



# Scottish Public Service Pensions Governance Review

February 2017

Use of and reliance on this report is limited – please see limitations and compliance set out in Appendix 1 (page 44) for further detail.



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# Executive Summary & Recommendations

# Executive Summary

## Introduction

- In 2015 the Scottish Government established Pension Boards and Scheme Advisory Boards (collectively known as ‘the Boards’) for the public service pension schemes in Scotland, namely those for:
  - The Firefighters’ Pension Schemes (‘Firefighters’ Schemes)
  - The Scottish Local Government Pension Scheme (‘LGPS’)
  - The National Health Service Superannuation Scheme (Scotland) (the ‘NHS’ Scheme)
  - The Police Pension Schemes (‘Police’ Schemes)
  - The Scottish Teachers’ Superannuation Scheme (‘Teachers’ Scheme)
- In their role as pensions policy advisers to the Scottish Government, the Scottish Public Pensions Agency (‘SPPA’) was charged with the design and delivery of these new arrangements. As part of this process, and on behalf of Scottish Ministers, they undertook to review the governance arrangements for these boards within two years of their establishment. This report is the result of that commitment.

## Our approach

- In order to consider the views from the wide range of individuals involved in the delivery of the new arrangements, we sought to contact as many Board members and other key stakeholders as possible.
- We conducted face-to-face/telephone interviews with 47 individuals from a variety of roles, including conversations with individuals involved in pensions governance outside of Scotland.
- Additionally, we collected the views of 104\* Board members using an online questionnaire. Full results of our questionnaire can be found in Appendix 4 of this report

\* This includes two submissions from one individual who sits on two separate Boards



- We also conducted more conventional research using the internet and analysing documents passed to us by individuals and those published on scheme websites and by the wider pensions industry.

## Our findings

- Firstly, it is very important to state that the Board members we met and spoke with at interviews were mostly very positive about the purpose of the Pension Boards and Scheme Advisory Boards and their individual roles as members of these Boards.
- It is recognised that a great deal of hard work and thought has been expended in setting up the Boards and SPPA, the Scottish Government and Local Authorities deserve credit for establishing the Boards on time and in compliance with the regulations.
- It is equally important to recognise that it was always highly likely that adjustments and changes to the Boards would be necessary once they had time to meet, establish their purpose and ‘test the system’ and, above all, review their own Terms of Reference.
- Scottish Ministers are the Responsible Authority for the governance arrangements for the public service pension schemes in Scotland. Local Authorities fulfil the role of Scheme Manager for their LGPS funds and SPPA has been delegated the role of Scheme Manager for the unfunded schemes (Firefighters, NHS, Police and Teachers).
- However, as the Scottish Government’s executive agency for public service pensions, the SPPA does retain overall responsibility for the governance and administration of the schemes. It is therefore appropriate that it considers changes to the Board structures and Terms of Reference for the Boards if it considers this to be in the interest of the schemes, their members and employers.

# Executive Summary (continued)

## Our findings (continued)

- Our research has led us to make a number of recommendations for the Scottish Government and SPPA to consider. We have broken these recommendations down under the following five themes:
  1. Roles and Responsibilities
  2. Training
  3. Support for Boards
  4. Board Composition
  5. Board Interaction
- On the pages that follow we have set out a summary of our recommendations to the Scottish Government and SPPA.

# Recommendations

On the following four pages we have set out a summary of the 18 recommendations we have made following our research. Further details on the reasoning behind each recommendation can be found on pages 22-37 of this report.

Roles and Responsibilities	1	Scottish Government to consider tasking the LGPS Scheme Advisory Board to demonstrate that the local LGPS Pension Boards have achieved a <b>reasonable working balance between the oversight of the local pension funds and the good governance and administration of the schemes</b> , as required by the Public Service Pensions Act 2013 ('the 2013 Act') and the Pensions Regulator's Code of Practice 14.
	2	On behalf of the Scottish Government, SPPA should consult with the Pensions Regulator and other relevant bodies to <b>develop appropriate guidance</b> for all Pension Board and Scheme Advisory Board members on <b>what is expected of them</b> , citing examples of best practice as appropriate. For example, this guidance should include what 'assisting the Scheme Manager' means in practice.

Training	3	SPPA, in its role as Scheme Manager, together with Local Authorities filling the same role for the LGPS, should <b>ensure an annual training plan is in place</b> for all Board members . This should cover those subjects common to all Boards as well as addressing issues specific to the challenges faced by different Boards.
	4	All Pension Board and Scheme Advisory Board members should be <b>required to undertake the Pensions Regulator on-line training</b> as part of their induction training.
	5	<b>Training logs</b> from all Boards should be <b>submitted on a regular basis</b> to SPPA (for unfunded Scheme Pension Boards and Scheme Advisory Boards and the LGPS Scheme Advisory Board) or the LGPS Scheme Advisory Board (for LGPS Pension Boards).

# Recommendations (continued)

Support for Boards	6	<p>Scheme Manager to ensure a <b>consistently high standard of support</b> is provided to the Boards it supports, preferably from <b>dedicated staff</b> to enable a consistency in approach</p> <p>All Boards should issue papers and agendas and publish minutes within agreed timescales, thus allowing members sufficient time to prepare themselves for meetings</p>
	7	<p>SPPA should establish and set out clearly <b>what level of support for Boards is appropriate</b> within the available resources</p>
	8	<p>SPPA to consider <b>appointing four dedicated pension managers</b>, one for each of the four unfunded schemes, to act as the focal point for all SPPA interaction with the Scheme Advisory Boards and Pension Boards</p> <p>The pension manager would attend all relevant Scheme Advisory and Pension Board meetings on behalf of SPPA</p>
	9	<p>All relevant information concerning public service pension Boards, including the LGPS Boards, should be <b>published in one central location</b> (for example the SPPA website).</p> <p>This website should include the Terms of Reference for each Board, meeting minutes, annual reports and details of all Board members</p> <p>It would also be helpful if references to each of the LGPS Pension Boards used a <b>common naming convention</b></p> <p>Such a depository of information will enable members of pension schemes and the general public to easily find relevant information and facilitate comparison where appropriate</p>



# Recommendations (continued)

Board Composition	10	Scottish Government may wish to <b>seek assurances</b> that the two largest Boards <b>require a membership of 14 and 24</b> , when the majority appear to be able to discharge their duties with an average of fewer than 10 members
	11	In consultation with Board members, and in particular Board Chairs, a <b>succession plan</b> is put in place for each Board to ensure a balance is struck between ensuring sufficient experience is retained whilst also introducing new blood to the Boards
		In the absence of an alternative suggestion, <b>tenures of three years</b> are proposed, with the opportunity to serve an additional term if agreed
	12	The current practice of appointing <b>independent Chairs</b> for the four unfunded scheme Pension Boards has worked well and <b>should continue</b>
		The value of using <b>independent Vice-Chairs</b> is less clear and after the next round of member appointments/extensions, SPPA in consultation with the relevant Boards should <b>review the need for these posts</b>
	13	The current practice of SPPA, on behalf of Scottish Government, providing the Chair for the Firefighters' Scheme Advisory Board and the Police Scheme Advisory Board <b>should cease</b>
		<b>A new Chair</b> for each of these two Boards should be <b>appointed as soon as possible</b> and consideration should be given to the post being given to <b>an independent candidate</b> . Furthermore, consideration should be given to <b>future Chairs of all the Scheme Advisory Boards being independent appointments</b> .
14	<b>Cease the practice of independent Chairs attending the SPPA Corporate Board as a matter of course.</b> They should be invited as observers, when appropriate.	
15	It is recommended that the Scottish Government takes steps to ensure that its Boards <b>reflect the diversity</b> of the members that they represent  In particular, <b>pensioners should be represented</b> on Boards as member representatives	

# Recommendations (continued)

Board Interaction	16	Consideration should be given to <b>establishing a formal distribution of minutes</b> between Pension Boards and their respective Scheme Advisory Boards
	17	All Pension Board members and Scheme Advisory Board members should be encouraged to <b>attend other Pension and Scheme Advisory Board meetings</b> wherever this is practicable and at least once during their tenure
	18	An <b>annual public service pensions conference</b> should be organised for all Board members to attend SPPA is probably best placed to take on this task



# Review

# Introduction

## Introduction

- In 2015 the Scottish Government established Pension Boards and Scheme Advisory Boards for the public service pension schemes in Scotland, namely those for the Firefighters, Local Government, NHS, Police and Teachers.
- In their role as pensions policy advisers to the Scottish Government, the SPPA was charged with the design and delivery of these new arrangements. As part of this process, and on behalf of Scottish Ministers, they undertook to review the governance arrangements for these boards within two years of their establishment. This report is the result of that commitment.
- Terms of Reference, developed in partnership, have previously been issued to all the relevant Boards and details of each of the Boards' composition can be found in Appendix 2 of this report.
- Essentially this report has considered whether the current Boards are meeting their remit to provide advice and assurance to the relevant authorities and scheme members.
- In addition to this, we have gathered evidence from a variety of stakeholders and subject matter experts and considered whether any changes may be necessary to improve the efficiency and effectiveness of the Boards.
- In particular, the Hutton Commission examined existing governance arrangements for public pension boards and recommended a number of changes to more closely align them with those that existed in the private sector. For example, member participation in pension boards and the compulsory issue of annual pension statements to scheme members.
- The 2013 Act established in law a number of definitions, requirements and responsibilities for the relevant bodies/individuals charged with administering public service pension schemes.
- The following provisions were included in the various individual scheme regulations enacted into law in Scotland:
  - **Responsible Authority:** the person or body with overall responsibility for a public service pension scheme. In Scotland this role has been allocated to Scottish Ministers, with the Cabinet Secretary for Finance and the Constitution operating as Scotland's Minister for all public service pension pensions.
  - **Scheme Manager:** the Scheme Manager for the Local Government Pension Scheme (LGPS) is the relevant local pension fund authority. For the Firefighters', NHS, Police and Teachers' pension schemes it is the Scottish Ministers who have delegated this responsibility to the SPPA.

## Background

- In 2013 the UK Government passed into law the Public Service Pensions Act 2013 ('the 2013 Act'). This built upon the recommendations of Lord Hutton's Independent Public Service Pension Commission which published its final report in March 2011.



# Introduction (continued)

- **Pension Boards:** are responsible for assisting the Scheme Manager in securing compliance with:
  - i. the scheme regulations
  - ii. other legislation relating to the governance and administration of the scheme
  - iii. requirements imposed by the Pensions Regulator
  - iv. other matters the scheme regulations may specify.

Pension Boards must include '*employer representatives and member representatives in equal numbers*'. Other individuals, such as independent experts, may attend Pension Board meetings in an advisory capacity.

- **Scheme Advisory Board:** the Scheme Advisory Board for each pension scheme is responsible for providing advice to the Responsible Authority, at the Authority's request, on the desirability of changes to the scheme (rules).
- In making the regulations the Responsible Authority must have regard to the desirability of securing the effective and efficient governance and administration of the scheme and any connected scheme.
- The Scottish Government had discretion as to who should serve on the Boards, broadly what business Boards should conduct, when and where they should meet and, in the case of the locally managed LGPS, how many Pension Boards there should be.

- Following partnership (trades unions, employers and SPPA/Scottish Government) discussions over a number of months, five Scheme Advisory Boards were established, one for each of the Scottish Firefighters', Local Government, NHS, Police and Teachers' schemes. Additionally, 15 Pension Boards (eleven for the LGPS and one each for the other four pension schemes) were put in place.
- As public service pension policy advisers to the Scottish Government, the SPPA oversaw the development and delivery of these new arrangements, though the Terms of Reference for and composition of the Scheme Advisory Boards and Pension Boards were agreed in partnership (between the SPPA, employers and trade unions).
- The 2013 Act also paved the way for the Pensions Regulator to become formally involved in the oversight of the governance of public service pension schemes. We discuss in our report the role of the Pensions Regulator and the significance of their online training.
- We were informed that the current membership requirements of the Pension Boards and Scheme Advisory Boards was the result of detailed and lengthy tripartite (Scottish Government, Trade Unions and Employers) discussions. These sought to balance the requirement for new governance arrangements with those structures that already existed, often in the form of negotiating bodies. The scale of this challenge is fully recognised as was achieving consensus. Later in this report we comment on whether further adjustments may be necessary to improve on these arrangements.

