

Public Document Pack



To: Councillor John Cowe (Moray Council), Councillor William Howatson (Aberdeenshire Council) and Councillor Freddie John (Aberdeen City Council), and Ms M Hart (Police Scotland), Ms M Lawrence (UNISON), Mr K Masson (GMB) and Mr A Walker (UNITE); and 1 vacancy (UCATT)

Town House,
ABERDEEN, 2 June 2017

PENSION BOARD

The Members of the **PENSION BOARD** are requested to meet in **Committee Room 2 - Town House** on **MONDAY, 12 JUNE 2017 at 10.30am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

- 1 Appointment of Chair and Vice Chair
- 2 NESPF Pension Board Annual Report - 1 April 2016 to 31 March 2017 (Pages 3 - 32)

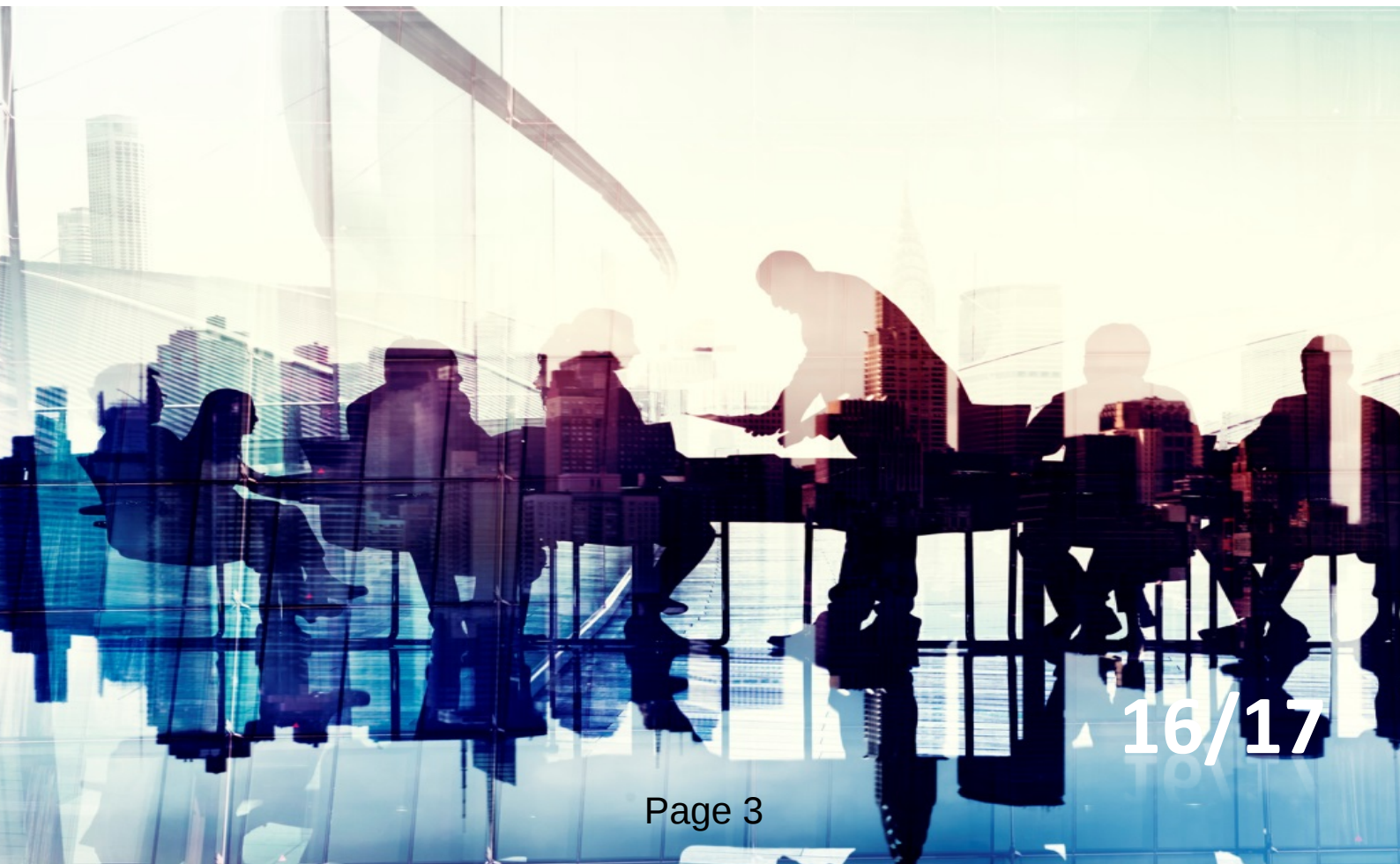
Should you require any further information about this agenda, please contact Stephanie Dunsmuir, tel 01224 522503 or email sdunsmuir@aberdeencity.gov.uk

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NESPF Pension Board Annual Report

For the period 1 April 2016 to 31 March 17



16/17

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Introduction

This is the 2016/17 annual report of the North East Scotland Pension Board.

