

## Appendix 1

### Scottish Borders Council Pension Fund: Schedule of Governance Recommendations – Agreement to Proceed?

Rec. No.	Recommended Actions	Action: Yes/No/Possibly	Priority Level	Rationale
<b>Key Recommendations - Governance Structure: Policy, Process &amp; Oversight</b>				
GP1	<b>The Fund should ensure that the roles of the Committee and Board members are distinct and clearly understood by all members and officers, including potential conflicts of interest.</b>	Y	1	Member training in June 2023 covered respective roles of Board & Committee. If Joint structure to remain, both Chairs can ensure role delineation is clearly maintained before/during joint meetings. Review any further changes necessary when TPR Single Code published. This topic should be revisited at each annual training day.
GP2	<b>The Pension Board's constitution should be reviewed and updated</b>	Y	1	Review what other funds doing/what templates are used etc. Review/update for SBCPF accordingly.
GP3	<b>The remit of the Pensions Committee should include the assessment of the effectiveness of the Fund's systems of control including the agreeing internal audit plans and reviewing the outcomes of internal audits.</b>	Y	1	Revise remit in line with recommendations in Governance Review Report.
GP4	<b>The Fund should review the make-up and business of the Investment Sub-Committee.</b>	N	-	<b>No action proposed.</b> Current provisions provide for in depth discussions with Investment Mgrs. on performance/required improvements and could be difficult to do as thoroughly during full Committee meetings (e.g. time constraints, commercial confidentiality issues etc). Whilst requiring additional time commitment, from members, the role of the Sub-Com. provides an essential in-depth performance monitoring/managing role and provides for very open and frank discussion/reviews.
GP5	<b>The Fund's training approach could be more specific to the needs of members including ensuring awareness of key documentation, assessing knowledge, and extending the Training Policy to senior officers. [Also an action in 22/23 Stewardship Code Report]</b>	Y	1	Review current training provision and assess scope for improvement/more focused training material/means of delivery etc, to address Committee/ Board/Official needs. An annual in-person training day should be considered within the business plan. Identify pragmatic approach for evaluation of learning

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GP6	<p><b>2. The Fund should put in place new policies for the management of conflicts of interest and the reporting of breaches.</b> This is a recommendation of the 'Good Governance Review'.</p>	N		<p><b>No action proposed.</b> The Fund currently uses SBC policy on Conflict of Interest/reporting of breaches, and this is thought to be sufficient at present.</p> <p>Review position considering any TPR Single Code requirements, once this is published.</p>
<p><b>Additional Recommendations - Governance Structure: Policy, Process &amp; Oversight</b></p>				
(i)	<p><b>Pension Committee</b></p> <p>The Fund should review the Scheme of Administration and address the following matters:</p> <ul style="list-style-type: none"> <li>• consider articulating its expectations of the Committee in more detail to ensure it considers key aspects of running the Fund.</li> <li>• <b>Review the make-up and business of the Investment Sub-Committee</b> (<i>not to be actioned – see note on GP4</i>)</li> <li>• <b>Board members should not be members of the Investment Sub-Committee.</b></li> <li>• set out the Council's expectation that members of the Committee comply with the Fund's training policy.</li> <li>• Consider having member and/or employer nominated members on Committee with voting rights.</li> <li>• <b>Fund's Training Policy sets a minimum attendance at two Committee meetings, but not for attendance at the Investment Sub-Committee. The Fund should review this.</b></li> </ul>	Y	1	<p>Review and revise SoA/Committee remit as deemed necessary, taking account of the recommended points.</p> <p>A number of these actions are straightforward policy/process revisions, whilst others will require review and discussion with Committee/Board members, and senior officials. Check with other Scottish LGPS Funds to identify current practise and assess what would work for SBCPF etc.</p>
(ii)	<p><b>Pension Board</b></p> <p>Ref '<b>Review and update the Pension Board Constitution</b>' (GP2)</p> <ul style="list-style-type: none"> <li>• The Board should produce an annual report on its activities, to be included in the Fund's Annual report.</li> </ul>	Y	1	<p>In addition to above type of actions, undertake review of what happens across other relevant LGPS Funds and extent to which Board constitutions have changed. Look at good practice and available templates for Board Constitutions, reports and how these might be adapted</p>

