

Pensions Committee

2.30 p.m., Wednesday, 25 March 2015

Pension Fund Governance

Item number	5.4
Report number	
Executive/routine	
Wards	All

Executive summary

The City of Edinburgh Council (“**CEC**”) requires 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 2015 (“**2015 Regulations**”), which seeks to implement the provisions of the Public Service Pensions Act 2013 (“**2013 Act**”).

These changes need to be implemented by 1 April 2015 and the Committee considered and approved CEC’s approach at its meeting on 17 December 2014. The form of the 2015 Regulations was, at that time, still to be finalised and certain other matters were still to be determined. This report provides Committee with an update on these developments and on the progress to implement the new governance arrangements.

Links

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Pension Fund Governance

Recommendations

The Pensions Committee is requested to:

- 1.1 Note the updates in this report in relation to the implementation of the new governance arrangements by CEC for the pension funds that it administers.
- 1.2 Note the updates to the Pension Board Constitution, Nomination and Appointments Procedure and the Training and Attendance Policy (Appendix 1).
- 1.3 Note the appointments of the Member and Employer Representatives as full members of the Committee by Council on 12 March 2015.
- 1.4 Note the appointment of the membership of the Pension Board to be constituted from 1 April 2015.
- 1.5 Note the cessation of the Consultative Panel with effect from 31 March 2015 and thank its members for their significant contributions to the Funds' governance.

Background

- 2.1 Please note the following key developments since the Committee meeting last met on 17 December 2014:

Milestone	Date
Vacant positions within the Committee and Pension Board advertised	24 December 2014
The Pensions Regulator ("TPR") has published its draft Code of Practice for the governance and administration of public service pension schemes ("Code").	12 January 2015
Final 2015 Regulations laid before the Scottish Parliament	19 February 2015
Closing date for nominations for the positions on the Committee and Pension Board	14 February 2015
COSLA Resources & Capacity Group agreed council employer nominations to the Scheme Advisory Board	5 March 2015
Non-Councillor members of the Committee agreed by Council	12 March 2015
Scottish Public Pensions Agency deadline for nominations to the Scheme Advisory Board	13 March 2015
Induction Training for Pension Board members	March/April 2015

Local Government Pension Scheme (Governance) (Scotland) Regulations 2015

3.1 The final 2015 Regulations have been released and a summary of the key changes is as follows:

Regulation	Update
Scheme Advisory Board (SAB)	
2(3)	The provision requiring the Scottish Ministers and/or the Scheme Manager to “have regard to the advice” of the SAB has now been removed.
3(1)(a)	The regulations no longer provide for the need for substitutes to attend the SAB on behalf of appointed representatives of the scheme employers or trade unions.
3(2) and (3)	There is no longer provision for an independent Chair for the SAB (the chair will be rotated between scheme employer and trade union representatives). The Scottish Ministers must approve that Chairperson.
3(6)	Provision has been included to ensure that the “reasonable administrative costs” of the SAB are to be met by the funds. There is no detail in relation to how such costs will be allocated.
Pension Board	
5(c)	The regulations contain drafting amendments to provide a sharper focus on the Pension Board’s remit (e.g. to ensure good governance, legal and regulatory compliance of the pension funds).
6(2)	The number of members on the Pension Board no longer needs to take into account the size of the relevant fund. The regulations no longer provide for the need for substitutes to attend the Pension Board on behalf of appointed representatives of the scheme employers or trade unions
10	The detail in relation to training requirements has been removed from the regulations (some practical guidance is however contained in the Pensions Regulator Code).

3.2 The Fund’s governance documentation has been updated to take into account comments raised at the last Committee and changes to the 2015 Regulations. The removal of substitutes for the Pension Board is the main change. Final versions of the following documents (highlighting the updates) are set out in Appendix 1.

3.2.1 the Nomination and Appointments Policy;

3.2.2 the Constitution for the Pension Board; and

3.2.3 the Training and Attendance Policy.

