

## Scottish Teachers' Pension Schemes Pension Board Terms of Reference

### Introduction

1. The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme.
2. The Scottish Teachers’ Pension Scheme 2015 regulations reflect the Pension Board governance arrangements

### Accountability

3. The Pension Board collectively, and members individually, are accountable to the ‘Responsible Authority’ and ‘Scheme Manager’ (ultimately Scottish Ministers<sup>1</sup>) with Cabinet Secretary for Finance and Constitution acting as lead Minister for public sector pensions. Scottish Public Pensions Agency (SPPA) assumes the day to day role of Responsible Authority and Scheme Manager as delegated by Scottish Ministers via the Agency Framework Document.

### Pension Board Role

4. The Pension Board is responsible for assisting the Scheme Manager in a range of issues associated with the administration of the scheme. These can include:

#### Administrative:

- Considering quality, timeliness and accuracy of the administrative services provided to members
- Monitoring administrative processes and supporting continuous improvements
- Supporting employers and the Agency in communicating effectively to scheme members
- Ensuring members have access to a range of tools to improve their understanding of their pension benefits
- Ensuring scheme data is managed to the highest standards
- Compliance with The Pensions Regulator’s codes of practice and oversight of interaction between the Scheme Manager and The Pensions Regulator
- Requesting reports on specific topics from the Scheme Manager – as required

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<sup>1</sup> The Scotland Act 1998 (which established the Scottish Ministers) provides for statutory functions to be conferred on “the Scottish Ministers” collectively.

Financial:

- Consideration of the quadrennial valuations process and progress

Strategic:

- Giving consideration to the future programme of service improvement at SPPA and its alignment with priorities identified by the Pension Board
- Consideration of lessons learned regarding customer complaints and Pension Ombudsman cases
- Fostering good working relationships with The Pensions Regulator and other service delivery partners
- Consideration of the annual report from The Pensions Regulator, including any responses to recommendations
- Producing an annual report outlining the work of the Pension Board throughout the scheme year

## **Membership**

5. The membership of the Pension Board will consist of:

- An independent Chair appointed by the Scheme manager
- An independent Vice-Chair appointed by the Scheme manager
- 6 Members nominated by the staff side of the representative bodies (who reflect a broad range of interests: active, deferred and pensioner reps)
- 6 Employer representatives who can offer the breadth of employer representation for the Scheme and will be drawn from Local Government officials, Further Education, Higher Education or the Independent Sectors.

SPPA will be represented at the Pension Board meetings by the Chief Executive or another Senior Leadership Team (SLT) member as delegated by the Chief Executive although they will not be Pension Board members.

Pension Board members shall attend all meetings. No substitutes will be permitted. Observers may attend meetings at the discretion of the Chair.

6. Employer and member representative membership will remain equal in number at all times

7. In addition it may be necessary to draw on particular experts or expert groups to support the work of the Pension Board. This will be on an 'as required' basis; any expert advisor attending the meeting is not a Pension Board member.

## **Terms and Tenure**

8. The initial period of membership for the Pension Board members is three years with the possibility of extension by a further year at the discretion of SPPA to support

succession planning<sup>2</sup>. The Independent Chair and Vice Chair will be appointed, in the first instance, for three years. If a Pension Board member vacancy should arise for any reason, SPPA, in consultation with the Chair, will take immediate steps to fill it (see from paragraph 19 below). The maximum for all Pension Board posts will be two terms or eight years. Approval of appointments and terms remain at the discretion of SPPA and under exceptional circumstances SPPA has the discretion to allow a time-limited extension beyond eight years.

## **Quorum**

9. A quorum at a meeting shall consist of seven members of the Pension Board, with a minimum of two scheme employer nominee members and two scheme member nominee members and either the Chair or Vice-Chair. A Pension Board meeting can still take place if not quorate however any decisions will be ratified either electronically or at the next quorate meeting of the Pension Board to take effect.

## **Conflicts of Interest**

10. The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests i.e. a financial or other interest which may prejudice the person's ability to perform the role of Pension Board member. All members of the Pension Board are required to declare any interests which may lead to conflicts on appointment and routinely any new interests thereafter at each Pension Board Meeting.

## **Meetings**

11. The Pension Board will usually meet four times per year with a minimum of three meetings per year held. All Pension Board meetings will be held at the SPPA Offices in Tweedbank, Galashiels with further meetings arranged where necessary by agreement of the Chair<sup>3</sup> and SPPA. In exceptional circumstances, the Chair may agree that a meeting is held virtually or permit that Pension Board members attend meetings virtually

12. SPPA will undertake the secretariat function ensuring:

- Suitable facilities are available to hold meetings
- An annual schedule of meetings is prepared and additional meetings are organised if necessary
- Meeting papers are distributed five working days prior to each meeting (to include standing orders). Meeting papers will usually be uploaded to the 'Knowledge Hub' portal for download by Pension Board members.
- Draft minutes of meetings will normally be circulated within ten working days following each meeting

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<sup>2</sup> The membership of the Pension Board will be managed to promote the retention of knowledge and experience: tenures to reflect good practice with respect to effective Pension Board succession planning.