# Introduction (continued)

## Scotland's Public Service Boards

- Below are details of the Scheme Advisory Boards and Pension Boards in place for Scotland's Public Service Pension Schemes established under the Public Services Pensions Act 2013.
- Further details on each of the Boards can be found in Appendix 2 of this report.

### Pension Boards

1. NHS Pension Scheme (Scotland) Pension Board
2. Scottish Firefighters' Scheme Pension Board
3. Scottish Police Pension Scheme Pension Board
4. Scottish Teachers' Pension Scheme Pension Board

### Local Government Pension Scheme Pension Boards

1. North East Scotland Pension Board
2. Dumfries & Galloway Pension Board
3. Tayside Pension Fund Board
4. Falkirk Council Pension Board
5. Fife Council Pension Board
6. Highland Council Pension Board
7. Lothian Pension Fund Pension Board
8. Orkney Islands Council Pension Board
9. Scottish Borders Council Pension Board
10. Shetland Islands Pension Board
11. Strathclyde Pension Fund Pension Board

### Scheme Advisory Boards

1. NHS Pension Scheme (Scotland) Advisory Board
2. Scottish Firefighters' Scheme Advisory Board
3. Scottish Local Government Pension Scheme Advisory Board
4. Scottish Police Pension Scheme Advisory Board
5. Scottish Teachers' Pension Scheme Advisory Board

# Our Approach

- The Terms of Reference for this review, set out in Appendix 3 to this report, guided our approach and focused our study.
- It is important that the views of those involved in the delivery of the governance of the Scottish public service pension schemes are at the heart of this report and accordingly we have sought to speak with as many members of the Boards and key stakeholders as has been possible.

## Interviews

- We spoke directly with 47 individuals as part of our research for this report.
- The majority of our discussions took the form of face-to-face interviews held in Glasgow, Edinburgh, Tweedbank and London.
- In addition to this, we conducted some interviews by telephone for those who were unable to meet us in person, usually due to travel or time constraints.
- Our interviews covered the full spectrum of Board members, with a number of Board Chairs and both employer and member nominated representatives volunteering to speak with us.
- We also held interviews with officials of the Scottish Government, SPPA and the LGPS Local Authorities.
- Separately, the Chairs of the Police Pension Scheme Advisory Board and the Firefighters' Pension Scheme Advisory Boards for the equivalent English schemes were interviewed, as was a representative of the Pensions Regulator.
- A full list of the individuals who participated in face-to-face/telephone interviews can be found on page 17 of this report.

## Questionnaire

- In addition to our face-to-face/telephone interviews, we conducted an on-line questionnaire which was sent to 202 individuals who serve as members of the Boards or act as supporting staff to the Boards.
- Two versions of the questionnaire were produced, one for Pension Boards and one for Scheme Advisory Boards. Many of the questions were common to both sets of Boards, however other questions reflected the different mandates and constraints of the two groups. We have included a copy of the questionnaires in Appendix 4 of this report for reference.
- The majority of questionnaires were returned to us online, but some individuals who experienced technical issues submitted paper versions of their response.
- In total we received 104\* completed questionnaires, which represents approximately 51% of those issued. Conventional polling wisdom suggests that a response rate of anything above 20% is 'good' and thus we are delighted and grateful that so many found the time to submit their views to us and assist in the crafting of this report. SPPA's support in ensuring this was achieved is acknowledged.
- A full summary of the individuals who completed our online questionnaire can be found on pages 18-19 of this report.
- Full details of the questionnaire responses can be found in Appendix 4 of this report.

## Other research

- In addition, we conducted conventional research, searching the internet and analysing numerous documents sent to us by individuals and those published on scheme websites and by the wider pensions industry.

\* One individual who sits on two Boards submitted separate responses in respect of each role



# Key Stakeholders

There are a large number of stakeholders involved in the delivery and ongoing management of Scottish public service pensions and it was therefore essential that our review collected the opinions of as many of these parties as possible. The diagram below illustrates the key stakeholders involved in our review.





# Interview Attendees

**Key**  
 VC – Vice Chair  
 E – employer nominated representative  
 M – member nominated representative  
 SAB – Scheme Advisory Board

– The tables below provide details of the 47 individuals who attended interviews (face-to-face or telephone) as part of our research.

	Fire	NHS	Police	Teachers	LGPS
Pension Board	<ul style="list-style-type: none"> <li>Allan Martin (Chair)</li> <li>Stephen Thomson (M)</li> </ul>	<ul style="list-style-type: none"> <li>Tim McKay (Chair)</li> <li>Graham McKirdy (M)</li> </ul>	<ul style="list-style-type: none"> <li>Charles Winstanley (Chair)</li> <li>Andrew Barker (M)</li> <li>Sharon Dalli* (E)</li> <li>Doug Keil (M)</li> </ul>	<ul style="list-style-type: none"> <li>George Brechin (Chair)</li> <li>Jennifer Adams (VC)</li> </ul>	<ul style="list-style-type: none"> <li>Jim Anderson – Lothian (Chair &amp; M)</li> <li>Robert Gordon – Strathclyde (Joint Chair &amp; M)</li> <li>Andrew Spowart – Strathclyde (Joint Chair &amp; E)</li> <li>Sharon Dalli* - Lothian (E)</li> <li>Eoin Millar – Orkney (M)</li> <li>Gordon Pryde – Fife (M)</li> <li>Andy Thompson – Strathclyde (M)</li> <li>Alan Walker – Aberdeen (M)</li> </ul>
Scheme Advisory Board	<ul style="list-style-type: none"> <li>Glyn Morgan (M)</li> <li>Iain Shaw (E)</li> </ul>	<ul style="list-style-type: none"> <li>Alan Robertson (M)</li> </ul>	<ul style="list-style-type: none"> <li>Craig Suttie (M)</li> </ul>	<ul style="list-style-type: none"> <li>Dave Wilkinson (M)</li> </ul>	<ul style="list-style-type: none"> <li>Dave Watson (M &amp; Joint-Secretariat)</li> <li>Alasdair Rankin (E)*</li> </ul>

SPPA	Scottish Government	LGPS Officers	Other
<ul style="list-style-type: none"> <li>Ross Paterson (Chief Executive)</li> <li>Chad Dawtry (Director of Policy)</li> <li><i>SPPA Finance</i>: Jane Murray</li> <li><i>SPPA Operations</i>: Pam Brown</li> <li><i>SPPA Policy</i>: Jim Preston, Annette Greenslade, Ian Mitchell, Sharon Liptrott, Lorraine Gallagher, Kim Linge</li> <li><i>SPPA secretariat support</i>: Chris Raftery, Sam Burns</li> </ul>	<ul style="list-style-type: none"> <li>Malcolm Clark (NHS SAB)</li> <li>Stephanie Walsh (Teachers SAB)</li> </ul>	<ul style="list-style-type: none"> <li>Clare Scott (Chief Executive, Lothian Pension Fund)</li> <li>Alasdair Rankin* (Committee Convenor, Lothian Pension Fund)</li> <li>Richard McIndoe (Director, Strathclyde Pension Fund)</li> <li>David Robertson (Chief Financial Officer, Scottish Borders Council)</li> <li>Kirsty Robb (Scottish Borders Council)</li> </ul>	<ul style="list-style-type: none"> <li>Liz Holmes (SPPA Audit &amp; Risk Committee member)</li> <li>Sheena Cowan (SPPA Corporate Board, Non-Executive Director)</li> <li>The Pensions Regulator (Helen Gibson)</li> <li>Malcolm Eastwood (Fire SAB Chair, England)</li> <li>Elizabeth France (Police SAB Chair, England)</li> </ul>

\* Sharon Dalli is a member of two Boards and provided her view from both perspectives during interview. Alasdair Rankin also provided two points of view, through both his role as Committee Convenor at Lothian Pension Fund and his position as an employer nominated representative on the LGPS SAB

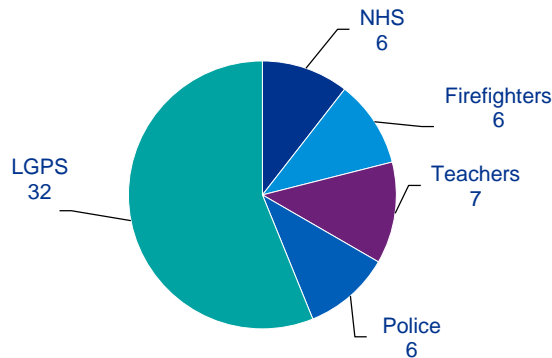
# Questionnaire Respondents

Our online questionnaire was sent to 202 individuals, 104\* of whom submitted responses. The charts below provide details of the split of respondents between the various Boards and also by the role of the individuals.

## Pension Board Respondents

- **57 Pension Board members** responded to our survey and were split between the Boards as shown in the charts below:

**Respondents - Pension Boards**

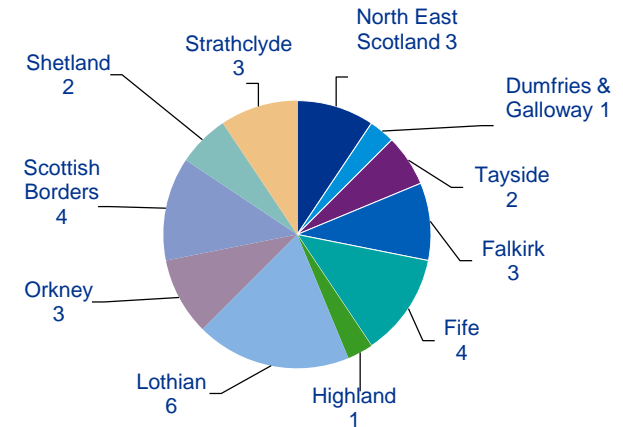


Pension Board	No. of responses
NHS Pension Scheme (Scotland) Pension Board	6
Scottish Firefighters' Scheme Pension Board	6
Scottish Teachers' Pension Scheme Pension Board	7
Scottish Police Pension Scheme Pension Board	6
A Scottish Local Government Pension Scheme Pension Board	32
<b>Total</b>	<b>57</b>

\* This includes two submissions from one individual who sits on two separate Boards

- Of the 57 Pension Board members who responded to our survey, **32 were members of LGPS Pension Boards** and were split between the local fund Boards as detailed below:

**Respondents - LGPS Pension Boards**



LGPS Pension Board	No. of responses
North East Scotland Pension Board	3
Dumfries & Galloway Pension Board	1
Tayside Pension Fund Board	2
Falkirk Council Pension Board	3
Fife Council Pension Board	4
Highland Council Pension Board	1
Lothian Pension Fund Pension Board	6
Orkney Islands Council Pension Board	3
Scottish Borders Council Pension Board	4
Shetland Islands Pension Board	2
Strathclyde Pension Fund Board	3
<b>Total</b>	<b>32</b>

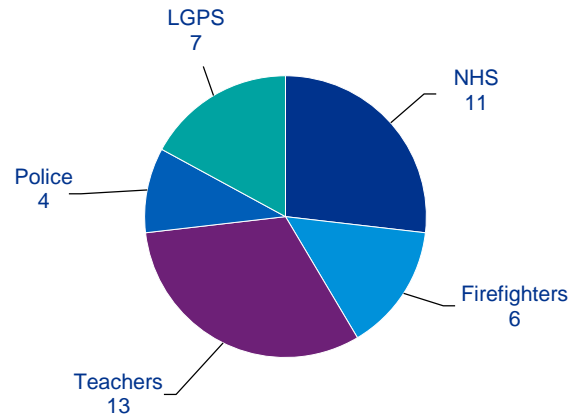


# Questionnaire Respondents

## Scheme Advisory Board Respondents

- **41 Scheme Advisory Board members** responded to our survey and were split between the Boards as shown in the chart below:

### Respondents - Scheme Advisory Boards



Scheme Advisory Board	No. of responses
NHS Pension Scheme (Scotland) Advisory Board	11
Scottish Firefighters' Scheme Advisory Board	6
Scottish Teachers' Pension Scheme Advisory Board	13
Scottish Police Pension Scheme Advisory Board	4
Scottish Local Government Pension Scheme Advisory Board	7
<b>Total</b>	<b>41</b>

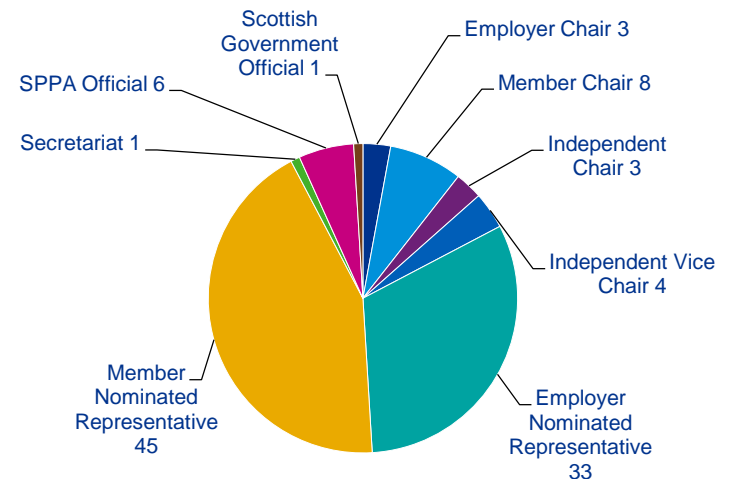
## SPPA Respondents

- **6 SPPA Officials** who are either members of Boards or have experience attending Board meetings responded to our survey.

