

Pensions Committee

2.30 p.m., Wednesday, 17 December 2014

New Scheme Update (Governance)

Item number	5.5
Report number	
Executive/routine	
Wards	All

Executive summary

The City of Edinburgh Council (“**CEC**”) will require to make certain changes to the governance of the pension funds it administers in order to take into account the arrangements anticipated in the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 (“**2014 Regulations**”), which seeks to implement the provisions of the Public Service Pensions Act 2013 (“**2013 Act**”). Changes need to be implemented by 1 April 2015.

This report proposes CEC’s preferred governance model to ensure compliance with the 2014 Regulations and the 2013 Act. The changes are based on the current draft 2014 Regulations. However, given the potential for these regulations to be amended and the pressing timescale to implement the governance changes, it is proposed that the Committee authorise the Director of Corporate Governance in consultation with the Convener to make changes as may be required. An update on the new governance and its implementation will be provided to Committee in March 2015.

Links

Coalition pledges

Council outcomes

CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

New Scheme Update (Governance)

Recommendations

The Committee is requested to:

- 1.1 Note the Lothian Pension Fund response to the draft 2014 Regulations (Appendix 1);
- 1.2 Approve the Nomination Procedure for external members of the Pensions Committee and members of the Pension Board (Appendix 2);
- 1.3 Approve the Constitution for the Lothian Pension Fund Pension Board (Appendix 3);
- 1.4 Approve the updated Training Policy for Pensions Committee and Pension Board (Appendix 4);
- 1.5 Agree that the Director of Corporate Governance in consultation with the Convener is authorised to approve, on behalf of the Committee, any changes to the Constitution, Nomination Procedure or Training Policy required to address (a) subsequent amendments to the 2014 Regulations (b) any changes that may be deemed necessary for the purposes of satisfying the requirements of the 2014 Regulations, the 2013 Act and/or CEC's own requirements and/or (c) necessary improvements or other amendments to cure any errors or ambiguities; and
- 1.6 Agree that this paper be referred to the City of Edinburgh Council for information.

Background

- 2.1 Following consideration by the Committee and Consultative Panel, CEC submitted its response to the consultation on the draft 2014 Regulations on 11 November 2014. This response expressed certain concerns as to the form and construction of the proposed regulations. A copy of CEC's consultation response is detailed at Appendix 1 for ease of reference.
- 2.2 A summary of the new bodies which will be created by the 2014 Regulations, including their remit and powers, is shown in the table below.

	Remit	Powers and Enforcement
Scheme Manager	The administering authority of the Pension Funds, responsible for organising and administering the pension funds.	n/a.
Scheme Advisory Board (SAB)	A national independent body advising Scottish Ministers on the operation of LGPS in Scotland and any changes required to the scheme. Also advises Scheme Managers and Pension Boards.	The regulations provide that the Scottish Ministers, Scheme Manager or Pension Board must have regard to any advice given by the SAB.
Pension Board	Assisting the Scheme Manager in relation to compliance with the regulations, applicable law, The Pensions Regulator requirements and anything else anticipated by the 2014 Regulations.	May requisition further reports. May request that the Committee review decisions where the Pension Board is in disagreement. Where there is a continuing disagreement with the Pensions Committee, the SAB may require that a joint report is published in the Scheme Manager's annual report and/or website.
The Pensions Regulator (TPR)	Regulator of UK work-based pension schemes and provides guidance to trustees and employers on what is required of them to ensure good administration and to protect member benefits.	Investigates schemes, trustees and employers and can requisition documents and other information if relevant. Where issues are identified, TPR may issue direction/penalty notices, or pursue action in civil or criminal court where appropriate. With the exception of funding issues, the TPR's powers will now apply equally to the LGPS.

- 3.1 This report proposes the City of Edinburgh Council's preferred governance model to ensure compliance with the 2014 Regulations and the 2013 Act. The new governance arrangements comprise:
- Pensions Committee, broadly unchanged from the current arrangement;
 - Pensions Audit Sub-Committee, broadly unchanged from the current arrangement;
 - A new Pension Board, replacing the current Lothian Pension Funds' Consultative Panel; and
 - The Fund's Training Policy, updated to take account of the new arrangements and the role of the Pension Board.
- 3.2 **Pensions Committee:** it is assumed that the constitution, membership and remit of the Committee will remain unchanged. The Committee would continue to include one member and one employer representative, each with full voting and participation rights.
- 3.3 A draft nomination procedure for the employer and member representatives is detailed in Appendix 2 to this report. It is proposed that these members would be elected direct, rather than via the Consultative Panel.
- 3.4 **Audit-Sub Committee:** it is assumed that the constitution, membership and remit of the Audit Sub-Committee will remain unchanged.
- 3.5 **Pension Board:** a Pension Board will be created with a remit to assist the Committee in ensuring that it acts in compliance with applicable law, regulation and codes or practice. A proposed constitution for the Pension Board is detailed in Appendix 3 to this report.
- 3.6 It is envisaged that membership of the Pension Board will be five individuals put forward by the Trade Unions representing the members of the pension funds and five individuals nominated from those put forward by the employer bodies in the pension funds. It is envisaged that Members of the Pension Board will also attend meetings of the Audit Sub-Committee.
- 3.7 **Consultative Panel:** it is proposed that the Consultative Panel will be wound-up with effect from 31 March 2015.
- 3.8 **Training:** the Fund's Training Policy has been updated to take account of the establishment of the Pension Board and its particular remit. A draft revised Training Policy is detailed in Appendix 4 to this report. The proposed requirement for the Pension Board members to have a minimum of 3 days training is included in the draft.

3.9 This Model is based on the current draft 2014 Regulations. However, given the potential for the final regulations to be different to the draft version, and the pressing timescale to implement the governance changes, it is proposed that the Director of Corporate Governance, in consultation with the Convener be authorised to adapt the governance changes/model as may be required. Particular areas which may be reviewed on receipt of the final 2014 Regulations are as follows:

- Change the definition of Employee Members to include representatives from the membership other than those nominated by trade unions; and
- Section [2.6] relating to substitutes. This has been included as required by the regulation but due to the additional resource required to maintain training, preference would be to remove this clause.

