



North East Scotland Pension Fund

nespf

Governance Review –

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

Annual Report to March 2025

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 the General Code of Practice), a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

TPR's General Code of Practice came into effect in March 2024. In preparation for the new Code and following its implementation, the Governance Team undertook a full compliance review against the requirements. This allowed a Gap Analysis to be carried out and areas for improvement identified.

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 2024/25 the Pension Board met formally (and concurrently with the Pensions Committee) on:

21 June 2024
 13 September 2024
 13 December 2024
 21 March 2025

During 2024/25 there was an overall 79% attendance rate at meetings (up to December 2024). This is a reduction from the 97% recorded in 2023/24.

High attendance levels, and active participation at both the quarterly meeting and training events, demonstrate 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 was 1 leaver and 1 new appointment during 2024/25.

The table below details meeting attendance during 2024/25:

Name	21/06/24	13/09/24	13/12/24	21/03/25*	Individual (out of a possible 4)*
Trade Union (Member)					
Morag Lawrence	✓	✓	✓	✓	4
Neil Stirling	X	✓	✓	✓	3
Alan Walker	✓	✓	✓	✓	4
Gordon Walters	✓	X	✓	✓	3
Employer					
CLlr Stephen Smith	✓	✓	✓	✓	4
CLlr Jessica Mennie	✓	X	✓	✓	3
CLlr David Gordon	✓	✓	✓	✓	4
Jeremy Lindley	X	X	N/A	N/A	0
Stuart Thompson	N/A	N/A	✓	✓	2

*Projected attendance (as at date of report)

Notes:

Jeremy Lindley left the Pension Board on 03/10/2024.

Stuart Thompson joined the Pension Board on 04/11/2024.

Training Attendance 2024/25

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 separately 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 during this meeting to appoint a new Chair and Vice Chair for the forthcoming year.

During 2024/25 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 2024/25 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 David Gordon	Cllr Stephen Smith	Cllr Jessica Mennie	Stuart Thompson	Jeremy Lindley
Mandatory									
A	✓	✓	✓	✓	✓	✓	✓		
B	✓	✓	✓			✓			
Total Mandatory Sessions	2	2	2	1	1	2	1	0	0
Optional									
C	✓		✓					N/A	

D	✓				✓	✓		N/A	
E	✓	✓	✓	✓	✓	✓		N/A	
F						✓		N/A	
G			✓			✓		N/A	
H		✓	✓					N/A	
I	✓	✓						N/A	
J	✓		✓					N/A	
K	✓		✓		✓			N/A	N/A
L	✓	✓	✓	✓	✓	✓		✓	N/A
M	✓		✓			✓			N/A
N	✓			✓		✓			N/A
O	✓	✓	✓			✓			N/A
p***	✓	✓	✓	✓	✓	✓			N/A
Total Optional Sessions	11	6	10*	4	5	9	0	1**	0

Notes:

As per above, Jeremy Lindley left the Board on 03/10/2024 and Stuart Thompson joined the Board on 04/11/2024.

*Alan Walker completed a further 9 webinars on various topics.

** Stuart Thomson completed introductory training with the Pension Fund Manager on joining.

*** Projected attendance (at date of preparing this report)

Mandatory Training Sessions (as set out the approved Training Policy):

A. Hymans Robertson: LGPS Online Learning Academy

Version 2.0 of their LGPS online learning academy, 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
- Current Issues (regularly updated)

B. The Pensions Regulator Public Service Toolkit

TPR's online Toolkit covers the governance and administration of public service schemes, as described in their Code of Practice:

- 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 the law

Additional Training Opportunities:

C. PLSA: Policy Insight – 30 April 2024 (Webinar)

This webinar focused on the LGPS, consolidation, Pools and the Future.

D. Hymans Robertson: “Factoring nature into your investment strategy; why, how and what next?” – 18 June 2024 (Webinar)

This webinar covered a critical issue for investors, exploring how nature can impact investment portfolios through three different perspectives:

- What are the key nature-related issues to be aware of?
- What regulations and guidance surround nature-related investing?
- What is "natural capital" and why/how should you invest in it?

E. NESPF Investment Strategy Training Session – 18 June 2024 (In person)

The session covered the data inputs and ideas which go into formulating the tri-ennial Investment Strategy review, NESPF's re-balancing approach, underlying watch points on the portfolio, recent and forthcoming investment changes, suggested ESG changes to NESPF's approach, initial Task Force on Climate Disclosures (TCFD) findings, developments on Climate Action 100+ and what that means for outlook.