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	<ul style="list-style-type: none"> <li>• During the appointment process and annually thereafter, members should be required to declare interests, with a register of interests available on the website.</li> <li>• How and when the members of Board who attend the Investment Sub-Committee are selected.</li> </ul>			to suit the needs of SBCPF Board etc. Proportionality and pragmatism need to be taken into account.
	Elected member(s) from the Council are members of the Board which could arise in specific potential conflicts of interests. <i>The Fund should ensure that it is comfortable that such conflicts can be managed.</i>	Y	2	Discuss potential issues/concerns with Board Chair/members. Assess how other relevant LGPS Funds address these risks.
(iii)	Board to consider meeting <i>before</i> Committee meetings to discuss any potential areas for scrutiny/challenge; Board attendees to Investment Sub-Committee can provide an update on investment matters.	Y	1	Board Chair to discuss with Board members at Dec.2023 Board meeting and revise/maintain arrangements and advise Secretariat Services accordingly. <b>Almost complete</b>
(iv)	Papers, minutes of meetings and the Council's website should clearly distinguish between members of the Committee and Board and a procedure developed to ensure website content is reviewed and updated on a timely basis.	Y	1	<b>Action Complete:</b> Fund Secretariat advised of updated Committee & Board membership, and to separately record membership of each, for minutes/papers etc. Fund website checked/updated in Dec 2022/Jan 2023 and to be checked quarterly.
(v)	The Fund may also wish to consider asking the Scheme Advisory Board to review the template constitution for pension boards.	N		<b>No Action proposed.</b> SBCPF will review/revise its Pension Board Constitution, as above.
	<b>General Oversight</b>			
(vi)	Every 3 years, the Committee should consider the report undertaken by the Government Actuaries Department for the Scottish Government (Section 13 report) which analyses the funding positions of the Scottish LGPS funds.	P	2-3	Hyman Robertson currently provides summaries of GAD reports and a link to full reports. Summary information is provided to Committee, if there are items of specific relevance to SBCPF. Assess if Committee want wider report content.
(vii)	The Fund should consider obtaining an update on the funding position between the formal actuarial valuations (e.g., annually). This would help to put the short-term investment performance into perspective and maintain members' awareness of funding.	P	2	Assess views of Committee and costs of provision

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<p>(viii)</p> <p>(ix)</p> <p>(x)</p>	<p><b>Training (Ref notes for GP5)</b></p> <p><b>Member Training:</b></p> <ul style="list-style-type: none"> <li>• <b>Fund documentation refers to an induction pack/list of key documents members are expected to be familiar with, but not all are. The profile of these documents should be raised, and for members to confirm familiarity with them on a regular (annual?) basis.</b></li> <li>• <b>The Fund should consider assessing training needs based on knowledge (as opposed to members' perception of knowledge).</b></li> <li>• Training plans should address needs of all individuals (e.g., more bespoke plans when training needs vary/different plans for Committee and Board.)</li> <li>• <b>Ensure the training plans address the needs of members (e.g more targeted training on the specific issues facing the Fund)</b></li> <li>• The minimum training is set at 2 training sessions per year, irrespective of duration, subject or knowledge gained. More specific minimum requirements should be considered.</li> <li>• Regularly review the effectiveness of training sessions. This could be done by assessing the knowledge gained.</li> </ul> <p><b>Senior Officer Training:</b></p> <ul style="list-style-type: none"> <li>• <b>Extend the Training Policy to senior officers including deputy for the Section 95 officer.</b></li> </ul> <p><b>[Training &amp; Evaluation is also an action for the Stewardship Code Report]</b></p>	<p>Y</p>	<p>1-2</p>	<p>These additional recommendations in (ix) and (x) would be included in the 'package' of work on training, outlined in notes on GP5</p>
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<b>Key Recommendations - Service Provision &amp; Performance Monitoring &amp; Evaluation</b>				
SP1	<p><b>Assess Fund's resource needs, to ensure pension functions are efficient/effective.</b></p> <p><b>The Fund should ensure appropriate procedure manuals/timetabling are in place for key tasks to reduce impact of staff changes.</b></p>	Y	1	<p>Role of Pension Investment &amp; Accounting Mgr. revised to be 100% dedicated to pension fund. Recruitment in progress.</p> <p><u>Procedures</u>: payroll activity already timetabled. Other admin. procedures partially recorded/need updating. Position on investment procedures to be reviewed/ revised in tandem with appointment of PI&amp;A Mgr. role</p> <p>Undertake evaluation of current procedures. Identify critical gaps/changes/updates required etc. across both Pension Admin &amp; Investment areas for manuals</p>
SP2	<p><b>Consider single officer role, managing all pension functions/most of their time dedicated to pension matters.</b></p>	N	1	<p>PI&amp;A Mgr. role now 100% dedicated to the Fund. Changes to structure/reporting lines would create resourcing/service delivery challenges to existing integrated structure.</p> <p>Review position when TPR Single Code published</p>
SP3	<p><b>Expand Pensions Administration Strategy to include performance standards for internal pension service provision to Fund members, enabling performance to be monitored/managed.</b></p>	Y	1	<p>Identifying/ implementing relevant metrics is already a priority for Pen. Admin..</p>
SP4	<p><b>Data improvement plan should be developed and implemented.</b></p>	Y	1	<p>Work already well progressed and in preparation for Pension Dashboards.</p>
SP5	<p><b>The Fund should regularly review the risks and resources of maintaining two systems for pensioner payroll.</b></p>	P	2	<p>There are some significant risks/costs in moving to a single system, due to reliance on interfaces with a number of other internal/external systems. A cost-benefit-analysis to be produced to identify/ assess options, pros/cons &amp; costs.</p>
SP6	<p><b>Benchmarking of administration and investment should be undertaken on a regular basis, including cost and performance, with results reported to Committee.</b></p>	Y	3	<p>SBCPF currently uses CEM for investment benchmarking. In Pen.Admin. performance metrics/standards should be allowed to 'bed in' prior to external benchmarking. This would also allow time to research/cost suitable benchmark options and providers (e.g. CIPFA)</p>