3.10 The 2014 Regulations come into effect on 1 April 2015 therefore it is imperative that the new governance arrangements are put into place over the coming months. The outline and indicative timetable for implementation is as follows:

	Timetable
Communicate new governance arrangements to members and employers via website	24 December 2014
Invite nominations to Pension Board and for external members of Pensions Committee	24 December 2014
Deadline for nominations	Mid February 2015
Nominations considered & selections made	Early March 2015
External Pensions Committee members endorsed by City of Edinburgh Council	12 March 2015
Induction Training	Mid March 2015
Final meeting of Pensions Committee and Consultative Panel	25 March 2015
Pension Board in place	1 April 2015
First joint meeting of the Pensions Committee and Pension Board under the 2014 Regulations	June 2015

3.11 An update on the governance changes and its implementation will be provided to Committee in March 2015.

Measures of success

4.1 CEC's amended governance arrangements for the administration of the pension funds need to be in place by 1 April 2015 to ensure compliance with the 2014 Regulations and the 2013 Act.

- 4.2 The new governance arrangements facilitate improved and efficient ongoing compliance of the pensions funds, without unnecessarily impeding the strategic decision making of the Committee or the day-to-day administration of the funds.
- 4.3 Any duplication between the remit, operation and associated costs of the Committee, Audit-Sub Committee and the Pension Board is kept to a minimum.

Financial impact

- 5.1 There will be some additional costs to CEC associated with operating a further body within the governance structure to administer the pension funds. These costs might potentially be exacerbated further by the additional training and adviser costs that are anticipated by the 2014 Regulations.

Risk, policy, compliance and governance impact

- 6.1 The 2014 Regulations and the 2013 Act are intended to facilitate better governance of the overall LGPS in Scotland and the individual pension funds. However, CEC has already addressed many of the key concerns in its current governance structure and so does not necessarily anticipate any improvements for the fund in the short term. Improvements may however follow in the longer term, through the effective operation of the governance framework/training programmes and more active input from the Pensions Regulator and, potentially, the National Scheme Advisory Board.
- 6.2 It is recommended that this paper is referred to the City of Edinburgh Council to raise awareness of the governance changes and the potential impact on the administration of the pension funds.
- 6.3 CEC's scheme of delegation and Committee terms of reference may require to be updated to take into account the governance changes proposed by this report.

Equalities impact

- 7.1 There are no adverse equalities impacts arising from this report.

Sustainability impact

- 8.1 There are no adverse sustainability impacts arising from this report.

Consultation and engagement

- 9.1 Notwithstanding this subject of this paper, the Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, is currently integral to the governance of the pension funds administered by CEC.

Background reading / external references

Draft the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014

http://www.sppa.gov.uk/index.php?option=com_content&view=article&id=486&Itemid=252

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Links

Coalition pledges

Council outcomes CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Appendices

Appendix 1 – Lothian Pension Fund response to the draft 2014 Regulations

Appendix 2 – Nomination Procedure for external members of the Pensions Committee and members of the Pension Board

Appendix 3 – Constitution for the Lothian Pension Fund Pension Board

Appendix 4 – Training Policy

The Local Government Pension Scheme (Governance) (Scotland) Regulations 2014

RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

City of Edinburgh Council, acting in its capacity as administering authority for the Lothian Pensions Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund

Title Mr Ms Mrs Miss Dr *Please tick as appropriate*

Surname

Scott

Forename

Clare

2. Postal Address

Investment and Pensions Service Manager, Atria One, 144 Morrison Street, Edinburgh

Postcode EH3 8EX

Phone 0131 469 3865

Email

clare.scott@edinburgh.gov.uk

3. Permissions - I am responding as...

Individual

/

Group/Organisation

Please tick as appropriate

- (a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate Yes No

- (b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

- (c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate Yes No

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- (d)** We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate

Yes

No

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This response details the comments of the City of Edinburgh Council (acting in its capacity as the administering authority of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund) (“**Lothian Pension Fund**”) on the draft Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 (the “**2014 Regulations**”) which are intended to implement the spirit and intention of the Public Service Pensions Act 2013 (the “**2013 Act**”). In summary, the Lothian Pension Fund has concerns that the 2014 Regulations do not constitute sufficiently competent legislation and, despite reflecting the Heads of Terms agreed by SLOGPAG (Scottish Local Government Pension Advisory Group), without material change would not reflect the spirit and intention of the 2013 Act. This could jeopardise the principles of good governance of the Local Government Pension Scheme in Scotland.

In the view of the Lothian Pension Fund the legislative process leading to the drafting of the regulations would have benefitted from greater and more direct input from pensions experts and practitioners.

A - KEY POINTS

- 1. Appropriate breadth of appointments for Pension Boards:** There continues to be a concern that the 2014 Regulations focus on employer and member *representation*, but without sufficient recognition of the technical *compliance* function that Pension Boards are to carry out in the best interests of the relevant stakeholders. The Lothian Pension Fund is strongly of the view that there needs to be sufficient flexibility to populate Pension Boards with suitably qualified persons. This would include employer and member representatives, in accordance with the 2013 Act, but not to the exclusion of all others. The 2014 Regulations, as currently construed, would potentially lead to practical issues around (1) those persons appointed to the board not having sufficient knowledge and understanding to perform the role and potentially becoming reliant on external advisors, and (2) the Pension Board not being able to draw on sufficient numbers of suitable persons and replacements to maintain a quorum for the body. In each case, this may result in considerable operational and cost inefficiencies that would not be in the interests of the fund and relevant stakeholders.
- 2. Active role of the Scheme Advisory Board:** The 2013 Act anticipated that the Scheme Advisory Board (“**SAB**”) will play a key role in advising, in Scotland, the Scottish Ministers on the wider operation of the LGPS in Scotland and the desirability of any changes to the scheme. Given the complexities surrounding scheme change, it will be important that the SAB is properly constituted to include appropriate representation of the funds, the employers and the members of the funds and ensure that those individuals have appropriate levels of knowledge, skill and expertise. It will also be important that the SAB does have an active role in advising the Scottish Ministers, rather than simply advising on the request of the Scottish Ministers, to ensure that the Scottish Ministers continue to have an active involvement and awareness of LGPS matters.
- 3. Common purpose and duties:** The Pensions Boards and SAB should each operate as a single body with a common purpose and duty to act in the best interests of the relevant stakeholders in the fund and (where appropriate) the wider LGPS scheme. The bodies only therefore need to appoint a single secretary and a single set of advisors to support their respective functions. Such decisions would be made by agreement of the members of the relevant body in accordance with its constitution. It would be confusing, potentially divisive and inefficient to operate a dual “member versus employer” structure within a single body of the nature of the SAB and Pensions Boards. With that in mind, Lothian Pension Fund is of

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the view that all reference to this dual structure (e.g. “two sides” etc.) should be removed from the 2014 Regulations.

