

HIGHLAND COUNCIL

Committee: Pensions Committee

Date: 23 September 2020

Report Title: Governance Policy Statement 2020/21

Report By: Head of Corporate Finance and Commercialism

1. Purpose/Executive Summary

- 1.1 This report provides a copy of the Highland Council Pension Fund Governance Policy Statement to Committee for approval. The Statement sets out the governance policy statement that applies to the Highland Council Pension Fund (“the Fund”).
- 1.2 This policy statement is one of a number of key strategies, policies and procedures the Fund is required to hold, which are listed below and can be found on the Pension Fund website page.
- <http://www.highlandpensionfund.org/highland-pension-fund/about-us/forms-and-publications/>
- Statement of Investment Principles – details fund specific investment strategy (Approved by Pensions Committee and Board 8 February 2018)
 - Funding Strategy Statement – details fund specific funding strategy (Approved at Pensions Committee and Board 8 February 2018)
 - Administration strategy - details roles and responsibilities of both the Fund and employer, the level of services the parties will provide to each other and the performance measures used to evaluate these.

2. Recommendations

- 2.1 It is recommended that Committee approve the Highland Council Pension Fund Governance Policy Statement.

3. Implications

- 3.1 Resource - none
- 3.2 Legal - none
- 3.3 Community (Equality, Poverty and Rural) – none

- 3.4 Climate Change / Carbon Clever – none
- 3.5 Risk – covered in report
- 3.6 Gaelic - none

4. Administering Authority and Regulatory Framework

- 4.1 The Highland Council is the Administering Authority of the Highland Council Pension Fund covering local government employees and elected member in the Highland Council area and scheduled and admitted organisations that provide public or charitable services.
- 4.2 The Council administers the pension scheme in accordance with statutory regulations, as follows (primary act is the Superannuation Act 1972):
 - Local Government Pension Scheme (Governance) (Scotland) Regulations 2018
 - Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and subsequent amendments
 - Local Government Pension Scheme (Governance) (Scotland) Regulations 2015
 - Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
 - Public Service Pensions Act 2013
- 4.3 Statutory regulations have established the following roles and responsibilities:

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>:

Responsible Authority	Responsible for policy decisions on the pension scheme in question and for scheme regulations. Scottish Ministers fulfil this role in Scotland;
Scheme Manager	Legally responsible for the operational management of the scheme in line with legislation. Scottish Ministers have delegated this function to the Scottish Public Pensions Agency (SPPA http://sppa.gov.uk) for the eleven existing fund authorities for the Local Government Pension Scheme (LGPS).
Scheme Advisory Boards	Established for Local Government scheme and provide an important route for Ministers to seek advice around policy matters relating to the pension scheme in question. http://lgpsab.scot/
Pension Boards	Assist the Scheme Manager (Highland Council) in the operational delivery of the pension scheme in line with scheme regulations and expectations set by The Pensions Regulator (e.g. in Codes of Practice)

- 4.4 Guidance was issued by the SPPA in April 2011 requiring LGPS administering authorities to measure compliance of their governance arrangements against compliance standards. The Highland Council reports on compliance against these standards in the Fund's Annual report. The most recent version of the Annual Accounts containing the Governance Compliance statement can be found on the Highland Council Pension Fund website

<http://www.highlandpensionfund.org/highland-pension-fund/about-us/forms-and-publications/>

- 4.5 In order to comply with the 2015 Regulations a Pensions Board was established from 1 April 2015.
http://www.highland.gov.uk/meetings/meeting/3430/highland_council (Item 22).

5. Committee Structure

- 5.1 The Highland Council as administering authority has delegated all pension scheme matters to the Pensions Committee (**para 5.4**). In addition an Investment Sub Committee (**para 5.5**) has been established to enhance the Council's management and investment of the assets of the Pension Fund in accordance with the respective objectives and strategies of the Fund. The Pension Board has been in place since April 2015 and meets at the same time as the Pension Committee to consider the same agenda.

- 5.2 The Pensions Committee and Investment Sub Committee specific responsibilities are detailed in the Scheme of Delegation. The Pension Board responsibilities are below.

https://www.highland.gov.uk/downloads/file/16903/scheme_of_delegation

5.3 Pension Board

The local Pension Board was established to assist the Scheme Manager (The Highland Council) to comply with the rules relating to scheme governance and administration and complying with the requirements set out by The Pensions Regulator.

