

# Public Document Pack

## ADDITIONAL CIRCULATION



To: **Pensions Committee**: Councillor Malik, Convener; Councillor Reynolds, Vice Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Bell, Cooke, Delaney, Henrickson, MacGregor and Wheeler.

**Pension Board**: Mr L Knox, Chairperson; Councillor McKelvie, Vice-Chairperson; Councillors Allan and Cowe; Mr I Black, Mrs M Lawrence, Mr N Stirling and Mr A Walker.

Town House,  
ABERDEEN, 16 March 2020

## **PENSIONS COMMITTEE AND PENSION BOARD**

The undernoted items are circulated in connection with the meeting of the **PENSIONS COMMITTEE AND PENSION BOARD** to be held here in the Town House on **FRIDAY, 20 MARCH 2020 at 10.30 am.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

## B U S I N E S S

### LEGAL OBLIGATIONS

- 10.1 Review of Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements - PC/MAR20/GOV (Pages 3 - 26)

**Members, please note that the attached appendices were omitted from the original agenda in error**

Should you require any further information about this agenda, please contact Stephanie Dunsmuir, tel 01224 522503 or email [sdunsmuir@aberdeencity.gov.uk](mailto:sdunsmuir@aberdeencity.gov.uk)

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## Training Policy

March 2019

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Document	Training Policy
Draft/Review Date	11/03/2019
Approval Date	14/06/2019
Author & Team	Mairi Suttie and Hayleigh Weldon, Governance
Review Date	March 2020

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## Introduction

This policy statement details the training agenda for members of the Pensions Committee and Pension Board of the North East Scotland Pension Fund (NESPF), as administered by Aberdeen City Council.

The training policy is designed to support the Pensions Committee and Pension Board in performing and developing in their individual roles, with the ultimate aim of ensuring NESPF is managed by members with the necessary skills and knowledge to effectively carry out their responsibilities.

A Knowledge and Skills Framework was developed by CIPFA in 2010 along with accompanying guidance. The Fund has formally adopted the Framework, and will assess all relevant individuals against the suggested standards ([Appendix I](#)).

In addition to the training policy, both the Convener and Vice Convener of the Pensions Committee have been provided with a description of their roles and provided further details of training requirements ([Appendix II](#)).

**All Pension Fund Committee and Board members to whom this policy applies are expected to continually demonstrate their own personal commitment to training.**

## Induction Process

On appointment to the Pensions Committee or Board, a member will attend an introductory briefing/training session and receive copies of the following documentation to assist in providing a basic understanding of the NESPF;

- guide to the Local Government Pension Scheme (LGPS)
- the latest Annual Report and Accounts
- the most recent Actuarial Valuation and Funding Strategy Statement
- the Governance Policy and Compliance Statement
- Copy of the LGPS Regulations
- Copy of the Statement of Investment Principles and compliance with Myners Principles

All remaining documentation is available to Committee and Board members via the Pension Fund website at [www.nespf.org.uk](http://www.nespf.org.uk).

## Training Agenda

The Pension Fund recognises that attaining, and then maintaining, relevant knowledge and skills is a continual process for the Pensions Committee and Pension Board members, and that training is a key element of this process.

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Training is provided to members of the Pensions Committee and Pension Board in respect of the following on a rolling basis;

### **Scheme Governance**

- LGPS - Status and Legal Framework
- LGPS Regulations
- Role of Elected Members
- Advisors and their Role
- Actuarial Valuation and Funding Strategy Statement
- Statement of Investment Principles
- Myners Principles
- Risk Management

### **Investment Strategy**

- Asset Classes
- Risk
- Investment Structure
- Investment Management and Performance Monitoring

### **Support Services**

- Custody Services
- Service Organisation
- Role of the Chief Officer-Finance
- Role of the Pensions Manager and Pensions Section

### Markets in Financial Instruments Directive (MiFID II)

Since the introduction of MiFID II from 3<sup>rd</sup> January 2018, financial institutions (including the LGPS) are required to 'opt up' to be classified under 'elective professional client' status, to allow continued access to the full range of vehicles investment managers need to deliver the investment strategy.

In order to maintain this status, the client (i.e. Pension Fund) needs to be able demonstrate its expertise, experience and knowledge, such that the investment managers can gain reasonable assurance that it is capable of making investment decisions and understanding the nature of risks involved.