Six member representatives (including trade unions) and six employer representatives are currently able to attend and participate in the Pensions Committee meetings of the Lothian Pensions Fund as members of the Consultative Panel. In addition, two of those individuals, an employer and member representative also participate as full members of the Pensions Committee, with voting rights on the strategic decisions of the funds. Lothian Pension Fund’s experience is that these participants are fully integrated within the governance of the Lothian Pension Fund and are happy to exercise their rights, and instruct/accept advice etc., as a single collective body.

4. **Representation of members:** The Lothian Pension Fund does not think it is appropriate to interpret the reference to member representatives in the 2013 Act as being limited to trade union representation. The Lothian Pension Fund would envisage trade union representatives playing a critical role here, but not to the exclusion of providing representation for the significant number of members who are not affiliated or members of a trade union body. The 2013 Act does not make specific reference to trade union representatives, rather providing for collective representation for members of the funds, and nor do the English Regulations adopt this approach.
5. **Efficiencies across UK LGPS:** The Lothian Pension Fund notes that the 2014 Regulations reflect a different approach to implementing the 2013 Act to the proposed Local Government Pensions Scheme (Amendment) Regulations 2014 (the “**English Regulations**”), designed to address the same points for the 89 LGPS funds in England and Wales. The Lothian Pension Fund would note that unless there is good reason to depart from the approach taken in the English Regulations there would be significant benefit in the 2014 Regulations being aligned with the English Regulations, given the synergies and efficiencies that could be achieved in pooling knowledge and experience across all the LGPS funds across the UK. For instance, it is reasonably foreseeable that certain areas of the 2014 Regulations will require some amendment or may raise finer points of interpretation arising from the practical application of the regulations. Where the English and Scottish regulations are broadly aligned, the Scottish funds would benefit from independent legal opinions, Scheme Manager and government department views and/or the opinions of the Pensions Regulator arising from the experiences of the 89 funds in England and Wales. If, however, the 2014 Regulations materially deviate from the English regulations without good reason, the Scottish funds would not be able to benefit from the potentially significant efficiencies and savings that could be obtained here.
6. **Standard of knowledge and understanding:** The 2014 Regulations could further clarify the levels of knowledge and understanding required of Pensions Board members by cross referring to the Pension Regulator’s Codes of Practice and other guidance in this area. An equivalent approach could also be taken in relation to members of the SAB. This would help inform the prospective members of the expectations on them in performing their roles and also those responsible for providing training for such individuals.

B - DETAILED COMMENTS

REGULATION	COMMENT
Scheme Advisory Board	
2(1)	Constitution and remit: The regulation should formally constitute and establish the SAB. See 110(1) of the English Regulations.
2(2)	The word “main” should be deleted as being ambiguous and confusing. The functions of the SAB will be as stated in the 2014 Regulations, with any other functions requiring to be expressly detailed therein. See 110(2) and (3) of the English Regulations.
	As above, the SAB should simply be constituted to advise the Scottish Ministers, rather than only doing so at their request. See 110(2) of the English Regulations.
	Provisions should be included around the SAB’s ability to determine its own constitution, procedures etc. See 110(4) of the English Regulations.
	Provisions should be included around funding the costs of the SAB, how the costs will be split and/or determined and whether there will be any budget oversight for the SAB. We note that the English Regulations do seek to address this to some extent in paragraph 113.
2(3)	Enforceability: This provision is not sufficiently clear in setting out the intention behind the requirement of a body to “have regard to the advice”. This may result in uncertainty and potential legal challenge, which would not be in the best interests of LGPS stakeholders.
3(1) and 3(2)	Membership: As above, the Lothian Pension Fund does not believe that restricting the membership of the SAB to a “bipartite body” of local government employer and trade union representatives would provide sufficient flexibility to ensure that this body includes appropriately representative and qualified persons from time to time to perform the relevant functions. The Lothian Pension Fund would advocate the less prescriptive approach taken in the English Regulations, so that there would be more flexibility to include representatives from the Scottish funds and/or any independent members with particularly relevant expertise.
	The Lothian Pension Fund does not think it is appropriate to interpret the reference to member representatives in the 2013 Act as being limited to trade union representation. The Lothian Pension Fund would envisage trade union representatives playing a critical role here, but not to the exclusion of providing representation for the significant number of members who are not affiliated or members of a trade union body. The 2013 Act does not make specific reference to trade union representatives, rather providing for collective representation for members of the funds. The English Regulations and those for other Scottish public service pension schemes do not adopt this approach.
	Knowledge and expertise: The words “inform their role” could be replaced with “perform their role to an appropriately competent standard of knowledge, skill and care and with regard to any relevant guidance issued by the Pensions Regulator from time to time”.
3(4)	Secretaries: As above, the Lothian Pension Fund does not think it would be appropriate for a single body to have two secretaries. This would simply create confusion in the role (e.g. taking, combining and agreeing two different sets of minutes would not be productive etc.) and cause unnecessary

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	<p>duplication, confusion and bureaucracy. A single secretary should be appointed by agreement of the members of the SAB and the constitution could deal with such matters as rotation, term, re-appointment, removal etc.</p>
3(5)	<p>Advisers: As above, the Lothian Pension Fund does not believe that the 2014 Regulations should expressly refer to the right of any particular member or membership group attending the meeting to have advisers present, as the body itself should appoint its own advisers - acting collectively and with their common duty to the Scottish Ministers and stakeholders of the funds in mind. The presence of multiple advisers would not be appropriate for the operation of a body of this nature nor would it be conducive to effective and efficient governance. For instance, how would the chairperson manage the nature and type of adviser to be present and the associated costs, and duplication of costs, that would need to be met.</p> <p>In addition, the SAB is constituted to advise the Scottish Ministers on the relevant matters and so it would not be appropriate for the advisers of the Scottish Ministers to attend, and potentially influence, the meetings and decisions of the SAB itself.</p>
4	<p>Conflicts of Interest: The conflict language could be aligned with the English Regulations for the purposes of simplicity and to support ongoing efficiencies that could be generated across the wider UK LGPS.</p>
Pensions Boards	
5	<p>Constitution and remit: The drafting of section 5(1) and (2) should be combined to more clearly state the responsibilities of the Pensions Boards. In addition, limb (c) should be removed as being unnecessary and creating ambiguity. The remit of the Pensions Board should be clearly set out in section 5 and not elsewhere.</p> <p>We note that 106(1)(a) of the English Regulations clearly encapsulates the responsibilities of the Pensions Board in one single provision.</p> <p>See also the below comments on paragraph 8 of the 2014 Regulations.</p>
6(1)	<p>Membership: As above, the Lothian Pension Fund does not believe that restricting the membership of the Pensions Board to a “bipartite body” of local government employer and trade union representatives would provide sufficient flexibility to ensure that this body includes appropriately representative and qualified members from time to time to perform the relevant functions.</p> <p>The Lothian Pension Fund would advocate the less prescriptive approach taken in the English Regulations, paragraph 107, recognising that the 2013 Act already provides sufficient comfort around the equality of employer and member representatives.</p> <p>In addition, the regulation should expressly set out that the Scheme Manager shall determine the membership of the Pension Board and the manner in which the appointment/removal process, terms of appointment, constitution etc. shall operate in consultation with the members and employers.</p>
6(2)	<p>As above, the Lothian Pension Fund does not think it is appropriate to interpret the reference to member representatives in the 2013 Act as being limited to trade union representation. The Lothian Pension Fund would envisage trade union representatives playing a critical role here, but not to the exclusion of providing representation for the significant number of members who are not affiliated or members of a trade union body.</p> <p>The 2013 Act does not make specific reference to trade union representatives, rather providing for collective representation for members, and nor do the English Regulations adopt this approach.</p>

