



North East Scotland Pension Fund

**nespf**

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# **Governance Review –**

**Compliance with the Public Service Pensions Act  
2013 and Pension Regulator Requirements**

**Annual Report to March 2023**

# 1. Background

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## 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 service pension schemes) a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

This report focuses primarily on governance relating to the North East Scotland Pension Fund Pension Board. The Pensions Committee are covered separately in other reports primarily the Training Report and the Pensions Committee Effectiveness Report.

## 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 2022/23 the Pension Board met formally (and concurrently with the Pensions Committee on):

24 June 2022  
5 October 2022  
16 December 2022  
24 March 2023

During 2022/23 there was an overall 94% attendance rate at meetings (up to December 2022).

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 2022/23:

	24/06/2022	5/10/2022	16/12/2022	27/03/2023*	Individual (out of a possible 4)*
Cllr Jessica Mennie	✓**	✓**	✓	✓	4
Cllr Stephen Smith	✓	✓	✓	✓	4
Cllr Graham Leadbitter	X	✓	✓	✓	3
Morag Lawrence	✓	✓	✓	✓	4
Ian Hodgson	✓	✓	X	✓	3
Alan Walker	✓	✓	✓	✓	4
Neil Stirling	✓	✓	✓	✓	4
Gordon Walters	✓	✓	✓	✓	4

\* Projected attendance

\*\* Substitute member attended

## Training Attendance 2022/23

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 or knowledge to be discussed. Members are also asked to appoint a new Chair and Vice Chair for the forthcoming year.

During 2022/23 Pension Board members have continued to demonstrate a commitment to developing their “knowledge and understanding” 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 any 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 2022/23 to date as per our records:

	1	2	3	4*	5
Cllr Mennie	✓	X	X	✓	X
Cllr Smith	N/A	X	✓	T**	X
Cllr Leadbitter	N/A	X	✓	✓	X
Ian Hodgson	N/A	X	X	T**	✓
Morag Lawrence	N/A	✓	✓	✓	✓
Alan Walker	N/A	✓	✓	✓	✓
Neil Stirling	N/A	X	✓	X	✓
Gordon Walters	N/A	X	X	✓	✓

\*Projected attendance

\*\*T = tentative acceptance

#### 1) 16<sup>th</sup> June 2022 – Elected Member Training

Training was carried out for elected members of Aberdeen City Council following the Local Government elections in May.

#### 2) 25<sup>th</sup> and 26<sup>th</sup> May 2022 - PLSA Investment Conference

Dominant topics during the Conference included how to tackle climate change through ESG integration and increased investment in alternatives, private markets.

### 3) 20<sup>th</sup>-21<sup>st</sup> October 2022 - LGC Investment Scotland Seminar

A range of topics were covered over both days.

#### Day 1:

- LGPS State of Play
- Social Investing: where next to invest to meet your Sustainable Development Goals
- Commercial property: Green or bust – The future of real estate
- Emerging Markets – a sustainable investor's paradise?
- Macroeconomic Mayhem – helping to see the wood from the trees
- Birds of a feather – discussion session

#### Day 2:

- Exploring Investment opportunities in the current economic climate
- Where are we now on stewardship and governance
- Infrastructure 2.0 – where should we invest next
- How the LGPS can capitalise on opportunities in private credit
- Evolving Dynamic of the UK Power Market – Where Energy Security meets the Decarbonisation Agenda
- Case Study: Lothian and Falkirk Pension Fund Merger

### 4) 27<sup>th</sup> March 2023 - Net Zero Training Session

Training session (and follow up discussion) provided by Laura Colliss, Pension Manager and Graham Buntain, Investment Manager around Net Zero.

### 5) Hymans LGPS Online Academy

The training portal offers flexible on-demand learning modules covering the following topics to support Pensions Committee and Board members:

- An introduction to the LGPS
- LGPS Governance & Oversight Bodies
- Administration & Fund Management
- Funding & Actuarial Matters
- Investments
- Current Issues

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 2022/23

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

Train	£627.80 (Board)
Hotels	£1,873.70 (Board)
<b>Total</b>	<b>£2,501.50</b>

As we moved to a new “normal” following the pandemic more training events took place in person. As a result, the accompanying travel costs increased during 22/23 although still remained relatively low.

### **1.3 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 2022. A further review using tPR’s Scheme Assessment Tool confirmed there are no areas for concern.

#### **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.

### **1.4 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/>

## **The Pensions Regulator's Code of Practice**

Work is ongoing within the Fund to ensure it continues to meet legislative and tPR requirements. The new tPR single Code of Practice is now expected during 2023. 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 to ensure we are in a strong position to meet any anticipated new requirements.

## **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 16 key recommendations and 13 have either been completed or are underway. Completed recommendations include transfer out quotations online, bulk processing of deferred benefits, improvements to active retirement processing and a new reporting suite using business intelligence software. Ongoing work includes automation for final pay provision, bulk processing of refunds, documentation review, matrix for calculation testing and making more processes available online. The only outstanding recommendation is reducing manual processes following automated updates for new joiners. Two recommendations, including centralised printing which would have been useful during the pandemic, are no longer in scope.