### Respondents by Role

- The 104 respondents to our questionnaire were split by their role on the Boards as follows:

### Respondents by Board Role



# Acknowledgements

## Acknowledgements

- We wish to record our gratitude for the assistance we have received from the members of the Pension Boards and Scheme Advisory Boards who participated in our research by completing the questionnaire, and especially those who volunteered to meet with us and participate in interviews, whether in person or by telephone.
- These meetings and discussions were invaluable in helping us better understand how the Boards were formed, how they have been conducting their business and the challenges that they face.
- We are also extremely grateful for all the assistance provided by SPPA staff in the compilation of this report; from providing information to the team, arranging and participating in meetings and for their general support to our work.
- Lastly, we wish to thank the Pensions Regulator for meeting with us to discuss the governance of public service pension schemes.



# Our Findings

# Our Findings

## 1. Roles and Responsibilities

- There was a great deal of discussion during interviews on exactly what the role of the various Pension Boards and Scheme Advisory Boards is. Some individuals had very clear views, while others were not yet sure what the purpose of the Boards was.
- What emerged were very different views expressed by members of LGPS Boards, compared with those of the unfunded schemes. This reflected the very different roles of these two groups, with the unfunded schemes almost exclusively restricted to the responsibilities as specified in the 2013 Act, primarily ensuring compliance with the regulations and delivering good administration.
- In contrast to this, the LGPS Pension Boards have been granted additional powers under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, which in addition to the same responsibilities as the unfunded scheme Pension Boards, grants a remit *'to consider any matter concerning pensions it deems relevant to the activities of the relevant (LGPS) fund'*. It is clear that the LGPS Pension Boards have embraced this discretionary responsibility, potentially reducing the time available to discharge their prime responsibilities under the 2013 Act.

### LGPS

- The members of the LGPS Pension Boards very much see their role as including oversight of scheme funds, with some stating that this was their primary role.
- We were told on several occasions that the Pension Board's main responsibility is to ensure that the LGPS funds were properly managed and that the members benefits were protected.
- We were informed that Pension Board members generally receive the same papers as LGPS Pension Committees (bodies charged with fund investment decisions) and consider these within their own meetings before then attending a combined meeting of the Pension Board and Pension Committee.
- It was acknowledged that Pension Board members do not have voting rights regarding investment decisions, but do have the opportunity to ask questions, challenge proposals and generally be involved in the decision making process.
- Members of the LGPS Pension Boards overwhelmingly welcomed these opportunities and were very complimentary regarding their experiences of working with the Pension Committees and fund managers.
- Pension Board members believed that the new Pension Board arrangements had introduced a transparency to fund management, which had previously been lacking and had enabled the members of LGPS pension schemes to be much better informed about their pensions.

# Findings

## 1. Roles and Responsibilities (continued)

### LGPS (continued)

- All the LGPS Board members interviewed had a high opinion of their scheme administrators. No Board members interviewed highlighted any serious issues regarding the delivery of scheme benefits.
- When asked whether the Pension Boards were spending sufficient time considering the explicit responsibilities of Pension Boards as laid down in the 2013 Act, the LGPS (Governance) (Scotland) Regulations 2015 and the Pensions Regulator’s Code of Practice 14 regarding the administration of benefits, monitoring complaints, overseeing communications and generally assisting LGPS scheme managers through challenge and oversight, the majority of interviewees stated that they were. Others acknowledged that perhaps they were not spending as much time on these issues as they might, primarily due to time constraints.
- Responses to our online questionnaire supported the comments of the majority of interviewees. Of the 32 LGPS Pension Board members who responded to our survey, when asked whether meeting agendas have dealt with appropriate subjects, 30 answered in the affirmative.
- However, the Pension Board meeting minutes which we were able to find online were very ‘fund dominated’. There were few mentions, if any, of scheme administration items such as communications, complaints, internal dispute resolution process (‘IDRP’), Guaranteed Minimum Pension (‘GMP’) reconciliation, pensions tax, annual statements and items that would typically be seen in the unfunded pension scheme Board minutes.
- Whilst the views of Board members and officials are undoubtedly encouraging, the overall conclusion we have drawn from our interviews and research is that the LGPS Boards are spending considerable time discussing and reviewing the management of the funds when compared to the time they are expending on oversight and challenge of the administration of scheme benefits.

### Summary

- There appear to be two reasons why LGPS Pension Boards are spending less time than might be expected on the administration of their schemes:
  1. They believe their schemes are well run and there is little requiring the attention of the Board in respect of scheme administration; and
  2. Exercising their right to provide oversight of the local fund management is a very time consuming activity.
- Clearly a balance has to be struck between the duties of the Board, but our inevitable conclusion is that there is a risk that LGPS Pension Boards are not devoting sufficient time to ensuring compliance with regulations and good standards of administration.

*(continued on next page)*

# Findings

## 1. Roles and Responsibilities (continued)

- Given the responsibilities of the LGPS Scheme Advisory Board with regard to securing the effective and efficient administration of local Government Pension Schemes, we consider it appropriate that the Board examines whether the LGPS Pension Boards are achieving an appropriate balance of their responsibilities. There are potential lessons to be learned and this offers an opportunity to share best practice between LGPS Pension Boards and help to improve the efficiency and effectiveness of the Pension Boards.

### **RECOMMENDATION 1**

*Scottish Government to consider tasking the LGPS Scheme Advisory Board to demonstrate that the local LGPS Pension Boards have achieved a reasonable working balance between the oversight of the local pension funds and the good governance and administration of the schemes, as required by the 2013 Act and the Pensions Regulator's Code of Practice 14*

### **Unfunded Schemes**

- Members of the unfunded scheme Pension Boards and, to a lesser extent, the unfunded Scheme Advisory Boards had less certainty regarding their role compared to the members of the LGPS Boards.
- There was a unanimous agreement amongst those interviewed that greater clarity is required regarding the roles and responsibilities of Board members.
- Almost universal amongst those interviewed was a desire for a written guide to describe exactly what is expected of Board members, with practical examples of how members can 'assist the Scheme Manager' or 'advise the Responsible Authority'.
- Our questionnaire asked members whether they agreed that the Scheme Advisory Board/Pension Board has a clear purpose and understanding of its role. 81% of respondents agreed that the Boards do have a clear purpose and understanding of this.
- Similarly, the majority of respondents (66%) agreed that the roles of the Pension Board and the Scheme Advisory Board are sufficiently distinct.
- While the questionnaire responses indicate that a large number of Board members have a clear idea of the purpose and role of the Boards, our discussions during interviews pointed towards a need for clarification in this area.
- Similarly, one questionnaire respondent commented that there is a requirement for "agreement with SPPA about roles and responsibilities", while another highlighted a need for a "clearer understanding of purpose and sphere of influence" of the Boards.



# Findings

## 1. Roles and Responsibilities (continued)

### Unfunded Schemes (continued)

- There was also evidence during interviews of disagreement between some Pension Board members and SPPA regarding roles and responsibilities. Pension Board members saw their role as overseeing the administration of the scheme and, to enable this to happen, they feel they require an ability to scrutinise the activities of SPPA. The interviewer was told on several occasions that the role of the Pension Board is to ‘hold SPPA to account’.
- There is clearly a divergence in views on how the Pension Boards can assist the Scheme Manager in fulfilling its role to deliver a high quality service to scheme members.
- Since the establishment in April 2015 of the public service pension Boards there has been little further guidance issued across UK public services regarding roles and responsibilities of the Boards. The result as borne out by our review, has been an information vacuum on ‘what comes next’. Many Board members told us they were comfortable with how their Boards were established, the processes surrounding the Boards and were now gaining in confidence regarding their individual Schemes, but would welcome guidance on exactly what they should be doing next, with practical examples of ‘best practice’.

### The Pensions Regulator

- The Pensions Regulator (‘TPR’) has been appointed by the Government to oversee the governance of the public pension schemes and has a statutory duty in this regard. TPR has issued a Code of Practice (Number 14), ‘Governance and Administration of Public Service Pension Schemes,’ and it is expected that all Pension Boards will comply with the Code.
- Whilst the Code is primarily aimed at Pension Boards, it is our understanding that Scheme Advisory Boards are also expected to comply with the Code, in particular where a Scheme Advisory Board has a specified duty in regard to the ‘effective and efficient administration and management of the scheme, or any pension fund of the scheme.’ This applies in Scotland to the LGPS Scheme Advisory Board.
- We spoke with TPR about this report and they welcomed the focus on governance of Scotland’s public service pension schemes.
- TPR informed us that they are planning to produce a ‘roles and responsibilities’ document in early 2017, describing what is required of Scheme Managers, Pension Boards and Scheme Advisory Boards and the part played in governance by TPR.
- This, or a sister document, will cover the dynamic between Pension Boards and Pension Committees in the LGPS and roles, responsibilities regarding investment governance and investment management.

# Findings

## 1. Roles and Responsibilities (continued)

### The Pensions Regulator (continued)

- TPR is on record that its priorities for the coming year will be:
  - communications;
  - resources;
  - continuity of interpretation;
  - data quality; and
  - clearer delineation of roles.
- We see this last point in particular as dovetailing well with the recommendations of this report as it was one that was repeatedly referred to during our interviews and featured in questionnaire responses as being an area needing clarity.
- Consequently, there is thus a clear window of opportunity in which the Scottish Government (and in particular SPPA) can work with TPR to assist in developing guidance on the roles and responsibilities of the Boards. This in turn can be used to improve the structures and processes of pensions governance within Scotland.

### **RECOMMENDATION 2**

*On behalf of the Scottish Government, SPPA should consult with the Pensions Regulator and other relevant bodies to develop appropriate guidance for all Pension Board and Scheme Advisory Board members on what is expected of them, citing examples of best practice as appropriate. For example, this guidance should include what ‘assisting the Scheme Manager’ means in practice*

### Scheme Managers

- We spoke with a number of Scheme Managers, both from the funded and unfunded schemes.

#### LGPS

- Those responsible for funded (LGPS) schemes were generally pleased with how the Pension Boards were operating and, in particular, how they are working in a collegiate manner with their respective Pension Committee colleagues. They believe the Boards have improved transparency and oversight of the funds.
- They acknowledged that, because the LGPS Pension Boards are charged with responsibilities in respect of both the management of the pension funds and the administration of the schemes, the workload was very high.
- Whilst they believed that the correct balance was being struck between these tasks, they recognised that the Pension Boards have yet to be seriously challenged and that the balance may need to alter going forward.
- There was some concern regarding the commitment expected of Pension Board members and of the subsequent attendance and potential inability to be quorate.
- Given the potential for duplication of effort between the new Pension Boards and the existing Pension Committees, it remains to be determined exactly what the optimal structure is for the LGPS. It is outside the scope of this report to debate the pros and cons of amalgamation, but it is worth reporting that the subject was mentioned several times by Pension Board members.
- However, overall the general view was that it is still ‘early days’ and the Pension Boards are progressing well.

# Findings

## 1. Roles and Responsibilities (continued)

### Scheme Managers (continued)

- A number of other items, including training and publishing of information, are dealt with elsewhere within this report.