Appointment of Non-Councillor Members to the Pensions Committee

3.3 In accordance with the Nomination and Appointments Policy, and having been endorsed by Council on 12 March 2015, the following persons have been appointed to the Pensions Committee:

3.3.1 John Anzani, as a Member Representative; and

3.3.2 Darren May, as an Employer Representative.

Appointment of Pension Board Members

3.4 In accordance with the Nomination and Appointments Policy, the following persons are to be appointed as members of the Pension Board:

3.4.1 Eric Adair (EDI Group), Linda McDonald (Handicabs), Richard Lamont (Visit Scotland), Rucelle Soutar (the Edinburgh Military Tattoo) and Simon Belfer (Napier University), as the five Employee Members; and

3.4.2 any five of Graham Turnbull (UCATT), Jim Anderson, Eric MacLennan and Catrina Warren (UNISON), Thomas Carr Pollock (GMB) and John Rodgers and Garry Cross (UNITE), as the five Employer Members.

As regards the Union Members, the LPF Review Panel has proposed that the membership comprise a representative for each of the four unions and that UNISON should appoint an additional representative reflecting its greater membership in the Fund. Failing agreement on this proposal, an election will be held. A verbal update on the position will be provided at the meeting.

3.5 The Pension Board will be established under its Constitution with effect from 1 April 2015 and so the first joint meeting of the Committee and the Pension Board will be on 24 June 2015.

Scottish LGPS Scheme Advisory Board

3.6 It is understood that, at the time of writing, the Scottish Public Pensions Agency are seeking nominations for the 7 employer and 7 union places on the Scottish LGPS Scheme Advisory Board (SAB). At the meeting of COSLA's Resources & Capacity group, the following councillor nominations to the SAB were agreed:

Stewart Cree, Moray Council

Jim Goodfellow, East Lothian Council

John Mitchell, Scottish Borders Council

Ian Macalpine, East Renfrewshire Council

Alasdair Rankin, City of Edinburgh Council

3.7 At this stage it is unclear how nominations for the non-council employer and union places on the SAB are being sought and how the selection process will operate.

The Pensions Regulator (TPR) – Code of Practice for Public Service Pension Schemes

3.8 The Pensions Regulator will take on the role of regulating public sector pension schemes with effect from 1 April 2015.

3.9 The TPR has now published the Code of Practice for the governance and administration of public service pension schemes, which will apply to all public sector pension schemes, including the local government pension schemes. A website link to the Code is provided at the end of this report.

3.10 Key points to highlight would be:

Area	Overview
Force and effect	<p>The Code is not itself law but should generally be viewed as enforceable regulatory guidance for those persons who have legal duties under either the 2013 Act or the 2015 Regulation (e.g. including CEC/Scheme Manager and the Pension Board members). Having queried the position around personal liability of Pension Board members and others within the Scheme Manager with the TPR, it has confirmed that it is not in a position to comment or issue further guidance in this regard beyond what would constitute a breach of the law itself. The Fund will further explore the position to provide assurance to the Committee and Pension Board that all appropriate measures are being taken in this regard.</p>
Knowledge and understanding	<p>The Code requires Pension Board members to be conversant with the rules and policies associated with the pension funds. The practical guidance suggests this is a comprehensive obligation requiring such persons to have knowledge of all applicable rules and policies, for instance extending to the accounting requirements for the pension funds.</p> <p>A Pension Board member must also have knowledge and understanding of (i) the law relating to pensions, and (ii) any other matters which are prescribed in regulations, to a level which will enable such persons to properly exercise their function as a member of the Pension Board. Again, the practical guidance suggests this is a high standard of knowledge and understanding.</p> <p>While standards for Pension Board members under the 2013 Act and 2015 Regulations remain as yet untested, equivalent case law for private sector pension funds suggests these requirements should be treated seriously and with the assumption of attaining a high standard of knowledge and understanding.</p> <p>Note: the Code does not make specific reference to investment regulations and law in this section, beyond the general inclusion of Investment Management regulations that would apply to the LGPS.</p>