The NESPF Pension Board is required by The Public Service Pensions Act 2013 and has responsibility for 'assisting the Scheme manager' in securing compliance with all relevant regulations in respect of the Local Government Pension Scheme (Scotland), as well as with the Pension Regulator's *Code of Practice no.14 Governance and Administration of Public Service Pension Schemes*.

The aim of this report is to provide an annual review of the activity of the NESPF Pension Board for the year 2016/17.

Legal Background to the Local Pension Board

Lord Hutton was asked to conduct a wide ranging review into public service pensions on behalf of the Independent Public Service Pensions Commission (IPSPC) and his final report was published in March 2011. In the report a series of reforms were proposed which Lord Hutton believed would allow public service employees to continue to have access to good quality, sustainable and fairer defined benefit pension schemes for the foreseeable future.

One of the key recommendations was the introduction of a new formal regulatory framework to ensure independent review of the governance of public sector pension schemes. This included a properly constituted and trained Pensions Board at both national and local level for the Local Government Pension Scheme (LGPS), with overall responsibility for governance and administration and formal member representation.

In response to the report recommendations, The Public Service Pension Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 were subsequently introduced.

These two pieces of legislation brought about changes in governance arrangements for the LGPS, including the requirement for each administering authority to establish a local pension board to assist them in running the pension fund from 1 April 2015.

The Role of the NESPF Pension Board

The role of the local pension board is to assist the 'Scheme manager' (i.e. Aberdeen City Council as the administering authority) in:

- Securing compliance with the 2014 LGPS Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension Scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator (tPR);
- Such other matters as the Scheme regulations may specify

The pension board has a monitoring, assisting and reviewing purpose rather than being a decision making body.

Regulatory Oversight by the Pensions Regulator (tPR)

The Public Service Pension Act 2013 also gave the Pensions Regulator (tPR) an expanded role to regulate the governance and administration of public service pension schemes from 1 April 2015.

In carrying out their role, tPR are guided by two statutory objectives; to protect the benefits of members of occupational pension schemes, and to promote and to improve the understanding of, the good administration of work based pension schemes.

The aims of tPR in relation to the regulation of public service pension schemes are:

- To understand governance and administration practices within public service schemes and make clear the standards and practices that are expected,
- To improve governance and administration standards and practices across all schemes, and
- To support those responsible for complying with legal requirements so that those requirements are met.

Code of Practice No. 14 sets out the standards of conduct and practice tPR expect of those responsible for public service schemes, as well as practical guidance on how to comply with the legal requirements.

Code of Practice No. 14 is structured as a reference for scheme managers and pension boards to use to inform their actions in four core areas of scheme governance and administration;

Governing the scheme	Knowledge and understanding required by pension board members Conflicts of interest and representation Publishing information about schemes
Managing risks	Internal controls
Administration	Scheme record-keeping Maintaining contributions Providing information to members
Resolving issues	Internal dispute resolution Reporting Breaches of the Law

The Code sets out, under each of the core sections, practical guidance to help scheme managers and pension boards discharge their legal duties.

The North East Scotland Pension Fund Pension Board

The terms of reference for the NESPF pension board can be found in [Appendix I](#).

