



NESPF Pension Board Annual Report

For the period 1 April 2021 to 31 March 2022

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Introduction

This is the 2021/22 annual report of the North East Scotland Pension Fund Pension Board.

The North East Scotland Pension Fund (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 2021/22.

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 Pensions 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 LGPS (Scotland) 2018 regulations and other regulations 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.

A copy of the Board's Nomination and Appointment Policy can be found at <http://www.nespf.org.uk/TheFund/Governance/PoliciesStatements.aspx>.

Regulatory Oversight by the Pensions Regulator (tPR)

The Public Service Pensions 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 for public service pension schemes, tPR are guided by two of their 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

The NESPF Pension Board is made up of an equal number of member (trade union) and employer representatives;

Unison

Morag Lawrence

(Substitute: Mr Kenny Luke)

GMB

Mr Neil Stirling

Unite

Mr Alan Walker

(Substitute: Mr Graham Gavin)

UCATT

Mr Liam Knox

Left August 2021

Mr Gordon Walters

Joined March 2022

Admitted/Scheduled Bodies

Mr Ian Hodgson (First Bus)

The Moray Council

Councillor John Cowe

Aberdeenshire Council

Councillor Alistair McKelvie

(Substitute: Councillor Alistair Bews)

Aberdeen City Council

Councillor Yvonne Allan

(Substitute: Councillor Freddie John)

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 Mr Neil Stirling as the member (trade union) representative Chair for 2021/22, an employer representative will be required to act as Chair in 2022/23.

Under the Terms of Reference for the Pensions Board, representatives are appointed for a 4 year term, with the option of re-appointment for further terms.

Meeting Attendance

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

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

Active participation during meetings as shown in the table below and a willingness to undertake training, clearly demonstrate the commitment of Board members to the continued effectiveness of the NESPF Pension Board.

| Board Member | Meeting Attendance | | | |
|--------------------------------|---------------------------|-------------------|-------------------|-----------------|
| Employer | 24/06/2021 | 17/09/2021 | 16/12/2021 | 25/03/22 |
| Cllr Yvonne Allan | ✓ | ✓ | ✓ | ✓ |
| Cllr Alistair McKelvie | ✓ | ✓ | ✓ | X |
| Cllr John Cowe | ✓ | ✓ | ✓ | ✓ |
| Ian Hodgson | | ✓ | ✓ | ✓ |
| Member/Union | | | | |
| Neil Stirling | ✓ | ✓ | ✓ | ✓ |
| Morag Lawrence | ✓ | ✓ | ✓ | ✓* |
| Alan Walker | ✓ | ✓ | ✓ | ✓ |
| Gordon Walters** | | | | ✓ |
| Overall Attendance Rate | 100% | 100% | 100% | 88% |

Notes:

* Substitute sent

** Mr Gordon Walters joined in March 2022

Meeting Content

The Pension Board receive the Pensions 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 systems.

The following reports were included as standard in the reporting packs during 2021/22:

Asset & Investment Manager Performance
 Budget & Projected Spend
 Strategy

In addition, the Committee also received reports and updates on:

| | |
|--|-----------------------|
| Training | Statement of Accounts |
| Corporate Governance/ESG | Project Dallas/Buy-In |
| Risk Management & Risk Register | External Audit |
| Compliance Review | Staffing |
| Annual Report & Accounts | Internal Audit |
| PAS performance | LGPS Structure Review |
| Annual Benefit Statements | Procurement |
| Pensions Committee Annual Effectiveness Report | |
| NESPF Business Plan | |
| Deferred Debt and Investment Buckets | |

Financial Costs

The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money. All costs are met by the Pension Fund.

During the period 2021/22 there was a mix of training attended, some in person, some hybrid and some totally online due to the ongoing Covid-19 situation. We would expect costs to increase next year as we fully transition to “living with covid” and more in person meetings and training events resume.