The key role of the Pension Board is to help ensure the Highland Council Pension fund complies with governance and administration requirements.

More details on the remit of the Board are at **Appendix 1**. The Pension Board Constitution is included at **Appendix 4**.

5.4 Pensions Committee

The Pensions Committee's specific functions include setting the Funds' objectives and ensuring that appropriate strategies, policies and procedures are put in place to achieve these objectives. This requires setting and agreeing strategies, policies and procedures and reviewing these. The remit of the Committee is at **Appendix 2**.

5.5 Investment Sub-Committee

The Investment Sub-Committee will exercise the delegated powers and duties of the Pension Committee in relation to the management and investment of the Fund's assets. The remit of the Sub-Committee is at **Appendix 3**.

6. Representation

- 6.1 Details of all Committee Membership can be found on the Council's website

http://www.highland.gov.uk/info/20003/committee_information/483/pensions_committee_and_board/5

6.2 The membership of the Committees is as follows

Pensions Committee 11 Highland Council Members

Pensions Board 1 Comhairle nan Eilean Siar Member (non-voting)
1 other scheme employer representative
2 Highland Council Members
4 scheme member representatives

Investment Sub Committee 7 Highland Council Members
1 Comhairle nan Eilean Siar Member (non-voting)
1 Scheme Member representative (non-voting)
2 Pension Board observers

7. Frequency of meetings

7.1 The Pension Committee meets at least twice a year with the option to hold special meetings as necessary.

7.2 The Investment Sub-Committee meets at least four times a year with the option to hold special meetings as necessary.

8. Conduct of meetings

8.1 Meetings should be conducted in line with the Council's conduct of meetings, video conferencing and webcasting protocols.

https://www.highland.gov.uk/downloads/download/620/conduct_of_meetings_and_protocols

8.2 Due to Covid-19 Emergency measures and social distancing requirements where meetings are held online, the online meeting protocol should be followed.

9. Role of Trustee

9.1 Members of the Pensions Committee and the Investment Sub-Committee are in a similar position to trustees in the private sector¹. Trustees owe a duty of care to their beneficiaries and are required to act in their best interests at all times, particularly in terms of their investment decisions.

9.2 In relation to LGPS, the Member's role is often referred to as the "quasi trustee role".

9.3 The "quasi trustee role" can be defined as; the fiduciary duty to scheme beneficiaries, which must always be put before the interests of individuals, individual groups or sectors represented on the Committee.

¹http://sppa.gov.uk/Documents/Local%20Government/Useful%20Resources/Circulars/2011/Draft_Governance_compliance_guidance_Final_April_2011.pdf

- 9.4 Beneficiaries are defined as the Fund's members (employees, pensioners and deferred pensioners) as well as the Fund employers (there are 29 employers covered by the Fund). Membership of the Pensions Committee and Investment Sub-Committee includes 2 non-voting members representing other employers (Comhairle nan Eilean Siar and current vacancy) and 2 Pension Board observers. These beneficiaries are a specifically defined group, distinct from the wider interests the Council will wish to serve through its normal course of business.
- 9.5 There is a body of case law and legal opinion which provide further clarification and reinforcement of the trustee and quasi trustee role in relation to Pension Funds. Guidance on the role of trustees has also been provided by the Scheme Advisory Board <http://lgpsab.scot/fiduciary-duty-guidance/>
- 9.6 It is recognised that by acting in the interests of the Fund's beneficiaries, this may well conflict with the Council's wider interests in relation to the Highland community, economy, etc. Given the potential for conflicts of interest, the very specific governance arrangements relating to the Pension Fund are addressed through:
- The establishment of the separate Pensions Committee and Board and Investment Sub-Committee, separate to other Council Committees, to provide separate and distinct governance structures for the Pension Fund.
 - The preparation and maintenance of a governance policy statement, setting out the specific governance arrangements for the Fund.
 - Regular training for members in Pension Fund matters (covered further in the next section).