Membership during 2016/17

The NESPF pension board is made up of an equal number of trade union and employer representatives;

Unison

Mr James Mulholland (Vice Chair) *left Jan'17*
Morag Lawrence *substitute from March'17*

GMB

Mr Kevin Masson

Unite

Mr Alan Walker

UCATT

Vacant

Admitted/Scheduled Bodies

Mr David Briggs (Robert Gordon's University) *left Sept'16*
Ms Marie Hart (Police Scotland) *joined Jan'17*

The Moray Council

Councillor John Cowe

Aberdeenshire Council

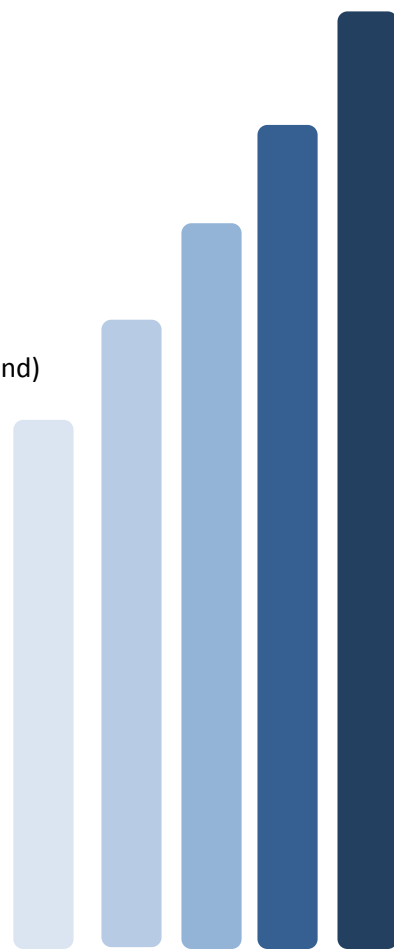
Councillor William Howatson (Chair)

Aberdeen City Council

Councillor Len Ironside

In compliance with the Local Government Pension Scheme (Governance)(Scotland) Regulations 2015 the Chair and Vice Chair of the Pension Board are rotated each year. Following the appointment of Councillor Howatson as the employer representative Chair for 2016/17, a member representative from the trade union will be required to act as Chair in 2017/18.

No appointment was made during 2016/17 in terms of the vacant trade union position (UCATT).



Meeting Attendance (for 2016/17)

In compliance with the LGPS (Governance)(Scotland) Regulations 2015, the Pension Board;

- is to meet at the same place and time as the Pension Committee of the Scheme manager to consider the same agenda as the Committee, but
- the Pension Board may meet separately from the Pension Committee with the agreement of the Pension Committee.

Board Member	Meetings & Attendance				
Employer	13/05/2016	24/06/2016	19/09/2016	02/12/2016	10/03/2017
Cllr Len Ironside	X	✓	X	X	X
Cllr William Howatson	✓	✓	✓	✓	X
Cllr John Cowe	X	✓	X	✓	✓
David Briggs	X	X			
Marie Hart					✓
Union					
James Mulholland	✓	✓	✓	X	
Morag Lawrence					✓
Alan Walker	✓	✓	X	✓	✓
Kevin Masson	X	✓	✓	✓	X
Overall Attendance Rate	42%	86%	50%	67%	57%

Both active participation during meetings and a willingness to undertake training, indicate the commitment of Board members to the continued effectiveness of the NESPF Pension Board.

Meeting Content

The Pension Board receive the Pension Committee reporting pack for each meeting which includes reports covering all six main areas of work for the Pension Fund; investment, accounting, governance, employer relationship, administration and technical.

The following reports were included as standard in the reporting packs during 16/17:

Asset & Investment Manager Performance
Investment Strategy
Budget & Projected Spend
Strategy

In addition, the Committee also received reports on:

Training	Statement of Accounts
New Admitted Body	Corporate Governance
Actuarial Valuation	Risk Management
Employer Covenant	Governance Review
Pension Fund staff restructure	Annual Report & Account
Internal Audit	External Audit

Financial Costs

The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

During the period 2016/17 the cost of administering the Pension Board was as follows:

Area	Costs
Travel Costs	£1,283.41
Allowances/Other	£275.02
Total	£1,558.43

*includes loss of earnings to attend meetings/training

Training Requirements

A member of the pension board must have **knowledge and understanding** of the law relating to pensions and any other matters which are prescribed in the regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board. These responsibilities begin from the date the member takes up their role in the pension board.

A member of the pension board of a public service pension scheme must be **conversant** with the rules of the Scheme and any document recording policy about the administration of the Scheme which is for the time being adopted in relation to the Scheme.

The Pensions Regulator *Code of Practice no.14* sets out the legal requirements for the knowledge and understanding requirements of pension board members. The Pension Fund must be able to demonstrate scheme compliance with the Code.

These first two years have seen the Board focus primarily on developing its role, ensuring members receive appropriate training to enable them to fulfil their responsibilities.

