



NESPF Pension Board Annual Report

For the period 1 April 2019 to 31 March 2020

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Introduction

This is the 2019/20 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 2019/20.

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, 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 2019/20

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 Kevin Masson *Left 08/05/2019*

Mr Neil Stirling *Joined 13/05/2019*

(Substitute: Mrs Brenda Murdoch)

Unite

Mr Alan Walker

(Substitute: Mr Graham Gavin)

UCATT

Mr Liam Knox

Admitted/Scheduled Bodies

Mr Ian Black (Aberlour Child Care Trust)

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 Liam Knox as the member representative Chair for 2019/20, an employer representative will be required to act as Chair in 2020/21.

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 (for 2019/20)

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 Employer	Meetings & Attendance			
	14/06/2019	13/09/2019	29/11/2019	20/03/2020
Clr Yvonne Allan	✓	✓	✓	X
Clr Alistair McKelvie	✓	✓	✓	X
Clr John Cowe	X	X	X	X
Ian Black	X	✓	✓	X
Member/Union				
Neil Stirling	✓	✓	✓	X
Morag Lawrence	✓	✓	✓	✓
Alan Walker	✓	✓	✓	X
Liam Knox	✓	✓	✓	✓
Overall Attendance Rate	75%	88%	88%	25%

Notes:

Due to personal reasons Councillor Cowe was unable to attend meetings in 19/20.

Following government guidance around non-essential travel and social distancing due to the Covid 19 pandemic, a number of members did not attend the March 2020 meeting.

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 technical.

The following reports were included as standard in the reporting packs during 2019/20:

Asset & Investment Manager Performance
Budget & Projected Spend
Strategy

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

Training
Corporate Governance/ESG

Statement of Accounts
Project Dallas

Actuarial Valuation	Risk Management & Risk Register
Compliance Review	External Audit
Annual Report & Account	Internal Audit
PAS performance	LGPS Structure Review
Strategic Infrastructure Priorities	Annual Benefit Statements
Staffing & Accommodation	
Pensions Committee Annual Effectiveness Report	
Procurement (website and actuarial services)	

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 2019/20 the cost of administering the Pension Board was as follows:

Area	Costs £'s
Flights	1,220.68
Hotel	3,909.92
Train	963.35
Event Fee	133.50
Catering	51.50
Total	6,278.95

*The above figures are still subject to the annual accounts audit process.

Note: Travel costs have increased from those reported in 2018/19 (previously £2,672.23) primarily due to increased uptake in training by Board members and the extended training event in London in January 2020.

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 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 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 have been evaluated and will be used to direct future training.



Training Attendance during 2019/20

Board Member	Intro Training	24/04 /19	03/09 /19	13/09 /19	08/10 /19	24-25/10/19	7-10/01/20	Per Member
Cllr Yvonne Allan		X	X	✓	X	X	X	1
Cllr Alistair McKelvie		X	X	✓	X	✓	X	2
Cllr John Cowe		X	X	X	X	X	X	0
Ian Black		✓	✓	✓	X	✓	✓	5
Neil Stirling	✓		✓	✓	X	✓	✓	5
Morag Lawrence		✓	X	✓	X	✓	X	3
Alan Walker		✓	✓	✓	X	✓	X	4
Liam Knox		X	✓	X	X	X	✓	2
Overall Attendance Rate	100%	43%	50%	75%	0%	63%	38%	

Notes:

Councillors Allan and Cowe were unable to attend the minimum number of training days due to personal reasons.

Neil Stirling joined the Board in May 2019 and received introductory training from the Pensions Manager.

Training Content

The first event of the year was the NESPF Finance Forum on the 24th April in Aberdeen. There were a number of presentations and panels on the day covering:

- Investment Overview
- Introduction to ESG: Strategy & Implementation in Real Estate
- Fund Review
- Brexit and Regulatory Insights
- Actuarial Considerations for 2020

The SPLG training on the 3rd September took place at COSLA's office in Edinburgh. Training covered the following:

- Valuations/Cost Cap/Section 13
- ESG
- Structure Review
- Annual Report and Accounts
- Pensions Admin

- Cost Transparency
- Investments

The training on the 13th September took place in Aberdeen following the Pensions Committee/Board meeting on the same day and covered actuarial valuation calculations and liability assessment.