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Additional Recommendations - Service Provision & Performance Monitoring & Evaluation				
(i)	The Fund could consider the appointment of an independent adviser to provide support for officers, Committee and Board, helping to scrutinise advice from investment consultants and other advisers.	P	2	Assess potential benefits/costs and what the scope of an 'independent' role might be, to provide best value to Fund.
(ii)	The budget and business plan should be considered by Committee at the same time, ensuring the implications of the business plan are included in the budget.	Y	1	Appraise implications of aligning plan and budget timetables
(iii)	The Fund should regularly survey members and employers to gain feedback on the service, for example after specific interactions (new joiners, retirements, deaths, employer events) or more generally on a periodic basis. [ <b>Also an action for Stewardship Code Report</b> ]	Y	2	Committee agreed to an annual member newsletter, at Sept '23 meeting, to be introduced in March '24 . A member survey is also planned for later in '24 to elicit member feedback.
(iv)	The business plan and budget could include more extensive performance measures for example in areas such as communications, member self-service (registration and regular logins), employer data processing, customer satisfaction and data quality.	Y	2-3	Can be undertaken once new processes/ performance metrics are embedded and providing reliable performance data
(v)	Efforts have been made recently to expand the use of the pensions administration system including online access for members, document management and data analysis tools. Further automation should be considered including the use of workflow and electronic transfer of data from employers to further increase efficiency and reduce risk.	P	2	Monitoring/measurement of new performance metrics may require automated support. Produce cost-benefit-analysis assessing requirements, system options, pros/cons and likely costs.
(vi)	Performance against the Pensions Administration Strategy is currently reported to Committee on an annual basis. Performance should be monitored by Committee more frequently (at least every 6 months, if not quarterly) to be better informed of potential pressures on the service and ensure action is taken if necessary. (the service standards should also be extended to the services for members.)	Y	2-3	Provide at 6-month intervals initially, until metrics are developed/implemented and assessed for reliability. Reporting frequency can then be reviewed.

