SPPA

Scottish Public
Pensions Agency

Buidheann Peinnseanan
Poblach na h-Alba

Scottish Police Pension Board Terms of Reference

Scottish Police Pension Schemes Pension Board
Terms of Reference August 2023

1. Introduction

This document sets out the Terms of Reference of the Scottish Police Pension Board (hereafter referred to as 'the Board'). This Board is established under Regulation 7 of the Police Pension Scheme (Scotland) Regulations 2015 (as amended), in accordance with the requirement set out in Section 5 of the Public Service Pensions Act 2013.

The Scheme Manager as set out in Regulation 5 of the Police Pension Scheme (Scotland) Regulations 2015 (as amended), is the Scottish Ministers. The Board is responsible for "assisting the Scheme Manager" with the effective and efficient governance and administration of the Scheme. This includes ensuring compliance with the Scheme regulations, and any other relevant legislation and requirements as set out by The Pensions Regulator (TPR) in relation to the Scheme (as set out in **Appendix A**).

Relevant information about its operation is contained in these Terms of Reference.

2. Roles and Responsibilities

2.1. Responsibility

The Board collectively, and members individually, are responsible for assisting the Scheme Manager.

2.2. Role of the Board

In its role to assist the Scheme Manager, the Board is expected to provide advice and scrutiny over the operation of the scheme administration and to ensure that the legal and administrative requirements of the scheme are being met.

Appendix A sets out the key functions of the Board. The Board operates in an "advisory" capacity in that it is not an executive decision-making Board.

The Board will exercise all its powers and responsibilities in accordance with the law and this Terms of Reference.

The Board are required to consider any breaches of law and assess whether to report these directly to The Pensions Regulator. In the event that a direct

report is made to TPR, the Board will ensure the Chief Executive of SPPA is sighted on this.

Members of the Board shall have access to and receive all papers provided by the Scheme Manager to the Board for the purpose of carrying out its role. Members may requisition additional reports from the Scheme Manager to the extent reasonably required for the proper performance of their role.

2.3. SPPA

SPPA assumes the day-to-day role of Responsible Authority and Scheme Manager as detailed by Scottish Ministers via the Agency [Framework Document](#).

SPPA are also appointed as the pension scheme administrator under regulation 208 of the Police Pension Scheme (Scotland) Regulations 2015 (as amended).

2.4. Relationship with the SPPA Management Advisory Board and Chief Executive

Whilst the principal role of the Board is to assist the Scheme Manager, it is the role of the Management Advisory Board (MAB) to focus on matters of corporate strategic planning, performance and delivery across all schemes administered by SPPA.

The Independent Chair of the Board will meet the SPPA Chief Executive regularly throughout the year to ensure the discussions, views and any concerns of the Board are shared with the MAB.

The Chair may receive invitations to observe meetings of the MAB, when appropriate, at the discretion of the SPPA Chief Executive.

Minutes from MAB meetings will be published on the SPPA website when formally approved

2.5. Accountable Officer

The Chief Executive of the Scottish Police Authority is Accountable Officer for the police pension scheme(s), however responsibility for scheme funding rests with Scottish Ministers.

3. The Schemes are:

- The Police Pension Scheme (Scotland) 2015
- New Police Pension Scheme 2006
- Police Pension Scheme 1987

4. Membership

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
- Three Member nominated representatives who represent the diverse membership of active, deferred and retired scheme members
- Three Employer nominated representatives who can offer the breadth of employer representation for the Scheme

Employer and Member representatives will remain equal in number at all times.

SPPA will be represented at the Board by the Chief Executive. Where the Chief Executive cannot attend a delegate from the Executive Team will represent the chief Executive. They will not be a Pension Board member.

Pension Board members should strive to attend all meetings and should not be absent from consecutive meetings. No substitutes will be permitted. Observers, or subject matter experts, may attend meetings at the discretion of the Chair but will not attend as a Board member.

5. Terms and Appointments

A term of office shall be for four years, upon approval of the Scheme Manager.

Members may be re-appointed to serve for consecutive terms, so long as they remain eligible to do so, to promote the retention of knowledge and experience. However, the Board must ensure appropriate consideration is given to the rotation of members to support succession planning.

Independent Chairs and Vice Chairs will be appointed by the Scheme Manager, for years. Independent Chairs and Vice Chairs will serve a maximum of two terms or eight years.

If for any reason a Pension Board member vacancy should arise, SPPA will request nominations from the employer and recognised member representative organisations to fill the vacancy.