#### Unfunded Schemes

- The Scheme Manager for the unfunded schemes is SPPA. We spoke with the Chief Executive of SPPA and also his staff who have day-to-day responsibility for these schemes.
- Overall it is fair to say that they were less convinced than the LGPS Scheme Managers that the unfunded Pension Boards are operating at the optimum level and it was apparent that the task of supporting the four Pension Boards has proved to be a challenge for SPPA. It was obvious to us that supporting the Boards has placed a significant burden on the Agency's resources, but despite this, those that we met were determined to deliver a good service and welcomed the opportunity to review the requirement.
- The issue of the role of the Pension Boards was discussed, as were the differences of opinion regarding 'holding the SPPA to account' and of the challenges SPPA has faced introducing and supporting the various Pension Boards.
- It was acknowledged that the relationship between the Pension Boards and SPPA is not as good as it should be and it is clear that greater communication of what is expected and needed, both realistic and desirable, would assist both sides in improving outputs.
- We make recommendations elsewhere in this report about introducing dedicated pension managers.
- Generally Scheme Advisory Boards were felt to work well, but Pension Boards remain a work in progress.

#### Conclusion

- Our view is that the difference in opinion between the funded and unfunded schemes is perhaps unsurprising.
- Whilst pension groups previously existed across the public services, the LGPS has arguably seen less change than other groups, having long been required to manage their schemes in public and with increasing member participation.
- Thus, whilst the Pension Boards are undoubtedly an additional layer of oversight that requires dedicated resources, and which should not be underestimated, the Boards have been relatively uncontroversial and broadly welcomed by those involved.
- By contrast, the new Boards for the unfunded schemes are arguably a greater change from what went before and were introduced during a time of great change for the administration of the schemes in Scotland (centralising within SPPA). This new task fell on the existing staff, who perhaps were less used to dealing with formal pension boards and being challenged on procedures.
- Given that the Boards were set up from a zero baseline, it is to their credit that they are broadly operating as planned, but it should surprise no one that changes are needed to adjust to the realities of pension governance and administration in the Scottish public sector.

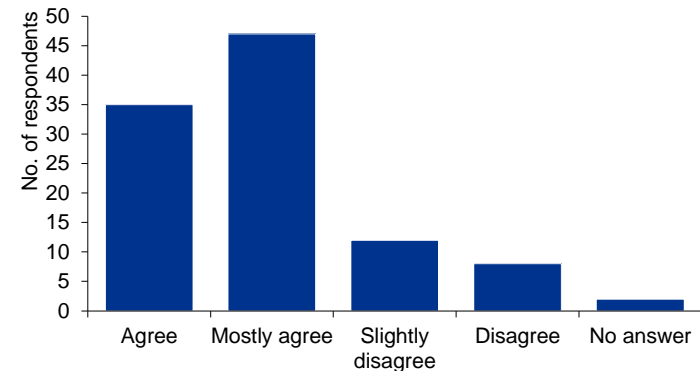
# Findings

## 2. Training

- Board members had generally found the initial induction training (where provided) to have been of a high quality and useful in preparing them for their roles.
- Whilst we heard evidence that many members had received further training since their appointments, others had received none.
- Pension Board members are expected to complete the Pensions Regulator's online training. However, of the 57 Pension Board members who responded to our questionnaire, only 30 had completed this training.
- Some LGPS Pension Board members admitted during interviews that they had not completed the Pensions Regulator training, believing it to be optional. Indeed only 13 of the 32 LGPS Pension Board members who responded to our survey had completed the online Pension's Regulator training.
- Only 8 of the 41 Scheme Advisory Board members who responded to our questionnaire had completed this training.
- There is a risk that those Board members who have not completed the Pensions Regulator training may not fully appreciate their responsibilities under the Code of Practice, particularly regarding the administration of their schemes and this may prevent them from offering appropriate challenge at Board meetings.
- Whilst it was generally accepted that the Pensions Regulator online training was worthwhile and that all members would benefit from completing it, the current terms of reference for both Pension Boards and Scheme Advisory Boards do not mandate it.

- The chart below shows the distribution of responses to the question “do you consider that your training has been adequate?”, which was included in our online questionnaire.

**Do you consider that your training has been adequate?**



- Clearly the majority of Board members consider that the training they have received to date has been adequate for them to fulfil their role.
- However, through discussions during our individual interviews, it became apparent that Board members would welcome further ongoing training. As one respondent put it “*you can never get enough training*”.
- During interviews we also found that in general members of LGPS Pension Boards have regular access to training, usually provided by pension fund officials (but often delivered by contractors). However, this training has almost exclusively been related to LGPS fund issues, rather than being concerned with the administration of the schemes.

# Findings

## 2. Training (continued)

- During interviews, we found that there was a general enthusiasm from Board members for more training, with differing ideas on how this might be achieved. Some favoured dedicated training meetings, while others suggested that ‘bite-sized’ training (e.g. 15-20 minutes) segments could be included in each Board meeting. Specific topics could be covered during each ‘bite-sized’ session, e.g. ill-health payments, pensions tax etc.
- We acknowledge that different topics are more relevant to certain Boards than others. For example, training directed towards Scheme Advisory Boards may focus on topics such as Scheme Valuations and Pension laws, while Pension Boards may gain more from sessions on operational issues such as how the Internal Dispute Resolution Process works, pensions tax and communications. LGPS training should include items which are only applicable to funded schemes (such as rules concerned with ‘freedom and choice’).

### **RECOMMENDATION 3**

*SPPA, in its role as Scheme Manager, together with Local Authorities filling the same role for the LGPS, should ensure an annual training plan is in place for all Board members.*

*This should cover those subjects common to all Boards as well as addressing issues specific to the challenges faced by different Boards.*

### **RECOMMENDATION 4**

*All Pension Board and Scheme Advisory Board members should be required to undertake the Pensions Regulator on-line training as part of their induction training.*

- During our conversations with SPPA officials, we were told that Pension Boards have been asked to provide a record of their training activities. However, SPPA indicated that this has not been completed in all cases.

### **RECOMMENDATION 5**

*Training logs from all Boards should be submitted on a regular basis to SPPA (for unfunded Scheme Pension Boards and Scheme Advisory Boards and the LGPS Scheme Advisory Board) or the LGPS Scheme Advisory Board (for LGPS Pension Boards).*

# Findings

## 3. Support for Boards

### Support from SPPA/Local Authorities

- The provision of secretariat support for Boards is best described as being of ‘mixed’ quality.
- During interviews we heard of excellent support from local authorities for LGPS Pension Boards, although there were some concerns around the volume of papers to be read ahead of meetings and the insufficient time to allow this to be done.
- In fact, of the 32 LGPS Pension Board members who responded to our questionnaire, 26 (81%) indicated that adequate secretariat support is provided for the Pension Board.
- We also heard that some of the support provided by SPPA was of a high quality. By contrast however, we were also told about a poor service provided by SPPA to some Boards, with a lack of consistency in both the provision and standard of minutes.
- Out of the 72 Board members (not on an LGPS Pension Board), 61 (85%) believed that their Board receives adequate secretariat support.
- Similarly, from the same population of Board members (not on an LGPS Pension Board), 63 (88%) indicated that meeting agendas/papers are issued on time for meetings, while 69 (96%) indicated that meeting minutes mostly/do accurately reflect Board meeting discussions.
- Clearly, the large majority of questionnaire respondents are content with the secretarial support provided to their Board. However, during interviews we did pick up from some Board members that the level of secretariat support for the unfunded scheme Boards could be improved.
- During discussions with SPPA Officials, there was an agreement that some of the secretariat support initially provided to Boards could have been of a higher standard.
- We were also told that the support provided by SPPA during meetings varied according to the seniority of the SPPA attendee. For example, the quality of support provided is high when the SPPA Chief Executive is in attendance at meetings.

### **RECOMMENDATION 6**

*Scheme Manager to ensure a consistently high standard of support is provided to the Boards it supports, preferably from dedicated staff to enable a consistency in approach*

*All Boards should issue papers and agendas and publish minutes within agreed timescales, thus allowing members sufficient time to prepare themselves for meetings*

# Findings

## 3. Support for Boards (continued)

### Expectations of SPPA

- While we recommend that SPPA ensure a consistently high standard of support for the Boards, we would note that this must be balanced against a reasonable level of expectation by the Boards.
- During interviews, SPPA officials indicated that they felt the Boards at times did not have a clear understanding of the support that SPPA was able to provide.
- We were told that following initial meetings, a certain level of expectation had been created amongst Board members. For example, that the SPPA Chief Executive would attend all Board meetings. If these initial expectations were then not met during subsequent meetings this created frustration amongst Board members. With hindsight this may have been an unrealistic expectation and certainly not one we would consider essential. However, it is recognised that attendance by SPPA senior management may be appropriate on occasion and will undoubtedly be welcomed.
- Consequently it seems sensible that the level of support both available and required to support the Boards that SPPA is charged with administering is reviewed and agreed. Expectation management will be the key to the success of this undertaking.

### **RECOMMENDATION 7**

*SPPA should establish and set out clearly what level of support for Boards is appropriate within the available resources*

### Dedicated Pension Managers

- As was mentioned previously, one concern which was expressed on numerous occasions during interviews by unfunded scheme Pension Board members was the lack of consistent support at an appropriate level (i.e. seniority/experience) from SPPA.
- We were told that often several SPPA officials attend meetings because no one individual is able to answer all of the Board's questions. Often specialists are confined to a specific aspect of the Scheme's administration.
- One suggestion that gained traction during interviews was the appointment of a dedicated pension manager, within SPPA, for each of the unfunded schemes. This practice exists and appears to work well elsewhere within the public service pension community, for example in the Police and Firefighters' schemes in England and Wales and throughout the LGPS.
- These individuals would attend all the relevant Pension Board and Scheme Advisory Board meetings for their respective scheme.
- This would mean that each Board would have a dedicated resource through which all their questions could be channeled, whether during Board meetings or outside of meetings. The Board would also be able to build up a working relationship with the individual.
- The advantages for SPPA would include being able to reduce the number of officials in attendance at Board meetings, as well as establishing closer working relationships with the Boards.

# Findings

## 3. Support for Boards (continued)

### Dedicated Pension Managers (continued)

- We acknowledge that the resource commitments required to build up the experience and knowledge necessary to fulfil a dedicated Pension Manager role may present a significant challenge for SPPA and its staff. However, we believe that a position of this nature would greatly benefit the relationship between the Boards and SPPA and would therefore result in more effective governance of Scotland's public service pension schemes. For their part, Chairs of Pension Boards would play a crucial role in managing the expectations of their Boards during the development of the Pension Manager role as it will take time, but will undoubtedly be mutually beneficial.

#### **RECOMMENDATION 8**

*SPPA to consider appointing four dedicated pension managers, one for each of the four unfunded schemes, to act as the focal point for all SPPA interaction with the Scheme Advisory Boards and Pension Boards*

*The pension manager would attend all relevant Scheme Advisory and Pension Board meetings on behalf of SPPA*

### Publishing of Information

- During our research, we found that the publishing of Board information was of a variable standard.
- The SPPA website helpfully contains the majority of information regarding the Scottish public service pension Boards in one central location. This enables easy access to the relevant information in most cases. In particular access to lists of Board members, Board Terms of Reference and meeting minutes are provided through this facility.

- During interviews, it was highlighted that there had been delays in publishing Board meeting minutes and until recently minutes for the Boards were not available on the SPPA website (at time of writing this issue now appears to have been resolved).
- Enquiries regarding the LGPS Pension Boards are signposted to links for each of the 11 local authorities. These links take the enquirer to the home page for the relevant authority, from where it is not always obvious where pension information has been posted, if at all.
- It is also worthy of note that Local Authorities do not always refer to the LGPS Pension Boards as such, but sometimes as a sub-committee of the Pensions Committee.
- Additionally, some of the LGPS Board members interviewed were unsure whether they had seen their Board's Terms of Reference, or whether these were published.

