being met? And is the fund following recognised best practice?

Also, separate Scheme Advisory Boards exist for England & Wales, Scotland and Northern Ireland. These encourage best practice, increase transparency and coordinate technical and standards issues.

Knowledge and skills

The CIPFA code of practice requires those charged with pension scheme governance to have access to the skills and knowledge for carrying out their role effectively.

Members of local pension boards also have a statutory requirement to have knowledge and understanding of the law relating to pensions and any other matters specified in the regulations.

Unlike local board members, there's no statutory requirement for decision-makers on a pension committee or panel to have a level of knowledge about pensions law or LGPS matters. However, to comply with MiFID II (Markets in Financial Instruments Directive II), fund committees must provide evidence of their knowledge and understanding to be classed as a 'professional client'.

CIPFA's Pensions Knowledge & Skills Framework (KSF) outlines the necessary skills for those responsible for pension financial management and decision-making.

Regulations and guidance on the English and Welsh SAB Good Governance Review is being prepared by DLUHC. It recommends that members of pension committees should be required to obtain the knowledge and understanding necessary to carry out their role effectively.

This isn't the same as being a pensions subject-matter expert: it's about having the skills to ask questions, seek advice and weigh up options.

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The information in this letter is only for the person or entity to which it is addressed. The contents may not be made public by the recipient before the FRC publishes the UK Stewardship Code signatory list on Wednesday, 15 February 2023.

Mr David Robertson
Scottish Borders Council Pension Fund
Council Headquarters
Newtown St Boswells, Melrose
TD6 0SA

Friday, 10 February 2023

Application Outcome: Successful

Dear Mr Robertson

Thank you for submitting your Stewardship Code application.

We are pleased that Scottish Borders Council Pension Fund has met the expected standard of reporting and will be listed as a signatory to the UK Stewardship Code ('the Code').

We will update the list of signatories and reports on our website on **15 February 2023**. You will then be able to refer to yourself as a signatory to the UK Stewardship Code and use the Code logo which is included in the folder with this letter. Please note that your use of the logo is subject to the terms and conditions, and *UK Stewardship Code logo user guide*.

Please treat this letter as confidential and refrain from referring to your organisation as a signatory to the Code until the FRC has updated the list. Once the FRC has updated the list of signatories, please also publish your report on your website.

Your report

We read your report in full and assessed it against the Code in a way that is proportionate to your organisation's size and type. This assessment was then reviewed to ensure it was fair and appropriate. A sample of reports reflecting a range of applicants was also reviewed by our panel of independent advisors to ensure consistency.

Below we provide feedback and a table indicating where your reporting met our expectations and where improvement is needed when you submit your next report.

Next steps

In November 2022, the FRC published its *Review of Stewardship Reporting 2022*. This gives more detail about our expectations, including examples of effective reporting, and identifying where the FRC expects reporting to improve in 2023. From 2023, our assessment will place greater emphasis on reporting the activities and outcomes of stewardship undertaken directly or by others on your behalf, during the reporting period. Please refer to the Review as you prepare your next Stewardship Report.

This letter sets out our final decision for this assessment period and we do not discuss individual assessments. To remain a signatory, you will need to submit a report by **31 October 2023**. Details about reporting periods and application deadlines are on the FRC's website.

Yours sincerely



David Styles
Director, Corporate Governance and Stewardship

Stewardship Report Feedback

We have reviewed your re-application and are pleased that there have been noticeable improvements in reporting. However, there remain areas that require attention which we have detailed below. Please address the areas identified in this feedback and the following table to remain a signatory in future.

Your report is clear, engaging and effectively demonstrates application of most of the Principles and reporting expectations of the Code in the reporting period. Your weakest reporting was on Principles 4, 6 and 10.

In general, your report describes well how most of your stewardship activities, including ESG integration and engagement, are delegated to your external asset managers. However, in order to better comply with the requirements of the Stewardship Code, you should better explain the expectations you have set for your asset managers to act on your behalf. This would include explaining the issues you expect your managers to evaluate, engage and escalate on during their investment process (P.7, 9 and 11) and provide relevant examples that demonstrate how they have followed your guidance. You should also explain the expectations you set for your asset managers to participate in collaborative engagement, and examples of where they have done so on your behalf (Principle 10).

For Principle 1, you should better articulate your culture and values at Scottish Borders Council Pension Fund. Your report should also disclose an assessment of how effective you have been in serving the best interests of beneficiaries during the reporting period.