Costs during 2021/22

Travel £181.90

Training Requirements

The Public Service Pensions Act 2013 requires that members of local pension boards have an appropriate level of **knowledge and understanding** in order to carry out their role. These responsibilities begin from the date the member takes up their role on 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 its administration 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 compliance with the Code.

The NESPF Pension Board’s training plan is subject to regular review and an annual training report is presented to the Pensions Committee. A copy of the Training Policy can be found at [Appendix II](#). A revised Training Policy was approved by the Pensions Committee in June 2019 to incorporate changes requested by internal audit around minimum training requirements.

The NESPF is committed to supporting Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance; training is provided in line with the NESPF Training Policy and covers the following areas:

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

Board members were asked to carry out a personal assessment in late 2019 to assess their overall knowledge and understanding levels based on CIPFA's current Code of Practice and supporting framework. The results of the responses were evaluated and are being used to direct future training.



Training Attendance

| | No. of Training Sessions Attended | Training Sessions Attended (see below for corresponding training sessions) | | | | | |
|----------------|-----------------------------------|--|---|---|---|---|---|
| | | A | B | C | D | E | F |
| Cllr Allan | 2 | | | ✓ | ✓ | | |
| Cllr McKelvie | 3 | | | ✓ | ✓ | | ✓ |
| Cllr Cowe | 1 | | | ✓ | | | |
| Ian Hodgson | 2 | | | ✓ | ✓ | | |
| Neil Stirling | 2 | | | ✓ | | ✓ | |
| Morag Lawrence | 5 | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Alan Walker | 4 | ✓ | ✓ | ✓ | | ✓ | |
| Liam Knox | 0 | | | | | | |
| Gordon Walters | 1* | | | | | | |

Notes:

* The training listed below in 2021 is not applicable as Gordon Walters joined the Pensions Board in January 2022 and received Introductory training from the Pensions Manager.

Training Content

A. PLSA Conference 18-19 May 2021

The first event of the year was PLSA Local Authority Conference. This is the largest event of its kind organised for Local Government Pension Schemes. 69 local authority schemes and pools attended the event.

B. PLSA ESG Conference – 30 June – 2 July 2021

PLSA's first ESG Conference focused on a range of ESG topics including the impact and financial risks of climate change, social inequality, threats to biodiversity and the need to build back better following COVID-19.

C. Annual Accounts Training – 26 August 2021

Training hosted by the Chief Officer – Finance and the Pensions Manager and focussed on the NESPF Annual Report and Accounts.

D. Scottish LGPS Governance & Investments Training – 6 October 2021

First of two virtual training sessions led by for all LGPS Committee and Board members from across Scotland. This training examined Governance requirements and investment concerns for LGPS funds.

E. LGC Investment Seminar - 21 – 22 October 2021

Held over two days in Edinburgh, this event covered a range of topics including:

- Investment strategies

- Climate change, net zero and sustainability
- Infrastructure
- New Regulator code of practice

F. Scottish LGPS Pension Administration Training – 29 October 2021

The second Scottish Local Government Pension Scheme training focused on current issues for including, the LGPS Structure Review, pensions administration and an overview of administration reporting.

TPR Tookit

At the June 2019 meeting the Pensions Committee and Pension Board agreed:

- To undertake the online E-Learning Public Service Toolkit produced by the Pensions Regulator as soon as possible and provide evidence of completion to the Pension Fund's governance manager (available at <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>)

To date, three representatives have provided evidence of completion of this training. Board members should aim to complete this important training *as soon as possible*.

Commitment to Training

Board members are expected to attend meetings and undertake a minimum of 2 days training per year to ensure they maintain the prescribed knowledge and understanding levels required to be able to fulfil the responsibilities of the role. The Fund monitors attendance at meetings and training events on an ongoing basis.

Where a member fails to meet the minimum requirements set out in the Training Policy, and in the absence of mitigating factors, the member will be given a reasonable period of time to improve their attendance level. Should no clear improvement be demonstrated, the administering authority will take the necessary steps to terminate the individual's membership.

