



North East Scotland Pension Fund

nespf

Governance Review

Annual Report to March 2022

1. Background

1.1 Governance Framework Review

A review of the Fund's governance framework is conducted on an annual basis. The purpose of the review is to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.

In terms of Scheme compliance with legislation such as the Local Government Pension Scheme (Scotland) Regulations, the Public Service Pensions Act 2013 (PSPA 2013) and The Pensions Regulator (tPR) requirements (as set out in Code of practice no. 14 Governance and administration of public sector pension schemes) a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

1.2 Pension Board

The NESPF Pension Board is made up of equal numbers of member (4) and employer (4) representatives as follows:

- 1 x Aberdeen City Council
- 1 x Aberdeenshire Council
- 1 x The Moray Council
- 1 x Scheduled/Admitted bodies
- 1 x Unison
- 1 x Unite
- 1 x GMB
- 1 x UCATT

The role of the local pension board is to assist the Scheme Manager to:

- Ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS); and
- Ensure compliance with the LGPS (Scotland) Regulations and other relevant legislation, together with any requirements imposed by tPR.

The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision-making body. In so doing, the Pension Board is helping to manage the reputational risk of the fund, and of the administering authority.

Meeting Attendance

During 2021/22 the Pension Board met formally (and concurrently with the Pensions Committee on):

25 June 2021
 17 September 2021
 17 December 2021
 25 March 2022

During 2021/22 there was an overall 97% attendance rate at meetings (up to December 2021).

High attendance levels, and active participation at both the quarterly meeting and training events, demonstrates a strong commitment to the ongoing effectiveness of the NESPF Pension Board. In addition, low turnover of members ensures knowledge and experience is retained.

The table below details meeting attendance during 2021/22:

	25/06/2021	17/09/2021	17/12/2021	25/03/2022*	Individual (out of a possible 4)
Cllr Allan	✓	✓	✓	✓	4
Cllr McKelvie	✓	✓	✓	✓	4
Cllr Cowe	X	✓	✓	✓	3
Morag Lawrence	✓	✓**	✓	✓	4
Ian Hodgson	✓	✓	✓	✓	4
Alan Walker	✓	✓	✓	✓	4
Neil Stirling	✓	✓	✓	✓	4
Liam Knox	✓				1

* Projected attendance

** Substitute member attended

Other Notes

Mr Knox resigned from his role on the Pension Board in September 2021. Replacement in process of being appointed.

Training Attendance 2021/22

It is a statutory requirement under Schedule 4 of the PSPA 2013 that members of local pension boards have “knowledge and understanding” of pensions law and are “conversant” with Scheme regulations and Fund documents. The issue of training is approached carefully by both the administering authority and individual Board members.

The Board sits in June, following the main Committee and Board meeting, to review their annual report. This provides an opportunity for any issues around attendance to be addressed or gaps in training knowledge to be discussed. Members are also asked to appoint a new Chair and Vice Chair for the forthcoming year.

During 2021/22 Pension Board members have continued to demonstrate a commitment to developing their “knowledge and understand” by attending various training events covering key areas, with particular focus on Environmental, Social and Governance (ESG) topics and Scheme governance.

Fund officers maintain a training register to allow attendance to be monitored on an ongoing basis. The Training Policy, approved by Committee and reviewed annually, sets out review arrangements to address poor attendance or failure to achieve or maintain the required level of knowledge and understanding. A copy of the Training Policy is available at <https://www.nespf.org.uk/about/policies-and-statements/>.

The table below details training attendance for 2021/22 to date:

	18/05	30/06	26/08	06/10	21/10	29/10	Total
Cllr Allan	X	X	✓	✓	X	X	2
Cllr McKelvie	X	X	✓	✓	X	✓	3
Cllr Cowe	X	X	✓	X	X	X	1
Ian Hodgson	X	X	✓	✓	X	X	2
Morag Lawrence	X	✓	✓	✓	✓	✓	5
Alan Walker	✓	✓	✓	X	✓	X	4
Neil Stirling	X	X	✓	X	✓	X	2
Liam Knox	X	X					Left
Kenny Luke (sub)	X	X	X	X	X	X	0

Board members are expected to carry out an annual personal assessment of their knowledge and understanding and ensure they are meeting the requirements of the Training Policy.

Costs of Operation 2021/22

The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

The costs and expenses of the Pension Board are principally travel related expenses to attend meetings and training events.

Summary of Costs

Travel £181.90

Due to the ongoing Covid-19 pandemic during the year the majority of training took place virtually and therefore the costs incurred were very minimal. We expect this to increase in 22/23 as pandemic restrictions ease further and more in-person events return.

1.2 COMPLIANCE REVIEW

A compliance review is carried out by the Pension Fund on a six monthly basis, with annual reporting to the Pensions Committee.

Again the review found that the key internal controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively with the latest compliance review taking place in December 2021. A further review using tPR's Scheme Assessment Tool confirmed there are no areas for concern.

Work is ongoing within the Fund to ensure it continues to meet legislative and tPR requirements. The new tPR single Code of Practice is expected in Summer 2022 and work continues to understand and implement requirements under the new Code.

Elected Member and Board Knowledge and Understanding

As per the Pensions Regulator Code of Practice no. 14, Pension Board members must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pension Board.

1.3 GOING FORWARD

Scheme Structure Review

While work progresses on the scheme structure review, elected members remain committed to delivering a well run and well governed scheme. The Pension Board will continue to assist and constructively challenge officers to deliver effective management and administration within their existing remit. Updates are available on the Scottish Scheme Advisory Board website at <https://lgpsab.scot/>

Covid-19

The global pandemic will continue to be a focus in 2022. Current governance arrangements are working effectively with Pensions Committee and Board meetings as well as training being undertaken in a hybrid fashion. It's likely a move towards more in person events will be seen in 2022 following the United Kingdom and Scottish

Government's lifting of the final legal restrictions due to decreasing numbers of covid infections and hospitalisations.

The Pensions Regulator's Code of Practice

TPR is expected to release their new single Code of Practice in Summer 2022. A full compliance review will be carried out by officers once the new Code is finalised, although preparatory work is ongoing based on the draft Code.

Pensions Administration Review

A report was presented to the Pensions Committee in March 2021 ([PC/MAR21/ADMIN](#)) to update on the outcome of an administration review carried out by the Fund's actuary, Mercer. The report produced a number of key recommendations for the Fund. Work to implement these recommendations and other changes is ongoing, with an estimated timeframe of 12-18 months for full delivery set out in the original report.