#### **RECOMMENDATION 9**

*All relevant information concerning public service pension Boards, including the LGPS Boards, should be published in one central location (for example the SPPA website).*

*This website should include the Terms of Reference for each Board, meeting minutes, annual reports and details of all Board members. It would also be helpful if references to each of the LGPS Pension Boards used a common naming convention*

*Such a depository of information will enable members of pension schemes and the general public to easily find relevant information and facilitate comparison where appropriate*



# Findings

## 3. Support for Boards (continued)

### Meetings

- During interviews and through our questionnaire, we were told that generally Boards look to meet on a quarterly basis.
- 91 of the 104 respondents (88%) to our questionnaire confirmed that the number of meetings they currently attend per year is 'about right'. Similarly, 94% of questionnaire respondents felt that the time allocated to meetings was sufficient to ensure appropriate debate of issues.
- However, we also heard from a number of Scheme Advisory Board members that some meetings have been postponed due to an insufficient quantity of agenda items for discussion.
- Whilst it is currently appropriate to hold an average of four meetings per year, once Boards are fully established and have mastered their briefs, it may prove realistic (particularly for the unfunded schemes) to aim to reduce meeting frequency to 3 per year with a 4<sup>th</sup> meeting/training event, such as that suggested under recommendation 17 in this report.

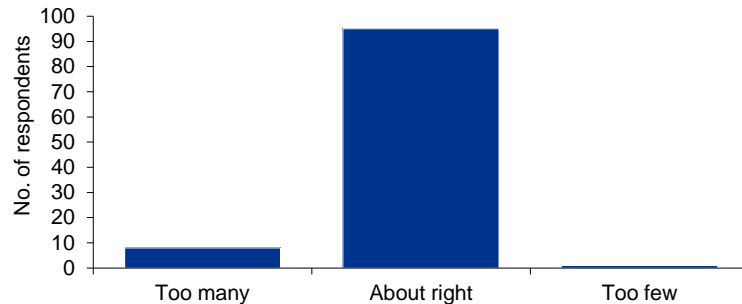
# Findings

## 4. Board Composition

### Size of Boards

- One of the questions asked during this research was whether the size of the current Boards is appropriate.
- Details of the responses to the question “Do you think (the Board size) is too many, about right or too few?” are shown in the chart below:

Do you think (the size of your Board) is:



- Clearly, the large majority of Board members are content with the size of their Board.
- A search of the published data on sizes of company and public management boards appears to show a common opinion that the average board size is around 10 members.
- For example, the average board size in the top 150 FTSE companies is currently 10.3 (Report titled, ‘Current board trends and practices at major UK companies 2015’ by Stuart Spencer).
- Research also suggests that as boards become larger, their effectiveness begins to reduce.

- Over the years a number of studies have been conducted on the effectiveness of group working. One such study by the authors of ‘Decide and Deliver: 5 steps to Breakthrough Performance in Your Organisation’ (Marcia W. Blenko, Michael C. Mankins and Paul Rogers 2010 Harvard Business Press) determined that the optimum size for a decision making group was seven people and that for each person added above this, the group’s decision making effectiveness was reduced by 10%.
- Whatever the merits of such academic research there seems a common view that wherever possible boards should be kept to around 10 members.
- Encouragingly, the majority of the Scottish public service pension boards consist of 10 members or less (15 of the 20). Of the remainder, one has 12 members, two have 14, one has 17 and one has 28. (See appendix 2 of this report for specific details on each of the Boards).
- We understand the larger Boards are the product of pre-existing arrangements which were absorbed into the current structures following negotiation and agreement. However, we now feel that further review would be appropriate.

### **RECOMMENDATION 10**

*Scottish Government may wish to seek assurances that the two largest Boards require a membership of 14 and 24, when the majority of Boards appear to be able to discharge their duties with an average of fewer than 10 members*

- It should be noted that we have not undertaken a detailed review of Board effectiveness, but this could be provided as a follow up to our report.

# Findings

## 4. Board Composition (continued)

### Succession Planning

- Appointments to the Scottish public service Pension Boards and Scheme Advisory Boards vary from two to four years.
- The majority of those who expressed an opinion during interviews believed that two years was an insufficient length of time in which to master the requirements of the position and to be able to effectively deliver positive outcomes.
- Generally, interviewees commented that an appointment length of 3 or 4 years would be a suitable period.
- Indeed, one questionnaire respondent highlighted that Board members' appointment length "would benefit from being extended to 3 or 4 years" which would "provide greater stability, as well as allowing knowledge and experience to be gained".
- It is recognised that some members may be unable to guarantee such a commitment (for example, union officials and councillors subject to an election process).
- Whatever the length of appointment agreed upon, because all the Boards stood up in 2015, a significant number of members are due to complete their term of office in 2017.
- In the short term any potential loss of experience can be met by staggering the tenure of Board members by offering some members extensions (assuming members are willing to continue serving).
- We were informed by SPPA that they are developing a succession plan, but are awaiting the outcome of this report. We offer our recommendation as supporting evidence for this work.

### **RECOMMENDATION 11**

*In consultation with Board members, and in particular Board Chairs, a succession plan is put in place for each Board to ensure a balance is struck between ensuring sufficient experience is retained whilst also introducing new blood to the Boards*

*In the absence of an alternative suggestion, tenures of three years are proposed with the opportunity to serve an additional term if agreed*

# Findings

## 4. Board Composition (continued)

### Board Chairs

- The Boards operate a number of different models in respect of who Chairs the Board. The different variations are:
  - Independent chair
  - Chairs rotating between employer and member nominated representatives (on annual, bi-annual basis or even from meeting to meeting)
  - Chairs rotating on a tri-partite basis between employer and member nominated representatives and an employer association.
  - Boards chaired by the SPPA Director of Policy
- There are currently four Independent Chairs, one for each of the unfunded scheme Pension Boards, plus four Independent Vice-Chairs for the same Boards. All eight of these posts are remunerated.
- We were informed that in setting up the Boards, SPPA originally proposed that Independent Chairs should be appointed on all Boards. However, due to resistance from some key stakeholders, this arrangement was not put in place for the Scheme Advisory Boards.
- Independent chairs of pension boards are common practice throughout the UK pension landscape and, provided the individuals are appropriately qualified, can add additional expertise to the board. Independent chairs already exist within some of the Scheme Advisory Boards in England and Wales. For example the Firefighters' and Police Scheme Advisory Boards have independent chairs, as does the UK wide Armed Forces Pension Board, and these appear to work well.
- The broad consensus from those who were interviewed and who expressed an opinion was that the appointment of independent Chairs to the Boards works well.
- In fact, all of the unfunded Pension Board members (excluding Chairs) who responded to our questionnaire agreed that their Board Chair properly controls and leads meetings.
- Both member and employer representatives who were interviewed also valued the experience and independent thinking these individuals brought to meetings.
- We would highlight that the Vice-Chairs do not appear to have been seriously challenged thus far, as the Chairs have achieved good attendance records. The question was therefore raised as to whether Vice-Chairs were needed in the longer term as other Pension Board members gain experience on pensions matters.
- One solution may be to move Vice-Chairs into Chair posts as they become vacant, thus utilizing valuable experience.

### **RECOMMENDATION 12**

*The current practice of appointing independent Chairs for the four unfunded scheme Pension Boards has worked well and should continue*

*The value of using independent vice-chairs is less clear and after the next round of member appointments/extensions, SPPA in consultation with the relevant Boards should review the need for these posts*

# Findings

## 4. Board Composition (continued)

### Board Chairs (continued)

- It is interesting to note that there are no further Independent Chairs of boards within Scotland’s public service pension environment. Given the success of the appointments of the Chairs of the four unfunded scheme Pension Board, it seems worth considering whether such appointments should be made to all five Scheme Advisory Boards.
- In particular, our attention was drawn to the current arrangements whereby SPPA provides the chair for both the Police and Firefighters’ Scheme Advisory Boards.
- This runs the risk of a potential conflict of interest, or at the very least, a perceived conflict of interest as, although each Board is attended by a Senior Civil Servant from the relevant policy Directorate within Scottish Government, the SPPA nominee will sit as the Chair of the Board, the Scheme Manager (as the representative of the Scottish Government), policy adviser to the Responsible Authority and the agency charged with administering the scheme.
- We believe there is a compelling argument to appoint an independent Chair for both the Police and Firefighters’ Scheme Advisory Boards. Should this recommendation be accepted and prove successful, we see no reason why this model should not be expanded to include all Scheme Advisory Boards.
- The LGPS Pension Boards appear to operate effectively and there was no suggestion that altering the current model will achieve any benefit. Consequently, it is not considered any further.

### **RECOMMENDATION 13**

*The current practice of SPPA, on behalf of Scottish Government, providing the Chair for the Firefighters’ Scheme Advisory Board and the Police Scheme Advisory Board should cease*

*A new Chair for each of these two Boards should be appointed as soon as possible and consideration should be given to the post being given to an independent candidate. Furthermore, consideration should be given to future Chairs of all the Scheme Advisory Boards being independent appointments.*

- A separate issue was raised with us regarding the current arrangement whereby the four independent chairs of the unfunded scheme Pension Boards also attend the SPPA Corporate Board, but have no voting rights and thus operate as observers.
- The Chairs were unanimous that this has not worked as well as it might and that they should be able to “hold SPPA to account” at these meetings.
- Conversely, some members of the SPPA Corporate Board considered the Chairs’ presence at meetings inappropriate and potentially a conflict of interest, perceived or otherwise. Some members of the Corporate Board also commented that the attendance of Pension Board Chairs at their meetings restricts the conversation and debate that occurs during these meetings.

# Findings

## 4. Board Composition (continued)

### Board Chairs (continued)

- Our view is that, whilst the initial appointment of the four Chairs of the Pension Boards as non-executive directors of the SPPA Corporate Board was doubtless well intentioned and aimed at affording transparency of the administration of the schemes and to facilitate appropriate input from the Boards, it is not working as had been intended. It also runs the risk of being misunderstood by members of the relevant schemes and the general public and may potentially be perceived as inappropriate and a conflict of interest for the Chairs.
- We believe the Chairs of the unfunded pension scheme Pension Boards do not need to be formally appointed as members of the SPPA Corporate Board. Rather we suggest that, where and when necessary, Chairs should be invited to attend SPPA Corporate Board meetings according to the agenda to be discussed.
- Holding SPPA to account for its administration of the schemes is an important, but separate, issue and is dealt with elsewhere in this report.

### **RECOMMENDATION 14**

*Cease the practice of independent Chairs attending the SPPA Corporate Board as a matter of course. They should be invited as observers, when appropriate*

# Findings

## 4. Board Composition (continued)

### Board Diversity

- One of the requirements of our Terms of Reference for this review was to consider the diversity of Board membership. This topic was included within both our interviews and the questionnaire.
- The large majority of individuals who were interviewed and who responded to our questionnaire were satisfied that the relevant interests of all key stakeholders were represented on the Board.
- In fact, 71% of questionnaire respondents answered in the affirmative to the question; “Do you consider all the relevant interests are properly represented on the Board?”
- We would however note that, of those who did not agree that all stakeholders’ were properly represented on the Board, a number commented that there is a lack of representation for pensioner members on the Boards.
- Similarly, most Board members we spoke to and who responded to our questionnaire were happy that their Board contained a good mix of skills, backgrounds, sexes and ethnicity (71 of 104 questionnaire respondents agreed that their Board contained an appropriate mix).
- However, in a number of instances we were told that Boards lacked an appropriate gender balance. It was acknowledged that, while a gender balance is a desirable aspiration to hold, in many cases this will be difficult to achieve due to the nature of the individuals involved in certain sectors.
- For example, the large majority of individuals involved in the Fire and Police services are male and therefore the respective Boards are likely to struggle to attract female representation.

- However, the opposite is true for other schemes, for example the NHS and Teachers, where the majority of scheme members are female.

### **RECOMMENDATION 15**

*It is recommended that the Scottish Government takes steps to ensure that its pension Boards reflect the diversity of the members that they represent*

*In particular, pensioners should be represented on Boards as member representatives*

### Professional Advisers

- 73 of the 104 (70%) questionnaire respondents indicated that they believe there is a need for professional advisers to be members of the Board. However, a number of these respondents added that they would only need this professional advice as and when required.
- This feeling was generally mirrored during interviews, where Board members highlighted that they would expect to have access to professional advice if required.
- The use of professional adviser is already common in the private sector, where they can bring additional skills, for example in the field of pensions administration, to the Board.
- One possible solution might be to follow existing practice in the LGPS and have professional advisers attending meetings as non-voting, independent pension experts, particularly where specific issues such as communications, need to be addressed.
- This is an area that will require appropriate consideration by the Scottish Government, SPPA and the LGPS Scheme Advisory Board and we make no specific recommendation.