Code of Conduct, Conflicts of Interest & compliance with tPR

Code of Conduct

Members of the NESPF Pension Board agreed a Code of Conduct 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 noted by the Pensions Committee on 11 September 2020, a further review was carried out in July 2021 but no further changes were made. It requires all members to notify NESPF of any potential conflicts of interest arising as a result of their position on the Board.

As a standing item at each Pensions 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 and are subject to regular monitoring during the term of appointment.

During 2021/22 the Pension Fund carried out an annual review by issuing each Board member with a declaration of interest form. The responses were recorded on the 'Conflicts Register' to facilitate ongoing monitoring and review by the Governance Team.

One formal interest was declared during the March 2022 Committee and Board meeting by Mr Hodgson as a result of his employment with First Group. Mr Hodgson withdrew himself from the meeting during discussion of the item concerned.

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 the Public Service Pensions Act 2013 and tPR Code of Practice no. 14.

The most recent review carried out in December 2021, and reported to the Pensions Committee in March 2022, concluded that key controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively. A review using the tPR scheme assessment tool confirmed there were no areas of concern.

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 tPR 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.

Under the UK General Data Protection Regulation, organisations have a duty to report certain types of personal data breaches to the Information Commissioner within 72 hours of becoming aware of the breach, where feasible.

An updated Breaches of Law Policy was taken to the Pensions Committee in September 2021 following annual review.

There were no breaches reported to tPR or the Information Commissioner during the year 2021/22.

Risk Management

In line with CIPFA guidance issued in December 2018, the Pension Fund created its own Risk Management Policy and this was approved by the Pensions Committee in November 2019. Following annual review, the Policy was most recently updated in February 2021.

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 pensions management team and reported quarterly to the Pensions Committee and Board.

Work for 2022/23 onwards

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

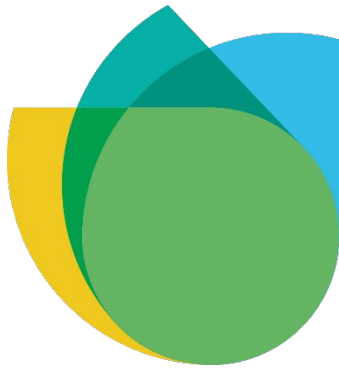
- Training Plan
- Risk Management & Risk Register
- Pension Fund Annual Report
- Annual review of scheme policy documents
- Compliance Review
- Internal/External Audit Plan and updates
- Conflicts of Interest declarations
- Breaches of Law

LGPS Scheme Structure Review

The Scottish Scheme Advisory Board (SAB) continue to work to look at the structure of the SLGPS and monitor the impact of pooling in England and Wales. The SAB appointed a Strategic Programme Manager to lead a 12 month programme of work to produce business cases for the four options for Fund structures. The project group researched and extensively analysed existing reports and information. A gap analysis of information was then undertaken to facilitate the development of detailed business cases for the various options. At the time of writing, the SAB is seeking clarification from Scottish Ministers on the nature of advice they expect to receive before committing further time and resources. In the interim, the Pension Board continues to operate as normal.



APPENDIX I



North East Scotland Pension Fund

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Pension Board Terms of Reference

September 2021

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|--------------------------|---|
| Document | Pension Board Terms of Reference |
| Review Date | September 2021 |
| Approval Date | |
| Author & Team | Mairi Suttie, Governance |
| Review Date | August 2022 |

Introduction

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.

The North East Scotland Pension Board is established under the provisions of sections 5(1) and (2) of the Public Service Pensions Act 2013 and confirmed under the Local Government Pension Scheme (Governance) Regulations 2014.

Objectives

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*

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 Manager 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.

Membership

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 also not 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.

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

GMB.....1
UCATT.....1
UNISON.....1
Unite.....1

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

Councils.....3
Other Scheduled/Admitted Bodies.....1

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.

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

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

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

The Chair of the Pension Board will be rotated on an annual basis between the trade union and employer sides of the Pension Board.

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.