The NESPF Pension Board agreed a training plan during its initial meeting on 23 April 2015, which is subject to regular review and an annual training report is presented to the Pension Committee.

A copy of the training policy can be found at [Appendix II](#). There were no changes made to the policy during 2016/17.

Training for Board members is provided in line with the NESPF Training Policy and covers the following areas:

- Scheme Governance
- Investment Strategy
- Support Services
- Scheme Documentation

Board members are expected to carry out a personal training needs analysis on an annual basis to assess their overall level of 'knowledge and understanding'.

Training Attendance during 2016/17

Board Member	1/2 Sept 2016	5/6 Oct 2016	12 Dec 2016
CLlr Len Ironside	X	X	X
CLlr William Howatson	X	X	✓
CLlr John Cowe	X	✓	X
David Briggs			
Marie Hart			
James Mulholland	✓	✓	X
Alan Walker	✓	✓	X
Kevin Masson	X	X	X
Overall Attendance Rate	33%	50%	16%

The training on the 1st/2nd September 2016 took place over two whole days at the Barings Offices in London. Training was carried out by the Fund Managers on the following topics:

Blackrock	Diversified Growth Strategy, Asset Allocation & Risk Macro Research Private Equity Co-Investment Infrastructure Opportunities in Renewables Global Renewable Power Funds
Baillie Gifford	Benchmarks How a portfolio is set up Their Approach Portfolio Characteristics Performance
Barings	Gilt Bonds Corporate Bonds Inflation Linked Bonds Building a Bond Portfolio Currency Positions
SSGA	Worldwide Economic Outlook for 2016 Brexit Dynamic Strategic Hedging
Partners Group	Bottom-up Investment Strategy Case study to show what's involved in each potential Private Equity investment. How they chose it, how its run and the interaction with the current owners.
Aberdeen Property Investors	UK Property Market Investment Approach & Process Examples of Approach in Action Residential Private Rented Sector
Invesco Perpetual	Global Targeted Returns Fund. Return, Volatility, Portfolio. 3 Step Process, Research, Fund Management and Implementation

Research – Approving Ideas
 Implementing – Structured Review Process, Daily, Weekly and
 Monthly reviews, stress tests and compliance reviews

The training on the 5th/6th October was carried out by Baillie Gifford and took place in Edinburgh.

During the morning of the first day attendees were able to attend one session from each block:

Introduction to Investment
 Climate Change
 Cost and Transparency

Introduction to achieving diversification
 Volatility – Friend or Foe?
 Investing to meet long term liabilities

Over the course of the afternoon Baillie Gifford went on to cover the following topics:

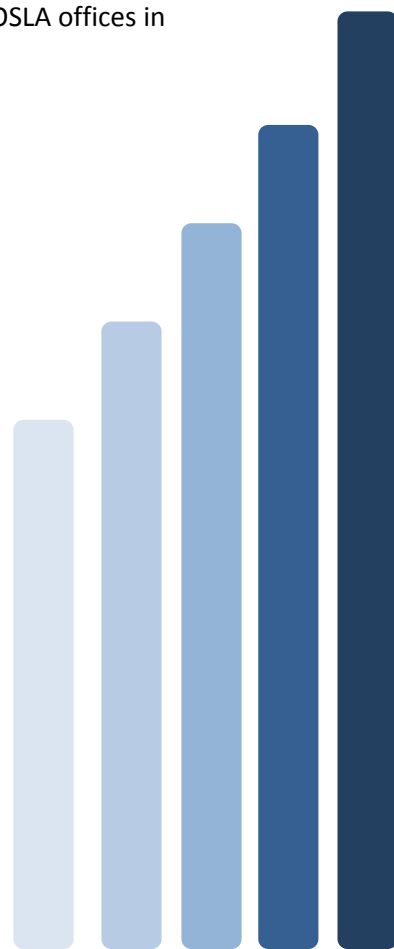
Investment Outlook
 Governance and Pooling
 Ideas for the Future

A number of further topics were then covered over the second day;

A History of Investment Mistakes
 Environmental, Social and Governance (ESG)
 Strategy Sessions
 Asset Class Debate
 Challenges for the LGPS

The LGPS (Scotland) Training Seminar held on the 12th December 2016 at the COSLA offices in Edinburgh saw presentations by a number of different speakers. They included:

Northern Trust	Global Custody
Aon Hewitt	Pension Administration
KPMG	Infrastructure and Alternatives
Baillie Gifford	ESG



Code of Conduct, Conflicts of Interest & compliance with tPR

Code of Conduct

Members of the NESPF Pension Board agreed to a Code of Conduct on appointment to the Board in April 2015. It is the responsibility of the individual to ensure that they are familiar with, and that their actions comply with, its provisions. A copy of the national Code of Conduct and guidance notes can be found at <http://www.standardscommissionscotland.org.uk>.

