



Falkirk Council

*Chief Executive Office
(Finance Services)*

Falkirk Council Pension Fund

Local Government Pension Scheme

Governance Framework

February 2012

Part 1 – Governance Policy

1. Introduction

1.1 This Statement sets out the governance arrangements that apply to Falkirk Council Pension Fund (“the Fund”) with effect from 4th May, 2012. The arrangements were *[adopted by the Investment Committee on 1st March, 2012 and ratified by Council on 14th March, 2012]*.

2. Administering Authority and Regulatory Framework

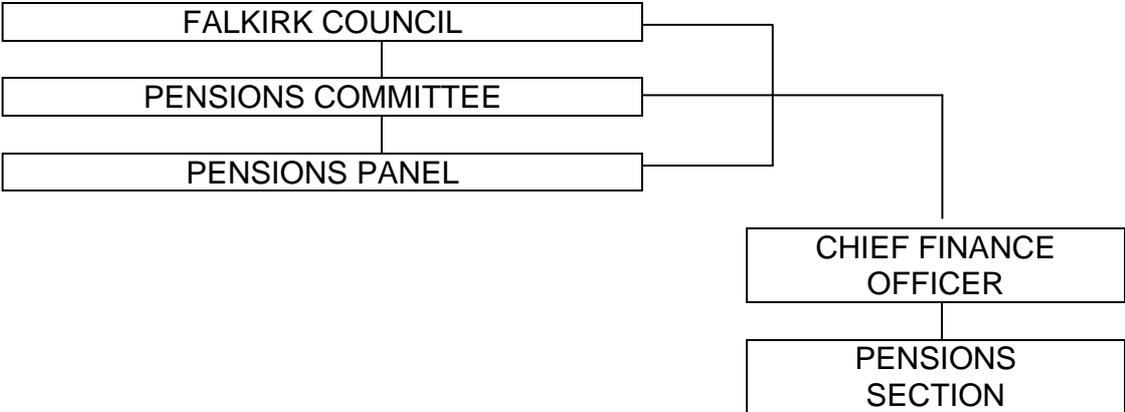
2.1 Falkirk Council is the Administering Authority of the Falkirk Council Pension Fund covering local government employees and elected members in the geographical area comprising Clackmannanshire, Falkirk and Stirling Councils. In addition, employees of certain other scheduled and admission bodies that provide public services similar to that of local authorities have been admitted to membership of the Pension Fund.

2.2 The Council administers the pension scheme in accordance with statutory regulations. The main regulatory instruments are as follows:

- Local Government Pension Scheme (Administration) (Scotland) Regulations 2008
- Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008
- Local Government Pension Scheme (Management and Investment of Funds)(Scotland) Regulations 2010

2.3 The Scottish Public Pensions Agency (SPPA) is responsible for regulating the Local Government Pension Scheme in Scotland on behalf of the Scottish Government.

2.4 The Fund’s governance structure from 4th May, 2012 is outlined below:



3. PENSIONS COMMITTEE

- 3.1. Falkirk Council has established a Pensions Committee to which it has delegated the administration, management and investment of the Pension Fund.
- 3.2. The Pensions Committee comprises 6 Councillors from Falkirk Council and 3 co-opted members. All members have voting rights. The co-opted members are nominated by the Pensions Panel to represent the interests of scheme members, employers and pensioners.
- 3.3. The Committee will meet at least four times per year. Additional meetings may be called as necessary.
- 3.4. The role of the Committee is to:
 - Exercise responsibility for the administration of the Fund
 - Monitor and review investment activity and Fund performance
 - Establish policies in relation to investment management and administration
 - Present an annual report to the full Council on the state of the Fund and on the investment activities during the preceding year.
- 3.5. The Committee's terms of reference are laid out in full in the Council's Scheme of Delegation. The Committee's responsibilities include:-
 - Overseeing the Council's role as an Administering Authority in terms of the Local Government etc (Scotland) Act 1994 and the Superannuation Act 1972;
 - Supervising the administration of the Fund in accordance with relevant legislation and codes of practice;
 - Formulating and monitoring policies in respect of the administration of the Fund;
 - Managing the investments of the Fund in accordance with relevant legislation and codes of practice;
 - Formulating and monitoring an investment policy and strategy for the Fund, including an asset allocation strategy;
 - Formulating and monitoring a funding policy for the Fund;
 - Ensuring that a Statement of Investment Principles, Funding Strategy Statement, Administration Strategy and Governance Compliance Statement are maintained in accordance with strategy and policy;
 - Ensuring that the Fund is subject to actuarial valuations as required;
 - Approving the Pension Fund Annual Report and Accounts;
 - Setting a training policy on pensions matters for Committee and Panel members;
 - Appointing external advisers, investment managers and custodians, as required; and
 - Ensuring appropriate communication and consultation with Fund stakeholders.