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.

The Pension Board may establish sub-committees.

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

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.

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.

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.

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

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.

The Pension Board shall agree policies and arrangements for the acquisition and retention of knowledge and understanding for Pension Board members.

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.

Access to Information

The Scheme Manager and Pension 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.

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.

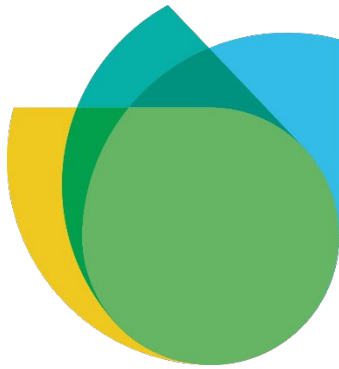
Further Information

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

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Resources
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APPENDIX II



North East Scotland Pension Fund
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Training Policy

October 2021

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| | |
|--------------------------|------------------------|
| Document | Training Policy |
| Review Date | October 2021 |
| Approval Date | December 2021 |
| Author & Team | M Suttie, Governance |
| Review Date | October 2022 |

Purpose Statement

This 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.

Application & Scope

All Pension Fund Committee and Board members to whom this policy applies are expected to continually demonstrate their own personal commitment to training. It's important that members commit to participating in appropriate training events to ensure they have the necessary skills required to support them in their decision making role.

Induction Process

On appointment to the Pensions Committee or Board, a member will receive a formal induction, as well as copies of and/or access to the key documentation relevant to the Fund and other useful information, including;

- [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](#)
- [the Statement of Investment Principles and Compliance with Myners Principles](#)
- [copy of the LGPS \(Scotland\) Regulations](#)

Policy documentation is available to Committee and Board members via the Pension Fund website at www.nespf.org.uk.

Training Plan

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.

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):

- [employer and scheme member events hosted by the Pension Fund](#)
- [internally developed training days and pre/post meeting sessions](#)

- seminars and conferences that are offered by industry wide bodies, specifically the LAPFF annual conference, LGC conferences and PLSA conferences
- on-line training
- 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 and Board members.

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

| Scheme Governance | Investment Strategy | Support Services |
|--|--|--|
| LGPS Status and Legal Framework | Asset Classes | Custody Services |
| LGPS Regulations | Risk | Service Organisation |
| Role of Elected Members | Investment Structure | Role of the Chief Officer – Finance |
| Advisors and their Role | Investment Management and Performance Monitoring | Role of the Pensions Manager and Pensions Team |
| Actuarial Valuation and Funding Strategy Statement | | |
| Myners Principles | | |
| Risk Management | | |

Markets in Financial Instruments Directive (MiFID II) Requirements

Since the introduction of MiFID II from 3rd January 2018, financial institutions including the Local Government Pension Scheme (LGPS) are required to opt up to be classified as an elective professional client, 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 Pension Fund needs to be able to 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.

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.

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 its Code of Practice No.14. There are eight 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
- Pensions Scams (optional)

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

CIPFA Knowledge and Skills Framework

An updated Code of Practice and Knowledge and Skills Framework was published by CIPFA in 2021. The Fund has formally adopted the Framework and will assess all relevant individuals against the suggested standards ([Appendix I](#)).

The CIPFA framework sets out the following key areas:

- Pensions legislations and guidance
- Pensions governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management, accounting, reporting and audit standards
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and product knowledge
- Pensions services procurement, contract management and relationship management

Pensions Committee and Board members are expected to have collective understanding of these areas of knowledge and skills.

Pension Board Specific Requirements

In accordance with Section 248A of the Pensions Act 2004, and redrafted by the Public Service Pensions Act 2013, the members of the NESPF Pension Board must be conversant with:

- The rules of the scheme (the Local Government Pension Scheme (Scotland))
- Any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme

NESPF Pension Board members should also have knowledge and understanding of:

- The law relating to pensions
- Such other matters as may be prescribed

CIPFA have published a separate [Technical Knowledge and Skills Framework](#) for Local Pension Board members.