The key principles of the Code of Conduct are:

- Duty
- Selflessness
- Integrity
- Objectivity
- Accountability and stewardship
- Openness
- Honesty
- Leadership
- Respect

Conflicts of Interest

Members of the NESPF Pension Board have agreed to a Conflicts of Interest Policy. This was updated and approved by the Pension Committee on 2 December 2016. This requires all members to notify NESPF of any potential conflict of interest arising as a result of their position on the Board.

As a standing item at each Pension Committee and Board meeting, members will be given the opportunity to declare their interest in any of the agenda items and any declared interests will be recorded in the formal minutes of the meeting. In addition, conflict of interest declaration forms will be issued by NESPF on appointment to the Board; subject to regular monitoring during the term of appointment.

During 2016/17 the Pension Fund carried out an annual review by issuing each Board member with a declaration of interest form. The responses were recorded on a 'Conflicts Register' to facilitate ongoing monitoring and review by the Governance Team.

There were no formal 'conflicts' declared by Board members during 2016/17.

Compliance with tPR

The Pension Fund carries out a compliance review every six months, with annual reporting to the Pensions Committee. An assessment is made in terms of compliance with Scheme regulations as well as tPR Code of Practice no. 14.

The most recent review concluded that the Fund was fully compliant with both LGPS Regulations and the Code. However there were some areas identified for improvement, which included;

- **Provision of an administration guide for Employers**
- **Formal recording of Breaches of Law and Conflicts of Interest**
- **Pension Board information on NESPF website**

A Governance Review report was presented to the March Pension Committee meeting detailing the steps taken to further improve our compliance in the above areas.

Breaches of Law

There are certain people that are required to report breaches of the law to the Pensions Regulator where they have reasonable cause to believe that a legal duty which is relevant to the administration of the Scheme has not been, or is not being, complied with and the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

Those people with a responsibility to report breaches, including Scheme managers and Pension Board members shall establish and operate appropriate and effective procedures to ensure that they are able to meet their legal obligations.

In December 2016 an updated Breaches of Law Policy was approved by the Pension Committee. In addition, a Breaches of Law Register was created by the NESPF Governance Team to assist with ongoing monitoring and management.

There were no issues reported to tPR during the year 2016/17.

Risk Management

The risk register for the Pension Fund identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the action taken to mitigate these risks.

The register is reviewed regularly by the pension management team and reported quarterly to the Pension Committee and Board.



Work for 2017/18 onwards

The following areas will be looked at by the Committee & Board in the next 12 months (subject to review):

- Conflicts of Interest declarations
- Annual Training plan update
- Risk Register
- Pension Fund Annual Report
- Annual review of scheme policy documents
- Tri-ennial Valuation & setting employer contribution rates
- Compliance report
- Internal/Audit plan and updates

Potential changes to Pension Committee & Board structure

Following the Scottish Local Government elections on 4th May 2017, a transition period will likely be needed for both the Pension Committee and Board. Training has been scheduled for the 16th June 2017 to cover the Scheme governance structure and regulatory requirements. A further training event will be organised for late July/August to give an overview of the Fund and investments. This will ensure all members of the Pension Committee and Board receive appropriate training to enable them to meet the statutory obligations of their respective roles.

APPENDIX I

PENSION BOARD - TERMS OF REFERENCE

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 2015.

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 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.

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 Pensions 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.

APPENDIX II

North East Scotland **PENSION FUND**

Training Policy

January 2017

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Document	Training Policy
Draft/Review Date	
Approval Date	
Author & Team	Mairi Suttie and Hayleigh Weldon, Governance
Review Date	01/02/2018

1. Introduction

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

The level of knowledge required by members of both the Pension Committee and Pension Board to ensure that they can carry out effective decision making in respect of the Fund is identified at Appendix I.

In addition to the Training Policy for Pension Committee members, 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 provides a description of both roles.

In addition to the Training Policy for Pension Board members, Board members will have access to all training provided to the members of the Pension Committee.

