

**REPORT TO: SCRUTINY COMMITTEE – 29 JUNE 2016**

**REPORT ON: TAYSIDE PENSION FUND ANNUAL GOVERNANCE STATEMENT 2015/16**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 247-2016**

## **1 PURPOSE OF REPORT**

This report details the governance arrangements of Tayside Pension Fund for the period of 1 April 2015 to 31 March 2016 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

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

**28 JUNE 2016**

## TAYSIDE PENSION FUND – ANNUAL GOVERNANCE STATEMENT 1 APRIL 2015 – 31 MARCH 2016

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

### 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 216-2016). The Local Government Pension Scheme (Scotland) 2014 require 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 2016 and demonstrates that the Fund is compliant with guidance provided.

Tayside Pension Fund is administered by Dundee City Council in accordance with Section 24 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 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 and covers the actuarial position, the benefits structure and investment performance.

### **Continuous Improvement Agenda**

The following are service improvements achieved during 2015/16:

- Amendment to remit of the Pensions Committee to include pension scheme administration.
- Introduction of a Pension Board to assist in securing compliance with relevant legislation and regulation.
- Review of the Environmental, Social and Corporate Governance Policy accommodating a change in policy in respect of tobacco investment.
- Introduction of Communication and Administration Policies.
- Introduction of an on line self-service application (LGPS PensionsWEB) to enable access to information for scheme employers and employees.
- Successful introduction of new Career Average Revalued Earnings (CARE) Scheme.
- Review and successful change to simplify the operating model of service delivery for pension benefit administration for the 44 scheme employers.

The following are notable planned improvements to be taken forward during 2016/17:

- Review of the Environmental, Social and Corporate Governance Policy extending voting recommendations to all major global indices.
- Introduction of quarterly administration performance review.
- Implementation of required changes following review of strategic asset allocation and benchmarks.
- Review of pension fund structure and duties to include the introduction of automated task management and auto-scanning of incoming documents.
- Review of the strategy of the Transport Fund

Information on the Fund is available from the following links:

Minutes of Joint Pension Sub-Committee and Board meetings –  
[http://www.dundeeccity.gov.uk/minutes/meetings?in\\_cc=35&in\\_dat=1](http://www.dundeeccity.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, communication the aims and objectives of the Fund for the forthcoming year.
- The Treasury Management 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.

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**Marjory Stewart**  
**Executive Director of Corporate**  
**Services, Dundee City Council**

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**Willie Sawers**  
**Chair of Pension Sub-Committee,**  
**Tayside Pension Fund**

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**David Martin**  
**Chief Executive,**  
**Dundee City Council**