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	<p>In addition, employers do not have a collective organisation from which nominations can be sought. CoSLA represent the Councils in Scotland, but the Scheme Manager will require to operate appropriate selection procedures for the employer representatives on the Pensions Boards.</p> <p>Knowledge and expertise: The words “inform their role” could be replaced with “perform their role to an appropriately competent standard of knowledge, skill and care and otherwise in accordance with the requirements and guidance of the Pensions Regulator from time to time.”</p>
6(4)	Secretaries: as above for the SAB.
6(5)	Advisors: as above for the SAB.
7	Conflicts of interests: as for SAB.
8	<p>Implementation of remit: the remit of the Pensions Board is set out in paragraph 5 and paragraph 8 of the 2014 Regulations in fact details the matters that the Pensions Board may review to support its remit. The heading of this clause should therefore be amended to avoid confusion and to ensure it is clear that the remit should not extend beyond that set out in the 2013 Act and provided for in paragraph 5 of the 2014 Regulations. This is consistent with the approach taken in the English Regulations.</p> <p>8(2) should be deleted and any reference to investments of the fund and investment principals etc. included in 8(1), making it clear that the Pensions Board shall be to review such activities in order to fulfil its remit set out in paragraph 5 of the 2014 Regulations and the 2013 Act. The current drafting may otherwise lead to ambiguity around the potential extension of the remit of the Pensions Board beyond what is anticipated by the 2013 Act.</p>
8(3)	Requisitioning reports: the paragraph should be amended so that the Pensions Board may only requisition reports from the Scheme Manager where it (acting reasonably) determines that this would be necessary to enable it to properly carry out its functions in accordance with the 2014 Regulations.
9	<p>Pension Committee and Pension Board disagreements: these provisions should be amended to ensure that a review may only be requested where the Pension Board has demonstrated valid concerns in relation to the decision being in breach of any applicable law, regulation or Code of Practice.</p> <p>The grounds for review set out in paragraph 9(2) are too loosely construed and should therefore be amended accordingly not being appropriately aligned to the remit of the Pensions Board itself. Greater clarity as to what does or does not constitute grounds for the review of a decision should be provided. In particular, 2(a) and (d) are so general in nature as to enable a review to be requested on virtually any decision of the Scheme Manager, at any point in time.</p> <p>Despite this, regulation 9(5) indicates that even where the Pension Board and Scheme Advisory Board oppose a decisions of the Committee they are ultimately powerless to force a change.</p>
Training Programme	
10	This should include appropriate reference to the requirements and guidance issued by the Pensions Regulator from time to time.
Other drafting points	
1(4)	The definition of the fund should read “the pension fund <i>or funds</i> managed by the scheme manager” reflective of the fact that certain Scheme Managers administer more than one fund.

The Lothian Pension Fund
Nominations and Appointments Policy
for
External Members of the Pensions Committee
and
Members of the Pension Board

INTRODUCTION

Pensions Committee: The City of Edinburgh Council (“**CEC**” or “**Scheme Manager**”) operates a Pensions Committee (the “**Pensions Committee**”) for the purposes of facilitating the administration of the Lothian Pension Fund, the Lothian Buses Pension Fund, the Scottish Homes Pension Fund and any other Local Government Pension Scheme that it may administer from time to time (the “**Funds**”). The Terms of Reference of the Pensions Committee require that, in addition to the elected members, two additional members should be appointed to the Pensions Committee as follows:

- A. a member drawn from the membership of the Funds (“**Member Representative**”); and
- B. a member drawn from the scheduled or admitted bodies that participate in the Funds (“**Employer Representative**”).

This policy sets out the means through which CEC will operate and support the nomination and appointment of the Member and Employer Representatives to the Pensions Committee.

Pension Board: CEC is also required to establish and maintain a Pension Board (the “**Pension Board**”), for the purposes of assisting with the ongoing compliance of the Funds. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 (the “**2014 Regulations**”) and the Public Service Pensions Act 2013 and will at all times consist of equal numbers of [trade union representatives (drawn from trade unions that represent the membership of the Funds)] (“**Employee Members**”) and [local government] employer representatives [(drawn from local authorities and scheduled or admitted bodies that participate in the Funds) (“**Employer Members**”). Further to the Constitution for the Pension Board (dated []) (the “**Constitution**”) the Pension Board will comprise:

- A. [Five] Employer Members; and
- B. [Five] Employee Members.

The Constitution provides for the operation of the Pension Board and this policy sets out the Scheme Manager's procedures for inviting nominations for the membership of the Pension Board and putting forward eligible candidates for appointment by the Pension Board.

1. PENSIONS COMMITTEE: NOMINATION AND ELECTION

- 1.1 Where required to fill a vacancy, employer bodies that participate in the Funds will be invited to nominate a suitable representative to be considered for selection as the Employer Representative on the Pensions Committee.
- 1.2 Where required to fill a vacancy, the members of the Funds will be invited to nominate themselves to be considered for selection as the Member Representative on the Pensions Committee.
- 1.3 All candidates put forward for the roles of either Employer or Member Representative will be requested to provide a brief biography, highlighting their background, any relevant experience and why they would be suitable for the role.
- 1.4 [No person may be appointed to the Pensions Committee under this policy where, in the Scheme Manager's sole discretion, that person has a Conflict of Interest. A '**Conflict of Interest**' being a financial or other interest which is likely to prejudice the exercise of that persons' functions as a member, but does not include a financial or other interest arising merely by virtue of that person being a member or employer body in any of the Funds.]
- 1.5 Once either the employer bodies and/or members of the Fund have been given a reasonable period of time to respond, CEC will draw-up a list of relevant candidates for each of the roles and send that list on to the Independent Professional Observer or such other suitable independent person or advisor (the "**Independent Professional Observer**") (the "**Review Panel**") for review with regard to the obligations on the Scheme Manager pursuant to Regulations [7(1)] (*conflicts of interest*) [and [6(1)] and 10 (*requisite training and development*)] of the 2014 Regulations. The Review Panel will check the candidates and their respective submissions with a view to excluding any candidates that, at their discretion, would not meet the criteria set out in the 2014 Regulations or any standards, guidance or code of practice issued by the Pensions Regulator from time to time.

