

REPORT TO: SCRUTINY COMMITTEE – 28thJUNE 2017

REPORT ON: TAYSIDE PENSION FUND ANNUAL GOVERNANCE STATEMENT 2016/17

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 225-2017

1 PURPOSE OF REPORT

This report details the governance arrangements of Tayside Pension Fund for the period of 1 April 2016 to 31 March 2017 which are the responsibility of Dundee City Council as the Scheme Manager and administering authority for the fund.

2 RECOMMENDATION

It is recommended that the Committee:

- I. notes the contents of the Tayside Pension Fund Annual Governance Statement.
- II. instructs the Executive Director of Corporate Services to arrange for the Annual Governance Statement to be signed as necessary.
- III. notes that the Annual Governance Statement will be considered in due course within the Audited Statement of Accounts of Tayside Pension Fund.

3 FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the recommendations in this report.

4 BACKGROUND

The replacement of Local Government Finance circular 1/2011 (which contained guidance for Local Government pension fund annual report and accounts) with Local Government Finance circular 6/2015 recognises that pension fund legislation includes a requirement for a "Governance Compliance Statement. The new circular provides guidance to local authorities that administer local government pension funds how the two sets of legislative requirements should be accommodated within the pension fund annual report and accounts.

In line with the requirements for the Council, as administering authority of Tayside Pension Fund, Dundee City Council will submit their Annual Governance Statement as contained in Annual Accounts to Scrutiny Committee as part of final accounts process.

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.

6 CONSULTATION

The Chief Executive and the Head of Democratic and Legal Services have been consulted.

7 BACKGROUND PAPERS

None

**GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

21 JUNE 2017



ANNUAL GOVERNANCE STATEMENT 1 APRIL 2016 – 31 MARCH 2017

Dundee City Council is the administering authority and scheme manager of Tayside Pension Fund, a local government pension fund covering the three local authorities in the former Tayside area, and over 40 other large and small employers. The Council is responsible for ensuring that the business of Tayside Pension Fund is conducted in accordance with the law and appropriate standards, and for ensuring there is a sound system of governance (incorporating the system of internal control).

Scope of Responsibility

The Council has set up the Pensions Sub-Committee to control and resolve all matters relating to the investment of assets and the overall governance of the Fund. It is the role of the Pensions Committee to:

- Ensure that the Fund is:
 - Compliant with the Local Government Pension Scheme Regulations and all other legislation that governs the administration of the fund.
 - Valued as required and that reports received on each valuation are considered.

- Be responsible for:
 - Setting the investment objectives and policy and the strategic asset allocation in the light of the Fund's liabilities.
 - Appointing, reviewing, and assessing the performance of investment managers, investment consultants, custodians and actuaries.
 - Ensuring appropriate arrangements are in place for the administration of benefits.
 - Ensure appropriate additional voluntary contributions arrangements are in place.

- Prepare, maintain and publish the following:
 - Governance Compliance Statement.
 - Funding Strategy Statement.
 - Statement of Investment Principles.
 - Environmental, Social and Corporate Governance Policy.
 - Administration Strategy
 - Communications Policy
 - Treasury Policy and Strategy

The Governance Framework

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall governance structure, including the wider responsibilities of the Pensions-Sub Committee, is set out in the Governance Compliance Statement (Report 199-2017). The Local Government Pension Scheme (Scotland) 2014 requires administering authorities to prepare, maintain and publish a written statement setting out the terms of their current governance arrangements, incorporating guidance provided by Scottish Ministers. The statement was last reviewed by Committee in June 2017 and demonstrates that the Fund is compliant with guidance provided.

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 13 of its Financial Regulations. The main functions are the 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. Investment policy and decisions are delegated to the Pensions Sub-Committee of the Policy and Resources Committee.

The Pension Sub-Committee consists of 6 elected members from the administering authority, supported by officers of the administering authority (including the Executive Director of Corporate Services). The Committee meets quarterly at joint meetings with the Pensions Board. Additional meetings are arranged as required should the need arise.

The Pension Board is separate from the Pension Sub-Committee, and responsible for assisting Dundee City Council (as Scheme Manager) in relation to securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme, as well as the requirements of the Pensions Regulator. The Pension Board may consider any matter concerning pensions it deems relevant to the activities of the Pensions Sub-Committee in relation to their remit and role defined in the 2014 regulations.

The Pensions Board consist of equal numbers of trade union representatives and employer representatives, drawn from councils and scheduled or admitted bodies in membership of the fund.

The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards and reports to the Scrutiny Committee. Internal Audit undertake an annual programme of work, which is reported to the Scrutiny Committee. The Senior Manager – Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal controls.

The Fund also holds annual investment forums for employers and the trade unions. The agenda for these meetings includes presentations by the Actuary and the Fund's Investment and Administration Managers. The topics covered include the actuarial position, the benefits structure and investment performance, changes to legislation or regulations, and review of effectiveness.

Continuous Improvement Agenda

The following are service improvements achieved during 2016/17:

- Implementation and roll out of the on line self-service application (LGPS PensionsWEB) to scheme employers enable more effective and efficient communication and processing.
- Review of the Environmental, Social and Corporate Governance Policy extending voting recommendations to all major global indices.
- Introduction of quarterly administration performance review.
- Partial implementation of required changes following review of strategic asset allocation and benchmarks.
- Review of the strategy of the Transport Fund, which following expert opinion and employer consultation, has resulted in the planned repatriation to the main fund on 30th June 2017.
- Review and analysis of administering authority and employer discretions, per internal audit recommendation.
- Review of Treasury Policy and Strategy, per internal audit recommendation.
- Intensive training program delivered for both Pensions Sub-Committee and board to meet CIPFA and Pensions Regulator standards.
- Employer communications sessions provided as requested.
- Employer contribution tracker implemented, per internal audit recommendation.

The following are notable planned improvements to be taken forward during 2017/18:

- Review of the Environmental, Social and Corporate Governance Policy incorporating guidance on Fiduciary Duty from the Scheme Advisory Board.
- Implementation and roll out of the on line self-service application (LGPS PensionsWEB) to scheme members, providing access to information, and enabling further efficiencies and more effective communication and processing.
- Full Implementation of required changes following review of strategic asset allocation and benchmarks.
- Introduction of automated task management and auto-scanning of incoming documents.
- Procurement exercises for fund custodian and for 3rd party administration specified exercises which will achieve efficiencies, but also enable the fund to meet organisational objectives more effectively.
- Repatriation of the Transport Fund to the main fund which will deliver efficiencies.
- Training program for new Pension Board and Sub-Committee members, with ongoing CPD for experienced members.

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Board meetings –

http://www.dundee.gov.uk/minutes/meetings?in_cc=35&in_dat=1

Fund Website - <http://www.taysidepensionfund.org/about-us/forms-and-publications.aspx>

- The Statement of Investment Principles, concerning the approach to the investment of the fund.
- The Business Plan, communicating the aims and objectives of the Fund for the forthcoming year.
- The Treasury Management Policy and Strategy for the forthcoming year.
- The Actuary's report on the 2014 valuation.
- The Funding Strategy Statement, concerning the management of the identification and management of the Fund's liabilities.
- The Risk Register, concerning the application of Myners Principles.

- The Governance Policy Statement which sets out the Funds approach
- Environmental, Social and Corporate Governance Policy for investment.
- Pension Administration Strategy
- Communications Policy
- The Governance Compliance Statement, setting out the governance arrangements and compliance with regulations.

Gregory Colgan
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Willie Sawers
Chair of Pension Sub-Committee,
Tayside Pension Fund

David Martin
Chief Executive,
Dundee City Council