The LGC Seminar on the 24th and 25th October took place over the course of two days in Edinburgh. Topical areas covered during the 2 days of training included:

- Update on the SLGPS structural review consultation
- The infrastructure and housing challenge
- ESG
- How aligned is your scheme's approach to climate change, to your council's policy
- What is keeping the investment managers awake at night
- Investment Strategy and the challenge of being an overfunded fund
- Investing in renewable energy: the opportunities and pitfalls
- Early reflections on the LGPS and looking to the future

The extended training from 7th to 10th January took place at the Aberdeen Standard offices down in London covering various topics from the fund managers.

Day 1 sessions covered:

Aberdeen Standard	Property & Residential
Hermes	Infrastructure
Aviva	Infrastructure
Invesco	DGF

Day 2 sessions covered:

Blackrock	DGF
BlackRock	Equities
Baillie Gifford	Global Equities
SSGA	Passive Equities & Bonds
	Dynamic Strategic Hedge

Day 3 sessions covered:

Insight	Buy & Maintain Credit
Russell	Multi-Asset Credit
Aberdeen Standard	Private Equity
HarbourVest	Private Equity
Unigestion	Private Equity

Day 4 sessions covered:

Aberdeen Standard	ESG landscape
HSBC	ESG data quality

Hermes
NESPF

Engagement
ESG Policy

TPR Toolkit

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

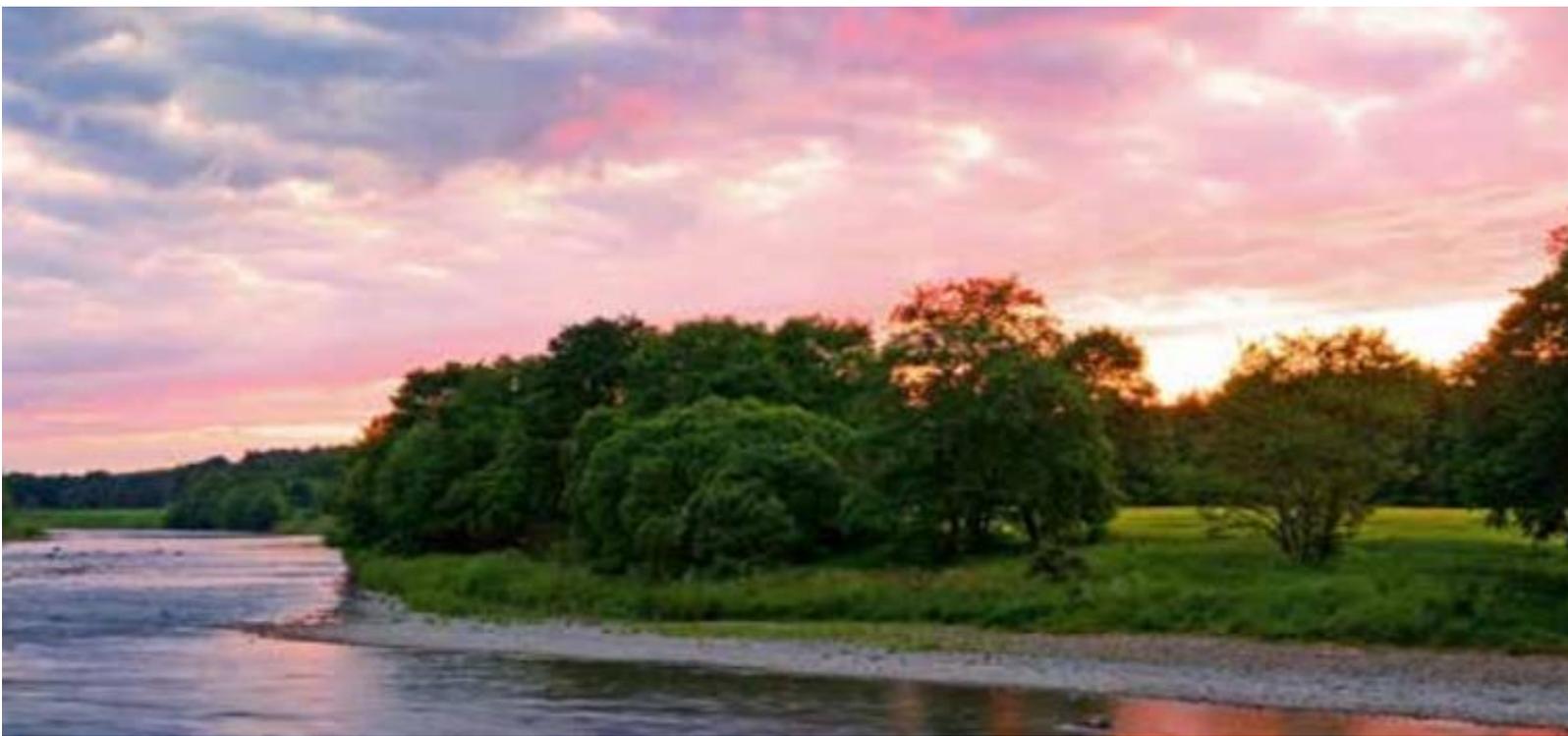
- To undertake the online E-Learning Public Service Toolkit produced by the Pensions Regulator as soon as possible and provide evidence of completion to the Pension Fund's governance manager (available at <http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>)

3 representatives plus 1 substitute have provided evidence of completion of this training to date.

