

FALKIRK COUNCIL

PENSION FUND

GOVERNANCE
FRAMEWORK

PART 1

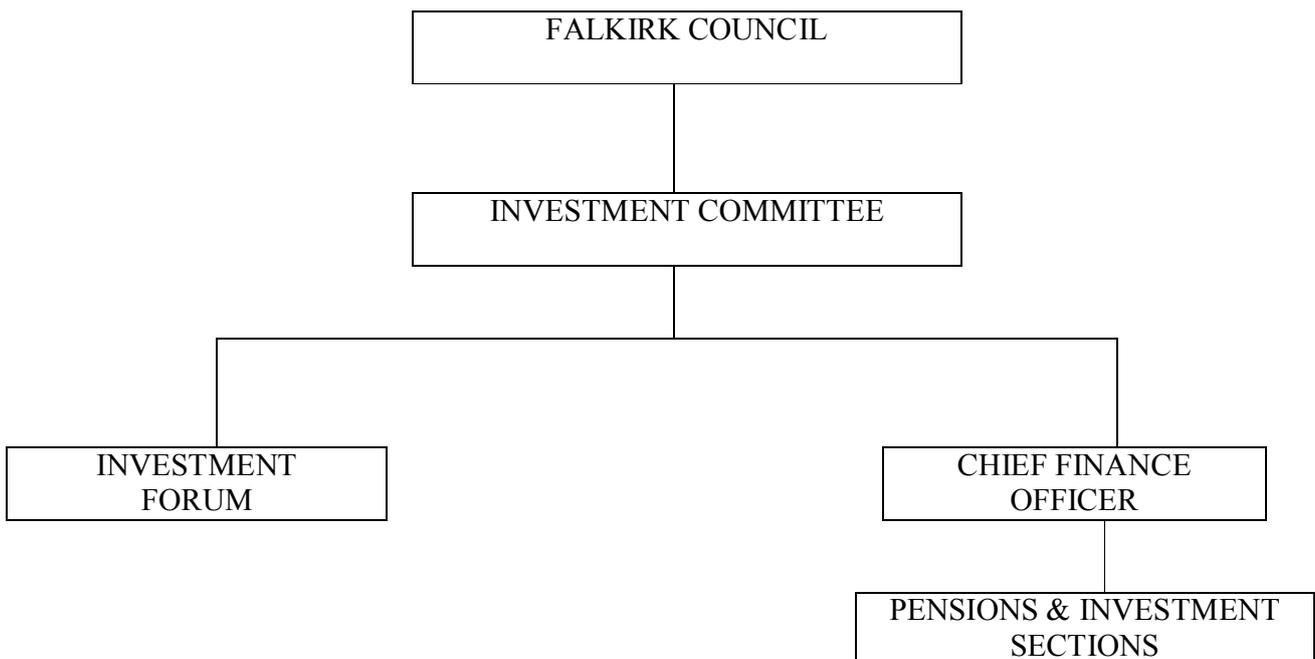
GOVERNANCE FRAMEWORK

INTRODUCTION

This Statement documents the governance arrangements for the Falkirk Council Pension Fund under the terms of the local government pension scheme. It was adopted by the Investment Committee on ??./??/2011.

THE ADMINISTERING AUTHORITY AND THE REGULATORY FRAMEWORK

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 admitted bodies which provide public services similar to that of local authorities have been admitted to membership of the Pension Fund.
2. The Council administers the pension scheme in accordance with statutory regulations.
3. The Scottish Public Pensions Agency is responsible for regulating the Local Government Pension Scheme in Scotland.
4. The Fund's current (under review) governance structure is outlined below:



INVESTMENT COMMITTEE

5. The Council has established an Investment Committee to which it has delegated the function of “The management and investment of the Superannuation Fund”.
6. The remit of the Investment Committee extends to responsibility for:-
 - Determining the overall policy objectives of the Pension Fund in accordance with the best interests of Fund membership consistent with prevailing regulations
 - Determining the strategy for the investment of Pension Fund monies while ensuring the suitability and adequate diversification of investments
 - Appointing external advisers, investment managers and custodians, as required
 - Reviewing investment manager arrangements and investment performance
 - Establishing and maintaining arrangements for the effective management and administration of the Pension Fund
 - Ensuring appropriate communication and consultation with Fund stakeholders
7. The Investment Committee comprises six Elected Members with meetings convened at least four times per year. Additional meetings are called as required, e.g. to appoint Investment Managers.
8. Committee papers, with the exception of Exempt items, are publicly available on the Council’s website, www.falkirk.gov.uk.