The Review Panel will then send the updated list of potential candidates to CEC to facilitate the election.

- 1.6 CEC will then facilitate the elections of the Member and Employer Representatives by the members and employers of the Fund respectively. Such election(s) may take place at a meeting called and arranged by CEC or through the form of an electronic or other remote voting system. The Employer and Member Representatives will be required to be elected through receiving a majority of the votes cast by their respective peers. In the event of a tied vote, the Independent Professional Observer will have a casting vote to determine which candidate is appointed to the role. Where only one candidate was put forward for the role, CEC will proceed to appoint that individual to the relevant role without the need for an election.

2. PENSIONS COMMITTEE: APPOINTMENT AND RATIFICATION BY COUNCIL

- 2.1 Once a candidate for the Member and/or Employer Representative has been selected, and has confirmed their willingness to take up the role, approval of the appointment will be sought from the Council pursuant to the Committee Terms of Reference and Delegated Functions.
- 2.2 Any newly appointed Member and Employer Representatives will require to have read, understood and signed the Lothian Pension Fund's Council's Code of Conduct prior to taking up their role.
- 2.3 Any newly appointed Member and Employer Representatives will require to have completed the necessary induction training from CEC prior to taking up their role.
- 2.4 The Employer and Member Representatives will serve a maximum term of [two] years and whereupon they will either stand down or require to submit themselves as a candidate for a further election.
- 2.5 The Employer and Member Representatives will be required to make all reasonable efforts to regularly attend the meetings of the Pensions Committee and are required to comply with the Lothian Pension Fund's Training and Attendance Policy. Failure to do so could result in their position(s) on the Pensions Committee being reviewed.
- 2.6 Any member of the Pension Board will not be eligible for appointment as either the Employer or Member Representative on the Pensions Committee.

3. PENSION BOARD: NOMINATION AND ELECTION

- 3.1 Where required to fill a vacancy or vacancies, employer bodies that participate in the Funds will be invited to nominate suitable representative(s) to be considered for selection as an Employer Body Member on the Pension Board.
- 3.2 The Scheme Manager will, in consultation with the Pension Board (once established), review and allocate the Employee Member(s) among the trade unions in order to ensure they are broadly representative of the proportion of members represented by each trade union. Where required to fill a vacancy or vacancies, those trade unions will be requested to invite nominations, elect and put forward suitable individuals for appointment as Employee Member(s) to the Pension Board.
- 3.3 All candidates put forward for the roles of an Employer Member and/or Employee Member will be requested to provide a brief biography, highlighting their background, any relevant experience and why they would be suitable for the role.

Employer Members

- 3.4 Once the employer bodies have been given a reasonable period of time to respond, the Scheme Manager will draw up a list of relevant candidates for the role(s) and send that list on to the Review Panel for review with regard to the obligations on the Scheme Manager pursuant to Regulations [7(1)] (*conflicts of interest*) [and [6(1)] and 10 (*requisite training and development*)] of the 2014 Regulations. The Review Panel will check the candidates and their respective submissions with a view to excluding any candidates that, at their discretion, would not meet the criteria set out in the 2014 Regulations or any standards, guidance or code of practice issued by the Pensions Regulator from time to time. The Review Panel will then allocate the Employer Member(s) among the employers in order to ensure they are broadly representative of the different types of employer body in the Fund (e.g. local authorities, education establishments, charities etc).
- 3.5 Where there are more candidates than vacancies, the Scheme Manager will then facilitate the election of the Employer Member(s). Such election(s) may take place at a meeting called and arranged by the Scheme Manager or through the form of an electronic or other remote voting system. The Employer Member(s) will be required to be elected by a majority of the votes cast (or if more than one member is to be appointed the individuals receiving the most votes in descending order to fill the number of vacancies). In the event of a tied vote, the Independent Professional Observer will have a casting vote to determine which candidate is appointed to the role. Where only one candidate was originally put

forward for the role, the Scheme Manager will proceed to appoint that individual to the relevant role without the need for an election.

Employee Members

- 3.6 Once the trade unions representing members of the Funds have put forward their candidates, the Scheme Manager will send the list of prospective candidates to the Review Panel for review with regard to the obligations on the Scheme Manager pursuant to Regulations [7(1)] (*conflicts of interest*) [and [6(1)] and 10 (*requisite training and development*)] of the 2014 Regulations. The Review Panel will check the candidates and their respective submissions with a view to excluding any candidates that, at their discretion, would not meet the criteria set out in the 2014 Regulations or any standards, guidance or code of practice issued by the Pensions Regulator from time to time. The Scheme Manager will then proceed to arrange for the appointment of the appropriate candidates as Employee Member(s) of the Pension Board and liaise with the trade union bodies collectively in relation to any candidate that did not meet the criteria set out in the 2014 Regulations and/or the Pensions Regulator's guidance (with a request for a further candidate to be put forward in accordance with the procedures set out herein). In the event of there being more candidates than vacancies, the Scheme Manager will then facilitate the election of the Employee Member(s).

4. PENSION BOARD: APPOINTMENT

- 4.1 Candidates selected to be either Employer Member(s) and/or Employee Member(s) will then be appointed to those roles by the Scheme Manager or (following the establishment of the Pension Board) by the Pension Board itself on receiving notice of the selected individuals from the Scheme Manager.
- 4.2 Employer Members and Employee Members will otherwise carry out their role and be appointed and removed in accordance with the Constitution^[1].
- 4.3 Any individuals appointed as member of the Pension Board (including any pre-approved alternates) will require to have read, understood and signed the Lothian Pension Funds' Code of Conduct prior to taking up their role.

¹ **NOTE:** we are checking whether appointments to a body of this nature would require approval by the Council under the current internal governance arrangements/Terms of Reference.