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 reviewed and noted by the Pensions Committee on 15 March 2019. 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 2019/20 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 2019/20.

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 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.

To assist with compliance, a number of exercises were carried out during 19/20 including:

- A knowledge and skills assessment for Committee and Board members
- Implementation of a data quality improvement plan
- Review of Reporting Breaches of Law procedures in relation to personal data breaches

In addition to the above, internal audit carried out a review of Pension Governance. Their report was presented to the Pensions Committee in June 2019. The report provided further assurance over the Fund's governance arrangements. In response to the recommendations, updates were made to the Training Policy in relation to minimum training requirements for Board members and a new Risk Management Framework was introduced specifically for the Pension Fund.

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 General Data Protection Regulation, organisations now have a duty to report certain types of personal data breach to the relevant supervisory authority within 72 hours of becoming aware of the breach, where feasible.

A revised Breaches of Law Policy was approved by the Pensions Committee in November 2019.

There were no breaches reported to the tPR or the ICO (the supervisory authority) during the year 2019/20.

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.

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.

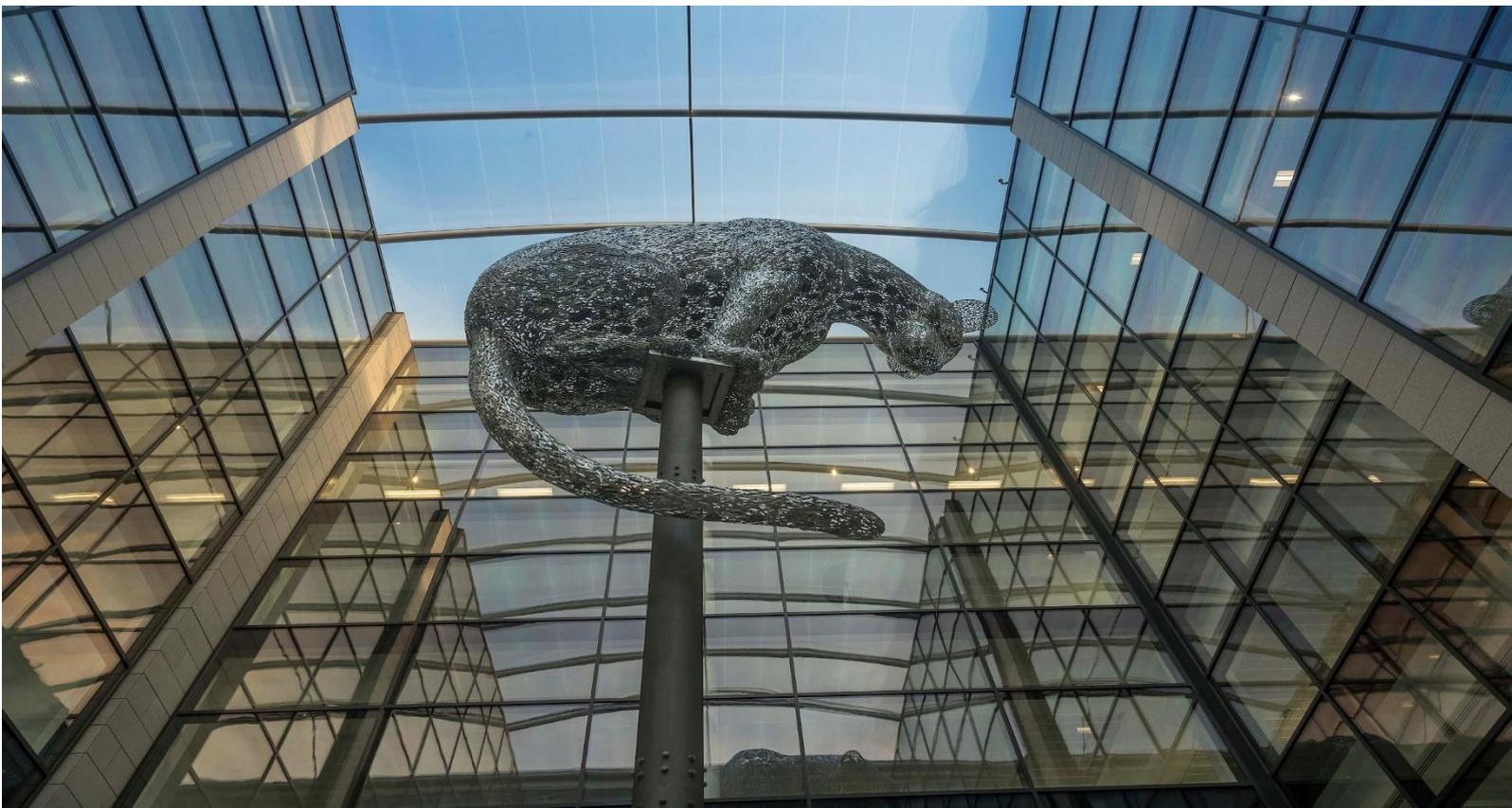
Work for 2020/21 onwards

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 continue to work to look at the structure of the SLGPS and monitor the impact of pooling in England and Wales. A timeline for the outcome of this further scoping work is currently unclear. In the interim, the Pension Board continues to operate as normal.



PENSION BOARD – TERMS OF REFERENCE

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 confirmed under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

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 Pension Board deem appropriate
- 2.3** The Pension Board is not a decision making body.
- 2.4** The Pension Board is not a scrutiny function.
- 2.5** The Pension Board will be collectively and individually accountable to the Pensions Committee

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.

MEETINGS

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

- 4.3** The Pension Board should meet at least quarterly. A majority of either side may requisition a special meeting of the Pension Board in exceptional circumstances.
- 4.4** The Pension Board may establish sub-committees.
- 4.5** While the statutory roles and function of the Pensions Committee and Pension Board are separate, the normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Chair of the Pensions Committee chairing the concurrent meeting. The aim is to engender a positive and proactive partnership culture where in practice the two bodies act as one.

DISPUTE RESOLUTION

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

TRAINING

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

ACCESS TO INFORMATION

- 7.1** 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.
- 7.2** 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.

North East Scotland **PENSION FUND**

Training Policy

March 2019

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

Introduction

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

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

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

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

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

Induction Process

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

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

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

Training Agenda

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

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

Scheme Governance

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

Investment Strategy

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