INVESTMENT FORUM

9. The Investment Committee has established an Investment Forum comprising representatives from participating scheduled and admitted bodies to the Fund along with Trades Union representatives.
10. The Forum provides a means of communicating pension fund business to the interested parties.
11. The Forum is convened two times per year, with a meeting held in September of each year followed by an annual Pensions & Investment Conference held in March.

CHIEF FINANCE OFFICER AND PENSIONS & INVESTMENT SECTIONS

12. Under delegated powers, the Chief Finance Officer has responsibility for:
 - Implementing the decisions of the Investment Committee
 - Maintaining the link for Members, advisers, investment managers and other third party participants between meetings
13. The day-to-day management of the Pension Fund is carried out by the Pensions & Investment Sections of Finance Services. The Sections cover all aspects of pension and investment management as well as fund accounting.

EXTERNAL SERVICE PROVIDERS

14. Hymans Robertson has been appointed to act as Actuary to the Fund. The services provided include advice on funding and actuarial valuations.
15. Hymans Robertson has been appointed to act as Investment adviser to the Fund. The services provided include advice on investment strategy and manager appointments.
16. A number of investment managers have been appointed to manage specific mandates granted by the Investment Committee. Details of the manager appointments are contained within the Fund's Statement of Investment Principles. They have responsibility for the selection, retention and realisation of individual investments held within their portfolios and performance of their respective mandates.
17. 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.
18. The Fund has appointed Pensions & Investment Research Consultants Ltd (PIRC) to provide the following services:
 - Global Corporate Governance Research
 - Global Proxy Voting Service

TRAINING

19. Training for elected Members of the Investment Committee is delivered by a variety of means including:
 - Addressing specific topics at Investment Committee meetings
 - Investment Manager presentations
 - Attendance at relevant industry conferences/seminars

RISK MANAGEMENT

20. Identified risks and any necessary actions relating to Pension Fund activities are incorporated within the Falkirk Council Finance Services Business 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.
21. Risk awareness is embedded into the investment strategy and investment performance management processes.

EXTERNAL AND INTERNAL REVIEW

22. There is a statutory requirement to prepare a separate Annual Report & Accounts of Falkirk Council Pension Fund which is subject to external audit. The auditors are appointed by Audit Scotland and this helps ensure that public funds are properly safeguarded and accounted for in accordance with statutory and regulatory requirements.
23. Falkirk Council provides an internal audit service to the Pension Fund.

ACCESS TO INFORMATION

24. Committee papers and minutes for the Investment Committee are available on the Council's website, www.falkirk.gov.uk.
25. A Fund Report and Accounts is prepared annually and is available on the Council website, www.falkirk.gov.uk. The documents are prepared following relevant regulatory and recognised Accounting Code of Practice requirements.
26. Copies of the Report and Accounts will be issued to all employers participating in the Falkirk Council Pension Fund. A summary of the Report and Accounts is made available to all pension fund members.
27. The Report and Accounts and all policy documents (including the Statement of Investment Principles, the Funding Strategy Statement and this Governance Policy Statement) are available on the Council's website, www.falkirk.gov.uk.
28. Communication with a number of stakeholder groups is managed by way of an Investment Forum, normally held in September of each year, and an annual Pensions & Investment Conference arranged for March. These events are open to representatives from each of the Fund employers and trade unions. The issues discussed at these meetings cover benefits, regulatory changes, investment performance and investment manager/adviser presentations.
29. Communication with scheme members is undertaken through the distribution of an annual newsletter and, in the case of active and deferred members, an annual issue of a personal benefit statement. Pensioners receive a monthly pension advice slip which contains a messaging facility. All these communications contain a link to the Council's website where other relevant information can be found.

Part II

Governance Compliance Statement

Falkirk Council Pension Fund

PART 2

FALKIRK COUNCIL PENSION FUND

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 undemoted Statement tests the Falkirk Fund's compliance with the best practice principles and identifies the areas which will be the subject of further review in the year ahead.

Principle A – Structure

	Requirement	Not Compliant	Fully Compliant	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		√ Partial	Falkirk Council, as administering authority of the Falkirk Council Pension Fund, has established an Investment Committee to which it has delegated the function of "The management and investment of the Superannuation Fund".
(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		√ Partial	The Investment Committee comprises six Elected Members from the administering authority. The Investment Committee has established an Investment Forum comprising representatives from participating Fund scheduled and admitted bodies along with Trades Union representatives.