Area	Overview
Conflicts of Interest	<p>A conflict of interest is defined in the Code as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme.</p> <p>The Constitution for the Pension Board must, and does, include provision to ensure that there is ongoing scrutiny around such conflicts of interest. In particular, CEC must seek sufficient information to allow it to properly determine that no such conflicts exist from time to time.</p> <p>The conflict of interest provisions equally apply to the Scottish Ministers need to ensure that the LGPS Scheme Advisory Board members do not have any conflicts on an ongoing basis.</p>
Publishing	<p>CEC must publish information about its Pension Board, including: (i) who the members of the Pension Board are, (ii) representation on the Committee, (iii) matters falling within the Pension Board's responsibility, (iv) disagreements between the Pension Board and Committee, and (v) any other requirements to publish information about governance of the scheme (e.g. HMRC directions).</p> <p>A relevant section will be included within the Lothian Pension Fund website and certain statements included within the annual report for the pension funds.</p>
Risk / Internal Controls	<p>CEC must establish/continue to operate internal controls which are adequate for the purpose of securing that the pension funds are administered in accordance with their rules and applicable law.</p> <p>Note: there is more general reference to applicable law here, which would arguably include the law and regulation of investments. Also, the Code does specifically refer to this including arrangements and procedures to be followed for the safe custody and security of the assets of the pension funds.</p>
Pension Administration	<p>The Code includes specific requirements around CEC keeping records, maintaining contributions and certain information being provided to members of the pension funds by CEC. This also includes detailed provisions around ongoing compliance with the Data Protection Act 1998.</p>

Area	Overview
Resolving issues and whistle-blowing	<p>The Code includes certain requirements around internal dispute resolution procedure and reporting breaches of the law.</p> <p>In particular, CEC, members of the Pension Board, any other person who is otherwise involved in the administration of the pension funds, employers, professional advisers and anyone else involved in advising the pension funds is under a duty to report any breach of law of “material significance” to the TPR.</p> <p>The duty to report overrides any other duty at law, except that of professional legal privilege.</p>

- 3.11 The Fund already implements many of the standards and principles which are covered in the Code but a detailed review is underway to assess where procedures may need to change.

Training

- 3.12 The Fund’s existing training policy requires Committee members to undertake a minimum of 3 days (21 hours) training and members of the Consultative Panel are required to fulfil at least one days training (7 hours) per year.

The training log for members of the Committee and Consultative Panel for 2014/15 is attached at Appendix 2.

As at the time of writing this report, a total of 193.75 training hours were recorded for both the Consultative Panel and the Pension Committee over the course of the 2014/15 reporting period, which is lower than the previous year being 362.34 hours. It is however anticipated that the NAPF conference and funding training, taking place between 11 to 13 March, will enable the majority of Committee members to meet the 21 hour target.

- 3.13 Members of the Committee and Pension Board are reminded that, under the new Training and Attendance Policy, there continues to be a requirement to undertake 3 days (21 hours) training per year and that this is now accompanied by the formal legal requirements around maintaining appropriate levels of ‘knowledge and understanding’. As previously highlighted, the TPR now has enforcement powers in relation to these legal obligations.
- 3.14 Follow up training will be scheduled for existing members of the Committee and be included in a training programme to be circulated in due course. In particular, the TPR has issued an online Toolkit specific to the public sector and details of this resource will also be circulated to the Committee and Pension Board members. Members of the Committee and Pension Board are encouraged to use this training resource.
- 3.15 In addition to this, following December’s Committee, the Fund has reviewed what additional support the Independent Professional Observers could provide in terms of ongoing training. A quarterly pre-Committee/Pension Board open session with the Independent Professional Observer has been set up on a trial

basis. This will be scheduled to take place immediately prior to each quarterly meeting, to provide the opportunity to raise any general queries in relation to their role/the pension funds themselves and/or specific technical queries which might arise from their review of the papers prior to the meetings. The success of these open sessions will be reviewed after two quarters.