- 4.4 Members of the Pension Board (including any pre-approved alternates) will be required to have completed the necessary induction training from the Scheme Manager prior to taking up their role.
- 4.5 Any member of the Pensions Committee will not be eligible for appointment as a member of the Pension Board.

Approved by: **The City of Edinburgh Council** (as administering authority of the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund)

On: [] 201[]

The Lothian Pension Fund

Pension Board Constitution

Introduction

The City of Edinburgh Council (the “**Scheme Manager**”) is required to establish a Pension Board for the purposes of facilitating the administration of the Lothian Pension Fund, the Lothian Buses Pension Fund, the Scottish Homes Pension Fund and any other Local Government Pension Scheme that it may administer from time to time (the “**Funds**”). The Pension Board has been established under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 (the “**2014 Regulations**”) and the Public Service Pensions Act 2013.

Further to Regulation [6(6)] of the 2014 Regulations, this constitution (the “**Constitution**”) shall supersede any model or other constitution regarding the operation and functioning of the Pension Board associated with the Funds (the “**Pension Board**”).

1. Remit and exercise of functions

- 1.1 The Pension Board shall carry out its compliance functions (“**Functions**”) strictly within the remit set out in Regulation [5] of the 2014 Regulations.
- 1.2 Members of the Pension Board (“**Members**”) shall have access to and receive all papers provided to the Scheme Manager’s Pensions Committee (the “**Pensions Committee**”) (and any sub-committee) for the purpose of their carrying out the Functions. Members may requisition additional reports from the Scheme Manager in accordance with Regulation [8(3)] of the 2014 Regulations to the extent reasonably required for the proper performance of their Functions.
- 1.3 Members shall have a collective duty to act independently in the interests of the members and employer bodies in the Funds and also the taxpayers. [In most cases the interests of these stakeholders in the Funds will be aligned, but where they do diverge the Members shall use their reasonably exercised discretion to take a balanced and proportionate view of the interests of the respective stakeholders in the Funds in the context of the particular circumstances and having regard to any regulation or guidance issued by the UK Pensions Regulator.]

1.4 Members of the Pension Board shall not participate in the voting, decision making or other business of the Pensions Committee, or the operational activity of the Scheme Manager, other than to input to the discussion and/or consideration of matters by the Pensions Committee to the extent required and appropriate in the performance of their Functions.

2. Membership

2.1 The membership of the Pension Board will at all times consist of equal numbers of [trade union representatives (drawn from trade unions that represent the membership of the Funds)] (“**Employee Members**”) and [local government] employer representatives [(drawn from scheduled or admitted bodies that participate in the Funds) (“**Employer Members**”) and will comprise:

- a. [five] Employer Members; and
- b. [five] Employee Members.

2.2 Members who are appointed to the Pension Board will at all times be required to:

- a. demonstrate the relevant knowledge, skills and expertise to properly perform the Functions;
- b. make all reasonable efforts to regularly attend the meetings of the Pension Board;
- c. make appropriate contributions at Pension Board meetings in the performance of their Functions; and
- d. comply with the Scheme Manager’s Training and Attendance Policy (as amended from time to time).

2.3 To the extent that any Member does not comply with the competency criteria set out in paragraph 2.2 above, the Scheme Manager shall have the right to serve notice on the Pension Board to that effect. On receiving notice from the Scheme Manager, the Pension Board shall take action to remove the relevant Member and reappoint a suitable replacement, unless it can demonstrate to the Scheme Manager’s reasonable satisfaction that such Member has or will be able to perform the Functions in compliance with such criteria.

2.4 Any Member may appoint a person to attend and act on his behalf as an alternate on the Pension Board, or any sub-committee of the Pension Board, provided always that such person has been pre-approved by a vote or written authorisation of a majority of the Pension Board and has the requisite knowledge, skill and expertise to perform the Functions. All other provisions of this Constitution shall, where appropriate, apply equally to alternate Members as if they were themselves Members.

- 2.5 At no time shall a Member be appointed or retained who is at that time also a member of the Pensions Committee.
- 2.6 Subject to paragraph 12 herein, no person may be appointed to the Pension Board that, in the Scheme Manager's sole discretion, has a Conflict of Interest. A '**Conflict of Interest**' being a financial or other interest which is likely to prejudice a person's exercise of the Functions as a Member, but does not include a financial or other interest arising merely by virtue of that person being a member of any of the Funds.
- 2.7 Advisors may attend meetings of the Pension Board at its direction and at its chairman's discretion as to numbers and, where the Pension Board and the Pensions Committee will meet concurrently, with the prior approval of the Convener of the Pensions Committee.

3. Meetings

- 3.1 Members participate in a meeting of the Pension Board where it has been called and constituted in accordance with this Constitution and the 2014 Regulations.
- 3.2 The Pension Board shall meet at least quarterly and, in the normal course, to coincide with the meetings of the Pensions Committee. While the statutory roles and function of the Pensions Committee and Pension Board are separate, normal practice will be that both bodies will meet at the same time to consider the same agenda, with the Convener of the Pensions Committee chairing the concurrent meeting.
- 3.3 A majority of the Pension Board may otherwise agree to hold meetings from time to time and will authorise [one of] the joint secretaries to issue notice of such a meeting and make the necessary arrangements.
- 3.4 No less than [7] days notice of a meeting of the Pension Board must be given to each Member, unless unanimously agreed by the Members, and will usually be given in writing (including in electronic form). Any papers to be considered at or in advance of a meeting of the Pension Board shall be circulated to the Members no less than [5] days before the meeting.
- 3.5 In determining whether a Member is participating in a meeting of the Pension Board it is irrelevant where any Member is or how they communicate with each other. If all of the Members participating in the meeting are not in the same place they may decide that a meeting is to be treated as taking place wherever any of them is.

4. Quorum for Members' meetings

- 4.1 At a meeting of the Pension Board, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 4.2 The quorum for a Pension Board meeting may be fixed from time to time by a decision of the Members, but it must never be less than [four] Members (comprising at least [two] Employer Members and [two] Employee Members), and unless otherwise fixed is [four] Members constituted in the manner set out herein.
- 4.3 If the total number of appointed Members for the time being is less than the quorum required, the Members must not take any decision other than a decision to fill any Member vacancies.

