

ITEM No ...9.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE
& PENSION BOARD – 5 JUNE 2017**

REPORT ON: TAYSIDE PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 199-2017

1 PURPOSE OF REPORT

This report sets out the governance arrangements of Tayside Pension Fund and the extent to which it complies with regulations.

2 RECOMMENDATIONS

The Sub-Committee are asked to note the content of the report.

3 BACKGROUND

The governance structure is the system by which the Fund is directed and controlled. The structure is set out in the Governance Compliance Statement, which the Fund is required to prepare, maintain and publish under the Local Government Pension Scheme Regulations (Scotland) 2014.

4 FINANCIAL IMPLICATIONS

There are no financial implications.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues, other than Risk Management itself, which is addressed through the register.

6 CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

None

**MARJORY M STEWART
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

26 MAY 2017



GOVERNANCE COMPLIANCE STATEMENT

1. Role and Responsibilities

Dundee City Council has statutory responsibility for the administration of the Local Government Pension Scheme (“LGPS”) in respect of the three local authorities in the former Tayside area, and over 40 other large and small employers.

The main functions are:

- management and investment of scheme funds; and
- administration of scheme benefits

These functions are carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations which are statutory instruments made under the Superannuation Act 1972.

Dundee City Council carries out its role as Administering Authority via:

- The Tayside Pension Fund Sub-Committee of the Policy & Resources Committee;
- Tayside Pension Fund within the Financial Services Section of the Councils Corporate Services Department.

Tayside Pension Fund also acts as a payroll agent for compensatory added years payments within the Teachers Superannuation Scheme.

2. Delegation

The function of maintaining the Tayside Pension Fund is delegated by Dundee City Council to its Tayside Pension Fund Sub-Committee. The Fund’s policy documents are available at: <http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx>

3. Terms of Delegation

The terms, structure and operational procedures of delegation are set out in the report to Dundee City Council’s Policy & Resources Committee on 9th February 2015. The report is available at: <http://www.dundee.gov.uk/reports/reports/447-2014.pdf>

4. Committee Meetings

Regular meetings of Tayside Pension Fund Sub-Committee are held quarterly. Committee meeting dates are listed in the Council Diary which is available at: <http://www.dundee.gov.uk/reports/reports/399-2016.pdf>

5. Representation

The Tayside Pension Fund Sub-Committee is comprised solely of elected members of Dundee City Council. Employing authorities and scheme members are represented Tayside Pension Fund Pension Board.

6. Compliance

The following demonstrates the assessment to the extent that the fund is in compliance with guidance given by Scottish Ministers and, to the extent that it does not so comply, the reasons for not complying:

