

## Minute

### **Pension Fund Sub-committee, together with Pension Board**

Wednesday, 25 February 2026, 09:30.

Council Chamber, Council Offices, School Place, Kirkwall.



## **Present**

### **Pension Fund Sub-committee:**

Councillors Alexander G Cowie, P Lindsay Hall, Steven B Heddle and Kristopher D Leask.

### **Pension Board:**

### **Employer Representatives:**

Councillors David Dawson and Owen Tierney, Orkney Islands Council.  
Karen Ritch, Orkney Ferries Limited.

### **Trade Union Representative:**

Eileen Swanney (Unison).

## **Present via remote link (Microsoft Teams)**

### **Pension Fund Sub-committee:**

Councillors Rachael A King, Mellissa-Louise Thomson and Heather N Woodbridge.

### **Pension Board:**

### **Employer Representative:**

Councillor Graham A Bevan.

## **Clerk**

- Sandra Craigie, Committees Officer.

## **In Attendance**

- Erik Knight, Head of Finance.
- Robert Adamson, Service Manager (Payroll and Pensions).
- Shonagh Merriman, Service Manager (Corporate Finance).
- Paul Maxton, Solicitor.
- Katie Gibson, Team Manager (Corporate Finance).

## **Apology**

### **Pension Board, Trade Union Representative:**

- Karen Kent (Unison).

## **Not Present**

### **Pension Board, Trade Union Representative:**

- Mark Vincent (GMB).

## **Declarations of Interest**

- No declarations of interest were intimated.

## **Chair**

- Councillor Alexander G Cowie.

## **1. Revenue Expenditure Monitoring**

After consideration of a report by the Head of Finance, copies of which had been circulated, the Sub-committee:

Noted:

**1.1.** The revenue financial summary statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 31 December 2025, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £49,203,400.

**1.2.** The revenue financial service area statement in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 31 December 2025, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

**1.3.** The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that appropriate action was being taken with regard to significant budget variances.

## **2. Pension Fund – Draft Budget**

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Payrolls and Pensions), the Sub-committee:

Resolved that the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2026/27, attached as Annex 1 to the report by the Head of Finance, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

## **3. Pension Fund Risk Register Update**

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Resolved, in terms of delegated powers, that the updated Risk Register relating to the Orkney Islands Council Pension Fund, attached as Appendix 1 to this Minute, be approved.

#### **4. Pension Fund Training Policy**

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment and an Island Communities Impact Assessment, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Resolved, in terms of delegated powers, that the updated Training Policy relating to the Orkney Islands Council Pension Fund, attached as Appendix 2 to this Minute, be approved.

#### **5. Pension Fund Training**

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Noted:

**5.1.** The Pension Training Record for 2025, attached as Appendix 1 to the report by the Head of Finance.

**5.2.** The Pension Fund Self-Assessment 2025 results, attached as Appendix 2 to the report by the Head of Finance.

The Sub-committee resolved, in terms of delegated powers:

**5.3.** That the Annual Training Plan for 2026 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 3 to this Minute, be approved.

#### **6. Exclusion of Public**

On the motion of Councillor Alexander G Cowie, seconded by Councillor Owen Tierney, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

#### **7. Statement of Managed Funds**

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Act.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Team Manager (Corporate Finance), the Sub-committee:

Scrutinised:

**7.1.** The investment monitoring report for the Pension Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, and obtained assurance in respect of the performance of managed funds for the quarter to 31 December 2025.

**7.2.** The Legal and General Quarterly Engagement report for Quarter 3 2025, attached as Appendix 2 to the report by the Head of Finance.

**7.3.** The Baillie Gifford report for the quarter ending 31 December 2025, attached as Appendix 3 to the report by the Head of Finance.

## **8. Conclusion of Meeting**

At 10:23 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.

# Orkney Islands Council Pensions Fund Risk Register



## 1. Objectives

The objectives of the Risk Register are to:-

- identify key risks that could prevent the achievement of the Fund's objectives
- evaluate the significance of the risks;
- identify any mitigating controls;
- identify the owner of each risk; and
- act as a basis by which the risks can be monitored and reported upon.