# Findings

## 5. Board Interaction

### Improving Board Knowledge

- There was a general acknowledgement amongst Board members who were interviewed that pensions is a highly complicated subject and that members would benefit from greater access to relevant information.
- Overall, through the interviews and questionnaire results it became apparent that a potential solution to this issue would be to facilitate a greater level of interaction between Boards than currently exists.
- In our questionnaire, 43% of members indicated that either their Board did not interact with other Boards or they were unaware of any such interaction.
- In fact, one questionnaire respondent commented that the Boards “should not be working in isolation”, while another requested “more access to other Boards” in order to find out about issues faced by other Boards.
- A range of options to help improve the level of interaction between Boards were discussed during interviews and the main proposals were:

#### *Sharing of meeting minutes*

- It is neither essential nor practical that every Board reads the minutes of all the other Boards, but it would certainly be useful if in particular Scheme Advisory Boards and the relevant Pension Board shared their agendas and minutes.
- Some of the Boards have already tried to do this, whilst others have to rely on searching online for the relevant documents. However, a coordinated approach would undoubtedly assist Board members. For example adding Boards to the distribution list of minutes, or producing summaries of discussions/actions.

### *Attendance at other Board meetings*

- Some Boards already invite other Boards’ members to attend their meetings. This practice should be extended, particularly between the Scheme Advisory Boards and their respective Pension Boards.
- Where the practice of attending other Board meetings has occurred, this has been viewed as a useful exercise and an opportunity to gain an understanding of the various issues under consideration.

### *Opportunities to meet with other Board members*

- Informal and formal meetings, seminars and conferences can be very helpful vehicles for the sharing of knowledge and experiences.
- Such gatherings could take the form of informal gatherings of Board chairs (the unfunded scheme Pension Board Chairs already do this).
- Annual pensions conferences could be held and should be open to all members of the Boards. Holding these regionally may help facilitate good attendance.
- The LGPS has a long and successful history of such gatherings, but this is relatively new territory for the other public service pension boards.
- A recent example in England saw members of the local Firefighter Pension Boards (of which there are over 40) and their Scheme Advisory Board gather for a conference in London. The conference included an opportunity for members to network and attend a variety of presentations, including ones run by the Government’s Actuary Department, the Pensions Regulator and the Home Office, on a variety of specialist topics, including pensions tax and communications.



# Findings

## 5. Board Interaction (continued)

### Improving Board Knowledge

- Our findings in relation to Board interaction prompted us to make the following recommendations:

#### **RECOMMENDATION 16**

*Consideration should be given to establishing a formal distribution of minutes between Pension Boards and their respective Scheme Advisory Boards*

#### **RECOMMENDATION 17**

*All Pension Board members and Scheme Advisory Board members should be encouraged to attend other Pension and Scheme Advisory Board meetings wherever this is practicable and at least once during their tenure*

#### **RECOMMENDATION 18**

*An annual public service pensions conference should be organised for all Board members to attend  
SPPA is probably best placed to take on this task*

### Serving on Multiple Boards

- We were told that there were no Pension Board members also sitting as Scheme Advisory Board members (as happens on some Boards in England) as this was not permitted.
- It is clear that the distinct separation of Pension Board and Scheme Advisory Board members assists in ensuring that appropriate discussions take place on each Board and members are clear on their remit and the purpose of the Boards.
- However, there is an argument that allowing an individual to serve on both a Pension Board and a Scheme Advisory Board would enable a greater level of information sharing between Board members.
- The fundamental issue is one of sharing information between Boards such that they understand their different roles and responsibilities (Pension Boards and their respective Scheme Advisory Board). We believe our existing recommendations will help address this issue and thus do not formally recommend a change to Board membership at this time.

# Findings

## Conclusion

### Conclusion

- Overall, 90 of the 104 questionnaire respondents believed that their Board has contributed to ‘the effective and efficient governance and administration’ of the relevant pension scheme.
- This feeling was also reflected during interviews where many individuals commented that the introduction of the Boards has been a positive development.
- Similarly, one questionnaire respondent indicated that their Board is “evolving with time”, while another expects their Board to “grow and flourish”.
- It should also be noted that a number of individuals highlighted that they feel that it is too early to tell whether the new arrangements are working and are having any kind of impact.
- We would therefore conclude by highlighting that the general perception and opinion on the new arrangements was positive amongst those who volunteered to take part in our study.
- The new governance was set up in time and in compliance with the regulations and appears to be achieving its aims.
- We believe that the recommendations set out in this report will assist in further improving the current arrangements and should ultimately ensure that Scotland’s public service pension schemes are governed and administered effectively going forward.



# Appendices

# Appendix 1 – Scope, Limitations and Compliance

## Scope

- Following the introduction of new governance arrangements in Scotland from 1 April 2015, as required by the Public Service Pensions Act 2013, a commitment was made by the Scottish Public Pensions Agency ('SPPA'), on behalf of Scottish Ministers, to review the effectiveness of the operation of these new arrangements within two years of their inception.
- As a result KPMG were engaged by SPPA to carry out this independent review.
- The full Terms of Reference for the review are set out in Appendix 3 of this report.

## Limitations

- Given the time available and high level scope of our work, it was inevitable that we have only been able to scratch the surface of many of the Boards' activities. With 20 Boards and in excess of 250 people involved either sitting as members of these Boards, or providing support, we recognize that we have not been able to meet everyone.
- Similarly, our questionnaire was not completed by everyone invited to take part. However, 104 individuals did manage to participate (approximately 51% of Board members) and consequently, although we believe that we have obtained a reasonable picture of the Boards and their activities, we acknowledge that there were voices and opinions that we did not hear.

## Compliance

- For the purposes of this report, we have relied upon the information provided to us by the Scottish Public Pensions Agency and the individuals involved in our research as being complete and accurate.
- This report has been prepared for the Scottish Public Pensions Agency, acting on behalf of the Scottish Government, and should not be used or relied on by any other person or organization, who would do so at their own risk. KPMG LLP accepts no responsibility or liability in respect of this report to any other person.

# Appendix 2 – Board Summary

## Scheme Advisory Boards

Name	No. of members	Board composition	Chair arrangement	No. of meetings per year	Meeting location	Formal training required?	Terms of Reference issued?
Fire	7 plus SPPA Chair	Chair (SPPA) 3 Member 4 Employer	Chaired by SPPA, on behalf of Scottish Government	4	Edinburgh	No	Yes
LGPS	14	7 Member 7 Employer	Rotating Employer/Member	4	Unison/COSLA (Edinburgh)	No	Yes
NHS	12	8 Member 4 Employer	Rotating Employer/Member	4	Edinburgh	No	Yes
Police	4 plus SPPA Chair	Chair (SPPA) 2 Member 2 Employer	Chaired by SPPA, on behalf of Scottish Government	4	Edinburgh	No	Yes
Teachers	24	12 Member 12 Employer	Rotating Employer/Member/ Scottish Government	4	Edinburgh	No	Yes

# Appendix 2 – Board Summary (continued)

## Unfunded Scheme Pension Boards

Name	No. of members	Board composition	Chair arrangement	No. of meetings per year	Meeting location	Formal training required?	Terms of Reference issued?
Fire	8	Chair Vice Chair 3 Employer 3 Member	Independent Chair and Vice Chair	4	Tweedbank / Cambuslang	Yes (tPR online training)	Yes
NHS	10	Chair Vice Chair 4 Employer 4 Member	Independent Chair and Vice Chair	4	Tweedbank	Yes (tPR online training)	Yes
Police	8	Chair Vice Chair 3 Employer 3 Member	Independent Chair and Vice Chair	4	Tweedbank / Glasgow	Yes (tPR online training)	Yes
Teachers	14	Chair Vice Chair 6 Employer 6 Member	Independent Chair and Vice Chair	4	Tweedbank	Yes (tPR online training)	Yes

# Appendix 2 - Board Summary (continued)

## LGPS Pension Boards

Name	No. of members	Board composition	No. of meetings per year	Formal training required?	Terms of Reference issued?
North East Scotland	8	4 Employer 4 Member	4/5	Yes (tPR online training)	Yes
Dumfries & Galloway	8	4 Employer 4 Member	4	Yes (tPR online training)	Yes
Tayside	8	4 Employer 4 Member	4	Yes (tPR online training)	Yes
Falkirk	8	4 Employer 4 Member	4	Yes (tPR online training)	Yes
Fife	8	4 Employer 4 Member	4-6	Yes (tPR online training)	Yes
Highland	8	4 Employer 4 Member	2	Yes (tPR online training)	Yes
Lothian	10	5 Employer 5 Member	4	Yes (tPR online training)	Yes
Orkney	8	4 Employer 4 Member	4	Yes (tPR online training)	Yes
Scottish Borders	7	4 Employer 3 Member	3-6	Yes (tPR online training)	Yes
Shetland Islands	8	4 Employer 4 Member	5-6	Yes (tPR online training)	Yes
Strathclyde	8	4 Employer 4 Member	4-5	Yes (tPR online training)	Yes



# Appendix 3 – Governance Review, Terms of Reference

## Review of the operation of governance arrangements introduced under the Public Service Pensions Act 2013 for Scotland’s Local Government, NHS, Teachers’, Police and Firefighters’ Pension Schemes

### Terms of Reference

#### Introduction

1. New governance arrangements were introduced in Scotland from 1 April 2015 under the Public Service Pensions Act 2013 (the Act). These were built around a number of recommendations made by the Independent Public Services Commission. As well as new duties for the Pensions Regulator, they resulted in greater clarity around public service pension scheme accountabilities and required the creation of Scheme Advisory Boards and Pension Boards for Scotland’s NHS, Teachers’, Police Firefighters’ and Local Government pension schemes.
2. The Act prescribed certain requirements, including:
  - 2.1 Scheme Advisory Boards must exist to advise the responsible authority, at the authority’s request, on the desirability of changes to the scheme.  
  
(Note: The responsible authority for the governance arrangements in the scope of this review are the Scottish Ministers, with the Cabinet Secretary for Finance and the Constitution operating as Scotland’s Minister for public service pensions.)
  - 2.2 Pension Boards must exist to assist the scheme manager with securing compliance with: i) the scheme regulations and other legislation relating to the governance and administration of the scheme; ii) requirements imposed by the Pensions Regulator; iii) any other requirements specifically set out in scheme regulations.  
  
(Note: the scheme manager for the Local Government Pension Scheme (LGPS) is the relevant local fund authority (of which there are eleven) and is the Scottish Ministers, delegated to the SPPA, for the NHS, Teachers’ Police and Firefighters’ pension schemes.)
  - 2.3 Pension Boards must include “employer representatives and member representatives in equal numbers”.
3. The Scottish Government had discretion as to who should serve on the boards, broadly what business boards should conduct, when and where they should meet and, in the case of the locally managed LGPS, how many Pension Boards there should be. Five Scheme Advisory Boards were established (one for each scheme above) and fifteen Pension Boards (eleven for the distributed Local Government Pension Scheme (LGPS) and one each for the other four pension schemes). As public service pension policy advisers to the Scottish Government, the Scottish Public Pensions Agency (SPPA) oversaw the development and delivery of these new arrangements though the terms of reference for and composition of the Scheme Advisory Boards and Pension Boards were agreed in partnership (SPPA/employer/trades unions).
4. Across Scotland, around two hundred and fifty people are directly involved as members of these various boards. Others will be actively involved in the preparation and presentation of papers to boards (in some cases these will already exist, but some will be specifically created for board consideration) and in providing secretariat services. With boards typically meeting around four times/year, this represents a significant human resource investment. In 2015, on Ministers’ behalf, the SPPA committed to review the effectiveness of the operation of the new arrangements within two years of their introduction. It has been agreed that the review should be carried-out by suitably skilled and knowledgeable independent resource to ensure that improvements are reflective of: i) wider best practice; and ii) stakeholders’ ability to fully reflect on what has and has not worked well.