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This training policy helps to ensure the assessed levels of expertise, experience and knowledge are maintained. The Pension Fund is required to keep this information under review and notify the investment managers of any changes to the collective circumstance which could affect its status.

## Training Delivery

Each Committee and Board member is expected to undertake a minimum of 2 days of training each year.

Training is ongoing for members and consideration will be given to the various training resources available, these may include (but are not limited to):

- members are invited to attend employer and scheme member events hosted by the Pension Fund
- Internally developed training days and pre/post meeting sessions
- members will be given the opportunity to attend Seminars and conferences that are offered by industry wide bodies, specifically the LAPFF annual conference, LGC conferences and PLSA conferences
- on-line training
- members will be given the opportunity to attend seminars and training events offered by the Fund's investment managers and advisors
- use of the secure 'trustee' area of the Pension Fund website
- in addition to the above, Fund officers are available to answer any queries from Committee/Board members.

### The Pensions Regulator's E-Learning Toolkit

The Pensions Regulator has developed an on-line toolkit to help those running public service pension schemes to understand the governance and administration requirements set out in it's Code of Practice No.14. There are seven short modules covering:

- Conflicts of Interest
- Managing Risk and Internal Controls
- Maintaining Accurate Member Data
- Maintaining Member Contributions
- Providing Information to Members and Others
- Resolving Internal Disputes
- Reporting Breaches of Law

**All members of the Pensions Committee and Pension Board are expected to complete the tPR Toolkit modules following appointment.**

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## Review Arrangements

Training attendance records will be maintained by the Pension Fund. These will be reported to the Pensions Committee and Board on an annual basis for consideration.

Where instances are identified of a Pension Board member not meeting the minimum training requirements (i.e. failing to attain and/or maintain the appropriate levels of knowledge and understanding as required under S.248A of the Pensions Act 2004, as amended by the Public Service Pensions Act 2013) an initial discussion will be held to establish whether there are any extenuating circumstances; followed by:

- no further action (if extenuating circumstances are shown)
- agreement of an improvement plan; and
- If no improvement can be demonstrated over a reasonable period of time, necessary steps will be taken to remove the Board member and seek a new appointee.

This training policy will be reviewed annually, taking account of the results from any training needs analysis and emerging issues.

## Costs

All training costs are met directly by the Pension Fund.

## Further Information

If you have any questions relating to this Statement please contact the **Governance Team**:

NESPF Resources Business Hub 16 3 <sup>rd</sup> Floor-West Marischal College Broad Street Aberdeen AB10 1AB	Phone: 01224 26 4169 Email: <a href="mailto:msuttie@nespf.org.uk">msuttie@nespf.org.uk</a> Web: <a href="http://www.nespf.org.uk">www.nespf.org.uk</a>
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## Knowledge and Skills Framework

This framework identifies the level of knowledge required by members to ensure that they can carry out effective decision making in respect of the Fund.

### Level of knowledge required

1 – In depth, 2 – Understanding, 3 – Conversant

CIPFA Knowledge and Skills	Knowledge Requirement	
	Pensions Committee	Pension Board
Pension legislative and governance context <ul style="list-style-type: none"> <li>• General and Scheme Pension Legislation</li> <li>• Scheme Governance</li> <li>• Pension regulators and advisors</li> <li>• Legislative framework</li> <li>• Risk</li> </ul>	2	2
Pension accounting and auditing standards <ul style="list-style-type: none"> <li>• Audit and accounting regulations and requirement</li> </ul>	2	2
Financial services procurement and relationship management <ul style="list-style-type: none"> <li>• Understanding public procurement</li> <li>• Supplier risk management</li> </ul>	2	3
Investment Governance <ul style="list-style-type: none"> <li>• Investment Strategy</li> <li>• Financial Markets</li> </ul>	2	2
Investment performance and risk management <ul style="list-style-type: none"> <li>• Fund performance</li> <li>• Performance of advisors</li> <li>• Performance of the committee</li> <li>• Performance of support services and advisors</li> </ul>	2	3
Actuarial methods, standards and practices <ul style="list-style-type: none"> <li>• Valuations</li> <li>• Outsourcing</li> </ul>	2	3

## **Convener of the Pensions Committee**

Strategy and operations of the Pension Fund; the proper administration of the Pension Scheme by the administering authority; the performance of the Fund, its advisors and agents; and the proper governance of the Committee and the Fund.