10. Training

- 10.1 As part of good governance, administering authorities should also ensure that
- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively.
 - Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.
- 10.2 The Fund recognises the importance of training as a key aspect of good governance, and has a separate training policy available which will be considered as a separate item on this agenda.
- 10.3 There are a number of statements that were adopted by Pensions Committee in 2013 with regards to training which are as follows:
1. The Pensions Committee adopts the key recommendations of the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.
 2. The Pensions Committee recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

3. Accordingly the Pensions Committee will ensure that it has adequate resources, formal and comprehensive objectives, policies (see below) and practices, strategies and reporting arrangements for the effective acquisition and retention of the relevant public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
5. The Pensions Committee will report annually on how these policies have been put into practice throughout the financial year.
6. The Pensions Committee has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the Head of Corporate Finance and Commercialism who will act in accordance with the Pension Committee's policy statement and with CIPFA Standards of Professional Practice (where relevant).

11. Code of Conduct

- 11.1 All members of the Highland Council must comply with the Highland Council Code of Conduct for Councillors.
https://www.highland.gov.uk/info/772/politicians_elections_and_democracy/470/councillors_information
- 11.2 All members of the Pension Committee and Investment Sub-Committee should be aware of any potential conflicts of interest and the correct process to follow in such circumstances.
- 11.3 Member training and the implementation of the CIPFA Skills and Knowledge Framework (see section 9) provide the Fund with further opportunities for training in areas of governance.

12. Risk Management

- 12.1 There is a risk strategy in place that sets out the Fund's approach to risk management.
- 12.2 A key element of this strategy is to have a risk register in place which is regularly reviewed and reported to Committee. This risk register was drafted using the best practice set out in the CIPFA guidance on "Managing risk in the LGPS".
- 12.3 As part of the risk management process the following items were identified and recorded in the risk register:
 - the key objectives of the Fund;
 - risks that would prevent these being achieved; and
 - mitigating controls

The risks were then graded and scored as Red, Amber or Green depending on the impact and likelihood of the risk and taking into account any mitigating controls.

- 12.4 Risk awareness is embedded into the investment strategy and investment performance management processes.

13. Fraud Detection and Whistleblowing

- 13.1 As an extension of the Fund's risk management approach, through this policy statement the Fund has adopted the Highland Council Whistleblowing and Anti-Fraud/Ant-Corruption policies which are available from the following links.

Whistleblowing policy:

https://www.highland.gov.uk/peopleandperformance/downloads/file/502/whistleblowing_policy

Anti-fraud/Anti-corruption policy:

http://www.highland.gov.uk/staffsite/downloads/file/2132/revision_of_the_councils_anti_fraud_and_anti_corruption_policy

14. Operational responsibilities

- 14.1 Under delegated powers, the Head of Corporate Finance and Commercialism has responsibility for implementing the decisions of the Pensions Committee.
- 14.2 The administration of the Pension Fund is completed by the Pensions Section reporting to the Head of Corporate Finance and Commercialism. The investment management administration of the Pension Fund is completed by the Corporate Budgeting, Taxation and Treasury Section reporting to the Head of Corporate Finance and Commercialism.

15. Professional Advisers and External Providers

- 15.1 Hymans Robertson was appointed to act as Actuary to the Fund from 01/04/13. The services provided include advice on funding, the provision of actuarial valuations and administrative facilities.
- 15.2 Aon Solutions UK Limited was appointed with effect from 01/04/13 to act as Investment Advisers to the Fund. The services provided include advice on investment strategy, including the establishment of strategic asset allocation benchmarks and any associated ad-hoc investment considerations.
- 15.3 Seven investment managers have been appointed to manage specific mandates with another Manager recently appointed. Details of the manager appointments are contained in the Fund's Statement of Investment Principles. Managers have responsibility for the selection, retention and realisation of individual investments held within their portfolios and the performance of their respective mandates.
- 15.4 The Fund has appointed Northern Trust as global custodian. They are responsible for ensuring safe custody of the Fund's assets managed by the appointed investment managers and providing consolidated accounting and performance reporting services to the Fund.

16. External and Internal Scrutiny

- 16.1 There is a statutory requirement to prepare an Annual Report & Accounts for the Highland Council Pension Fund which is subject to external audit and which is separate from the accounts of Highland Council. The Fund's external auditors are appointed by Audit Scotland and this helps ensure that public funds are being properly safeguarded and accounted for in accordance with statutory and regulatory requirements.
- 16.2 The Highland Council provides an internal audit service to the Pension Fund and an annual audit program is agreed between the Executive Chief Officer, Resources and Finance and the Corporate Audit & Performance Manager.