# Appendix 3 – Governance Review, Terms of Reference (continued)

## Objectives

5. The objectives of this Review are:

- 5.1 to review the effectiveness of the operation of the Scheme Advisory Boards and Pension Boards set up in Scotland under the Act in light of:
  - 5.1.1 the requirements of the Public Service Pensions Act 2013 (including, but not restricted to, s. 5(3) on the effective and efficient governance and administration of the scheme);
  - 5.1.2 the recommendations of the Final Report of the Independent Public Service Pensions Commission;
  - 5.1.3 other legislative requirements or formal guidance, for example, The Pensions Regulator' Code of Practice No. 14;
  - 5.1.4 good practice in the operation of relevant comparator governance arrangements;
  - 5.1.5 lessons learned in the first year of operation of these governance arrangements, in particular (but not exclusively):
    - i. the quality of board member induction and continuous development, specifically in relation to the requirement for Pension Board members to have sufficient knowledge and understanding to fulfil their role;
    - ii. clarity of Board purpose and collective (Board) and individual roles and responsibilities;
    - iii. the adequacy of scheme member representation (active, deferred, pensioner and prospective scheme members);
    - iv. the diversity of Board membership;
    - v. the effectiveness of board management & administration;
    - vi. the leadership, chairing and conduct of meetings;
    - vii. the frequency and location of meetings.
- 5.2 by 31 December 2016, to prepare a detailed report of related conclusions, options and recommendations on how to optimise the value of existing governance arrangements;

- 5.3 by 28 February 2017, to provide advice and recommendations to Ministers on how to optimise the value of existing governance arrangements and how to communicate any related changes;
- 5.4 by 30 April 2017, to initiate the necessary changes in governance arrangements desired by Ministers.

## Scope

6. This Review covers:

- 6.1 The composition and operation of the Scheme Advisory Boards for Scotland's NHS, Teachers', Police, Firefighters' and Local Government pension schemes and related governance arrangements including, for example, interaction around approved Work Plans.
- 6.2 It is noted, in particular, that the Work Plan for the LGPS Scheme Advisory Board includes a structural review of the LGPS. Work is already underway to scope and initiate that review, subject to its detailed approval by the Cabinet Secretary for Finance and the Constitution. To the extent that that specific review bears on this review, it is within the scope of this review.
- 6.3 The composition and operation of the Pension Boards for Scotland's NHS, Teachers', Police and Firefighters' pension schemes and related governance arrangements.
- 6.4 The composition and operation of the eleven Pension Boards for the LGPS in Scotland and related governance arrangements.
- 6.5 Interaction and communication between:
  - 6.5.1 the various boards on an intra-scheme basis;

# Appendix 3 – Governance Review, Terms of Reference (continued)

- 6.5.2 the various boards and related governance arrangements (for example, the relationship between the Pension Boards for Scotland's NHS, Teachers', Police and Firefighters' pension schemes and the SPPA's Corporate Board and the relationship between the Police Scheme Advisory Board and the Police Negotiating Board for Scotland);
- 6.5.3 the various boards and respective scheme stakeholders;
- 6.5.4 Scheme Advisory Boards and SPPA policy officials, who are responsible for advising Ministers on public service pensions policy, including the views of the Scheme Advisory Boards;
- 6.5.5 Pension Boards and officials engaged in the day-to-day management of the pension scheme in question.

## Exclusions

- 7. The following are excluded from the scope of the Review:
  - 7.1 Other than under 3.5.1.2, the operation of the SPPA's Corporate Board and Audit & Risk Committee.

## Deliverables

- 8. Deliverables will include:
  - 8.1 procurement of an independent resource to lead the review and achieve objectives 3.1.1 and 3.1.2 (by end August 2016);
  - 8.2 a finalised terms of reference for the review (by end September 2016);
  - 8.3 a method statement and project plan, setting-out how the contractor will approach the review, including a formal plan for the engagement of key stakeholders in the review (by end September 2016), including:
    - 8.3.1 a formal plan for the participation of key stakeholders in the review, covering, for example, taking evidence and attribution/anonymity;

- 8.3.1 a formal plan for the participation of key stakeholders in the review, covering, for example, taking evidence and attribution/anonymity;
- 8.3.2 a formal plan for the use of related research.
- 8.4 a final report of review findings (by end December 2016);
- 8.5 presentations of findings to Scheme Advisory Boards (by end January 2017);
- 8.6 summary policy advice to Scottish Ministers (by end February 2017);
- 8.7 communication on resultant decisions taken (by end April 2017).

## Project approach

- 9. The Review will be managed in line with Scottish Government guidance on Managing Successful Projects.
- 10. The Senior Responsible Officer for the Review will be the SPPA's Deputy Chief Executive, who is also Director of Policy.
- 11. The Project Manager will be SPPA's Deputy Director of Policy, who will also be responsible for deliverables 8.6 and 8.7.

**ends**

# Appendix 4 – Questionnaire Results

This appendix provides detailed results to each of the questions included in our online questionnaire, with the exception of some ‘open-ended’ questions where a wide variety of responses were received. In these cases, we have attempted to reflect individuals’ comments through our findings in the main section of the report.

## General Questions (answered by both Pension Board and Scheme Advisory Board members)

### Section 1: Composition & Administration (of Board)

1. Please indicate your role:

- Employer Chair
- Member Chair
- Independent Chair
- Employer Nominated Representative
- Member Nominated Representative
- Secretariat
- Other

#### Question 1 – response

Employer Chair	3
Member Chair	8
Independent Chair	3
Independent Vice Chair	4
Employer Nominated Representative	33
Member Nominated Representative	45
Secretariat	1
SPPA Official	6
Scottish Government Official	1
<b>Total</b>	<b>104</b>

*If Independent Chair selected in Q1:*

1a. Please state if you are paid:

- Yes
- No

#### Question 1a – response

All 3 independent Chairs who submitted a response to our questionnaire stated that they are Paid.

*If Member Representative selected in Q1:*

Q1b. What type of Member Nominated Representative are you?

- Active
- Deferred
- Pensioner
- Other

#### Question 1b – response

Active	22
Deferred	1
Pensioner	4
Other	18

*If Other selected in Q1b:*

1c. If “Other”, please state what type:

#### Question 1c – response

All respondents who selected ‘Other’ in Q1b were trade union representatives

# Appendix 4 - Questionnaire Results

If Other selected in Q1:

1d. If “Other”, please state your role:

## Question 1d – response

13 respondents replied with “Other” to question 1. All were trade union representatives and were allocated to “Member Nominated Representative” in our results summary (shown under question 1 response).

2. How many members are there on the Board?

## Question 2 - response

Responses to this question have been gathered and reflected in Appendix 2 of this report

3. Do you think this is:

- Too many
- About right
- Too few

## Question 3 - response

Too many	8
About right	95
Too few	1
<b>Total</b>	<b>104</b>

4. Do you consider all the relevant interests are properly represented on the Board? E.g. active members, pensioners, deferred members, employers etc.

- Yes
- No
- Don't know

## Question 4 - response

Yes	74
No	23
Don't know	7
<b>Total</b>	<b>104</b>

If no selected in Q4 then;

4a. If “No”, what would you change?

## Question 4a – response

23 individuals responded “No” to Question 4. We have categorised their suggestions for change as follows:

Greater pensioner representation	15
Greater deferred member representation	3
Greater pensioner and deferred member representation	2
More consistent councillor attendance required	1
External third party representation	1
No answer provided	1
<b>Total</b>	<b>23</b>

# Appendix 4 - Questionnaire Results

5. How long is your appointment?

- 1-2 years
- 2-4 years
- Other
- Don't know

## Question 5 – response

1-2 years	38
2-4 years	38
Don't know	18
Other	10
<b>Total</b>	<b>104</b>

*If Other selected in Q5 then;*

5a. If “Other”, please specify:

## Question 5a – response

9 individuals responded “Other” to question 5 and we have categorised their responses to question 5a below:

Open ended	2
Until unelected as Trade Union official	1
Until end of Councillorship	2
N/a - SPPA Official	4
<b>Total</b>	<b>9</b>

6. Do you have approved Terms of Reference?

- Yes
- No
- Don't know

## Question 6 – response

Yes	91
No	3
Don't know	10
<b>Total</b>	<b>104</b>

*If Yes selected in Q6 then;*

6a. Do you think the Terms of Reference are satisfactory?

- Yes
- No
- Don't know

Comments:

## Question 6a response

Yes	82
No	8
Don't know	1
<b>Total</b>	<b>91</b>

# Appendix 4 - Questionnaire Results

7. Do you agree that the Board has a good mix of skills, backgrounds, sexes, ethnicity?

- Agree
- Disagree

## Question 7 - response

Agree	71
Disagree	33
<b>Total</b>	<b>104</b>

*If Disagree selected in Q7:*

7a. If you disagree what would you change?

## Question 7a – response

The 33 individuals who disagreed that their Board has a good mix of skills, backgrounds, sexes or ethnicity expressed a variety of views in response to question 7a. Many indicated that their Board could improve more than one area. We have categorised responses to question 7a as follows

Better mix of ethnicity	23
Representation from younger individuals	6
More equal gender balance	23

8. Do you have adequate secretariat support for the Board?

- Yes
- No
- Don't know

Comments:

## Question 8 - response

Yes	87
No	13
Don't know	4
<b>Total</b>	<b>104</b>

9. How many meetings are held per year?

## Question 9 - response

Responses to this question have been gathered and reflected in Appendix 2 of this report

10. Do you consider this to be:

- Too many
- About right
- Too few

## Question 10 - response

Too many	2
About right	91
Too few	11
<b>Total</b>	<b>104</b>

# Appendix 4 - Questionnaire Results

11. How much time do you spend working on activities relating to your role per year?

## Question 11 – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

12. Does your employer allow you time to work on activities relating to your role?

- Yes
- No
- N/A

## Question 12 - response

Yes	82
No	4
N/A	18
<b>Total</b>	<b>104</b>

13. Are there any sub-committees?

- Yes
- No
- Don't know

## Question 13 - response

Yes	33
No	66
Don't know	5
<b>Total</b>	<b>104</b>

If yes selected in Q13:

Q13a. If “Yes”, what are these?

## Question 13a - response

The 33 individuals who indicated that their Board has a sub-committee provided the following responses to Q13a:

Communications sub-group	6
Audit sub-committee	6
Investment sub-committee	2
Scheme eligibility sub-group	12
Technical sub-group	1
Structure Review working group	2
Miscellaneous	4
<b>Total</b>	<b>33</b>

14. Do you consider the meeting agendas have dealt with appropriate subjects?

- Yes
- No
- Don't know

Comments:

## Question 14 - response

Yes	94
No	10
Don't know	0
<b>Total</b>	<b>104</b>

# Appendix 4 - Questionnaire Results

15. Is sufficient time allocated to ensure appropriate debate of issues?

- Yes
- No
- Don't know

Comments:

## Question 15 – response

Yes	98
No	0
Don't know	6
<b>Total</b>	<b>104</b>

16. Does the Chair properly control and lead the meetings?

- Yes
- No
- Don't know

Comments:

## Question 16 - response

Yes	74
No	23
Don't know	7
<b>Total</b>	<b>104</b>

17. Are meeting agendas/papers issued in time for the meetings?

- Yes
- No
- Don't know

Comments:

## Question 17 – response

Yes	89
No	14
Don't know	1
<b>Total</b>	<b>104</b>

18. Are all members given the opportunity to contribute?

- Yes
- No
- Don't know

Comments:

## Question 18 – response

All 104 respondents answered “Yes” to this question



# Appendix 4 - Questionnaire Results

19. Are members asked before each meeting whether they have a conflict of interest?

- Always
- Most of the time
- Sometimes
- Never

## Question 19 - response

Always	89
Most of the time	9
Sometimes	5
Never	1
<b>Total</b>	<b>104</b>

20. Do the minutes accurately reflect the meetings you have attended?

- Yes
- Mostly
- No
- Don't know

Comments:

## Question 20 – response

Yes	86
No	2
Don't know	1
Mostly	15
<b>Total</b>	<b>104</b>

21. Does the Board have a Work Plan?

- Yes
- No
- Don't know

Comments:

## Question 21 – response

Yes	60
No	28
Don't know	16
<b>Total</b>	<b>104</b>

22: Has the Board prepared a Risk Register?

- Yes
- No
- Don't know

Comments:

## Question 22 – response

Yes	40
No	29
Don't know	35
<b>Total</b>	<b>104</b>

# Appendix 4 - Questionnaire Results

If yes selected in Q22:

22a. If “Yes”, do you consider the Risk Register sufficiently covers the main risks to the scheme?