3.6 Committee papers, with the exception of Exempt items, are publicly available on the Council's website, www.falkirk.gov.uk.

4. PENSIONS PANEL

4.1 Falkirk Council has established a representative forum – known as the Pensions Panel – to enhance participation in the development and scrutiny of matters relating to the Pension Fund.

4.2 The Panel will consist of 15 persons representing the interests of three constituent groups within the Fund - scheme members, employers and pensioners. The Panel will be composed as follows:

Trade Unions	-	3 members
Clackmannanshire Council	-	2 members
Falkirk Council	-	2 members
Stirling Council	-	2 members
Scottish Environment Protection Agency	-	1 member
Scottish Childrens' Reporter Administration	-	1 member
Forth Valley College	-	1 member
Scottish Autism	-	1 member
Pensioner Representatives	-	2 members

4.3 The Panel will elect a chairperson and the groupings on the Panel will each elect a person to sit on the Pensions Committee as a co-opted member.

4.4 Meetings of the Panel will be convened on the same cycle as the Pensions Committee.

4.5 Panel members will be expected to undertake their roles in accordance with the Councillors Code of Conduct and the principles of Standing Orders relating to meetings. Training arrangements will be made consistent with this.

4.6 The Panel's terms of reference involve considering and commenting upon matters put before the Pensions Committee and extend to commenting and advising on all matters delegated to the Pensions Committee. These are set out in full in the constitution of the Panel.

5. ANNUAL CONFERENCE

- 5.1 The Pensions Committee convenes a Pensions and Investment Conference in March each year, to which representatives from all participating scheduled and admission bodies are invited, together with Trade Union representatives.
- 5.2 The Conference provides a means of communicating pension fund business to the wider Pension Fund audience, including those employers not directly represented through the Pensions Committee or Panel. A range of issues are discussed including benefits updates, regulatory changes, investment performance and investment manager/adviser presentations.

6. CHIEF FINANCE OFFICER AND PENSION SECTION

- 6.1 Under delegated powers, the Chief Finance Officer has responsibility for implementing the decisions of the Pensions Committee.
- 6.2 The day-to-day management of the Pension Fund is carried out by the Pensions Section reporting to the Chief Finance Officer. The Section deals with all aspects of pension and investment management as well as Fund accounting.

7. PROFESSIONAL ADVISORS / EXTERNAL PROVIDERS

- 7.1 Hymans Robertson has been appointed to act as Actuary to the Fund. The services provided include advice on funding, the provision of actuarial valuations and administrative facilities.
- 7.2 Hymans Robertson has also been appointed to act as Investment adviser to the Fund on a project by project basis. The services provided include advice on investment strategy and manager appointments. Further support on investment matters, including the monitoring of manager performance, is provided by Lothian Pension Fund (City of Edinburgh Council).
- 7.3 A number of investment managers have been appointed to manage specific mandates granted by the Pensions Committee. Details of the manager appointments are contained in the Fund's Statement of Investment Principles. Managers have responsibility for the selection, retention and realisation of individual investments held within their portfolios and the performance of their respective mandates.
- 7.4 The Fund has appointed Northern Trust as global custodian. They are responsible for ensuring safe custody of the Fund's assets managed by the appointed investment managers and providing consolidated accounting and performance reporting services to the Fund.