5. Chairing meetings

- 5.1 Members will appoint a Member to chair the meetings of the Pension Board during any meeting not held concurrently with a meeting of the Pensions Committee.
- 5.2 Where the Pension Board and the Pensions Committee meet concurrently the Convener of the Pensions Committee will chair the meeting and the chairman of the Pension Board may act as a spokesperson on behalf of the Pension Board.
- 5.3 The chairman of the Pension Board will be rotated on an annual basis so that it shall be held in alternate years by:
 - a. a person nominated by a majority vote of the Employer Members and subsequently appointed by the Pension Board; and
 - b. a person nominated by the majority vote of the Employee Members and subsequently appointed by the Pension Board.
- 5.4 Where the appointed chairman is not participating in a meeting of the Pension Board the participating Members must appoint one of themselves to chair it.

6. Decisions by Members

- 6.1 Subject to Regulation [9(1)] of the 2014 Regulations, decisions by the Members shall be made by either a majority approval at a meeting of the Pension Board or by way of a unanimous written resolution approved (through either signing of the resolution itself or agreement to it in writing by email) by all of the Members at that time.
- 6.2 If the number of votes for and against a proposal are equal the chairman shall have the casting vote, unless the chairman is otherwise excluded from participating in the relevant vote (e.g. should they have a conflict of interest etc.).
- 6.3 Where the Pension Board agree to invoke its right under Regulation [9(1)] of the 2014 Regulations to request that the Pensions Committee review a particular decision, such a request (except where the Pensions Committee and Pension Board agree that would not be appropriate) will be made within [10] days of that decision having been made by the Pensions Committee. The Pension Board will only request that a decision of the Pensions Committee be reviewed where it has reasonable grounds for such review, in accordance with Regulation [9(2)] of the 2014 Regulations [and that such grounds are within the remit of its Functions].
- 6.4 Where the Pension Board decides to publish any difference in views between it and the Pensions Committee pursuant to Regulation 9 of the 2014 Regulations, it shall provide the Scheme Manager with a written statement and give the Scheme Manager and the Pensions Committee [a reasonable period of time] to consider that statement and respond with any comments.
- 6.5 The Pension Board shall ensure, working together with the Scheme Manager, that any joint secretarial report published pursuant to Regulation [9(3)] of the 2014 Regulations does not include any:
- a. incorrect, inaccurate, ambiguous or misleading statements; or
 - b. confidential or sensitive information, the disclosure of which may result in the Scheme Manager being in breach of contract or any applicable law or would be substantially to the financial or other detriment of the Funds and their stakeholders.

7. Delegation to individual Members and sub-committees

7.1 Members of the Pension Board may delegate Functions to a particular Member or a sub-committee of Members of the Pension Board for the purpose of attending any sub-committee of the Pensions Committee. It is anticipated that any such sub-committee of the Pension Board will contain a reduced number of Members proportionate to the relevant sub-committee being attended, but will at all times be constituted to have equal numbers of Employer Members and Employee Members. Decisions taken by any sub-committee must follow the procedures, in as far as they are applicable, of this Constitution which govern decisions by the Pension Board.

8. Secretaries

8.1 The Scheme Manager and the Employee Members shall each appoint a [joint secretary] of the Pension Board.

8.2 The Scheme Manager shall provide reasonable and appropriate support in order to assist with the administration of the Pension Board, such as the preparation of minutes of meetings (including any decisions, noting conflicts, attendance etc.) of the Pension Board whether held separately or at the same time as the Pensions Committee meetings.

9 Appointment and removal of Members

9.1 Any person who is willing to act as a Member and has the requisite level of knowledge, skill and expertise may be appointed as a Member in accordance with the Scheme Manager's Appointment and Nomination Policy (as amended from time to time).

9.2 A person ceases to be a Member as soon as:

- a. that person dies or resigns as a Member;
- b. that person is convicted of a serious criminal or civil offence or is declared bankrupt;
- c. that person has become physically or mentally incapable of acting as a Member and may remain so for more than three months; or
- d. the Scheme Manager has issued a notice to the Pension Board pursuant to paragraph 2.3 of the Constitution which the Scheme Manager has confirmed is not to be withdrawn.

9.3 A Member may also be removed with the unanimous approval of all other Members of the Pension Board.

10 Amending the Constitution

10.1 This Constitution may be amended by the agreement of no less than [80]% of the Members of the Pension Board and with the written consent of the Scheme Manager. Any amendments to the Constitution must be made in compliance, and not conflict, with the 2013 Act (where appropriate) and the 2014 Regulations.

10.2 Where the Pension Board has agreed to amend the Constitution in accordance with paragraph 10.1 above, but the Scheme Manager has refused to give its consent, the matter may be referred to the National Scheme Advisory Board in Scotland for mediation and adjudication pursuant to Regulation [6(7)] of the 2014 Regulations.

11 Costs and Members' expenses

11.1 The Pension Board will liaise with the Scheme Manager to assist the Scheme Manager in budgeting for the likely costs of operating the Pension Board in the subsequent financial years. Any costs associated with the operation and administration of the Pension Board (including the costs of any advisers to be appointed by the Pension Board) will be borne by the Funds, provided that the Pension Board has sought prior approval of the Scheme Manager before incurring such costs.

11.2 The Funds also shall pay and/or reimburse the Members for any reasonable expenses properly incurred in connection with their attendance at meetings of the Pension Board, any sub-committee or training event held in accordance with the Scheme Manager's Training and Attendance Policy provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

12 Conflicts of interest

12.1 Members must declare any potential conflicts of interest at the start of any meeting of the Pension Board.

12.2 If the proposed decision of the Members is particularly concerned with an actual or proposed transaction or arrangement with a person or entity in which the Member is

interested, that Member is not to be counted as participating in the decision-making process for quorum of voting purposes, except where:

- a. the remaining Members in attendance unanimously vote that the Member should participate;
- b. the Member's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- c. the Member's conflict of interest arises simply by virtue of its role as a representative of either a member or employer group or body.

13. Records of decisions

- 13.1 Minutes of each meeting of the Pension Board will be prepared, including where the Pension Board and Pensions Committee meet concurrently, which shall include a record of the time and place of the meeting, those attending, any conflicts of interest noted and all decisions made at such meetings by the Members.
- 13.2 The draft minutes will be approved at the next meeting of the Pension Board, signed by the chairman and copy circulated to the Pensions Committee and the Scheme Manager.
- 13.3 Notwithstanding the process to prepare and agree the minutes, a summary of the decisions taken at each meeting of the Pension Board will be circulated to the Members and the Pensions Committee within [10] days of that meeting taking place.
- 13.4 Copies of the agreed minutes of Pension Board meetings shall be retained by [the Scheme Manager] for no less than [12] years from the date of the decision.

[14 Liability of Members]

[To be considered in due course based on final regulations and further guidance from the Pensions Regulator.]