- Yes
- No
- Don't know

Comments:

## Question 22a – response

Yes	33
No	4
Don't know	3
<b>Total</b>	<b>40</b>

23. Do you have professional advisers as members of the Board?

- Yes
- No
- Don't know

Comments:

## Question 23 - response

Yes	47
No	47
Don't know	10
<b>Total</b>	<b>104</b>

24. Do you think there is a need for professional advisers to attend Board meetings?

- Yes
- No
- Don't know

Comments:

## Question 24 – response

Yes	73
No	18
Don't know	12
No answer	1
<b>Total</b>	<b>104</b>

25. Does your Board have an annual budget?

- Yes
- No
- Don't know

## Question 25 response

Yes	10
No	35
Don't know	59
<b>Total</b>	<b>104</b>

If Yes selected then:

Q25a: How much is your annual budget?

## Question 25a – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

# Appendix 4 – Questionnaire Results

## Section 2: Training & Knowledge

26. Have you completed the Pensions Regulator Training (on-line)?

- Yes
- No

### Question 26 – response

Yes	38
No	66
<b>Total</b>	<b>104</b>

27. Are you aware of the Pensions Regulator Code of Practice Number 14?

- Yes
- No

### Question 27 – response

Yes	69
No	35
Don't know	0
<b>Total</b>	<b>104</b>

28. What other training have you received?

### Question 28 – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

29. Do you consider that your training has been adequate?

- Agree
- Mostly agree
- Slightly disagree
- Disagree

### Question 29 – response

Agree	35
Mostly agree	47
Slightly disagree	12
Disagree	8
No answer	2
<b>Total</b>	<b>104</b>

30. Do you consider that your knowledge of the scheme rules is adequate to fulfil your duties?

- Yes
- No
- Don't know

Comments:

### Question 30 - response

Yes	84
No	12
Don't know	8
<b>Total</b>	<b>104</b>

# Appendix 4 - Questionnaire Results

31. How would you describe your knowledge of your scheme?

- Good
- Adequate
- Poor

## Question 31 – response

Good	49
Adequate	52
Poor	3
<b>Total</b>	<b>104</b>

32. Is there an induction process for new members who join the Board?

- Yes
- No
- Don't know

Comments:

## Question 32 – response

Yes	53
No	25
Don't know	26
<b>Total</b>	<b>104</b>

# Appendix 4 - Questionnaire Results

## Pension Board specific questions

### Section 3: Role

33. Do you agree that the Board has a clear purpose and understands its role?

- Yes
- No
- Don't know

Comments:

### Question 33 (Pension Board) – response

Yes	43
No	14
Don't know	0
<b>Total</b>	<b>57</b>

34. Do you agree that the roles of the Pension Board and the Scheme Advisory Board are sufficiently distinct?

- Yes
- Mostly
- No

### Question 34 (Pension Board) - response

Yes	41
Mostly	12
No	4
<b>Total</b>	<b>57</b>

35. Do you understand the role of the Scheme Manager with regard to your scheme?

- Yes
- No

### Question 35 (Pension Board) - response

Yes	54
No	3
<b>Total</b>	<b>57</b>

36. Do you understand the role of the Pensions Regulator with regard to Pension Boards?

- Yes
- No
- N/A

### Question 36 (Pension Board) - response

Yes	52
No	5
N/A	0
<b>Total</b>	<b>57</b>

37. Do you understand the implications of the Public Service Pension Schemes Act 2013 with regard to Pension Boards?

- Yes
- No

### Question 37 (Pension Board) - response

Yes	45
No	12
<b>Total</b>	<b>57</b>

# Appendix 4 – Questionnaire Results

38. Do you believe you have appropriate communication channels with members and employers?

- Yes
- No
- Don't know

Comments:

## Question 38 (Pension Board) – response

Yes	41
No	8
Don't know	8
<b>Total</b>	<b>57</b>

39. How would you describe the existing communications between your scheme and the members/employers?

- Good
- Adequate
- Poor

## Question 39 (Pension Board) – response

Good	26
Adequate	24
Poor	7
<b>Total</b>	<b>57</b>

40. Has your Board published an annual report?

- Yes
- No
- Don't know

## Question 40 (Pension Board) – response

Yes	23
No	23
Don't know	11
<b>Total</b>	<b>57</b>

41. Are details of members of the Board publicly available?

- Yes
- No
- Don't know

## Question 41 (Pension Board) – response

Yes	43
No	0
Don't know	13
No answer	1
<b>Total</b>	<b>57</b>

# Appendix 4 - Questionnaire Results

42. Has your Board voted on any matters?

- Yes
- No

Comments:

## Question 42 (Pension Board) – response

Yes	16
No	41
<b>Total</b>	<b>57</b>

43. Does the Chair have the casting vote?

- Yes
- No
- Don't know

Comments:

## Question 43 (Pension Board) – response

Yes	22
No	4
Don't know	31
<b>Total</b>	<b>57</b>

## Section 4: Relationships

44. How would you describe the relationship between your Board and the Scheme Advisory Board?

- Excellent
- Good
- Poor
- No opinion

## Question 44 (Pension Board) - response

Excellent	4
Good	18
Poor	6
No opinion	29
<b>Total</b>	<b>57</b>

45. How would you describe the relationship between your Board and the SPPA?

- Excellent
- Good
- Poor
- No opinion

## Question 45 (Pension Board) – response

Excellent	10
Good	18
Poor	11
No opinion	18
<b>Total</b>	<b>57</b>

# Appendix 4 – Questionnaire Results

46. Does your Board interact with any other Boards either in Scotland or beyond?

- Yes
- No
- Don't know

## Question 46 (Pension Board) – response

Yes	20
No	24
Don't know	13
<b>Total</b>	<b>57</b>

*If Yes selected:*

46a. If “Yes”, with which ones?

## Question 46a (Pension Board) – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

*If no selected:*

46b. If “No”, do you consider this would be worthwhile?

## Question 46b (Pension Board) – response

Yes	20
No	2
No opinion	2
<b>Total</b>	<b>24</b>

47. What lessons can be learned from your time on the Board? What might you have done differently?

## Question 47 (Pension Board) – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

48. Looking to the future, what if anything would you like to see change with regard to the operation of the Board of which you are a member? For example, you may consider it too early to tell, consider nothing is required as the Boards are working well. You may wish to see the Board membership altered or the Boards combined where possible.

## Question 48 (Pension Board) – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

49. Do you believe your Board has contributed to ‘the effective and efficient governance and administration’ of your pension scheme?

- Yes
- No

## Question 49 (Pension Board) – response

Yes	49
No	8
<b>Total</b>	<b>57</b>



# Appendix 4 – Questionnaire Results

50. Finally and with the benefit of your time spent as a Board member, is your Board meeting your expectations?

## Question 50 (Pension Board) – response

Individuals expressed a range of opinions in response to this question. We have categorised these responses as follows:

Yes	33
No	7
Partly	10
Cannot comment	7
<b>Total</b>	<b>57</b>

# Appendix 4 - Questionnaire Results

## Scheme Advisory Board specific questions

Note: All SPPA Officials who responded to the questionnaire either sit on or attend Scheme Advisory Boards. Therefore the total number of "Scheme Advisory Respondents" is 47.

### Section 3: Role

33. Do you agree that the Scheme Advisory Board has a clear understanding of its role?

- Yes
- No
- Don't know

Comments:

### Question 33 (Scheme Advisory Board) – response

Yes	41
No	4
Don't know	2
<b>Total</b>	<b>47</b>

34. Do you agree that the roles of the Pension Board and the Scheme Advisory Board are sufficiently distinct?

- Yes
- Mostly
- No

### Question 34 (Scheme Advisory Board) - response

Yes	28
Mostly	10
No	9
<b>Total</b>	<b>47</b>

35. Who is the Responsible Authority for your scheme?

### Question 35 (Scheme Advisory Board) – response

Scottish Government/Scottish Ministers	27
SPPA	13
Cabinet secretary	3
Edinburgh City Council	1
Joint Highland and Western Isles Council	1
No answer	2
<b>Total</b>	<b>47</b>

36. Do you understand the role of the Responsible Authority for your scheme?

- Yes
- No
- Don't know

### Question 36 (Scheme Advisory Board) – response

Yes	42
No	5
Don't know	0
<b>Total</b>	<b>47</b>

# Appendix 4 - Questionnaire Results

37. Has your Scheme Advisory Board had contact with the Responsible Authority for your scheme?

- Yes
- No
- Don't know

## Question 37 (Scheme Advisory Board) – response

Yes	32
No	5
Don't know	10
<b>Total</b>	<b>47</b>

37a: If “Yes”, was this in the form of:

- A meeting
- Correspondence
- Providing advice
- Other

## Question 37a (Scheme Advisory Board) – response

A meeting	12
Correspondence	5
Providing advice	9
Other	6
<b>Total</b>	<b>32</b>

*If other selected in Q37a:*

37b. If “Other”, please specify:

## Question 37b (Scheme Advisory Board) – response

5 individuals responded that the Responsible Authority attend Scheme Advisory Board meetings. 1 individual indicated that ‘informal contact’ takes place between the Responsible Authority and the Scheme Advisory Board



38. Has your Scheme Advisory Board produced any strategic communications for your scheme?

- Yes
- No
- Don't know

Comments:

## Question 38 (Scheme Advisory Board) - response

Yes	19
No	17
Don't know	11
<b>Total</b>	<b>47</b>

39. Has your Scheme Advisory Board begun work on the scheme valuation?

- Yes
- No
- Don't know

Comments:

## Question 39 (Scheme Advisory Board) - response

Yes	22
No	18
Don't know	7
<b>Total</b>	<b>47</b>

# Appendix 4 – Questionnaire Results

40. What contact do you have with the Pension Board(s) for which you are responsible?

## Question 40 (Scheme Advisory Board) – response

There were a variety of responses given to this question, ranging from no contact at all to regular contact between Scheme Advisory Boards and Pension Boards. We have not included the full responses to this question in the report.

41. Has your Scheme Advisory Board begun work on the benchmarking of administration costs for your pension scheme?

- Yes
- No
- Don't know

Comments:

## Question 41 (Scheme Advisory Board) – response

Yes	5
No	19
Don't know	23
<b>Total</b>	<b>47</b>

## Section 4: Relationships

42. How would you describe the relationship between your Scheme Advisory Board and the SPPA?

- Excellent
- Good
- Poor
- No opinion

## Question 42 (Scheme Advisory Board) – response

Excellent	22
Good	20
Poor	0
No opinion	5
<b>Total</b>	<b>47</b>

43. Does your Scheme Advisory Board interact with any other Boards either in Scotland or beyond?

- Yes
- No
- Don't know

## Question 43 (Scheme Advisory Board) – response

Yes	10
No	17
Don't know	20
<b>Total</b>	<b>47</b>

# Appendix 4 – Questionnaire Results

If Yes selected to question 43:

43a. If “Yes”, with which ones?

## Question 43a (Scheme Advisory Board) - response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

If no selected:

43b. If “No”, do you consider this would be worthwhile?

## Question 43b (Scheme Advisory Board) - response

Yes	9
Possibly	4
No	3
Unsure	1
<b>Total</b>	<b>17</b>

44. What lessons can be learned from your time on the Scheme Advisory Board? What might you have done differently?

## Question 44 (Scheme Advisory Board) – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

45. Looking to the future, what if anything would you like to see change with regard to the operation of the Scheme Advisory Board of which you are a member?

For example, you may consider it too early to tell, consider nothing is required as the Boards are working well. You may wish to see the Board membership altered or the Boards combined where possible.

## Question 45 (Scheme Advisory Board) – response

We received a wide variety of responses to this question and, where appropriate, have reflected on these in our commentary in the main section of this report.

46. Do you believe your Scheme Advisory Board has contributed to ‘the effective and efficient governance and administration’ of your pension scheme?

- Yes
- No

## Question 46 (Scheme Advisory Board) – response

Yes	41
No	6
<b>Total</b>	<b>47</b>

# Appendix 4 – Questionnaire Results

Q47. Finally and with the benefit of your time spent as a Scheme Advisory Board member, is your Board meeting your expectations?

## Question 47 (Scheme Advisory Board) – response

Individuals expressed a range of opinions in response to this question. We have categorised these responses as follows:

Yes	27
No	3
Partly	3
No comment	10
Too early to tell	4
<b>Total</b>	<b>47</b>



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