F. LGPS Live – 10 July 2024 (Webinar)

This webinar explored the topic: “New Government, New Broom?”

G. PLSA: Policy Insight – 23 July 2024 (Webinar)

This webinar explored the topic “New Ministers, new Policies”

H. Hymans Robertson: Understanding your 2024 LGPS Accounting – 22 August 2024 (Webinar)

This webinar was designed specifically for academies (in England and Wales) in the LGPS, and covered:

- The differences between your LGPS funding and FRS102 accounting valuations
- How your accounting figures are determined
- What's changed in the accounting environment since 31 August 2023

I. LGPS Live – 4 September 2024 (Webinar)

This webinar focused on Costs and the LGPS – Have they really increased by 70% since 2017

J. PLSA: Government Policy for the LGPS, an update – 17 September 2024 (Webinar)

K. LGC Investment Seminar Scotland – 31 October and 1 November 2024 (In person)

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

- Economic Overview: Where Are We Now
- LGPS State of Play – Where Are We Now And Where Are We Heading?
- Income and Growth. Supporting The Short and Long-Term Goals of the LGPS
- Investing in Agriculture: How LGPS Can Benefit From Sustainable Land-based Solutions
- Taking the Next Step: A Different Way to Generate Absolute Returns, With Reduced Equity Exposure Risk, Greater Diversification and Continued Liquidity
- Trailblazing Tomorrow: Future Investment Strategies and Emerging Trends
- Case Study: Review of the Operating Model of North East Scotland Pension Fund
- Can Private Capital Help Solve the Housing Crisis, Nationally and Locally?
- The Moral Dilemmas of a MAC ESG Manager
- Turning the Climate Question Upside Down
- Latest Issues in Administration
- Investment Strategy Review Insights from Strathclyde and Lothian Pension Funds

L. NESPF Training Session – 18 November 2024 (In person)

Topics covered by NESPF Officers included:

- TPR General Code
- Cyber Management
- Pensions Dashboards
- Data Quality
- Member Engagement

M. Hymans Roberston: Pension Scams in the LGPS – 6 December 2024 (Webinar)

This webinar discussed:

- The changes made to the powers available to Administering Authorities
- How Funds should be protecting members
- The role of other organisations in the fight against scammers
- The support available to Funds

N. COSLA Good Governance Seminar – 26 February 2025 (Hybrid)

This session discussed:

- The Role of the Pension Board
- The Pensions Regulator and the General Code of Practice
- Good Governance Project

O. PLSA Investment Conference – 11 to 13 March 2025 (In Person)

Held across three agenda-packed days in Edinburgh, this Conference covered:

- An Audience with the Minister for Pensions
- DC Pensions Innovation: Global Insights on the Future of DC

- Investing in the UK's High Growth Science and Tech Ecosystem
- Engaging Savers with their Investments
- Global Credit; A Multi-Strategy Approach
- Boosting British Pensions and Building a Better Britain
- The Bigger Picture: How Geo-Political Changes May Impact the Global Economy
- The Maple 8: Pensions Lessons From Canada
- DC Private Markets: Accessing Private Equity
- Could DB Schemes Invest More in Productive Assets?
- How are your Members Really Feeling About Retirement?
- 50 Days of Trump: The Economic Verdict
- Measuring Transition Risk and Climate Action in Portfolios
- The Changes Pooling May Bring to the LGPS
- The Legal Options for the Management of Illiquid Assets
- Investing in Nuclear: Helping Britain Reach Net-Zero
- Unloved, Undervalued and Misunderstood: The Productive Finance Asset No-one is Talking About
- Why the UK's Existing Housing Infrastructure is a Trillion-pound Opportunity
- How Asset Owners Can Engage Effectively with Fossil Fuel Companies
- Solved: The Challenges of Investing in Venture Capital
- Innovation in Governance: Changes to Shareholder Vote Reporting
- Extreme Engagement: UK Pension Funds' Antifraud Victories Against Apple and Under Armour
- The Pensions Investment Review
- Redefining Risk Management: How to Build a Resilient Investment Strategy
- Going for Growth: Priorities for Trustees and Boards
- Open for Business: Private Markets and UK Growth
- From Savings to Income: The Decumulation Phase
- The Future's Bright: What the Green Transition Means for Investors
- The Global Economy: Stabilising Investments in Times of Instability
- It's Their Future: Delivering Good Outcomes for Your Members
- The Papers: Is the Government's Agenda Going to Work?