Approved by: **The City of Edinburgh Council** (as administering authority of the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund)

On: [] 201[]

The Lothian Pension Fund

Pensions Committee and Pension Board

Training and Attendance Policy

INTRODUCTION

Pensions Committee: The City of Edinburgh Council (“CEC” or “Scheme Manager”) operates a Pensions Committee (the “Pensions Committee”) for the purposes of facilitating the administration of the Lothian Pension Fund, the Lothian Buses Pension Fund, the Scottish Homes Pension Fund and any other Local Government Pension Scheme that it may administer from time to time (the “Funds”). Members of the Pensions Committee owe an independent fiduciary duty to the members and employer bodies in the Funds and the taxpayer. Such members are therefore required to carry out appropriate levels of training to ensure they have the requisite knowledge and understanding to properly perform their role.

Pension Board: The Scheme Manager is also required to establish and maintain a Pension Board (the “Pension Board”), for the purposes of assisting with the ongoing compliance of the Funds. The Pension Board is constituted under the provisions of the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 (the “2014 Regulations”) and the Public Service Pensions Act 2013. Members of the Pension Board should also receive the requisite training and development to enable them to properly perform their compliance role.

This policy sets out the requirements and practicalities for the training of members of both the Pensions Committee and the Pension Board. It also provides some further detail in relation to the attendance requirements for members of the Pension Board and in relation to the reimbursement of expenses.

1. Training of the Pensions Committee and Pension Board Members

- 1.1 New members of the Pensions Committee and/or Pension Board must attend an induction course by the Scheme Manager before taking up their role. This course will provide an overview of the structure and operation of the Funds and insight into the roles and responsibilities of the members on their respective body. The purpose of this training is to allow the Pensions Committee members to consider and decide on all matters relating to the Funds, involving complex investment and pension matters, and to enable Pension Board members to assist the Pensions Committee in providing input on the compliance implications associated with such matters.

- 1.2 Members of the Pensions Committee and Pension Board will also be required to undertake no less than [three days (21 hours)] of training in each calendar year. This training obligation will be met through the following:
- Internal training events designed specifically for this purpose and to cover a range of pension administration and investment matters.
 - External events for Funds' stakeholders, such as the annual employer seminar and finance briefing.
 - Seminars and conferences offered by industry wide bodies, such as the LAPFF, LGC and NAPF.
 - Seminars and training events offered by the Fund's external professional advisers, investment managers and other service providers.
 - Online training, including that provided by the Pensions Regulator (e.g. the Pensions Trustee and LGPS Toolkits) from time to time.
 - Other training deemed appropriate by the Scheme Manager from time to time.
- 1.3 In designing a programme of training for the members of the Pensions Committee and the Pension Board the Scheme Manager will have regard to Regulation [10] of the 2014 Regulations, the Pensions Regulator's codes of practice and guidelines, the CIPFA Guidelines on the Principles for Investment Decision Making in the Local Government Pension Scheme, and the CIPFA Knowledge and Skills Framework issued from time to time.
- 1.4 Members of the Pension Board may be required to attend further specific training which will focus on any regulatory, legislative or other technical updates which they should be aware of in the performance of their compliance role.

2 Training of the Secretaries of the Pension Board

- 2.1 Any joint secretary of the Pension Board appointed by the trade unions pursuant to the Constitution must also attend an induction course which provides an overview of the structure and operation of the Funds by the Scheme Manager and focuses on any key matters associated with the ongoing governance and administration of the Funds.

3 Attendance of the Pension Board

- 3.1 Section [2.2 (b)] of the constitution of the Pension Board (the "**Constitution**") requires members of the Pension Board to make all reasonable efforts to regularly attend the meetings of the Pension Board. To provide further clarity, and pursuant to section [2.2(d)] of the Constitution, the Scheme Manager requires that members of the Pension Board must attend a minimum of [three?] out of the four quarterly meetings of the Pension Board which

will be held concurrently with the quarterly meetings of the Pensions Committee. In addition, members of the Pension Board should use all reasonable efforts to attend any meetings of the Pension Board held out-with the main cycle of quarterly meetings and, in any event, shall not miss any more than two such additional meetings in any calendar year.

- 3.2 If a Pension Board member is unable to attend a Pension Board meeting, any named alternate should attend in their place pursuant to the Pension Board's Constitution.
- 3.3 For these purposes, an alternate attending on behalf of the Pension Board member pursuant to the Pension Board's Constitution, notwithstanding that for the purposes of the meeting such alternate shall be counted as attending as if the Pension Board member had attended, shall not be deemed to count towards that member's attendance record.

4 Substitute Members of the Board

- 4.1 Substitute or alternate members of the Pension Board that are pre-approved pursuant to section [2.4] of the Constitution ("**Alternates**") may attend meetings of the Pension Board. Regulation [6(2)] of the 2014 Regulations requires that any such Alternates should have *undergone the requisite training and development to inform their role.*
- 4.2 Alternates will therefore be required to attend the same induction course as Pension Board and Pensions Committee members.
- 4.3 Alternates will also require to attend no less than [15] hours of relevant training each year.

5. Monitoring and Reporting

- 5.1 Each member of the Pensions Committee and Pension Board, and any Alternates, will inform the Scheme Manager of relevant training attended from time to time.
- 5.2 A report will be submitted to the Pensions Committee annually highlighting the training and attendance of each member of the Pensions Committee and Pension Board and any Alternates.
- 5.3 Where the Scheme Manager has a concern that a member of the Pension Board (or any Alternate) is not complying with the requisite training or attendance requirements it may serve a notice on the Pension Board, pursuant to section [2.3] of the Constitution, requiring the Pension Board to remove that member and seek to appoint a replacement. The Pension Board shall be given reasonable opportunity to review the circumstances and, where appropriate, liaise with the Scheme Manager with a view to demonstrating that such

member will be able to continue to properly perform the functions required of a member of the Pension Board and request that the Scheme Manager withdraw the notice. Any decision to withdraw such notice will be made by the Scheme Manager at its sole discretion.

5.4 This training policy will be reviewed on an ongoing basis by the Scheme Manager.

6. Reimbursement of expenses

6.1 All reasonable expenses properly incurred by members of the Pensions Committee, appointed pursuant to the Nominations and Appointments Policy, and the Pension Board necessary for the performance of their roles will be met by the Funds, provided that the Scheme Manager's prior approval is sought before incurring any such expenses (other than routine costs associated with travelling to and from Pensions Committee meetings) and appropriate receipts are sent to the Scheme Manager evidencing the expenses being claimed for.

Approved by: **The City of Edinburgh Council** (as administering authority of the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund)

On: [] 201[]