17. Stakeholder Communication

- 17.1 All papers and minutes for the Pensions Committee and Investment Sub Committee are available on the Council's website, (except for exempt items).
http://www.highland.gov.uk/info/20003/committee_information/483/pensions_committee_pc
- 17.2 A Pension Fund Annual Report and Accounts is prepared annually in accordance with regulatory and recognised Accounting Code of Practice requirements. Copies are emailed to all fund employers and to the Scottish Ministers. A summary of the Report and Accounts is made available to all pension fund members.
<https://www.highlandpensionfund.org/highland-pension-fund/about-us/forms-and-publications/>
- 17.3 All policy documents, including the Annual Report and Accounts, Valuation Reports and various policy documents are published on the Fund's website.
<https://www.highlandpensionfund.org/>
- 17.4 Communication with scheme members is undertaken through the annual distribution of an on line personal benefit statement. Pensioners receive an annual update in respect of the Pension Increase Act and monthly pension pay advice statements are available on line. There is a Pension Fund website where all current newsletters and relevant publications are available for scheme members.
<http://www.highlandpensionfund.org/>

Designation: Head of Corporate Finance and Commercialism

Date: 7 September 2020

Author: Catriona Stachan, Accountant

Background Papers: CIPFA Code of Practice: Public Sector Pensions Finance Knowledge and Skills, Pensions Regulator website, Scheme of Delegation

Appendix 1

Pensions Board

1. General

To assist the Scheme Manager (The Highland Council) to comply with scheme regulations and the requirement of The Pensions Regulator.

2. Specific

2.1 The role of the Pensions Board is to assist the Scheme Manager (The Highland Council) to comply with scheme regulations and the requirement of The Pensions Regulator.

As required by the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015

1) There shall be established for each Scheme manager a Pension Board with responsibility for assisting the Scheme manager in relation to the following matters.

2) Those matters are—

- a) securing compliance with the 2014 Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the Scheme and any connected scheme by the Pensions Regulator;
- c) such other matters as the 2014 Regulations may specify

2.2 The Pension Board will determine the areas they wish to consider including, amongst others:

- Reports produced for the pensions committee
- Seek reports from the scheme managers on any aspect of the fund
- Monitor investments and the investment principles/strategy/guidance
- The fund annual report
- External voting and engagement provisions
- Fund administrative performance
- Actuarial reports and valuations
- Funding policy
- Any other matters that the pensions board deem appropriate

2.3 The Pension Board is not a decision making body.

2.4 The Pension Board is not a scrutiny function.

2.5 The Pension Board will be collectively and individually accountable to the Pensions Committee.

Appendix 2

Pensions Committee terms of reference

1. General

To exercise on behalf of the Council all the powers and duties of the Council in relation to its functions as Administering Authority of The Highland Council Pension Fund (the Fund) except where they have been specifically delegated by the Council to another Committee or to an officer(s).

2. Specific

- 2.1 To ensure that the Fund complies with best practice.
- 2.2 To ensure that the Fund complies with the relevant Local Government Pension Scheme Regulations and all other legislation governing the administration of the Fund.
- 2.3 To review the Annual Report and Accounts of the Fund.
- 2.4 To review the results of the Triennial Actuarial Valuation of the Fund
- 2.5 To set the Funds' objectives and ensure appropriate strategies, policies and procedures are put in place and kept up to date with a view to achieving these objectives including:
 - a) To set the Investments Strategy (including strategic asset allocation) and associated policies for the Pension Fund and Inverness Common Good Fund, and oversee the Investment Sub-Committee in the implementation of Investment Strategy and policies
 - b) To set the Funding Strategy and associated policies, and to set the policy on funding matters for employers joining and leaving the Fund
 - c) To ensure consistency between the Fund's Investment Strategy and Funding Strategy and the implementation of those strategies.
 - d) To set the Administration Strategy ensuring appropriate arrangements for the administration of benefits are in place and demonstrate the operational efficiency of the administration of benefits through the use of key performance indicators
 - e) To set the strategy for communicating with Scheme employers and employees in the Fund.
 - f) To agree the Fund's Governance Policy.
- 2.6 To ensure the delivery of the Funding Strategy ensuring the ongoing monitoring and management of the liabilities as appropriate.
- 2.7 To review, as appropriate, the Governance Structure of the Pension Scheme to set out the responsibilities of Elected Members, officers, investment managers, advisors, custodians and the actuary to the Scheme, including delegated powers and make recommendations to the Council for changes where necessary.
- 2.8 To ensure appropriate Additional Voluntary Contribution (AVC) arrangements are in place and review investment performance on such contributions.

