



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. 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:
- Reviewing the Pension Fund's Statement of Investment Principles.
 - Where appropriate, recommending changes to the Pension Fund Committee in relation to the Statement of Investment Principles.
 - Ensuring appropriate investment management arrangements are in place for monies of the Pension Fund and to review investment manager performance.
 - Overseeing the contractual review of the fund managers and investment adviser(s) and custodian.
 - 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 |
|--------------------------|-----------------|

| | |
|-----------------------------|--|
| | <p>Scottish Borders Council</p> <p>South of Scotland Enterprise (SOSE)</p> <p>Borders Sport & Leisure Trust (LIVE Borders)</p> |
| Trade Union Representatives | <p>Unison – 2 members</p> <p>Unite – 1 member</p> <p>GMB – 1 member</p> |

- 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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