(c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels		√ Partial	<p>The Investment Forum is covered two times per year, with a meeting held in September of each year followed by an annual Pensions & Investment Conference held in March.</p> <p>The Investment Forum provides a means of communicating pension fund business to a number of stakeholder groups.</p>
(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.	X		See b)

Principle A – Structure

Reason for non-compliance

An assessment of the current compliance status, as indicated above, recognises a number of areas which require further review. A report will be submitted to the Investment Committee on 16 June 2011 seeking approval to undertake a wide ranging review of governance arrangements consistent with the Scottish Public Pensions Agency (SPPA) guidance issued 7 April 2011. Areas for review will include:

- Delegated powers and terms of reference for the Investment Committee
- Representation of stakeholder groups
- effective communication between Investment Committee and Investment Forum
- representation of stakeholder groups on Investment Committee

Principal B – Representation

		Not Compliant	Fully Compliant	Arrangements in Place
(a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:			
	(i) Employing authorities (including e.g. admission bodies);		√	The Investment Committee comprises six Elected Members from the administering authority. All Fund employers are invited to meetings of the Investment Forum.
	(ii) Scheme members (including deferred and pensioner scheme members);		√ Partial	Trades Union representatives are invited to meetings of the Investment Forum
	(iii) Where appropriate, independent professional observers; and	X		-

	(iv) Expert advisors (on an ad-hoc basis).		√	Support for the Investment Committee and Investment Forum is provided by the undernoted advisors: <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.	X		

Principle B – Representation

Reason for non-compliance

Areas of partial or non-compliance will be addressed as part of overall review of governance arrangements referred to under Principle A.

Principal C – Selection and role of lay members

		Not Compliant	Fully Compliant	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		√	Elected Members of the Investment Committee are subject to the code of conduct of Falkirk Council. Induction training delivered to Committee and Forum members.
(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.		√	Declaration of interests is a standard procedure at the start of all Committee meetings. Declarations are noted in the minutes.

Principal D – Voting

		Not Compliant	Fully Compliant	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.		√ Partial	All members of Investment Committee have voting rights on the basis that they have executive responsibility for pension fund decision making.

Principle D – Voting

Reason for non-compliance

The question of extended voting rights will be addressed as part of overall review of governance arrangements referred to under Principle A.

Principal E – Training/Facility Time/Expenses

		Not Compliant	Fully Compliant	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.		√ Partial	Training is delivered in large part by addressing specific items at Investment Committee but complemented by visits to Fund Managers and attendance at industry seminar/conferences. Expenses incurred by Members of the Investment Committee are met either by the Fund or the Falkirk Council scheme for payment of members expenses.
(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.	X		-
(c)	That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	X		-

Principle E – Training/Facility Time/Expenses

Reasons for non-compliance

All aspects of training will be addressed as part of overall review of governance arrangements referred to under Principle A.

Principal F – Meetings (Frequency/Quorum)

		Not Compliant	Fully Compliant	Arrangements in Place
(a)	That an administering authority's main committee or committees meet at least quarterly.		√	The Investment Committee has a regular quarterly meeting covering investment and pensions administration matters. 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.		√ Partial	The Investment Forum is held in September of each year followed by an annual Pensions & Investment Conference held in March.
(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.		√ Partial	The Investment Forum provides access for the majority of the stakeholder groups.

Principle F – Meetings (Frequency/Forum)

Reasons for non-compliance

The question of synchronising meetings and increasing access rights to all stakeholder groups will be addressed as part of overall review of governance arrangements referred to under Principle A.

Principal G – Access

		Not Compliant	Fully Compliant	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.	X		-

Principle – Access

Reasons for non-compliance

The provision of meeting papers to stakeholder groups will be addressed as part of overall review of governance arrangements referred to under Principle A.

Principal H – Scope

		Not Compliant	Fully Compliant	Arrangements in Place
(a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.		√	The Investment Committee agenda includes reports pertaining to both pensions and investments matters such as regulatory changes, actuarial valuation and funding level updates, admission agreements, investment strategy and Fund/Investment Manager performance.

Principal I – Publicity

		Not Compliant	Fully Compliant	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.		√ Partial	-

Principle I – Publicity

Reasons for non-compliance

The Governance Policy Statement, following approval by the Investment Committee, may be viewed on the Falkirk Council web-site at www.falkirk.gov.uk

Other aspects of stakeholder participation in the pension fund will be addressed as part of overall review of governance arrangements referred to under Principle A.