- 2.9 To set and monitor progress against annual business plans for the Fund.
- 2.10 To develop and maintain a trustee training policy.
- 2.11 To develop and maintain a risk management strategy.
- 2.12 To exercise Pension Fund discretions on behalf of the Administering Authority.
- 2.13 To appoint, dismiss and assess the performance of advisors to the Fund including investment advisers and actuaries.
- 2.14 To agree where appropriate the Administering Authority responses to consultations by Central Government, professional and other bodies in relation to key consultations.
- 2.15 The approval of Admitted Bodies.
- 2.16 To monitor and oversee the work of the Investment Sub-Committee and carry out any of that Sub-Committee's responsibilities if appropriate.
- 2.17 To approve the annual Audit Plan and consider the programme of internal audit work during the year.
- 2.18 To consider (for its interests) the outcomes and action plan arising from internal audit reports together with assurance that audit recommendations are satisfactorily implemented.
- 2.19 To consider the annual Action Plan produced by the External Auditor in respect of the Pension Fund.
- 2.20 To consider (for its interests) the management and audit reports produced by the External Auditor.

Appendix 3

Investment Sub Committee terms of reference

1. Pension Fund

- 1.1 To exercise the delegated powers and duties of the Pension Committee in relation to the management and investment of the Fund's assets. This will include the following specific functions
- 1) To ensure that the management and investment of assets complies with best practice;
 - 2) To ensure that the Fund complies with the relevant Local Government Pension Scheme Regulations and all other legislation governing the administration of the Fund as they relate to the management and investment of the Fund's assets;
 - 3) To ensure the delivery of the Funds' investment objectives, strategies and policies and that they are kept up to date;
 - 4) To appoint, dismiss and assess the performance of investment managers, custodians and other advisers involved with the management and investment of assets and/or funding of liabilities; and
 - 5) To undertake any task delegated to it by the Pensions Committee.

2. Common Good

- 2.1 Also to exercise on behalf of the Council all the powers and duties of the Council in relation to the management and investment of the Inverness and Nairn Common Good Funds, except where they have been specifically delegated by the Council to another Committee or to an officer(s). This will include the following specific functions:
- 1) To ensure that the management and investment of assets complies with best practice.
 - 2) To ensure that the investment of the Fund complies with the relevant legislation.
 - 3) To ensure the delivery of the Funds' investment objectives, strategies and policies, ensuring procedures are put in place and kept up to date
 - 4) To appoint, dismiss and assess the performance of investment managers, custodians and other advisers involved with the management and investment of assets.

Appendix 4

The Highland Council Pension Fund

Pension Board Constitution

Introduction

The Highland Council (the “**Scheme Manager**”) is required to establish a Pension Board for the purposes of facilitating the administration of the Highland Council Pension Fund (the “**Fund**”). 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 Fund (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. 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. four Employer Members; and
- b. four 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 twice a year 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 Meetings of the Pension Board may (as well as being conducted by all members being present together in a pre-determined place) be conducted in any other way in which each member is enabled to participate although not present with others in such a place.

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(3) 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(5).
- 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 ceases to be an elected councillor of an employee Member
 - c. that person is convicted of a serious criminal or civil offence or is declared bankrupt;
 - d. that person has become physically or mentally incapable of acting as a Member and may remain so for more than three months; or
 - e. 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.
 - f. Where a person ceased to be an employee of a scheme employer.
- 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(8) 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 Fund, provided that the Pension Board has sought prior approval of the Scheme Manager before incurring such costs.
- 11.2 The Fund 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 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.

Revised 8 August 2019