Policy Performance

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.

Supporting Procedures & Documentation

This policy is supported by the policies and procedures that make up the wider governance framework and those prescribed by the Local Government Pension Scheme (Scotland) Regulations. Copies of which are available online at www.nespf.org.uk.

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](#)).

Responsibilities

All training costs are met directly by the Pension Fund.

The Pensions Committee will review this policy annually, or in the event of a policy revision and taking account of the results from any training needs analysis and emerging issues.

Day to day responsibility for the implementation of this policy sits with the Chief Officer-Finance and dedicated staff within the Pension Fund section.

Any questions or feedback on this document should be forwarded to the NESPF Governance Team at:

Resources
Level 1, 2MSq
Marischal Square
Broad Street
Aberdeen
AB10 1LP

Email: governance@nespf.org.uk

Web: www.nespf.org.uk

CIPFA Knowledge and Skills Framework

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

Level of knowledge required

For committee members:

- An awareness i.e. recognition that the subject matter exists
- A general understanding i.e. understanding the basis in relation to the subject matter
- A strong understanding i.e. a good level of knowledge in relation to the subject matter but not necessary at a detailed level

For senior officers:

- a strong understanding i.e. a good level of knowledge in relation to the subject matter (but not necessary at a detailed level)
- a detailed level of knowledge in relation to the subject matter
- an expert level of knowledge in relation to the subject matter

| CIPFA Knowledge and Skills | | |
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| Pensions and Guidance | Legislations | <p>General Pensions Framework</p> <p>A general understanding of the pensions legislative framework in the UK.</p> <p>A general understanding of other legislation that is relevant in managing an LGPS fund, e.g. freedom of information, General Data Protection Regulation (GDPR) and local authority legislation.</p> <p>Scheme-specific legislation</p> <p>A general understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including:</p> <p>a general understanding of the LGPS Regulations 2018</p> <p>A general understanding of the LGPS (Scotland) (Management and Investment of Funds) Regulations 2010</p> |



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| | <p>An awareness of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.</p> <p>A regularly updated awareness of the latest changes to the scheme rules and current proposals or potential changes to the scheme.</p> <p>Guidance</p> <p>A general understanding of the requirements of statutory guidance from the Responsible Authority, Scottish Government.</p> <p>A general understanding of the requirements of TPR Code of Practice.</p> <p>An awareness of the requirements of guidance from the Scheme Advisory Board.</p> <p>An awareness of requirements of guidance from the Government Actuary's Department.</p> <p>An awareness of other guidance relevant to the LGPS, such as from CIPFA.</p> |
| <p>Pensions Governance</p> | <p>An awareness of the LGPS regulations main features and requirements relating to the pension scheme governance.</p> <p>An awareness of statutory and other guidance relating to pension scheme governance including statutory governance guidance, TPR Code of Practice, CIPFA/SOLACE, Scheme Advisory Board guidance and the Myners Principles.</p> <p>Pension regulators, Scheme Advisory Board and other bodies</p> <p>A general understanding of how the roles and powers of the Scottish Government, TPR, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. A general understanding of the role of the Scheme Advisory Board and how it interacts with other bodies.</p> <p>General constitutional framework</p> |

A general understanding of the role of the administering authority in relation to the LGPS.

A general understanding of the role of the pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

An awareness of the role and statutory responsibilities of the CFO and monitoring officer.

Fund specific governance

A strong understanding of the terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers.

A general understanding of the stakeholders of the fund and the nature of their interests.

A general understanding of who the key officers responsible for the management of the fund are, how the pension team is structured and how services are delivered.

A general understanding of the fund's strategies, policies and other key documents.

A general understanding of how risk is monitored and managed, and the fund's current key risks.

A general understanding of how conflicts of interest are identified and managed.

A strong understanding of how breaches in law are recorded and managed, and if necessary reported to TPR, including each individual's personal responsibility in relation to breaches.