For Principle 2, on pp.6-7, your report explains stewardship and responsible investment are a key area each asset manager is required to provide updates on at the Investment & Performance Sub Committee. However, your report could be clearer on which governance committees have ultimate oversight and accountability for stewardship.

You explain internal resources dedicated to stewardship although better reporting could explain how the skills, experience, qualifications and diversity of your team contribute to the appropriate resourcing of stewardship at Scottish Borders Council Pension Fund.

On pp.9-10, your report explains future improvements planned for 2022. However, your report could explain further how the areas you have identified for improvement will support effective governance structures and processes for stewardship.

Your report should identify the market-wide and systemic risks you consider for Principle 4. When reporting to this Principle, the focus should be on risks to the market or system, not only portfolio risk. Linked to this, you should better explain how you have aligned your investments you hold with market-wide and systemic risks. Your report should explain better the expectations you are setting those undertaking stewardship on your behalf (e.g. external asset managers) to work with other stakeholders to promote continued improvement

of the functioning of financial markets.

For Principle 5, your report explains the use of internal and external audit. However, you report could explain further the assurance Scottish Borders Council Pension Fund has received in relation to stewardship, and the rationale for your chosen approach.

For Principle 6, your report should better describe the length of the investment time horizon, including the number of years, you have considered appropriate to deliver to the needs of beneficiaries.

Your report should explain in further detail how you have sought scheme members views in addition to explaining how you have sought views from employers whom you also consider to be key beneficiaries. You should also explain how you have evaluated the effectiveness of you chosen methods to understand the needs of beneficiaries, and how you have taken account of the views of scheme members you have received, including actions you have taken as a result.

In addressing Principle 7, You should explain how integration of stewardship and investment has differed across the ways in which you are invested, such as funds, asset classes and geographies.

Your report could explain further how mandates award to external asset managers have included requirements to integrate stewardship and investment to align with the investment time horizons of beneficiaries. Better reporting could explain how the mandate covers the material ESG issues you expect to be prioritised in integration, engagement, collaborative engagement, escalation and the exercising of rights and responsibilities by asset managers on your behalf.

For Principle 8, your report explains how service provides have met your needs during the reporting period. However, you could explain further the actions you would take if your expectations of asset managers and/or service providers have not been met.

The engagement case studies provided on p.34 for Principle 9 are more relevant to Principles 11 and 12. When using examples to demonstrate engagement on your behalf by asset managers, case studies should include the reason for engagement, the objectives, what occurred during the reporting period and the outcomes of engagement including any next steps.

For Principle 10, your report explains the collaborative initiatives you are involved in. However, better reporting could explain your role and contribution to these initiatives during the reporting period.

While your report explains that you encourage managers to be signatories to Climate Action 100+ and that you encourage them to engage in industry initiatives, better reporting could explain how you monitor and hold to account your managers for their involvement in industry initiatives, linked to your reporting on Principle 8. Your report should describe the outcomes of collaborative engagement on your behalf by asset managers during the

reporting period.

For Principle 11, your report should seek to provide further examples and case studies of escalation on your behalf which demonstrate a variety of outcomes during the reporting period. The UK Stewardship Code encourages organisations to acknowledge setbacks experienced and lessons learned, as well as successes and we consider better reporting to include a wider variety of outcomes (i.e. examples of successful, unsuccessful or ongoing engagements).

To address Principle 12 you should explain how you exercise your rights and responsibilities across all the asset classes in which you are invested in, not only listed equity.

Where listed equity voting case studies are used in your report, they should:

- provide information on whether the resolution passed or failed (including percentages)
- explain what the response was to the resolution from the issuer and other shareholders
- include a reflection on the impact that the vote had on the company
- explain if the organisation reached its goals
- describe steps to be taken in the future if not satisfied with the result.

Feedback Key

✓	Meets expectations
✓ ✘	Partially met, aspects need improvement
✘	Not met

Principle 1 – Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Reporting Expectation

✓ ✘	Signatories should explain the purpose of the organisation and an outline of its culture, values, business model and strategy
✓	Signatories should explain their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why
✓	Signatories should explain what actions they have taken to ensure their investment beliefs, strategy, and culture enable effective stewardship
✓	Signatories should disclose how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making
✘	Signatories should disclose an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

Principle 2 – Signatories’ governance, resources and incentives support stewardship.