## 2. Risk Assessment

Identified risks are assessed separately and for each the following is determined:-

- the likelihood of the risk materialising; and
- the impact/potential consequences if it does occur.

## 3. Risk Evaluation

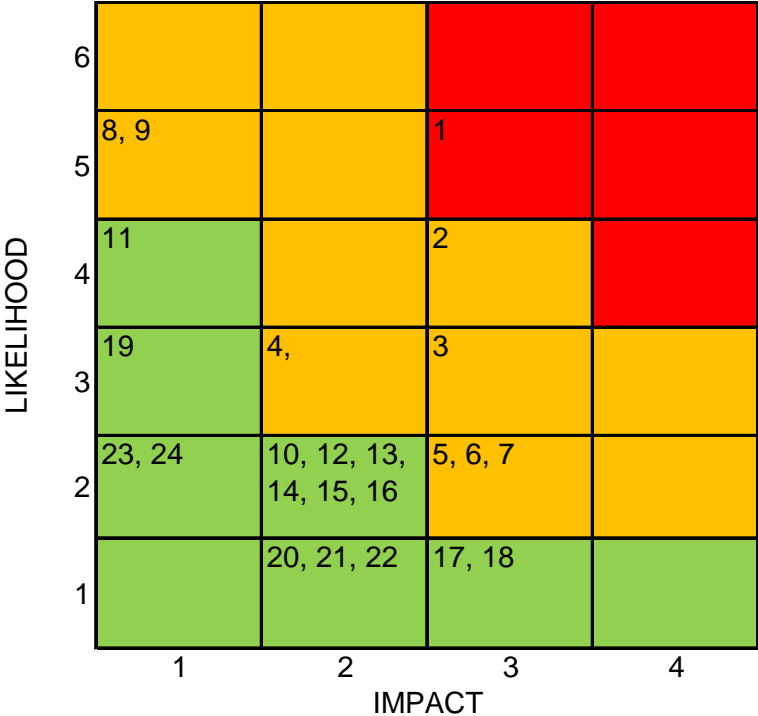
Risks are evaluated on a sliding scale of 1-10 with 10 the highest value i.e. highest likelihood / most severe impact / consequences. The risk evaluation tables overleaf have been used in order to assess specific risks and to introduce a measure of consistency into the risk assessment process. The overall rating for each risk is calculated by multiplying the likelihood value against the impact value to give the total score. The risk rating scores are then used to prioritise the risk rating which is shown in the register itself.

## Risk Evaluation Criteria

The Risk Evaluation Tables:Likelihood	
1	Negligible never happened to the Fund but is theoretically possible
2	Extremely unlikely within the next 3 years, but possible within a 10 year cycle
3	Extremely unlikely within the next 12 months, but possible within a 5 year cycle
4	Feasible within the next 12 months
5	Probable within the next 12 months
6	Confidently expected within the next 12 months

The Risk Evaluation Tables: Impact	
1	Negligible
2	Significant – potential to cause significant damage in the short and medium term without threatening the survival of the Fund
3	Could seriously threaten Fund reputation or weaken its capacity to survive
4	Catastrophic