Employer and Member representative organisations will be invited to nominate candidates in writing. Member representative nominees need not be recognised staff association members. Per section 4, scheme member representatives should aim to reflect a split of active, deferred and retired status.

Nominations would be rejected by the Scheme Manager for the following reasons:

- a nomination creates a potential conflict of interest;
- a nomination not being in keeping with maintaining an equal number of Member and Employer representatives;
- a nomination not being in keeping with the aim of a split of active, deferred and retired scheme members;
- a nomination not having the skills and/or experience required.

The Scheme Manager must be satisfied that any nomination does not have a conflict of interest in accordance with The Public Service Pensions Act 2013 and Regulation 11 of the Police Pension Scheme (Scotland) Regulations 2015 (as amended).

Members are expected to comply with the terms of their appointment and declare any conflicts of interest on appointment and routinely thereafter. Members will be expected at all times to act in line with the Scottish Government's nine key principles of public life in Scotland, observing the highest standards of impartiality, integrity and objectivity in relation to the service provided to the Pension Board.

Members may resign from the Board by giving a minimum of three months' notice in writing to the Chair and Scheme Manager.

Remuneration is limited to the Independent Chair and Vice-Chair and will be agreed on appointment in accordance with standard Scottish Government terms. It is expected that nominating organisations cover the cost of any expenses incurred by their board members.

6.   Quorum

A majority of the Board membership (i.e. a minimum of five members), with at least one member and employer representative and either the Chair or Vice-Chair, will constitute a quorum for the Board meetings to proceed. 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 Board to take effect.

7.   Meetings & Secretariat

The Board will aim to meet four times per year with further meetings arranged where necessary and only upon agreement of the Board Chair and Scheme Manager. When circumstances allow, Board meetings will be held

at the SPPA Offices in Tweedbank, Galashiels, however it may be necessary to carry out meetings virtually or allow individual Board members to attend virtually.

The SPPA Governance Team will undertake the secretariat function ensuring;

- Where meetings are held face-to-face that suitable facilities are available
- An annual schedule of meetings is arranged with an agenda plan in place
- Papers will be distributed a minimum of five working days prior to each meeting. Papers will usually be uploaded to the 'Knowledge Hub' portal for download by Pension Board members.
- Draft minutes of meetings should be circulated to the Board Chair and Vice Chair within ten working days following each meeting.
- Draft minutes will be formally approved electronically before the next scheduled meeting of the Board.

Voting & Decisions on Board Matters

Any decisions made on Board matters, and recommendations to the scheme manager provided by the Board shall be on a majority basis. The Independent Chair will seek agreed and achievable resolutions through consensus. In the event that consensus cannot be reached, a vote will be taken.

In the event of a vote, each board member has individual voting rights, with the Chair having a second casting vote if required. The results of any voting outcomes will be reported to the Scheme Manager and recorded in the Board minutes with reference to the number split of the vote.

<u>Escalation Process</u>

Whilst recommendations and opinions are made in an advisory capacity, where the Board has substantial concerns on particular matters relating to its function (**Appendix A**), there are a number engagement options available to the Board, depending on the circumstances;

- Chief Executive of SPPA
- Chief Executive of the Scottish Police Authority
- Scottish Government Minister with portfolio responsibility for SPPA
- Independent Chair of the SPPA Audit & Risk Committee
- Independent Chair of the SPPA Management Advisory Board

8.   Sub-Groups

The Pension Board may set up time-limited sub-groups for a specific purpose 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.

Other governance forums exist between SPPA and the employer to discuss specific operational performance and technical matters, for example, the Service Level Agreement (SLA) group.

9.   Reporting

The Independent Chair will report annually on the activities of the Pension Board to provide assurance on the effectiveness of the Board. SPPA will provide any information required by the Independent Chair to complete the Pension Board annual report which will be approved by the Board.

The Pension Board annual report will be provided to the Scheme Manager and to the Scheme Advisory Board.

10.   Knowledge & Understanding

Every individual who is a member of the Pension Board must:

- be conversant with the rules of the Schemes; in other words the Regulations and other legislation governing the Schemes; and,
- have knowledge and understanding of the law relating to pensions.

Knowledge and understanding must be adequate to contribute to and support the role of the Board in assisting the Scheme Manager to carry out its functions outlined in **Appendix A**. SPPA's approach to training will be laid out in a Boards Training Policy.

Pension Board members will receive training covering their role and responsibilities as a Board member. There is an expectation Board members take ownership of their own learning and development to ensure their knowledge and understanding is current. Board members are required to provide a record to SPPA of their own learning and development so that this can be captured on the Board training record.