### **PRINCIPAL RESPONSIBILITIES**

1. Convener of the Pensions Committee to determine, after taking the advice of the Chief Officer - Finance and other advisors:

- The investment strategy of the Fund or Funds for which the Pensions Committee is responsible
- The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
- The appointment of investment and actuarial advisors and other third party services
- The governance framework
- The communication strategy of the Fund or Funds

2. And to monitor:

- The performance of the investments, the pensions administration service, the advisors and agents of the Fund and of the Committee itself
- The costs of running the Pension Fund and Scheme
- Comments and feedback from stakeholders

3. And to approve:

- The annual report and accounts of the Fund(s)
- Audit reports on the performance of the Pension Fund Service
- Statements on Investment Principles, Governance, Administration and Communication
- The Risk Register and an annual risk analysis
- The medium term business plan and annual updates
- Training and development plans and updates
- Discretions given by statute and regulation to the Pensions Committee in relation to benefits under the LGPS

4. Work with the Chief Officer - Finance and other officers and advisors to plan an effective work programme for the Pensions Committee

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5. Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communication, to give assurances about the Fund's financial statements, risk management and internal control mechanisms
6. Receive regular briefings from the Chief Officer - Finance and other advisors in order to understand the context and import of forthcoming issues

## **PERSONAL SPECIFICATION**

<b>Requirement</b>	<b>Essential</b>	<b>Desirable</b>
1. Educational	Appropriate financial experience and training.  Knowledge of pension funds and schemes.	Demonstrable evidence of knowledge kept up to date.
2. Work Experience	Political awareness in numerous political environments.  Chairing high level partnership meetings achieving effective outcomes.  Operated for 5 years at a senior level.  Experience of risk and performance frameworks.	Previously chaired a pension committee or similar.
3. Abilities, Intelligence & Special Aptitudes	Chairing skills.  Influencing and consensus building.  Listening skills.  Able to assimilate complex information.	Mathematical/statistical literacy.  Knowledge of public sector and local government finance.
4. Adjustment & Social Skills	Ability to establish good working relationships with councillors, officers and advisors.  Able to direct discussions in politically sensitive environments.  Able to command respect and demonstrate strong	Diplomacy and tact.

	<p>leadership.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the Pension Scheme and Fund(s).</p>	
6. Equal Opportunities	<p>Understanding and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

**The vice convener of the Pensions Committee will also receive a copy of this guidance.**

## Compliance with the Job Description

### 1. Pensions Legislative and Governance context

1.1 The pension's landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions etc.

1.2 Also of key importance is a knowledge of the governance frameworks that apply within the pensions industry (such as the Myners principles); within individual schemes (such as the LGPS Governance statement requirements); and within the organisations that administer the schemes (for example the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

***Full details of the scheme governance documentation and wider pension fund industry documentation can be found on the dedicated 'trustee' area of the Pension Fund website. In addition to this information regular training sessions are held for 'trustees' given by officers, fund managers, the scheme actuary and other advisors. In order to maintain an up-to-date knowledge of the pensions landscape the Convener/Vice Conveners must commit to attending a minimum of two UK wide pension conferences per annum. Recommended is the PLSA Local Authority***

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**Conference held annually in May which covers all aspects of the LGPS and the LGC Investment Seminar held in the autumn giving a focus on investment management. Other events may arise during the year that would be of value to the Convener/Vice Convener of the Pensions Committee will be brought to the attention of members by officers.**

**The Convener/Vice Convener should as a minimum receive a monthly update from officers covering:**

- **Scheme Valuation**
- **Administration Matters which are ongoing**
- **Investment Matters ongoing**
- **Pensions Market issues**
- **Communication with employers and scheme members**

**Where appropriate this report should be accompanied by a meeting with Fund officers.**

2. Pensions accounting and auditing standards

2.1 The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime at all levels within the finance structure in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.

**Officers report annually to the Pensions Committee on the scheme annual accounts. From 2011 the scheme accounts and audit have been separated out from the administering authority Financial Statement. The scheme auditor reports directly to the Pensions Committee on the scheme accounts.**

3. Investment performance and risk management

3.1 In the Local Government Pension Scheme and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of finance professionals. The skills required for managing and controlling investment activities are relatively specialised and at present there is no formal framework against which Funds can test their current skills and competencies.