<sup>3</sup> In the absence of the Chair the Vice-Chair will take over responsibility for all matter throughout these terms of reference.

- Draft minutes are formally approved at the next regular scheduled meeting of the Pension Board

### **Reflecting Board Views**

13. The Independent Chair will seek agreed and achievable resolutions to Pension Board matters, seeking the consent of all members. Where a consensus cannot be reached, majority voting will take place and in the event of an equal number of votes being cast, the chair of the meeting will have a casting vote. The number of alternative views will be recorded.

### **Remuneration**

14. Remuneration is limited to the Independent Chair and Vice-Chair and will be agreed on appointment in accordance with standard Scottish Government terms. Members of the Pension Board, who are paid officials of their organisations, would have their costs covered by their employer. Travel expenses will be paid to all members of the Pension Board.

### **Sub groups and committees**

15. The Pension Board may set up time-limited sub-groups with the agreement of the Scheme Manager. The sub-groups remain accountable to the Pension Board and are required to provide regular updates. Actions undertaken by sub-groups should be recorded.

### **Reporting**

The Independent Chair will report annually for information purposes on the activities of the Pension Board. The report will include but is not limited to:

- An assessment of the performance of the Pension Board and any recommendations for improvements to future working arrangements
- Notifiable interests of Pension Board members that may lead to conflicts
- A record of Pension Board Membership (leavers and joiners) and relevant training undertaken by members
- Results of Internal and External Audits
- Evaluation of the effectiveness of scheme risk management programme
- Notifiable events, breaches and other failures
- Interaction with The Pensions Regulator

16. The Pension Board will provide an annual report to the Scheme Manager and to the Scheme Advisory Board.

## **Review**

17. Pension Board Governance arrangements will undergo regular evaluation<sup>4</sup> to ensure sustainable good practice relevant to any changes in legislation, guidance and/or the SPPA Framework.

## **Appointment and Removal**

18. The Independent Chair and Vice Chair will be appointed by SPPA.

19. Member associations (Unions and other member representative bodies) will be invited to nominate six candidates in writing to be put forward into the selection process with SPPA approving final appointments. Nominees need not be union members and should aim to reflect a split of active, deferred and pensioner status. In the event the SPPA does not make the final appointment a re-nomination will be made.

20. Employer representative bodies will be invited to nominate six candidates in writing to be put forward into the selection process with SPPA approving final appointments. In the event the SPPA does not make the final appointment a re-nomination will be made.

21. Members may resign from the Pension Board by giving a minimum of three months' notice in writing to SPPA and the Independent Chair.

22. If a performance issue (performance management mechanism to be agreed by the Pension Board collectively) is identified in relation to any member of the Pension Board, the Chair can recommend to SPPA that the member be removed from the Pension Board with immediate effect. The final decision rests with SPPA.

23. Should any vacancies arise on the Pension Board, SPPA will, in consultation with the Chair, take immediate steps to ensure that it is filled by using the member and employer nomination process set out above.

## **Training and Development**

24. Pension Board members will receive induction training covering their role and responsibilities as a Board member.

25. Pension Board members will be expected to have appropriate knowledge and understanding of the Pension Scheme rules, administration policies and pension law. Pension Board members must undertake suitable Continual Professional Development (CPD) activity to ensure their knowledge and understanding is current.

26. The Independent Chair will conduct an annual performance review with each Pension Board member assessing competence and skills in relation to discharging their Pension Board member responsibilities.

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<sup>4</sup> Regular assessment of SPPA's compliance with The Pensions Regulator's Code of Conduct will be at the centre of the evaluation process.

## **Relationship with the SPPA Management Advisory Board, Scheme Advisory Board and The Pensions Regulator**

27. The Pension Board will fulfil a statutory function set out by the Public Service Pensions Act and in related secondary legislation (primarily scheme regulations). The Agency's Management Advisory Board will have oversight of the operation of the SPPA as a whole. The Chair of the Pension Board may be invited to attend the Agency's Management Advisory Board as a non-decision-making observer, strengthening governance and communications links.

28. The Pension Board will liaise and work with the Scheme Advisory Board on key matters such as implementation of rule or legislative changes and communications. The Pension Board annual report will be shared with the Scheme Advisory Board for information purposes. The relationship between the two Boards is important for the continuous improvement process around good governance.