Reporting Expectation

✓	Signatories should explain how their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach.
✓	Signatories should explain how they have appropriately resourced stewardship activities, including their chosen organisational and workforce structures
✓ x	Signatories should explain how they have appropriately resourced stewardship activities, including their seniority, experience, qualifications, training and diversity
✓	Signatories should explain how they have appropriately resourced stewardship activities, including their investment in systems, processes, research and analysis
✓	Signatories should explain how they have appropriately resourced stewardship activities, including the extent to which service providers were used and the services they provided
✓	Signatories should explain how any performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making
✓	Signatories should disclose how effective their chosen governance structures and processes have been in supporting stewardship; and Signatories should disclose how they may be improved

Principle 3 – Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Reporting Expectation

✓	Signatories should disclose their conflicts policy and how this has been applied to stewardship
✓	Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.
✓	Signatories should disclose examples of how they have addressed actual or potential conflicts

Principle 4 – Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Reporting Expectation

✓ x	Signatories should explain how they have identified and responded to market-wide and systemic risk(s), as appropriate.
✓	Signatories should explain how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets.

✓	Signatories should explain the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples.
✗	Signatories should explain how they have aligned their investments accordingly.
✗	Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.

Principle 5 – Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Reporting Expectation

✓	Signatories should explain how they have reviewed their policies to ensure they enable effective stewardship
✓	Signatories should explain what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach
✓	Signatories should explain how they have ensured their stewardship reporting is fair, balanced and understandable
✓	Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes

Principle 6 – Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Reporting Expectation

✓	Signatories should disclose the approximate breakdown of the scheme(s) structure i.e. whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution etc.
✓	Signatories should disclose the approximate breakdown of the size and profile of their membership, including number of members in the scheme and the average age of members
✓	Signatories should disclose the approximate breakdown of assets under management across asset classes and geographies
✗	Signatories should disclose the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why
✓✗	Signatories should explain how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach
✗	Signatories should explain how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon
✓	Signatories should explain what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication

✘	Signatories should explain how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries
✘	Signatories should explain how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result
✔	Signatories should explain where their managers have not followed their stewardship and investment policies, and the reason for this

Principle 7 – Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Reporting Expectation

✔	Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include ESG issues of importance to them.
✘	Signatories should explain how integration of stewardship and investment has differed for funds, asset classes and geographies
✔	Signatories should explain how they have ensured tenders have included a requirement to integrate stewardship and investment, including material ESG issues
✔	Signatories should explain how they have ensured the design and award of mandates included requirements to integrate stewardship and investment to align with the investment time horizons of beneficiaries
✔	Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries

Principle 8 – Signatories monitor and hold to account managers and/or service providers.

Reporting Expectation

✔	Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.
✔	Signatories should explain how the services have been delivered to meet their needs OR Signatories should explain the action they have taken where signatories' expectations of their managers and/or service providers have not been met

Principle 9 – Signatories engage with issuers to maintain or enhance the value of assets.

Reporting Expectation

✔	Signatories should explain the expectations they have set for others that engage on their behalf
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✓	Signatories should explain how they have developed well-informed and precise objectives for engagement with examples
✗	Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.

Principle 10 – Signatories, where necessary, participate in collaborative engagement to influence issuers.

Reporting Expectation

✓ ✗	Signatories should disclose what collaborative engagements they have participated in and why, including those undertaken directly or by others on their behalf.
✗	Signatories should describe the outcomes of collaborative engagement.

Principle 11 – Signatories, where necessary, escalate stewardship activities to influence issuers.

Reporting Expectation

✓	Signatories should explain the expectations they have set for asset managers that escalate stewardship activities on their behalf
✓	Signatories should explain when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples
✓ ✗	Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf

Principle 12 – Signatories actively exercise their rights and responsibilities.

Reporting Expectation

✗	Signatories should state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf
✓	For listed equity assets signatories should disclose their voting policy, including any house policies and the extent to which funds set their own policies
✓	For listed equity assets, signatories should explain their rationale for some or all voting decisions
✓	For listed equity assets, signatories should explain the extent to which voting decision were executed by another entity, and how they have monitored any voting decisions on their behalf
✗	For listed equity assets, signatories should explain how they have monitored what shares and voting rights they have
✗	For fixed income assets, signatories should explain their approach to seeking amendments to terms and conditions in indentures or contracts
✓	For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months

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