A general understanding of the fund's knowledge and skills policy and associated training requirements.

An awareness of the fund's process for dealing with complaints, including its Internal Dispute Resolution Procedure.

A general understanding of how the effectiveness of the fund's governance is reviewed.

Service Delivery

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| | <p>A general understanding of the required budget and resources needed to manage and administer the fund.</p> <p>A general understanding of the annual business planning cycle and budget setting.</p> <p>A general understanding of the fund’s key performance indicators and other performance measures.</p> <p>A general understanding of the fund’s business continuity policy and cyber security policy.</p> |
| <p>Funding strategy and actuarial methods</p> | <p>An awareness of the LGPS regulations main features and requirements relating to funding strategy and the setting of employer contributions including associated guidance.</p> <p>A general understanding of the role of the fund actuary.</p> <p>A general understanding of the funding strategy statement and the expected delivery of the funding objectives.</p> <p>A general understanding of the key risks to the fund relating to the funding strategy.</p> <p>Valuations</p> <p>A general understanding of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>An awareness of the costs to the employer including employer contributions and early retirement strain costs.</p> <p>An awareness of the different types of employers that participate in the fund.</p> <p>A general understanding of the importance of employer covenant, the relative strengths of the covenant across the fund’s employers, and how this impacts the funding strategy statement adopted.</p> <p>A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.</p> |

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| | <p>A general understanding of the Scheme valuation and other work carried out by the Government Actuary's Department and the impact this has on the valuation process (i.e. cost management process/Section 13 report).</p> <p>New employer and exits</p> <p>A general understanding of the implications of including new employers into the fund and of the exist of existing employers.</p> <p>A general understanding of the relevant considerations in relation to the different types of new employer, e.g. outsourcings, alternative delivery models and also the considerations in relation to bulk transfers.</p> |
| <p>Pensions administration and communications</p> | <p>An awareness of the LGPS regulations main features and requirements relating to:</p> <ul style="list-style-type: none"> • Administration and communications strategies • Entitlement to and calculation of pension benefits • Transfers in and out of the scheme • Employee contributions and • The delivery of administration and communications. <p>Including associated guidance.</p> <p>A general understanding of the fund's pensions administration strategy including how it is delivered (including, where applicable, the use of third party suppliers and systems) performance measures and assurance processes.</p> <p>A general understanding of the fund's communications policy including how it is delivered (including, where applicable, the use of third party suppliers and systems), performance measures and assurance processes.</p> <p>A general understanding of best practice in pensions administration, e.g. performance and cost measures.</p> <p>A general understanding of the fund's processes and procedures relating to:</p> <ul style="list-style-type: none"> • Member data maintenance and record-keeping including data improvement plans and relationships with employers for data transmission • Contributions collection |

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| | <p>An awareness of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.</p> <p>A general understanding of additional voluntary contribution (AVC) arrangements including:</p> <ul style="list-style-type: none"> • The AVC arrangements that exist • The choice of investments to be offered to members • The provider’s investment and fund performance • The payment of contributions to the provider • The benefits that can be received by scheme members • How and when the AVC arrangements, including the investment choices, are reviewed. |
| <p>Pensions financial strategy, management, accounting, report and audit standards</p> | <p>A general understanding of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the fund’s accounts and annual report.</p> <p>A general understanding of the various elements of income and expenditure to the fund, including the operational budget.</p> <p>A general understanding of the cashflows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings.</p> <p>A general understanding of the role of both internal and external audit in the governance and assurance process.</p> |
| <p>Investment strategy, asset allocation, pooling, performance and risk management</p> | <p>An awareness of the LGPS regulations main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments including associated guidance.</p> <p>Investment strategy</p> <p>A general understanding of the key risks that the fund is exposed to and how a fund’s investment strategy should be considered in conjunction with these risks.</p> |

A general understanding of the risk and return characteristics of the main asset classes (equities, bonds, property), and the need to balance risk versus reward when determining the investment strategy.

