



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 2024**

# 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 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, which are usually presented during the June and December meetings.

## 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 (merged with Unite)

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 2023/24 the Pension Board met formally (and concurrently with the Pensions Committee) on:

23 June 2023  
15 September 2023  
15 December 2023  
22 March 2024

During 2023/24 there was an overall 97% attendance rate at meetings (up to December 2023).

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. There were 2 resignations and 2 appointments during 23/24.

The table below details meeting attendance during 2023/24:

Name	23/06/23	15/09/23	15/12/23	22/03/24*	Individual (out of a possible 4)*
Morag Lawrence	✓	✓	✓	✓	4
Ian Hodgson	✓	N/A	N/A	N/A	1
Neil Stirling	✓	✓	✓	✓	4
Alan Walker	✓	✓	✓	✓	4
Gordon Walters	✓	✓	X	✓	3
Cllr Graham Leadbitter	✓	✓	✓	N/A	3
Cllr Stephen Smith	✓	✓	✓	✓	4
Cllr Jessica Mennie	✓	✓	✓	✓	4
Cllr David Gordon	N/A	N/A	✓	✓	2
Jeremy Lindley	N/A	N/A	N/A	✓	1

\* Projected attendance

### **Notes:**

Ian Hodgson resigned from the Pension Board on 22/09/2023.

Councillor Graham Leadbitter resigned from the Pension Board on 16/12/2023.

Councillor David Gordon joined the Pension Board on 19/12/2023. He attended the December meeting in an observing role.

Jeremy Lindley (RGU) joined the Pension Board on 15/02/2024.

## Training Attendance 2023/24

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 2023/24 Pension Board members have continued to demonstrate a commitment to developing their “knowledge and understanding” by attending various training events covering key areas as set out below. 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.

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 2023/24 to date as per our records:

Pension Board									
Training Sessions Attended (See below for corresponding training sessions)	Name								
	Morag Lawrence	Neil Stirling	Alan Walker	Gordon Walters	Cllr Graham Leadbitter	Cllr Stephen Smith	Cllr Jessica Mennie	Cllr David Gordon	Jeremy Lindley
A	✓		✓			✓		N/A	N/A
B		✓	✓					N/A	N/A
C		✓	✓					N/A	N/A
D	✓	✓	✓			✓		N/A	N/A
E	✓		✓					N/A	N/A
F	✓		✓	✓				N/A	N/A
G			✓	✓				N/A	N/A
H		✓	✓			✓		N/A	N/A
I		✓						N/A	N/A
J	✓	✓		✓				N/A	N/A

K		✓						N/A	N/A
L								N/A	N/A
M			✓		✓	✓		N/A	N/A
N	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
O								N/A	N/A
P	✓	✓	✓		✓	✓		N/A	N/A
Q	✓	✓	✓		✓	✓		N/A	N/A
R			✓					N/A	N/A
S			✓					N/A	N/A
T					N/A				N/A
U			✓	✓	N/A	✓			
<b>No. of Training Sessions Attended</b>	<b>8</b>	<b>10</b>	<b>15</b>	<b>5</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>0</b>

**Notes:**

In addition to the advertised training, Alan Walker attended a further 4 webinars.

As per above, Councillor Gordon and Mr Jeremy Lindley joined the Board in late 2023/early 2024.

**Training Sessions:**

**A. PLSA: Get Ready for Pensions Dashboards – 20 April 2023 (Webinar)**

This webinar covered the latest developments with the Pensions Dashboards and what will be required to be compliant when the changes come into place.

**B. Barnett Waddingham: Investment In Focus: Market Outlook – 26 April 2023 (Webinar)**

The webinar provided a review of current market events – rising inflation, high interest rates, government decisions, and changing circumstances. It included discussions about investments in both the short and long term future.

**C. Barnett Waddingham: Investment In Focus: Tackling Tomorrow – 28 April 2023 (Webinar)**

This session discussed the Investment market and explored how the change in the market backdrop might impact investment portfolio building in 2023 and beyond.

**D. PLSA: Investment Conference – 6-8 June 2023**

Attendees had the chance to listen to industry leaders and experts on economics, geopolitics, digital development and risk management.

The Conference included stream sessions, masterclasses, fireside chats and roundtables. Topics covered included funding, asset allocation, stewardship and net zero challenges facing pensions schemes in 2023 and many more.

**E. Hymans Robertson: Data Submission for LGPS 2023 Valuation – 9 May 2023 (Webinar)**

This webinar covered a focus on all things data and what Administering Authorities should focus on when it comes to cleansing and submitting data for the valuation.

**F. Hymans Robertson: Making your LGPS Training a Success – 16 June 2023 (Webinar)**

This webinar covered dealing with the challenge of engagement; training plans, strategies and the support available from Hymans.

**G. Hymans Robertson: Setting your Funding Strategy at the LGPS 2023 Valuation – 19 June 2023 (Webinar)**

This webinar covered a focus on topical areas of your funding strategy and how to effectively manage these risks, including:

- Setting a strategy which is clear and transparent for your employers;
- Getting the most out of your Funding Strategy Statement;
- Reviewing and optimising your investment strategy.

**H. Hymans Robertson: Managing risk in the LGPS - A Spotlight on Holistic Risk Management – 22 June 2023 (Webinar)**

This webinar covered a discussion on risk management, why it is important and why looking at risk holistically can help with decision-making.

**I. One Year On – TCFD Reporting for Pension Funds**

A Pensions for Purpose Impact Lens report, sponsored by Redington, looking at how pension funds are using Task Force on Climate-related Financial Disclosures (TCFD) reports to inform strategy. The research paper shares insights on how pension funds use the output from their TCFD reports, what challenges they face and which metrics they favour. This was shared to the Committee and Board by NESPF as another training opportunity.