- 3.16 Induction training for members of the Pension Board is being scheduled. That training will include an overview of the TPR Code and the Lothian Pension Fund's policies and procedures.

Consultative Panel

- 3.17 The Consultative Panel will, with effect from 1 April 2015, cease to exist.
- 3.18 Committee is asked to thank the members of the Panel for their significant contribution to the pension fund governance and particularly those members who will not be involved in the Pension Board.

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 2015 Regulations and the 2013 Act.
- 4.2 The new governance arrangements facilitate improved and efficient ongoing compliance of the pension 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 Costs of the levies of the National Scheme Advisory Board and The Pensions Regulator are not yet known. A provision of £22K has been included in the proposed budget for 2015-18, covered elsewhere on the agenda.
- 5.2 Training costs are already included in the pension funds' budget.

Risk, policy, compliance and governance impact

- 6.1 The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015 and the Public Service Pensions Act 2013 are intended to facilitate better governance of the overall local government pension scheme in Scotland and the individual pension funds. However, CEC had already addressed many of the key concerns in its 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 TPR and, potentially, the SAB.

- 6.2 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 the cessation of the Consultative Panel for the Lothian Pension Funds, the Committee and Pension Board will continue to include employer and member representatives. This continues to be viewed as being integral to the governance of the pension funds.

Background reading / external references

The TPR Code of Practice for the governance and administration of public service pension schemes - <http://www.thepensionsregulator.gov.uk/docs/draft-code-14.pdf>

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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

Single Outcome Agreement

Appendices

Appendix 1a – The Lothian Pension Fund Constitution
Appendix 1b – The Lothian Pension Fund Nominations and Appointments Policy
Appendix 1c – Pensions Committee and Pension Board Fund Training and Attendance Policy
Appendix 2 - Training Log for members of the Committee and Consultative Panel

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 2015 (the “**2015 Regulations**”) and the Public Service Pensions Act 2013.

Further to Regulation 6(6) of the 2015 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 2015 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 2015 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 scheme 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, understanding 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 At no time shall a Member be appointed or retained who is at that time also a member of the Pensions Committee.
- 2.5 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.
- 2.6 Persons other than Members 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 2015 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 shall be four Members, comprising at least two Employer Members and two Employee Members.
- 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 (without prejudice to the rights of any other member of the Pension Board to speak at the meeting).
- 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 of the 2015 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 2015 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(3) of the 2015 Regulations and that such grounds are within the remit of its Functions.

- 6.4 Where any difference in views between the Pension Board and the Pensions Committee is to be published, pursuant to Regulation 9 of the 2015 Regulations, the Pension Board shall provide the Scheme Manager with a written statement to that effect 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(4) of the 2015 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 in accordance with Regulation 6(4).
- 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 2015 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 resolution pursuant to Regulation 6(7) of the 2015 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.

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 25 March 2015 .
This constitution is subject to change, depending on the final regulations.

**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 2015 (the “**2015 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 scheme 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 25 March 2015) (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 convener of the Pensions Committee and a senior officer within the Scheme Manager (the "**Review Panel**") for review. The Review Panel will check the candidates and their respective submissions with a view to excluding any candidates that, at their discretion, would have a Conflict of Interest or not meet any standards, guidance or code of practice issued by the Pensions Regulator in relation to the knowledge, understanding and expertise for a member of such a body 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, CEC will facilitate the determination of the election through the drawing of lots between the tied candidates. 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 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 consecutive 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 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 the 2015 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 2015 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 Review Panel will 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 the 2015 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 2015 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 2015 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.
- 4.3** Any individuals appointed as member of the Pension Board will require to have read, understood and signed the Lothian Pension Funds' Code of Conduct prior to taking up their role.
- 4.4** Members of the Pension Board 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 25 March 2015. This policy is subject to change, depending on the final regulations.