- 7.5 The Fund has appointed Pensions & Investment Research Consultants Ltd (PIRC) to provide the following services:
- Global Corporate Governance Research
 - Global Proxy Voting Service

8. RISK MANAGEMENT

- 8.1 Identified risks and any necessary actions relating to Pension Fund activities are incorporated at present within the Funding Strategy Statement and the Falkirk Council Operational Risk Management Action Plan having had regard to the strategic risks set out in the Falkirk Council Corporate Risk Register. The Plan is reviewed and updated on an annual basis. Arrangements are in hand to establish a separate risk register for the Fund.
- 8.2 Risk awareness is embedded into the investment strategy and investment performance management processes.

9. TRAINING

- 9.1 Training for Members of the Pensions Committee and Pensions Panel is in accordance with the Fund's Training Policy and may include:
- Addressing specific topics at Committee or Panel meetings
 - Investment Manager presentations
 - Attendance at relevant industry conferences/seminars
- 9.2 Committee and Panel members will be required to undertake and participate in training (a record of which will be maintained) sufficient for them to be capable of discharging their roles. Attendance at training sessions will generally be obligatory. Because of these requirements, substitute members are not allowed to sit on the Pensions Panel.
- 9.3 The Council has adopted the statement by CIPFA from its Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2011). The Statement is attached as Appendix 1 of the Governance Policy document.

10. EXTERNAL AND INTERNAL SCRUTINY

- 10.1. There is a statutory requirement to prepare an Annual Report & Accounts for the Falkirk Council Pension Fund which is subject to external audit and which is separate from the accounts of Falkirk Council. The Fund's auditors are appointed by Audit Scotland and this helps ensure that public funds are being properly safeguarded and accounted for in accordance with statutory and regulatory requirements.

- 10.2. Falkirk Council provides an internal audit service to the Pension Fund and an annual audit program is agreed between the Chief Finance Officer and the Audit Manager.

11. STAKEHOLDER COMMUNICATION

- 11.1 All papers and minutes for the Pensions Committee and Pensions Panel are available on the Council's website, www.falkirk.gov.uk, (except for exempt items).
- 11.2 A Pension Fund Annual Report and Accounts is prepared annually in accordance with regulatory and recognised Accounting Code of Practice requirements. Copies are emailed to all fund employers and to the Scottish Ministers. A summary of the Report and Accounts is made available to all pension fund members.
- 11.3 All policy documents, including the Annual Report and Accounts, Valuation Reports and various policy documents are published on the Fund's website.
- 11.4 Communication with scheme members is undertaken through the annual distribution of a newsletter and, in the case of active and deferred members, a personal benefit statement. Pensioners receive a monthly pension advice slip which contains a messaging facility.

Chief Finance Officer
Falkirk Council

15th February, 2012

Statement Relating to Knowledge and Skills Framework

1. Falkirk Council Pension Fund adopts the key recommendations of *the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2011)*
2. The Fund recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills.
3. Accordingly, the Fund will ensure that it has formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision-making.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pension Finance Knowledge and Skills Framework.
5. The Fund will report on an annual basis how these policies have been put into practice throughout the financial year.
6. The Fund has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Chief Finance Officer, who will act in accordance with the Fund's training policy statement, and, with CIPFA Standards of Professional Practice.

Falkirk Council Pension Fund

Local Government Pension Scheme

Governance Compliance Statement

Part 2 – Governance Compliance Statement

Regulation 27 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (SSI 2008/228) requires administering authorities to prepare and publish a written statement setting out the terms of their current governance arrangements. The undernoted Statement tests the Falkirk Fund's compliance with the best practice principles as set out in the SPPA Best Practice Guidelines of April, 2011.

Principle A – Structure

Requirement		Level of Compliance	Arrangements in Place
(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	Full Compliance	Falkirk Council, as administering authority of the Falkirk Council Pension Fund, has established a Pensions Committee to which it has delegated the administration of benefits and strategic management of fund assets.
(b)	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	Full Compliance	The Pensions Committee includes three members co-opted from the Pensions Panel representing the interests of members, pensioners and employers.
(c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels	Full Compliance	The main channel of communication between the Pensions Committee and the Pensions Panel lies with the three Committee members who are also Panel members. Communication is also assisted by the synchronising Panel meetings with the corresponding Committee meeting.
(d)	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.	Full Compliance	Three places on the Pensions Committee are reserved for members of the Pensions Panel.