GOVERNANCE COMPLIANCE STATEMENT

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
Structure			
<p>The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</p>	<p>Principal responsibility for the administration of benefits and strategic management of fund assets rests with the Pension Sub-Committee of the Policy & Resources Committee of Dundee City Council as the scheme manager for Tayside Pension fund. Report 447-2014 Review of Governance Arrangements – Tayside Pension Fund states:</p> <p><i>Tayside Pension Fund is administered by Dundee City Council as the administering authority with responsibility for the management of pension investment delegated to the Tayside Pension Sub-Committee with day to day operational matters further delegated in the main to the Director of Corporate Services.</i></p> <p>The responsibilities to be discharged by the Committee include:</p> <ul style="list-style-type: none"> • Preparing, maintaining and publishing the Governance Compliance Statement. • Ensuring that the Scheme Manager complies with the Local Government Pension Scheme (Scotland) Regulations and all other legislation governing the administration of the Fund. • Preparing, maintaining and publishing the Funding Strategy Statement. • Preparing, maintaining and publishing the Pensions Administration Strategy. • Ensuring the Fund is valued as required and receiving and considering reports on each valuation. • Ensuring appropriate arrangements for the administration of benefits are in place. • Setting the admissions policy. • Preparing, maintaining and publishing the Communication Policy Statement. • Ensuring appropriate AVC arrangements are in place. • Preparing, maintaining and publishing the Statement of Investment Principles. - Setting the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities. 	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<ul style="list-style-type: none"> • Appointing, dismissing and assessing the performance of investment managers and custodians. • Preparing, maintaining and publishing the Corporate Governance Policy • Ensuring appropriate arrangements for the Local Pension Board are in place and maintaining and publishing information about the Pensions Board. • Approving the Business Plan. • Ensuring that an effective system of internal financial control is maintained. • Receiving and agreeing the Annual Report and Accounts. • Ensuring that contributions received are in accordance with the Schedule of Rates and Adjustments. <p>The Committee reviews the role and responsibilities of service providers to the Fund. The actions of the Committee are reviewed and scrutinised by the Local Pension Board.</p>		
	<p>Dundee City Council, as Scheme Manager, has established a Local Pension Board. Report 447-2014 Review of Governance Arrangements – Tayside Pension Fund states:</p> <p><i>Dundee City Council as Scheme Manager is required to establish a Pension Board separate from the Tayside Pension Fund Investment Sub-Committee that acts as the Scheme Manager.</i></p> <p><i>The Pension Board is the body responsible for assisting the Scheme Manager in relation to securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme and the requirements of the Pensions Regulator.</i></p> <p><i>The Pension Board may consider any matter concerning pensions it deems relevant to the activities of a Pensions Committee including the following (in relation to their remit and role defined in the 2014 regulations):</i></p> <ul style="list-style-type: none"> • <i>Reports produced for the Pensions Sub-Committee</i> 		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments														
	<ul style="list-style-type: none"> • Requisition reports from the scheme managers on any aspect of the fund • Monitor investments and the investment principles/strategy/guidance • The fund annual report • External voting and engagement provisions • Fund administrative performance • Actuarial reports and valuations • Funding policy • Any other matters that the Pension Board deem appropriate 																
<p>That 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.</p>	<p>Membership of the Pension Sub-Committee comprises of six councillors from Dundee City Council with voting rights.</p> <p>Membership of the Pension Board will consist of equal numbers of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies in membership of the fund. Pension Board representatives must not also participate in or act as members of the Pensions Sub-Committee. Local Authority employer representatives will normally be Elected Members serving as part of the Council.</p> <p>There are 4 employer representatives appointed by the respective employer organisations as follows:</p> <table style="margin-left: 20px;"> <tr> <td>Councils</td> <td style="text-align: right;">2</td> <td>(1 x Angus Council, 1 x Perth & Kinross Council)</td> </tr> <tr> <td>Scheduled & Admitted bodies</td> <td style="text-align: right;">2</td> <td></td> </tr> </table> <p>There are 4 trade union representatives appointed from the following trade unions:</p> <table style="margin-left: 20px;"> <tr> <td>GMB</td> <td style="text-align: right;">1</td> <td>UCATT</td> <td style="text-align: right;">1</td> </tr> <tr> <td>UNISON</td> <td style="text-align: right;">1</td> <td>Unite</td> <td style="text-align: right;">1</td> </tr> </table> <p>Advisors to the Pension Board may attend meetings of the Pension Board in a non-voting capacity.</p>	Councils	2	(1 x Angus Council, 1 x Perth & Kinross Council)	Scheduled & Admitted bodies	2		GMB	1	UCATT	1	UNISON	1	Unite	1	Yes	
Councils	2	(1 x Angus Council, 1 x Perth & Kinross Council)															
Scheduled & Admitted bodies	2																
GMB	1	UCATT	1														
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Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<p>Meetings of the Pension Sub-Committee and Pension Board are joint and concurrent with administered by Dundee City Council as the administering authority. Report 447-2014 Review of Governance Arrangements – Tayside Pension Fund states:</p> <p><i>While the statutory roles and function of the Pensions Sub-Committee and Pension 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 Pensions Sub-Committee chairing the concurrent meeting. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.</i></p>	Yes	
That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	All members of the Pension Sub-Committee are members of the Dundee City Council Policy & Resources Committee.	Yes	
	The membership of the Committee and Local Pension Board is independent of one another, as provided for in the Regulations, as it is believed that separate membership is preferable for the discharge of their statutory duties.		
	<p style="text-align: center;">The Scheme of Delegations to the Fund's Officers</p> <p>The Council's Scheme of Delegations authorises the Chief Executive, Corporate Directors and Officers authorised by them to exercise the powers and carry out the duties arising from the functions for which they are responsible.</p>		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<p>The authorised Officers are the Executive Director of Corporate Services, The Head of Corporate Finance and the Senior Financial Services Manager.</p> <p style="text-align: center;">Procurement Procedures</p> <p>Procurement of works, goods or services on behalf of the Fund is required to comply with guidelines provided by Dundee City Council as scheme manager and in line with national frameworks.</p> <p style="text-align: center;">The Fund's Officers</p> <p>The main duties of the Officers are set out below. The Officers will:</p> <ul style="list-style-type: none"> • Advise the Committee and Local Pension Board on all matters which they need to be aware of in order to discharge their responsibilities in relation to the administration and investment of the Fund. • Prepare the Budget and Service Plan. • Maintain the system of internal financial control. • Prepare the Annual Report and Accounts. • Manage the triennial and interim actuarial valuations. - Manage the preparation of the Funding Strategy Statement. • Manage the preparation of the Governance Compliance Statement. • Manage the preparation of the Communication Policy Statement. • Manage the preparation of the Pensions Administration Strategy. • Ensure that the Pensions Service adheres to best practice. • In relation to the investment of the Fund, the Officers will: • Review the content of the Statement of Investment Principles. • Review the content of the Environmental, Social and Corporate Governance Policy. • Monitor developments that may affect the approach to the investment of the Fund. 		