A general understanding the role of these asset classes in long-term pension fund investing.

A general understanding of the fund's cashflow requirements and how this impacts on the types of investments considered.

Total Fund

A general understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

Performance of the committee

An awareness of the Myners principles and the need to set targets for the committee and to report against them.

An awareness of the range of support services, provided to the committee who supplies them and the nature of the performance monitoring regime.

Responsible investment

An awareness of the latest developments and requirements in the area of responsible investment.

An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is signatory to these.

A general understanding of the fund's approach to responsible investment including how views on Environmental, Social and Governance issues are incorporated into the fund's investment strategy.

Risk Management

A general understanding about how to manage and reduce risk and lessen impact of risk on assets when it arises.

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| <p>Financial markets and products knowledge</p> | <p>Financial Markets</p> <p>A general understanding of the primary importance of the investment strategy decision.</p> <p>A general understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of associated risks.</p> <p>An awareness of the restrictions placed by legislation on the investment activities of LGPS funds.</p> <p>MiFID II</p> <p>A general understanding of MiFID II requirements relating to the knowledge of decision makers.</p> |
| <p>Pensions services procurement, contract management and relationship management</p> | <p>Understanding public procurement</p> <p>An awareness of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS.</p> <p>Fund suppliers</p> <p>Awareness of the key decision makers in relation to the Fund’s procurements.</p> <p>A general understanding of the fund’s suppliers and providers, and their roles in the management of the fund.</p> <p>An awareness of how the fund’s suppliers are monitored, including:</p> <p>The myners principles, and The need for strategic objectives for investment consultants</p> <p>Supplier risk management</p> <p>A general understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting external suppliers and providers.</p> |

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| | <p>A general understanding of how the pension fund monitors and manages the performance of their external suppliers and providers, including business continuity and cyber risk.</p> |
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Role Profile for Convener of the Pensions Committee

The role of the Convener of the Pensions Committee requires post holders who have a wide experience of chairing meetings effectively, are good communicators and have at least some knowledge of pensions, financial or HR matters (through Council, personal and/or career experience).

The above Knowledge Framework is developed further for the chair (and, by implication, the vice chair) in the following paragraphs by introducing key skills elements unique to the chair. This includes an expectation that the chair should individually have the appropriate level of knowledge in relation to all the competencies in Annex I but noting that in some cases it will be necessary for a higher level of knowledge to be attained in some areas. The administering authority should ensure the chair is provided with the appropriate training to meet these requirements, preferably within six months of appointment.

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

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

EXPECTED SKILLS AND CHARACTERISTICS REQUIRED FOR CONVENER

| Requirement | Essential | Desirable |
|--------------------|--|--|
| 1. Educational | A strong understanding of pensions, financial or HR matters (through council, personal and/or career experience). Commitment to individually achieving the required level of knowledge in relation to the CIPFA Framework competencies (or alternatively requirements as set out by the administering authority). | Demonstrable evidence of knowledge kept up to date. Knowledge of pension funds and schemes. |
| 2. Work Experience | Political awareness in numerous political environments. Chairing high level partnership meetings achieving effective outcomes. Has operated for 10 years at a senior level. Experience of risk and performance frameworks. | Previously chaired a pensions committee or similar. |

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| <p>3. Abilities, Intelligence & Special Aptitudes</p> | <p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p> <p>Communication and engagement skills.</p> | <p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p> |
| <p>4. Adjustment & Social Skills</p> | <p>Ability to establish and maintain good working relationships with councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong 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> | <p>Diplomacy and tact.</p> |
| <p>5. Motivation</p> | <p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the Fund.</p> | |
| <p>6. Equal Opportunities</p> | <p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p> | |

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 Pension Fund website and in the secure trustee area. 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 Convener must commit to attending a minimum of two UK wide pension conferences per annum. Recommended is the PLSA Local Authority 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 arising 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 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 may 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 Convener have in the process. Discussions held with other LGPS 'trustees' on an ongoing basis will enhance this process.