Requirements	Level of Compliance	Arrangements in Place
(iii) Where appropriate, independent professional observers; and	Not Compliant	<p>There are no independent professional observers of Committee or Panel business.</p> <p>It is considered that:</p> <ul style="list-style-type: none"> ▪ the diversity of representation; (employers, pensioner and Unions) ▪ the training arrangements; ▪ the annual audit process; and ▪ access to existing professional advisors <p>provide robust and adequate scrutiny of pension fund business.</p>
(iv) Expert advisors (on an ad-hoc basis).	Full Compliance	<p>Support for the Pensions Committee and Pensions Panel is provided by the undernoted advisors:</p> <ul style="list-style-type: none"> • actuary and investments, Hymans Robertson • corporate governance, PIRC Ltd • investment managers and custodian, as required.
(b) 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 given full opportunity to contribute to the decision making process, with or without voting rights.	Full Compliance	<p>Panel members who are co-opted onto the Pensions Committee have equality of access to papers, meetings and training and have full opportunity to contribute to the decision making process, including the right to vote.</p>

Principle C – Selection and role of lay members

Requirement		Level of Compliance	Arrangements in Place
(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	Full Compliance	<p>Members of the Pensions Committee will be subject to the Falkirk Council Councillors Code of Conduct.</p> <p>Members of the Pensions Panel will be appointed on the understanding that they will be subject to the Falkirk Council Councillors Code of Conduct.</p> <p>Induction training will be delivered to Committee and Panel members.</p>
(b)	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.	Full Compliance	Declaration of interests is a standard procedure at the start of all Committee and Panel meetings. Declarations are noted in the minutes.

Principle D – Voting

Requirement		Level of Compliance	Arrangements in Place
(a)	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 represented on main LGPS committees.	Full Compliance	All members of the Pensions Committee including co-opted members will have voting rights on the basis that they have executive responsibility for pension fund decision making.

Principle E – Training / FacilityTime / Expenses

	Requirement	Level of Compliance	Arrangements in Place
(a)	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.	Full Compliance	<p>The administering authority's approach to training is set out in its training policy for the Pensions Committee and Pensions Panel members.</p> <p>Training is delivered in large part by addressing specific items at Committee and Panel meetings and complemented by visits to Fund Managers, bespoke training events and attendance at industry seminars and conferences.</p> <p>Expenses incurred by Committee and Panel members are met either by the Fund or the Falkirk Council scheme for payment of members expenses.</p>
(b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Full Compliance	The Training Policy for the Pensions Committee and Pensions Panel applies uniformly to all members.
(c)	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Full Compliance	The Training Policy for the Pensions Committee and Pensions Panel includes the requirement for members to undergo training needs analysis and the development of commensurate training plans. A register of training undertaken will be maintained.

Principle F – Meetings (Frequency/Quorum)

Requirement		Level of Compliance	Arrangements in Place
(a)	That an administering authority's main committee or committees meet at least quarterly.	Full Compliance	The Pensions Committee hold quarterly meetings. Additional meetings are called as required.
(b)	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.	Full Compliance	The Pensions Panel hold quarterly meetings and meets roughly two weeks in advance of the Pension Committee. Additional meetings are called as required.
(c)	That 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.	Full Compliance	The Council <i>does</i> include lay members on its Pensions Committee. However, in order ensure that the interests of wider fund stakeholders can be represented, the Fund holds a Pensions & Investment Conference each year.

Principle G – Access

Requirement		Level of Compliance	Arrangements in Place
(a)	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.	Full Compliance	Members of Pensions Committee and Pensions Panel have equal access to any committee papers, documents and advice that falls to be considered at meetings of the Pensions Committee.

Principle H – Scope

	Requirement	Level of Compliance	Arrangements in Place
(a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Full Compliance	The Pensions Committee and Panel agendas include reports pertaining to both administration and investment matters such as regulatory changes, actuarial valuation and funding level updates, admission agreements, investment strategy and Fund/ Investment Manager performance.

Principle I – Publicity

	Requirement	Level of Compliance	Arrangements in Place
(a)	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.	Full Compliance	Employers, Unions and Pensioners have been consulted regarding the governance arrangements and invited to participate. Full details of the Governance arrangements are published on the Fund's website.

Chief Finance Officer
Falkirk Council

15th February, 2012