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
	<ul style="list-style-type: none"> • Monitor the investment management structure and arrangements in order to verify that the investment policy of the Committee is being implemented. • Monitor the investment managers in order to maintain an awareness of their investment views and strategies and to verify that the strategies being implemented are in accordance with investment mandates. • Maintain records that monitor the investment performance of investment managers and the Fund. • Maintain a record of the Fund's assets. • Monitor the security and efficiency of the custodians in order to verify that the assets are secure, the custodians' records of the Fund's assets agree with in house records and managers' records and the custodians' actions are in accordance with the agreements. • Manage cash flow, allocate money between investment managers in order to ensure that the Fund does not become over or under invested and invest the residual cash balances. • In relation to the administration of benefits, the Officers will: • Monitor developments that may affect the administration of benefits. • Promote membership of the Fund. • Manage the admissions policy. • Collect and reconcile the employer and employee contributions. • Pay pension benefits. • Maintain records in relation to the entire membership. • Devise and implement training, consultation and communication strategies for the employers. • Devise and implement consultation and communication strategies for the members. • Manage the AVC arrangements. 		
Representation			
That all key stakeholders are afforded the opportunity to be			

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
<p>represented within the main or secondary committee structure. These include:</p> <p>i) employing authorities (including non-scheme employers, e.g. admitted bodies);</p> <p>ii) scheme members (including deferred and pensioner scheme members);</p> <p>iii) where appropriate, independent professional observers; and</p> <p>iv) expert advisors (on an ad-hoc basis).</p>	<p>The Pension Sub-Committee includes 6 councillors from Dundee Council. The Pension Board has 2 employer representatives of employing authorities and 2 admitted employers.</p> <p>The Pensions Board has 4 Trade Union representatives who represent all scheme members (including deferred and pensioner scheme members) as required by regulation.</p> <p>The External Investment Advisor, AON Hewitt, attend annual Committee meetings. The Actuary, Barnett Waddingham, attends Committee meetings as required.</p>	<p>Yes</p> <p>Yes</p> <p>Partial</p> <p>Partial</p>	<p>There has been no request to appoint further independent observers or advisors</p>
<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are</p>	<p>All members of the Committee are treated equally in terms of access to papers, meetings and training. They are given full opportunity to participate and contribute to the decision making process as appropriate and required.</p> <p>All members of the Local Pension Board are treated equally in terms of access to papers and meetings, training and are given full opportunity to participate in their decision making process.</p>	<p>Yes</p>	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
given full opportunity to contribute to the decision making process, with or without voting rights			
Selection and Role of Lay Members			
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.	<p>Members are made aware of the full details of status, role and function prior to selection and appointment. This area is also covered in their training program.</p> <p>Local authority members are subject to the code of conduct of their respective council. The trade union and employer representatives are required to agree to accept the same code of conduct applicable to their role and duties to Tayside Pension Fund.</p>		
That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda related to specific matters on the agenda	Declaration of interests is a standard procedure at the start of all Sub-Committee and Local Pension Board meetings. This is stated at the start of each agenda, and any declarations are noted in the minutes.		
Voting			
The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group	<p>All Sub-Committee members have voting rights. This is detailed in the Tayside Pension Funds Statement of Investment Principles.</p> <p>Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will have the final casting vote which will be reported to the Scheme Manager.</p>	Yes	