**J. Mercer: Cyber Webinar – we could all be at risk – is your scheme protected? – 22 August 2023 (Webinar)**

During this webinar a panel of experts;

- Explained the latest developments in cyber-attacks;
- Described the steps you should take to protect your schemes and members
- Prepare you so you take the right action if the worst does happen;
- Consider how you might do this efficiently and effectively as a sole trustee.

**K. LGPS Live: The Gender Pensions Gap & Levelling Up - 6 September 2023**

This webinar discussed;

- The gender pensions gap;
- Investment opportunities for LGPS funds in line with the Government's Levelling-Up agenda.

**L. PLSA Webinar: The Mansion House reforms - Where do we stand now? - 13 September 2023**

In this webinar the PLSA's Policy Team discussed pensions growth, the future of LGPS pooling and discussed what happens next in pensions policy.

**M. NESPF Finance Forum – 14 September 2023**

Held at Aberdeen Beach Ballroom, the event covered;

- NESPF Investment Overview
- Actual ESG: Looking for Long-term Growth - Baillie Gifford
- Pensions Landscape 2023
- Challenges for the NESPF
- Actuarial Considerations for Fund Valuation 2023 – Mercer

**N. Actuarial Training – 15 September 2023**

Training was held by Mercer and covered the actuarial services that they provide to the Fund.

**O. Scheme Advisory Board Cost Transparency Session – 28 September 2023**

This event provided;

- An explanation of the purpose and background of the Board's ground-breaking Code of Transparency;
- A case study from an LGPS fund on how investment cost information has been used;
- A facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees.

**P. LGC Investment Conference – 19-20 October 2023**

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

- Implications of the 2023 actuarial valuation;
- Economic overview;
- The role of Trustees.

**Q. Hymans Robertson: Managing risk in the LGPS - a spotlight on administration risk – 8 November 2023**

This session discussed administration risks around processes and controls, resourcing, and the changing needs of LGPS administration functions.

**R. Hymans Robertson: Managing risk in the LGPS - a spotlight on climate risk – 29 November 2023**

In this webinar information was provided on climate scenarios and what actions funds can take in response to climate risk.

**S. PLSA Webinar: Policy Insights Webinar: The Regulatory Horizon for 2024 – 7 December 2023**

The PLSA's Policy and Advocacy team presented this webinar discussing the policy and lobbying work they do on member's behalf. Their policy experts covered developments and challenges expected in 2024 in pensions.

**T. Hymans Robertson: Managing risk in the LGPS - a spotlight on cyber risk – 24 January 2024**

This webinar discussed the current cyber risk guidance from tPR, what actions LGPS funds can take and how to engage with stakeholders on this issue.

#### **U. Hymans Robertson: LGPS Online Learning Academy – Continuous Online Training**

On the 24<sup>th</sup> of April 2023, Hymans released version 2.0 of their LGPS online learning academy to our members, the topics covered are as follows;

- Committee Role and Pensions Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial methods, Standards and Practices

#### Costs of Operation 2023/24

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	£512.15
Hotels	£2,481.80
<b>Total</b>	<b>£2,993.95</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 23/24 to more reflect pre-pandemic level.

### **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 2023. 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 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**

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

In January 2024 tPR laid their new General Code of Practice before Parliament. The Governance Team are now working on a full compliance review to ensure that we are in a strong position to meet any new requirements. The General Code mirrors most of the requirements already found within Code of Practice 14 but with a stronger focus on Cyber Security and Pensions Scams. The exercise will provide an opportunity to review existing controls as well as carry out a gap analysis to identify areas we need to improve.

Training on the new General Code will be provided for Fund Officers, Committee and Board members in due course ahead of its anticipated implementation on 27 March 2024.

### **Additional Areas of Focus for the Governance Team:**

Although our controls have been found to be effective, a number of improvements have already been identified through the regular governance review and day to day business as usual:

- Assisting the Employer Relationship Team to develop its Pension Administration Strategy Reporting (PAS) for inclusion in the Committee and Board Strategy Report.
- Developing Insights Reporting to improve our analysis and reporting capabilities, facilitating improved monitoring of casework across the Fund and supporting regulatory compliance.
- Working with the Systems Manager to review and develop Cyber Security controls. For example, development of the NESPF Incident Response Plan to run alongside our existing Cyber Security Policy and seeking assurances from 3<sup>rd</sup> parties including the administering authority where reliance is placed on them.

- Developing our commitment to preventing Pensions Scams. As a first step, all customer facing Officers have successfully completed the Pensions Scams Module within the online tPR Trustee Toolkit. We've also signed NESPF up to tPR's Pledge to Combat Pensions Scams.

### **Governance Structure**

Full Council voted on 8 February 2024 to reduce Pensions Committee membership from 13 to 9 elected members. The political composition of the Pensions Committee is made up as follows: 5 x Partnership, 2 x Labour, 1 x Conservatives and 1 x Independent. There remain two long term vacancies on the Committee. This has been highlighted in previous audit reports with a recommendation that ACC work to fill these vacancies to ensure the Pensions Committee can provide effective scrutiny.

In terms of training, Officers will continue to work on providing sufficient opportunities for both Pensions Committee and Board members to enable them to meet their ongoing knowledge and understanding requirements. Hymans Robertson's produced a Knowledge Progress Assessment for the Fund at the end of 2023. Overall, the results of the KPA were positive, demonstrating that there were areas of greater knowledge levels as well as areas in which knowledge should be developed across the 17 participants from the Committee and Board. Officers will use this report to help shape the direction of training for the forthcoming year.