**All investment performance and risk management is reported by the Fund custodian. Regular training sessions are given to all Committee members on understanding investment performance and risk reporting. Understanding investment performance and risk are key functions of the Convener and Vice Convener of the Pensions Committee.**

4. Financial markets and product knowledge

4.1 In those schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to

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investment management undertaken by the Fund. The investment activities of LGPS Funds for example can be split into two groups - those Funds that use external managers to manage all of their investment portfolio and those that undertake some or all of their investment activities using in-house investment managers.

*The time given during the quarterly meetings of the Pensions Committee to reviewing financial markets and product knowledge is limited. This fundamental knowledge should be updated regularly not only by the Convener and Vice Convener, but all 'trustees' through attendance at a minimum of one investment conference per annum. There is a wide selection of national conferences such as the PLSA or the Local Authority Pension Fund Seminar held annually at Celtic Manor, however there are also a wide number of conferences hosted by fund managers to which 'trustees' are invited. Likewise attendance at such events as the LAPFF annual conference provides 'trustees' with an insight to future legislation that make impact on the companies in which we invest. A list of forthcoming conferences is reported annually to the June meeting of the Pensions Committee.*

## 5. Actuarial methods, standards and practices

5.1 The scheme actuary holds a key position in the financial management of a pension scheme. A successful pension scheme financial manager will need to be able to do more than simply manage the relationship with their actuary. They will need to understand, at some levels in detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and the employer.

*The triennial valuation and funding strategy statement are two key documents in the governance of the scheme. A copy of both documents can be found on the secure 'trustee' area of the Pension Fund website. Through regular meetings with the scheme actuary (at least twice a year) the Convener/Vice Convener, will build up an understanding of the actuarial process and role and influence that key stakeholders such as the Convener and Vice Conveners have in the process. Discussions held with other LGPS 'trustees' on an ongoing basis will enhance this process.*

**PENSIONS COMMITTEE – TERMS OF REFERENCE**

**PURPOSE OF COMMITTEE**

1. To discharge all the functions and responsibilities relating the Council's role as administering authority for the North East Scotland Pension Funds (NESPF) including:-
  - 1.1 approving and monitoring the administration of the Local Government Pension Scheme (LGPS) in accordance with the LGPS (Scotland) Regulations 2018 and other relevant regulations;
  - 1.2 managing the investment of the NESPF in accordance with the LGPS (Management and Investment of Funds)(Scotland) Regulations 2010 (as amended);
  - 1.3 receiving regular training to enable the Committee members to make effective decisions under the LGPS Regulations, other relevant legislation and to make decisions in compliance with the Pensions Regulator Code of Practice; and
  - 1.4 working alongside the Fund's Local Pension Board, considering any pension compliance matters raised.
2. Where reference is made to 'the Fund', this refers to the Main Fund (the North East Scotland Pension Fund) and the Transport Fund (the Aberdeen City Council Transport Fund).

**POWERS OF COMMITTEE**

**1. Risk Management**

The Committee will:

- 1.1 ensure effective risk management of the Fund;
- 1.2 set the investment objective and strategy in light of the Funds liabilities and appoint or remove Fund Managers or new vehicles in furtherance of the strategy; and
- 1.3 ensure that an effective system of internal financial control is maintained.

**2. Internal and External Audit**

The Committee will:

- 2.1 approve the annual audit plans; and
- 2.2 consider all reports prepared by the Council's Internal and External Auditors in relation to the Pension Fund.

**3. Annual Report and Accounts**

The Committee will:

- 3.1** review and approve the annual report and accounting statement.

#### **4. Legal Obligations**

The Committee will ensure:

- 4.1** compliance with the Local Government Pension Scheme (Scotland) Regulations as amended and with all other legislation governing the administration of the Fund; and
- 4.2** adherence to the principles set out in the Pension Regulator's Code of Practice.

#### **5. Scrutiny**

The Committee will:

- 5.1** monitor the performance of Fund Managers; and
- 5.2** determine applications for Admitted Body status.

#### **JOINT WORKING WITH OTHER COUNCIL COMMITTEES:**

The Committee, through its lead officers, will regularly consider key issues arising through other committees, in particular the City Growth and Resources and Staff Governance Committees.

#### **JOINT WORKING WITH NON COUNCIL BODIES:**

The Committee, through its lead officers, will work jointly with the Fund's Investment Consultant and Actuary in the management of the Fund and with external contacts such as the provider of the pensions IT programme.