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represented on main LGPS committees.			
Training / Facility Time / Expenses			
<p>That 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.</p>	<p>All new members of the Pension Investment Sub-Committee are offered training by officers. Further training is offered periodically, generally from investment consultants, investment managers of the fund and actuaries. In addition, if other training opportunities are identified, including attendance at conferences and seminars, these are offered to members, as appropriate. Costs and expenses incurred are met by the Pension Fund.</p> <p>The Scheme Manager recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.</p> <p>The Scheme Manager is using the following to promote :</p> <ul style="list-style-type: none"> • CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills • CIPFA Pensions Panel Framework for Elected Members and Non Executives in the Public Sector to use as the basis of the Training Policies and Programmes. • CIPFA Pensions Panel Technical Knowledge and Skills Framework for Local Pension Boards <p>Training programmes are undertaken that reflect specific needs, and which include the appropriate requirements of the Pensions Regulator’s Codes of Practice.</p> <p>Costs and expenses incurred are met by the Pension Fund.</p>	Yes	<p>Continuous training programme in line with needs. New Committee & board members will undergo training accordingly</p>
That where such a policy exists, it applies equally to all members of committees, sub-	Training policy applies to all members of the Pension Sub-Committee and Board.	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
committees, advisory panels or any other form of secondary forum.			
That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Training programmes are undertaken to reflect specific needs, and which include the appropriate requirements of the Pensions Regulator's Codes of Practice. The training programme is reviewed regularly and members of the Sub-Committee and Pension Board assess their individual requirements.	Yes	
Meetings (Frequency/Quorum)			
That an administering authority's main committee or committees meet at least quarterly.	The Sub-Committee and Pension Board have a regular quarterly joint meeting at which it considers investment and administration matters. Additional meetings are called should any aspect of the Fund require. Both the Sub-Committee and Pension board require 3 members apiece to be quorate. If the Pension Board fail to achieve required membership, the Sub-Committee meeting will continue.	Yes	
That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	The Sub-Committee and Board meet jointly on a quarterly basis.	Yes	
That administering authorities who do not include lay members in	Employer Forum for scheduled and admitted bodies is held annually, including presentations on topical subjects.	Yes	

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.			
Access			
That 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.	Subject to the management of any conflict of interest, all members are treated equally in terms of access to committee papers, documents and advice.	Yes	
Scope			
That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	The agendas include reports on training, admission agreements, policies on discretions, pensions administration, regulatory changes, budget monitoring, local performance indicators, the service plan, internal and external audit, valuation issues, the funding level, the asset value and asset allocation, proposals to develop the investment management structure, investment performance at Fund and manager level.	Yes	
Publicity			

Compliance Principle	Arrangements in Place/Action Taken	Compliance with Principle? Yes/No/Partial	Comments
<p>That 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 in wanting to be part of those arrangements.</p>	<p>Governance Policy Statement was approved in May 2009, following consultation with all employers. The governance arrangements may be viewed on the Fund's website at: http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx</p>	<p>Yes</p>	<p>Governance Policy Statement and Governance Compliance Statement are available on the Council website.</p>