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 2015 (the “2015 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 Public Service Schemes/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 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 two 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.

4. Monitoring and Reporting

- 4.1 Each member of the Pensions Committee and Pension Board will inform the Scheme Manager of relevant training attended from time to time.
- 4.2 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.
- 4.3 Where the Scheme Manager has a concern that a member of the Pension Board 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.
- 4.4 This training policy will be reviewed on an ongoing basis by the Scheme Manager.

5. Reimbursement of expenses

- 5.1 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.

Committee and Consultative Panel Members' Training Record
From 1 April 2014 to 31 March 2015

Event:	NAPF	LGPS Conference Bournemouth	Investment Training	Pensions Audit Sub-Committee preparation time	Pensions Committee preparation time	Pensions Audit Sub-Committee preparation time	Pensions Committee	Union Briefing	Draft Regulations (Governance)	Hermes EOS and Standard Life Investment	Actuarial Valuation	LAPFF	Hermes training Colin Melvin	Pensions Audit Sub-Committee preparation time	Pensions Committee	NAPF Conference	Pensions Committee	Any additional training /reading /meetings	Total
Date	19 to 21/05/14	19 to 20/06/14	13/6/14	16/6/14	17/6/14	22/9/14	23/9/14	29/9/14	27/10/14	13/11/14	26/11/14	3 to 5/12/14	17/12/14	16/12/14	17/12/14	11 to 13/03/15	25/3/14		
<i>Please note 1/2 an hour preparation is given to all those that attend the audit sub committee. 1 hour is given to those who attend</i>																			
Pensions Committee																			
Maureen Child			3	n/a	0	n/a	1		2		3		0	n/a	1				10
Bill Cook	7		2	0.5	1	0.5	1		2	0	1	0	1	0.5	1				17.5
Jim Orr			3	0.5	1	0	1		2		1		1	0.5	1				11
Alasdair Rankin (Convener)			3	n/a	1	n/a	1		2		1		1.5	n/a	1			4	14.5
Cameron Rose			0	0.5	1	0.5	1		0	1.5	2.5	12	0.75	0.5	1			15	36.25
John Anzani (joined September 2013 and voted member representative to Pensions Committee)	10		0	n/a	1	n/a	1		2		3	12	1.5	n/a	1				31.5
Darren May (voted employer representative to Pensions Committee)			3	n/a	1	n/a	1		2	2.5	0	7	0	n/a	0				16.5
Lothian Pension Funds' Employer Representatives																			
Eric Adair			0	0.5	0	0.5	0		0	0	3		0	0.5	0				4.5
Guy Hughes			0	n/a	0	0	0		0		0		0		0			4	4
Alan Williamson			0	n/a	0	0	0		0		0		0		0				0
Helen Carter, (joined October 2013)			3	n/a	1	0	1		0		0		0		1			4	10
Sharon Dalli (joined September 2013)			3	n/a	0	0	0		2		0		0		0				5
Member Representatives																			
Charlie Boyd			0	n/a	0	0	1		0		3		1.5		0				5.5
John Rodgers			0	n/	1	0	1		0		3		1.5		1			1	8.5
Eric MacLennan			3	0.5	1	0.5	1	3	0		3		0	0.5	1				13.5
Owen Murdoch			0	n/a	0	0	1		2		0		1.5		1				5.5
Total																			193.75

Separate sessions/training

John Rodgers - Credited with 1 hour after discussion with John Burns regarding Valuation Report
 Guy Hughes - Credited with 4 hours for consultation with Clare Scott over the year.
 Cameron Rose - Credited with 15 hours related to LAPFF work

Helen Carter - Credited with 4 hours for consultation with Clare Scott over the year.

Alasdair Rankin - Credited with 4 hours for consultation with Clare Scott and pre meeting discussions.