2. Training Programme

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

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 Head of Finance
- Role of the Pensions Manager and Pensions Section

3. Scheme Documentation

On joining the Pensions Committee or Board, a new member will receive the following documentation;

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

3.1 All remaining documentation will be available to Committee and Board members via the Pension Fund website at www.nespf.org.uk

4. Training Agenda

Training is ongoing for members, however it would normally consist of the following:

- each Committee/Board member is expected to receive at least 2 days of training each year
- all members are invited to attend training courses suitable for their needs
- members are invited to attend employer and scheme member events hosted by the Pension Fund
- 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 NAPF conferences, these provide a general appreciation of the pension industry
- on-line training
- members will be given the opportunity to attend seminars and training events offered by the Fund's investment managers and advisors
- in addition to the above, Fund officers are available to answer any queries from Committee/Board members.
- use of the member secure area of the Pension Fund website www.nespf.org.uk

4.1 In line with the CIPFA guidance 'Trustee Knowledge and Skills Framework', Appendix I outlines a framework for the degree of knowledge and skill expected of the member. A copy of the full CIPFA guide can be found on the members secure area of the Pension Fund website at www.nespf.org.uk

5. Review Arrangements

A report will be presented to the Committee on an annual basis detailing;

- training provided in the previous year
- those members who attended the various training sessions
- seminars and conferences held in the previous year
- which seminars and conferences were attended by members

5.1 Board Members will carry out a personal training needs analysis on an annual basis to assess their overall level of 'Knowledge and Understanding'.

5.2 The Training Policy will be reviewed annually

6. Reimbursement of Expenses

All training costs are met directly by the Pension Fund

7. Further information

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



Corporate Governance
Business Hub 16
3rd Floor-West
Marischal College
Broad Street
Aberdeen
AB10 1AB

Governance & Communication Manager:
Mairi Suttie (msuttie@nespf.org.uk or tel: 01224 264169)

Pensions Officer – Governance:
Hayleigh Weldon (HWeldon@nespf.org.uk or tel: 01224 264188)

Appendix I

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	
	Pension Committee	Pension Board
Pension legislative and governance context • General and Scheme Pension Legislation • Scheme Governance • Pension regulators and advisors • Legislative framework • Risk	2	2
Pension accounting and auditing standards • Audit and accounting regulations and requirement	2	2
Financial services procurement and relationship management • Understanding public procurement • Supplier risk management	2	3
Investment Governance • Investment Strategy • Financial Markets	2	2
Investment performance and risk management • Fund performance • Performance of advisors • Performance of the committee • Performance of support services and advisors	2	3
Actuarial methods, standards and practices • Valuations • Outsourcing	2	3

Appendix II

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 Pension Committee to determine, after taking the advice of the Head of Finance and other advisors:
 - a) The investment strategy of the Fund or Funds for which the Pension Committee is responsible
 - b) The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - c) The appointment of investment and actuarial advisors and other third party services
 - d) The Governance Framework
 - e) The communication strategy of the Fund or Funds
2. And to monitor:
 - a) The performance of the investments, the pensions administration service, the advisors and agents of the Fund and of the Committee itself
 - b) The costs of running the Pension Fund and Scheme
 - c) 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 Pension Committee in relation to benefits under the LGPS
4. Work with the Head of Finance and other officers and advisors to plan an effective work programme for the Pension Committee
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 Head of Finance and other advisors in order to understand the context and import of forthcoming issues

PERSONAL SPECIFICATION

Requirement	Essential	Desirable
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 leadership. Assertive in pursuing the correct course of action. Able to work effectively with colleagues who may have different levels of experience and understanding.	Diplomacy and tact.

5. Motivation	Enthusiastic, not easily deterred and able to convey enthusiasm to others. Committed to the objectives of the Pension Scheme and Fund(s).	
6. Equal Opportunities	Understanding and commitment to promoting equality of opportunity with an understanding of the pension context.	

The vice convener of the Pension Committee will also receive a copy of this guidance

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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 NAPF Local Authority Conference held annual in May which covers all aspects of the LGPS and the Local Authority 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 Pension 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 Pension 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 Pension 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 Pension 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 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 Pension Committee to reviewing financial markets and product knowledge is limited. This fundamental knowledge should be updated regularly not only by the Convener and Vice Conveners, but all 'trustees' through attendance at least one investment conference per annum. There is a wide selection of national conferences such as the NAPF 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 quarterly to the Pension 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.

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