Support Services

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

Markets in Financial Instruments Directive (MiFID II)

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

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

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

Training Delivery

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

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

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

The Pensions Regulator's E-Learning Toolkit

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

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

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

Review Arrangements

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

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

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

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

Costs

All training costs are met directly by the Pension Fund.

Further Information

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

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

PERSONAL SPECIFICATION

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

	different levels of experience and understanding.	
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 Pensions Committee will also receive a copy of this guidance.

Compliance with the Job Description

1. Pensions Legislative and Governance context

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

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

Full details of the scheme governance documentation and wider pension fund industry documentation can be found on the dedicated 'trustee' area of the Pension Fund website. In addition to this information regular training sessions are held for 'trustees' given by officers, fund managers, the scheme actuary and other advisors. In order to maintain an up-to-date knowledge of the pensions landscape the Convener/Vice Conveners must commit to attending a minimum of two UK wide pension conferences per annum. Recommended is the PLSA Local Authority Conference held annually in May which covers all aspects of the LGPS and the LGC Investment Seminar held in the autumn giving a focus on investment management. Other events may arise during the year that would be of value to the Convener/Vice Convener of the Pensions Committee will be brought to the attention of members by officers.

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

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

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

2. Pensions accounting and auditing standards

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

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

3. Investment performance and risk management

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

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

4. Financial markets and product knowledge

4.1 In those schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the Fund. The investment activities of LGPS Funds for example can be split into two groups - those Funds that use external managers to manage all of their investment portfolio and those that undertake some or all of their investment activities using in-house investment managers.

The time given during the quarterly meetings of the Pensions Committee to reviewing financial markets and product knowledge is limited. This fundamental knowledge should be updated regularly not only by the Convener and Vice Convener, but all 'trustees' through attendance at a minimum of one investment conference per annum. There is a wide selection of national

conferences such as the PLSA or the Local Authority Pension Fund Seminar held annually at Celtic Manor, however there are also a wide number of conferences hosted by fund managers to which 'trustees' are invited. Likewise attendance at such events as the LAPFF annual conference provides 'trustees' with an insight to future legislation that make impact on the companies in which we invest. A list of forthcoming conferences is reported annually to the June meeting of the Pensions Committee.

5. Actuarial methods, standards and practices

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

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