P. NESPF Carbon Scoring Training Session – 20 March 2025 (Hybrid)

Addressing carbon scenario analysis, TCFD and carbon metrics

Costs of Operation 2024/25

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	£ 806.40
Hotels	£ 990.20
Total	£ 1, 796.60

Training offered to the Pension Board is a variety of in-person, hybrid or fully online. Costs have increased in recent years as travel resumed following the Pandemic years, but 2024/25 travel costs are lower than those reported in 2023/24 due to the up-take of more virtual/hybrid sessions by Board members.

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.

The review, once again, 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 (“business as usual”) review taking place in December 2024. A further review using tPR’s Scheme Assessment Tool confirmed there are no areas for concern.

As mentioned earlier in this report, a full compliance review was undertaken in relation to the Pension Regulator’s General Code of Practice. The review was carried out by the Governance Team but involved liaison with each of the six Pensions Teams. This in-depth review was resource intensive but necessary to allow the Governance Team to fully get to grips with the new Code, to understand all the requirements and expectations on the Pension Fund. The first step was to navigate through the entire document to identify which areas of the Code were regulatory requirement and which were simply “best practice” for a Local Government Pension Scheme. The next step was carrying out a gap analysis and this is where liaison across each of the Pensions Teams was vital. As part of this process, we identified a number of areas we could make further improvements on to strengthen our ongoing compliance. A summary is provided below:

Issue	Recommendation/Action
Some members of the Pension Board have not completed the mandatory training. There is a risk they do not have the necessary levels of knowledge and understanding.	Continue to encourage completion of Hymans LOLA and the Pensions Regulator’s Toolkit. Training Policy to be reviewed. Undertake a skills gap analysis.
There are two outstanding long term vacancies on the Pensions Committee. This has been highlighted as a risk by Audit.	Continue to encourage the Council to fill these vacancies.

Over-reliance on Aberdeen City Council as the administering authority. There is a risk this impacts detrimentally on the Pension Fund.	NESPF to work with ACC to ensure it has reasonable sight of and reassurance over systems and processes in place. Issues with resources impact on NESPF performance to be addressed through the Operating Model Review.
Requirement to revise or create new written procedures	Relevant Team to create/update procedures and advise Governance Team once complete. As an example, Appointment and Management of Service Advisers Policy created and approved by Committee.
Cyber Security – understanding and planning	Senior Pensions Officer-Governance completed an external Cyber Management training course. Training was given to Committee and Board Nov'24. Tabletop exercise undertaken in Jan'25. Cyber Security Policy and Cyber Incident Response Plan to be updated. Ongoing training for staff to be implemented. NCSC online training promoted to all staff in Feb'25.
Requirement for Own Risk Assessment/ESOG/Remuneration Policy	These are “good practice” but may require further guidance e.g. in terms of LGPS. To be monitored.

Some of these recommendations have already been completed and for others we continue to work with the relevant individuals to implement these. These actions will be monitored through our normal six monthly compliance reviews.

Elected Member and Board Knowledge and Understanding

As per tPR's General Code, 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.

The Pensions Committee and Board received training on tPR's General Code in November 2024.

Training is monitored through the Training Register, in particular focusing on our two mandatory training requirements (Hymans LOLA and the tPR Toolkit). Officers will continue to work on providing sufficient opportunities for Board members to enable them to meet their ongoing knowledge and understanding requirements.

1.4 GOING FORWARD

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:

- Continuing to develop and utilise Insights Reporting to improve our analysis and reporting capabilities, facilitating improved monitoring of casework across the Fund and supporting regulatory compliance. From 2025, monthly Continuous Improvement meetings will be held, bringing together all senior members of the Pensions Team to understand our regulatory requirements and ensure we are using these as a base to drive improvements.
- Continue working with the Systems Manager to review and develop the Fund's Cyber Security controls. For example, further development of the NESPF Cyber Incident Response Plan and ongoing training for Pension Fund Staff. Following a tabletop exercise in January 2025, a number of improvements and suggestions were identified to help strengthen our preparedness for an emergency event e.g. preparation of a dedicated communication plan.
- A wider review of our Training Policy, identifying possible alternatives to the two mandatory online courses. Online training, although flexible, isn't always the most effective way of learning for individuals. Further consultation is needed with Board members during 2025 to identify current areas of weakness and identify best methods of learning and support going forward.

Governance Structure

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.