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(vii)	The Fund should regularly monitor the performance of the external provider of the Additional Voluntary Contributions (AVCs) facility, both investment and administration performance. The last review done in November 2018. The Fund should communicate to members with AVC arrangements to remind them of the importance of monitoring their AVC investment choices.	Y	3	Last reviewed in 2018. Propose review on 7- year cycles, making next one 2025. This allows new providers of AVC platforms and various cost benefits of changing provider to be assessed, prior to date of review
<b>Key Recommendations – Investment Oversight &amp; Reporting</b>				
IOR1	<b>Consolidating the large number of investment managers/mandates to a smaller number of asset classes could aid Committee’s understanding of the key issues.</b>	N		<b>No action proposed.</b> The number of investment managers/mandates is driven by the Fund’s Strategic Investment Policy. In relative terms, the LPF IFM includes a high number of managers for the investment size, which skews the overall figure.
<b>Additional Recommendations – Investment Oversight &amp; Reporting</b>				
(i)	<b>Ensure the agenda for Investment Sub-Committee aligns with its remit.</b> There are some aspects of the Sub-Committee’s remit which have not been addressed recently (Statement of Investment Principles, overseeing the custodian and consideration of the risk register).	Y	1	Review as part of wider Committee remit and Investment & Performance Sub-Committee work and revise as required.
(ii)	<b>There has been a significant drive in the investment industry to achieve greater transparency of investment costs. The ISC could review the investments costs on a periodic basis (e.g. annual) which would increase awareness of asset classes and investment managers and hence inform future decisions.</b>			Assess current provisions for cost/value monitoring and review potential options for improvement/clarity
(iii)	There could be ways to consolidate/simplify papers to reduce duplication. See also the previous comments on the review of the Investment Sub-Committee.	Y	2	Assess options for streamlining.
(iv)	Consider delegation of some (less significant) manager decisions/oversight to officers, so Committee can consider the most significant holdings (subject to there being sufficient officer resource and expertise).	N		<b>No action proposed.</b> Deemed unnecessary for small funds, such as SBCPF

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(v)	The monitoring of the infrastructure/'other real assets' mandate advised by the Lothian Pension Fund is considered by Committee, not the Investment Sub-Committee. In future, comparison of the internal infrastructure mandate with the newly appointed infrastructure IFM will be important. The approach to monitoring should therefore be reviewed to ensure consistency.	Y	2	Implement when next review of investment manager due
(vi)	The Investment Sub-Committee have agreed a framework to assess the Fund's investment adviser. The final assessment of the provider should be agreed by the Committee.	Y	1	To be agreed by Committee if not already done.
(vii)	The reports on specific investment managers are detailed but they tend to focus on the most recent quarter's performance and activity. The Committee typically meets with managers annually, therefore the reports could focus on such longer-term periods. Performance for periods of more than 3 years would also help.	Y	2	Assess how best to implement and introduce for 2024 reviews.
(viii)	A single list of managers/mandates might be a helpful reference document given the complexity of the Fund's investment structure	Y	2	In line with annual review cycle
(ix)	The attribution (i.e. an explanation of the main drivers) of investment performance could aid understanding of the key issues.	Y	2	
<b>Key Recommendations- Risk Management &amp; Assurance</b>				
RA1	<b>The Fund should document how it complies with The Pensions Regulator's Code(s) and include the risk of non-compliance in the risk register.</b>	Y	1	Incorporate compliance in next review/update of Governance Policy & Compliance Statement in 2024.  Risk of non-compliance is now incorporated in refreshed Risk Register, approved by Committee at Sept. 2023 meeting. <b>This aspect has been completed.</b>
RA2	<b>The Fund's internal audit should be expanded to cover the Fund's specific risks. The Fund should also review the resource needed to provide assurance on the key risks.</b>	Y	1	Expansion of internal audit scope, already agreed by Committee in March 2023 and will be included in 2023/24 audit plan. Additional audit resource/time has been allocated to reflect this. <b>This has been completed</b>



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Other Recommendations - Risk Management & Assurance				
	<b>Risk</b>			
(i)	The Fund should develop clear definitions of impact and likelihood used to assess risks and include them in Committee reports. These could help Committee and Board to scrutiny of the risk register (If not already in place).	Y	1	<b>Complete:</b> clear definitions for risk categories already included in Risk Prioritisation Matrix & Process Guide. Training for members has also been provided.
(ii)	The Fund could consider the level of appetite for risk and set target risk scores to ensure focussed action.			A stand-alone policy & strategy is to be developed which will cover risk appetite, target risk scores and other good risk management practices
	<b>Audit/Assurance</b>			
(iii)	<b>The results of internal audits are currently reported to the Audit &amp; Scrutiny Committee of the Council. The outcomes of internal audits relating to the pension functions should be reported to the Pension Fund Committee to make them aware of the risks relating to the pension fund.</b>	N		<b>No action necessary.</b> This recommendation is based on a misunderstanding of the current process. Internal audit outcomes are already reported to the Committee, in the Internal Audit Annual Assurance Report.

### Priority Levels:

1 = *commence* work current FY and complete in 2024/25 FY

2 = undertake work in 2024/25 FY

3 = undertake work in 2025/26 FY

### Use of Bold Text:

The independent consultant who undertook the 'Review of Governance Report for Scottish Borders Council Pension Fund' used bold text to indicate the actions considered to be most important to the Fund. This has been replicated in this table, to ensure the recommended levels of priority continue to be illustrated.