**Executive Lead: Chief Officer - Finance**

<b>PENSION BOARD – TERMS OF REFERENCE</b>
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<b>INTRODUCTION</b>
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- 1.1** Each Local Government Pension Scheme Manager in Scotland is required to establish a Pensions Board separate from the Pensions Committee that acts as the Scheme Manager.
- 1.2** The North East Scotland Pension Fund Pension Board is established under the provisions of sections 5 (1) and (2) of the Public Service Pensions Act 2013 and will be confirmed under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

<b>OBJECTIVES</b>
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- 2.1** The Pension Board as detailed in regulations is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.
 

*5.—(1) There shall be established for each Scheme manager a Pension Board with responsibility for assisting the Scheme manager in relation to the following matters.*

*(2) Those matters are—*

*(a) securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;*

*(b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator;*

*(c) such other matters as the 2014 Regulations may specify*
- 2.2** The Pension Board will determine the areas they wish to consider including, amongst others:
  - Reports produced for the Pensions Committee
  - Seek 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
- 2.3** The Pension Board is not a decision making body.
- 2.4** The Pension Board is not a scrutiny function.
- 2.5** The Pension Board will be collectively and individually accountable to the Pensions Committee

<b>MEMBERSHIP</b>
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- 3.1** 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 Committee. Local Authority employer representatives will normally be Elected Members serving as part of the Council.
- 3.2** There will be 4 trade union representatives appointed by the trade unions as follows:
- GMB
  - UCATT
  - UNISON
  - Unite
- 3.3** There will be 4 employer representatives appointed by the respective employer organisations as follows:
- Councils – 3 representatives
  - Scheduled bodies/Admitted bodies – 1 representative
- 3.4** Pension Board representatives will serve for a period of four years and may be reappointed to serve further terms. Timescales for organisations to notify the Pension Board of their representatives shall be locally determined. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.
- 3.5** Appointing bodies can appoint a named substitute for their representative. Such substitutes must undertake the same training as set out in (6) below.
- 3.6** Advisors may attend meetings of the Pension Board in a non-voting capacity
- 3.7** No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established. The Pension Board will adopt policies and protocols for handling any conflicts that were unanticipated and might arise during membership.

## MEETINGS

- 4.1** The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board
- 4.2** Pension Board meetings will be administered by Aberdeen City Council as the administering authority as agreed with Joint Secretaries appointed by the trade union and employers sides of the Pension Board. All reasonable administration costs shall be met by the fund.

- 4.3** The Pension Board should meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.
- 4.4** The Pension Board may establish sub-committees.
- 4.5** While the statutory roles and function of the Pensions 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 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.

#### **DISPUTE RESOLUTION**

- 5.1** If the Pensions Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pensions Committee is still competent.
- 5.2** In the first instance, if at least half of the members agree, then the Pension Board can refer back a decision of the Pensions Committee for further consideration if any of the following grounds are met:
- That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pensions Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;
  - That the decision of the Pensions Committee could be considered illegal or contrary to regulations;
  - That the decision of the Pensions Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
  - That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme
- 5.3** If there is no agreement after the matter has been referred back to the Pensions Committee, then the difference in view between the Pension Board and the Pensions Committee will be published in the form of a joint secretarial report on the Fund website and included in the Fund Annual Report.
- 5.4** The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the Pension Board in relation to the matter.

#### **TRAINING**

- 6.1** All members (and named substitutes) of the Pension Board must undertake a training programme in accordance with any guidance issued by the Pensions Regulator and complying with best practice training requirements of the Pensions Committee.

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| <p><b>6.2</b> The Pension Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for Pension Board members.</p> <p><b>6.3</b> The Scheme Manager will keep an updated list of the documents with which they consider Pension Board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.</p> |
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**ACCESS TO INFORMATION**

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| <p><b>7.1</b> The Scheme Manager and Pension Board will together ensure that information is published about the activities of the Board including:</p> <ul style="list-style-type: none"><li>• the full terms of reference for the Pension Board, including details of how they will operate</li><li>• the Pension Board appointment process</li><li>• who each individual Pension Board member represents and</li><li>• any specific roles and responsibilities of individual Pension Board members.</li></ul> <p><b>7.2</b> The minutes of the Pension Board will be published on the Fund website. The Pension Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.</p> |
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## PENSION BOARD TERMS OF REFERENCE

February 2015

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## 1. Introduction

- 1.1 Each Local Government Pension Scheme Manager in Scotland is required to establish a Pensions Board separate from the Pensions Committee that acts as the Scheme Manager.
- 1.2 The North East Scotland Pension Fund Pension Board is established under the provisions of sections 5 (1) and (2) of the Public Service Pensions Act 2013 and will be confirmed under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014.