SPPA should undertake an annual knowledge matrix refresh for Board members and identify training themes. Where Board members have knowledge gaps, training on specific topics can be signposted or arranged by SPPA, either for them individually or collectively for the Board, as required.

The Independent Chair should conduct an annual performance review with each Pension Board member assessing competence in relation to discharging their Pension Board member responsibilities. The Chair can recommend to the Scheme Manager their removal from the Board where a member has not complied with the terms of their appointment.

11. Review of Terms of Reference

SPPA will undertake an annual survey of Board effectiveness in line with expectations set out in The Pensions Regulator's code of practice, with findings discussed with Board members to enable any improvement actions to be identified and where relevant, any subsequent changes to the Terms of Reference to be considered.

As required, the Terms of Reference of the Board will also be updated by SPPA in consultation with the Board to incorporate any changes required to reflect current legislation, including The Pensions Regulator's code of practice, and scheme regulations.

Appendix A – "Assisting the Scheme Manager"

Role of the Board

In accordance with the requirement set out in Section 5 of the Public Service Pensions Act 2013, under Regulation 7 of the Police Pension Scheme (Scotland) Regulations 2015 (as amended), the Board is responsible for assisting the scheme manager in:

"(1) securing compliance with—

> (a) these Regulations;

> (b) any other legislation relating to the governance and administration of this scheme and any statutory pension scheme that is connected with it; and

> (c) any requirements imposed by The Pensions Regulator in relation to this scheme or any statutory pension scheme that is connected with it

(2) the performance of the Scheme Manager's functions under the Regulations."

Desired Outcomes

Through the assistance provided, the Board will seek to ensure that SPPA strives for and achieves the following outcomes:

- Members understand the benefits of the Scheme and receive a high-quality service
- Pension benefits are paid are paid correctly and on time
- Value for money in decision making
- Risks are appropriately identified, recorded, considered, and managed
- Areas for continuous improvement and consideration of best practice are regularly identified and acted upon

- SPPA has complied with pensions legislation and scheme regulations

Key Functions of the Board

In seeking to achieve these outcomes and to fulfil its core statutory role to assist the Scheme Manager and comply with The Pensions Regulator's codes of practice, the Board will carry out the key functions set out below:

Operational	Governance	Finance & Risk
• Ensure scheme data is managed to the highest standards, support SPPA in improving pension data quality as part of the annual data review • Monitor operational processes (quality, timeliness and accuracy) and scrutinise the level and quality of service • Identify opportunities to enhance the range and quality of services offered • Support the Agency and employer in communicating effectively to stakeholders and scheme members • Ensure SPPA supports members with a range of tools to improve their understanding of their pension benefits	• Develop engagement with the Scheme Advisory Board on mutual areas of interest whilst maintaining the distinct role and purpose of each board • Produce an annual report outlining the work of the Board throughout the scheme year • Carry out any work in relation to such aspects of governance and administration of the Scheme as requested by the Scheme Manager • Request reports from the Scheme Manager on specific topics, as required • Advise on interaction between the Scheme Manager and The Pensions	• Consideration of the quadrennial valuations process and progress • Consider the Scheme account report in Note 18 the Scottish Police Authority's Annual Report and Accounts • Monitor the provision of data to input to the Scheme's budget forecasting process • Monitor complaints / disputes; consideration of lessons learned regarding Internal Dispute Resolution Procedure (IDRP) cases, customer complaints and Pension Ombudsman cases • Monitor the recording, and reporting of breaches of law advising on actions arising to prevent recurrence • Monitor and review the operational risk register for the Schemes to ensure that potential or actual risks

• Challenge the operational performance of SPPA and benchmark the scheme administration • Encourage increased stakeholder collaboration to promote efficiency through joint working • Encourage SPPA to take forward improvements in quality and management of information for both record-keeping and communications • Monitor the Scheme participation rate to consider impact to members of communications and understanding of the scheme	Regulator, including consideration of the submission to survey responses and breach reports • Foster good working relationships with The Pensions Regulator and other service delivery partners • Seek assurance on the development of processes and systems to incorporate any new statutory requirements • Consider the future programme of service improvement at SPPA and its alignment with priorities identified by the Board • PPB members can request to observe other scheme Governance forums, such as the Scheme Advisory Board	are timeously identified and that appropriate controls to mitigate and manage the likelihood of the risks materialising as well as any resulting impact are implemented effectively • Consideration of audit reports impacting Police schemes and raising requests or concerns to the SPPA Audit & Risk Committee for their consideration of the overall audit strategy