## 2. Objectives

- 2.1 The Pension Board as detailed in regulations is the body responsible **for assisting the Scheme Manager** in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.
  - 5.—(1) There shall be established for each Scheme manager a Pension Board with responsibility for assisting the Scheme manager in relation to the following matters.
    - (2) Those matters are—
      - (a) securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
      - (b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator;
      - (c) such other matters as the 2014 Regulations may specify
- 2.2 The Pension Board will determine the areas they wish to consider including, amongst others:
  - Reports produced for the pensions committee
  - Seek 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 pensions board deem appropriate

The Pension Board is not a decision making body.

The Pension Board is not a scrutiny function.

The Pension Board will be collectively and individually accountable to the Pensions Committee.

### **3. Membership**

3.1 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 committee. Local Authority employer representatives will normally be Elected Members serving as part of the Council.

3.2 There will be 4 trade union representatives appointed by the trade unions as follows:

GMB .....

UCATT .....

UNISON .....

Unite .....

3.3 There will be 4 employer representatives appointed by the respective employer organisations as follows:

Councils 3  
Scheduled bodies/Admitted bodies ...1

3.4 Pension Board representatives will serve for a period of four years and may be reappointed to serve further terms. Timescales for organisations to notify the Pension Board of their representatives shall be locally determined. Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

3.5 Appointing bodies can appoint a named substitute for their representative. Such substitutes must undertake the same training as set out in (6) below.

3.6 Advisors may attend meetings of the Pension Board in a non-voting capacity

3.7 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established. The Pension Board will adopt policies and protocols for handling any conflicts that were unanticipated and might arise during membership.

## **4. Meetings**

- 4.1 The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board
- 4.2 Pensions Board meetings will be administered by Aberdeen City Council as the administering authority as agreed with Joint Secretaries appointed by the trade union and employers sides of the Pension Board. All reasonable administration costs shall be met by the fund.
- 4.3 The Pensions Board should meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.
- 4.4 The Pensions Board may establish sub-committees.
- 4.5 While the statutory roles and function of the pension committee and pensions 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 pension 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.

## **5. Dispute resolution**

- 5.1 If the Pension Committee and Pension Board cannot reach joint agreement on any matter the process for resolving any differences between the two bodies will be as follows. Whilst this process is undertaken the decision of the Pension Committee is still competent.
- 5.2 In the first instance, if at least half of the members agree, then the pension board can refer back a decision of the pensions committee for further consideration if any of the following grounds are met:
  - That there is evidence or information which it is considered needs re-evaluating or new evidence or data which the Pensions Committee did not access or was not aware of at the point of decision making and which is considered material to the decision taken;
  - That the decision of the Pensions Committee could be considered illegal or contrary to regulations;
  - That the decision of the Pensions Committee is contrary to a relevant Code of Practice published by the Pensions Regulator; or
  - That the decision is not in the interest of the continued financial viability of the Scheme or is against the principles of proper and responsible administration of the Scheme
- 5.3 If there is no agreement after the matter has been referred back to the pensions Committee, then the difference in view between the Pension Board and the Pension Committee will be published in the form of a joint secretarial report on the fund website and included in the fund annual report.

- 5.4 The Scottish LGPS Scheme Advisory Board may also consider and take a view on the matter and, if considered appropriate, provide advice to the Scheme Manager or the pension board in relation to the matter

## **6. Training**

- 6.1 All members (and named substitutes) of the Pensions Board must undertake a training programme in accordance with any guidance issued by the pensions regulator and complying with best practice training requirements of the Pensions Committee.
- 6.2 The Pensions Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for pension board members
- 6.3 The Scheme Manager will keep an updated list of the documents with which they consider pension board members need to be conversant to effectively carry out their role and make sure that both the list and the documents are accessible.

## **7. Access to Information**

- 7.1 The Scheme Manager and Pensions Board will together ensure that information is published about the activities of the board including:
- the full terms of reference for the pension board, including details of how they will operate
  - the pension board appointment process
  - who each individual pension board member represents and
  - any specific roles and responsibilities of individual pension board members.
- 7.2 The minutes of the Pension Board will be published on the fund website. The Pensions Board may undertake such communications and stakeholder engagement as it deems appropriate to perform its functions.