# Risk Matrix



## Summary and Prioritisation of Pension Fund Risks

Risk Ranking	Risk Theme	Risk	Risk Rating
1	Investment	Financial risks arising from UK and geopolitical uncertainty which could impact the Fund's Assets and Liabilities, which could accelerate rate which contributions are required to be paid following the next actuarial valuation.	15
2	Investment	Active investment manager under-performance relative to benchmark at aggregate level and/or failure of investment market(s) from economic and political instability etc. Inefficiencies with the portfolio could result in unintended risks.	12
3	Investment	Changes in legislation and other regulatory frameworks, such as pooling and merging of LGPS schemes in Scotland, or Single Island Authority may impact adversely on the Fund in terms of funding levels and governance structures.	9
4	Governance	Committee and Board members have inadequate knowledge and understanding.	6
5	Operational	Breach of Data Protection Legislation, increased cyber security threats through changes in working practices - theft or loss of data.	6
6	Operational	Failure to produce compliant annual report and accounts within deadline including possible delays through failure of external auditors.	6
7	Operational	Scale of Pension Team could create an over reliance on Key Pension Officers and staff absence being problematic. Recruitment and retention of key staff.	6
8	Investment	Outcome of the McCloud judgement and how it will impact on future liabilities of the Fund.	5
9	Investment	Outcome of the Cost Cap and how it will impact on future contributions.	5
10	Operational	Business Continuity (Service delivery threats, Insufficient daily backup etc)	4
11	Operational	New pension access reforms, "Freedom and choice", and increase in awareness, may lead to Fund members electing to transfer all or part of their pension entitlement much earlier than projected resulting in the potential change in liability profile for the Fund.	4
12	Governance	Funding Strategy is only updated following the tri-ennial actuarial valuation and does not reflect any subsequent regulatory changes, longevity, early retirement patterns, or any pay and price inflation.	4
13	Governance	Lack of communication and budgetary controls between Administering Authority and members of the Pension Fund Sub Committee.	4
14	Investment	Credit risk in relation to internally managed funds where there is a risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation.	4
15	Operational	Incomplete member records and failure to carry out statutory functions including submission of member data and contributions to the Pension Fund in a timely manner.	4
16	Investment	Failure of Fund Advisor leading to replacement.	4
17	Operational	Fraud/Theft of Fund assets by internal staff members.	3
18	Investment	Negligence, default, fraud by investment manager.	3
19	Investment	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	3
20	Governance	Decisions influenced by possible conflicts of interest or not in the best interests of stakeholders.	2
21	Governance	Failure to adhere to relevant statutory regulations including updates from LGPS. Failure to process accurate pension benefit payments, including lump sum payments, in a timely manner.	2
22	Investment	Failure of Global Custodian.	2
23	Operational	The administration performance measure and targets may no longer be the most appropriate for the fund.	2
24	Operational	Closure of facilities.	2

## Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
1	Financial risks arising from UK and geopolitical uncertainty which could impact the Fund's Assets and Liabilities, such as <ul style="list-style-type: none"> <li>• Risk of rising inflation increasing the amount of future pensions paid.</li> <li>• Actuarial basis risk of falling gilt yields, which could accelerate rate at which contributions are required to be paid following the next actuarial valuation.</li> </ul>	Loss of value to the Fund.	5	3	15	12	<ul style="list-style-type: none"> <li>• External investment consultants and actuary are appointed to advise the PFSC.</li> <li>• Diversified long-term investment strategy focused on developed markets and managed by experienced Investment Managers.</li> <li>• Robust governance and investment monitoring framework.</li> <li>• Annual review of mandates. Periodic review of investment structure.</li> <li>• Diversification of scheme assets, global approach, multiple fund managers.</li> <li>• Investment strategy review following outcome of triennial valuation.</li> <li>• Performance of the Pension Fund will continue to be monitored quarterly by Hymans Robertson and any recommendations they make on the assets will be considered by the Pension Board and Sub-Committee.</li> </ul>	Head of Finance/PFSC	Ongoing
2	Active investment manager under-performance relative to benchmark at aggregate level and/or failure of investment market(s) from economic and political instability etc. Inefficiencies with the portfolio could result in unintended risks.	Illiquidity or loss of investments. Negative publicity and adverse reporting. Potential loss of interest from any excessive holding of funds. Underperformance on investments.	4	3	12	12	<ul style="list-style-type: none"> <li>• Regular review of Funding Strategy, at least 3 yearly.</li> <li>• Regular review of Investment Strategy in line with the actuarial valuation.</li> <li>• External investment consultants and actuary are appointed to advise the PFSC.</li> <li>• Diversified long-term investment strategy focused on developed markets and managed by experienced Investment Managers.</li> <li>• Market regulation.</li> <li>• Robust governance and investment monitoring framework.</li> <li>• Quarterly monitoring of investment managers performance by external independent advisers and PFSC.</li> <li>• Diversified strategic asset allocation policy which is regularly reviewed by the PFSC.</li> <li>• Investment Management Agreement that incentivises the Fund Manager to outperform the benchmark and drive out any inefficiencies.</li> </ul>	Head of Finance/PFSC	Ongoing
3	Changes in legislation and other regulatory frameworks, such as pooling or merging of LGPS schemes in Scotland, or Single Island Authority may impact adversely on the Fund in terms of funding levels and governance structures	Loss of investments or control of investments.	3	3	9	9	<ul style="list-style-type: none"> <li>• Participation in active CIPFA and Scottish Pension network allow changes and impacts to be identified quickly.</li> <li>• Involvement with COSLA discussions on Pensions.</li> <li>• Participation in consultation on pooling/merger by the Scheme Advisory Board.</li> <li>• Monitoring and highlighting actions and decisions from scheme advisory board.</li> <li>• Consultation reform group.</li> </ul>	Head of Finance/PFSC	Ongoing
4	Committee and Board members have inadequate knowledge and understanding.	Qualified audit report; potential bad publicity; excessive pressure on officers; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.	3	2	6	6	<ul style="list-style-type: none"> <li>• Training policy statement in line with the Code of Practice on Public Sector Pensions Finance Knowledge and Skills.</li> <li>• A training register maintains a record of all training provided and attended.</li> <li>• A training plan is agreed annually.</li> <li>• Adoption of a self-assessment questionnaire to help assess skills and experience as required by The Pensions Regulator General Code of Practice which will feed into training plan.</li> </ul>	Head of Finance	Ongoing

## Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
5	Breach of Data Protection Legislation, increased cyber security threats through changes in working practices - theft or loss of data.	Audit criticism, legal challenge, reputational damage, financial penalties.	2	3	6	6	<ul style="list-style-type: none"> <li>Data securely sent/received to/from the fund actuary using a secure internet portal.</li> <li>Pension Fund adopted internal controls of Administering Authority.</li> <li>New Pension Regulator provisions in place from November 2021 to strengthen the checks that take place prior to any transfers being made.</li> <li>Management will continue to monitor closely the checks that have taken place prior to any transfers out being made.</li> <li>Management will work closely with staff to ensure they are getting the correct level of support to deliver their role in the team.</li> <li>Staff complete the online i-Learn module on Data Protection.</li> <li>Staff will be made aware of any potential scams that could take place. This is being further enhanced by the development of a new online training course which will be mandatory for all Finance staff.</li> <li>Confirmation from Fund Managers that they have data protection procedures in place.</li> </ul>	Pensions Manager /IT/Legal	Ongoing
6	Failure to produce compliant annual report and accounts within deadline including possible delays through failure of external auditors.	Audit criticism, reputational damage.	3	2	6	6	<ul style="list-style-type: none"> <li>Agree audit programme timeously</li> <li>Plan timetable annually</li> <li>Use of qualified staff</li> </ul>	Accounting / Pensions	Ongoing
7	Scale of Pension Team could create an over reliance on Key Pension Officers and staff absence being problematic. Recruitment and retention of key staff.	Failure to process payments on time or correctly leading to possible delays or overpayments. Loss or failure of service delivery	3	2	6	6	<ul style="list-style-type: none"> <li>Checklists.</li> <li>Pensions Manager focused on mentoring and knowledge sharing.</li> <li>Front line management course.</li> <li>Staff have access to online training.</li> <li>Staff complement in the Pensions section has been increased.</li> <li>OIC's policy includes actively encouraging skilled and educated workers to remain in Orkney.</li> <li>Existing staff are given the opportunity to gain an appropriate pension qualification.</li> </ul>	Head of Finance Pensions Manager/HR	Ongoing
8	The outcome of the recent court judgements, including McCloud and Goodwin, will impact future liabilities of the Fund and increase pressure on contributions depending on the remedy decided by the UK Government to compensate individuals for the difference in treatment since public service pension reforms in 2015 on the grounds of age and gender discrimination.	Increase in employer contribution rates.	5	1	5	5	<ul style="list-style-type: none"> <li>Hymans Robertson allow for the McCloud judgement in the calculation of the latest funding valuation results. The Employer's funding valuation results are used as the starting point for the accounting roll forward calculations and therefore an allowance is included in the accounting disclosure.</li> <li>The cost cap introduced in 2015 will limit the impact.</li> </ul>	Head of Finance/ PFSC	Ongoing
9	The Cost Cap or Cost Management as it is also known as, is being introduced to the LGPS as a mechanism for sharing funding risk between the employers and members. It will not be fully implemented until the outcome of the McCloud judgement is known but could lead to scheme benefits changing and either employers or employees paying higher contributions.	Increase in employer contribution rates.	5	1	5	5	<ul style="list-style-type: none"> <li>Once the full implications of the cost cap are established officers, with assistance from Hymans Robertson, will further quantify the impact on the Fund.</li> <li>Good investment returns protect the Fund in the short term and the impact will be further reviewed in the interim valuations each year and at the next triennial valuation.</li> </ul>	Head of Finance/ PFSC	Ongoing
10	Business Continuity (Service delivery threats, insufficient daily backup etc)	Temporary loss of ability to provide service to stake holders. Staff downtime, loss of service delivery. Monthly pension payroll to pensioners delayed resulting in possible hardship.	2	2	4	4	<ul style="list-style-type: none"> <li>Business continuity and disaster recovery plans in place.</li> <li>Procedures to back-up IT System are fully developed and stored securely.</li> <li>Contingency arrangements are in place including staff ability to work from home.</li> <li>Pensions Administration system is now fully operational with established procedures in place.</li> </ul>	IT / Pensions Manager	Ongoing

## Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
11	New pension access reforms, "Freedom and choice", and increase in awareness, may lead to Fund members electing to transfer all or part of their pension entitlement much earlier than projected resulting in the potential change in liability profile for the Fund.	Requirement to release large amounts of cash to members. Disinvest current assets in a much more unplanned manner with the potential to disadvantage the Funding position.	4	1	4	4	<ul style="list-style-type: none"> <li>Management will continue to monitor the amounts being transferred.</li> <li>Management will notify Hymans Robertson, Actuaries to the Fund, if they feel the level of transfers could impact on the funding position.</li> <li>Requirement of scheme is for any transfers over £30K to provide evidence that they have sought financial advice from an adviser registered with the FCA.</li> </ul>	Pensions Manager	Ongoing
12	Funding Strategy is only updated following the tri-ennial actuarial valuation and does not reflect any subsequent regulatory changes, longevity, early retirement patterns, or any pay and price inflation.	Movement in employers contribution rates. Movement in liabilities leading to change in employer contribution rates. Pressure on cash flow and funding equation.	2	2	4	4	<ul style="list-style-type: none"> <li>The focus of the actuarial valuation process on real returns, net of prices and pay increases. Valuation monitoring by annual Navigator reports are intended to act as an early warning system.</li> <li>Expert Actuaries appointed to monitor and forecast accordingly.</li> <li>Stabilisation of contributions through a mechanism that ensures the setting of contributions is not affected by short term funding issues.</li> </ul>	PFSC	Ongoing
13	Lack of communication and budgetary controls between Administering Authority and members of the Pension Fund Sub Committee.	Unexpected variances over budget headings; loss of income to the fund; loss of stakeholder confidence in the ability of the administering authority; potential increase in costs to fund employers.	2	2	4	4	<ul style="list-style-type: none"> <li>Annual service budget agreed in advance of financial year.</li> <li>Monthly budget monitoring reports (BMR).</li> <li>Quarterly budget reports to the PFSC.</li> </ul>	Pensions Manager PFSC Head Of Finance	Ongoing
14	Credit risk in relation to internally managed funds where there is a risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation.	Financial loss borne by the Pension Fund	2	2	4	4	<ul style="list-style-type: none"> <li>The Council's Annual Treasury Management Strategy sets out the Fund's approach to credit risk for internally managed funds. Deposits are only made with banks and financial institutions if they are independently rated and meet the OIC's credit criteria. The strategy also sets limits as to the maximum percentage of deposit with any one class of financial assets.</li> <li>Additional controls and protections are provided through the Financial Services Compensation Scheme (FSCS) up to set limits.</li> <li>For larger cash balances Sterling Liquidity Funds will be considered managed by regulated managers.</li> </ul>	Head of Finance	Ongoing
15	Incomplete member records and failure to carry out statutory functions including submission of member data and contributions to the Pension Fund in a timely manner.	Adverse impact on cash flow position; delays in closure of year end accounts; employers forced to leave the scheme. Possible adverse audit opinions, possible unacceptable delays in settlements or overpayments. Missing, incomplete records on pensions administration system undermines service delivery and causes difficulties in establishing correct benefits at individual level and liabilities at whole Fund level.	2	2	4	4	<ul style="list-style-type: none"> <li>Monitor membership on triennial actuarial valuation.</li> <li>Admitted bodies to notify of significant structural changes.</li> <li>Vetting on any new or prospective employers before entering into an admission agreement.</li> <li>Senior Officers liaise closely with employers</li> <li>Contribution monitoring procedures</li> <li>Monthly monitoring of receipts and escalation procedures in place.</li> <li>Annual contribution return certificates.</li> </ul>	Pensions Manager/ Internal Audit	Ongoing
16	Failure of fund advisor leading to replacement.	Failure to make timely arrangements to transition to a new fund advisor would be detrimental to the fund.	2	2	4	N/a	<ul style="list-style-type: none"> <li>Contract in place with current financial advisor, long standing relationship.</li> <li>Advice provided is scrutinised and challenged by PFSC and officers.</li> <li>Advisor performance is reviewed on an annual basis.</li> <li>Procurement process would be followed if a replacement fund advisor was required and would seek to ensure advisers have appropriate professional qualifications and quality assurance procedures in place.</li> </ul>	Head of Finance/ PFSC	Ongoing

## Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
17	Fraud/Theft of Fund assets by internal staff members.	Overpayment, unauthorised payment, system corruption, audit criticism, reputational damage	1	3	3	3	<ul style="list-style-type: none"> <li>Established systems of internal controls and security are in place</li> <li>Segregation of duties</li> <li>Supervisory checking of all calculations</li> <li>Internal audit and monitoring arrangements</li> <li>Fraud ilearn course compulsory for all Finance staff</li> </ul>	Head of Finance Pensions Manager/ Internal Audit	Ongoing
18	Negligence, default, fraud by investment manager.	Loss of value to the Fund; reputational damage.	1	3	3	3	<ul style="list-style-type: none"> <li>Indemnities in Investment Management Agreements and Financial Conduct Authority (FCA) Regulations.</li> <li>Separation of assets from management via global custody arrangement.</li> <li>Document review process on internal control reports from Fund custodians takes place.</li> <li>Process in place for reporting any significant issues to members of the Pension Board and Sub-Committee.</li> </ul>	PFSC	Ongoing
19	As long-term investors, the Fund believes climate risk has the potential to significantly alter the value of the Fund's investments.	Loss of value to the Fund. Increased workload and fees surrounding scope 3 administration when it becomes a statutory requirement.	3	1	3	3	<ul style="list-style-type: none"> <li>The Statement of Investment Principles are regularly reviewed.</li> <li>Investment managers are required to take account of both financial and non-financial factors in their investment decisions.</li> <li>Managers are required to be signatories of the UNPRI.</li> <li>Managers are challenged on their engagement activities in connection with environmental, social and governance (ESG) issues including climate risk.</li> <li>Managers are required to report regularly on their compliance with our ESG policy.</li> <li>Responsible Investment Policy is in place which confirms the actions to be taken by the Fund in relation to climate change.</li> </ul>	Head of Finance/ PFSC	Ongoing
20	Decisions influenced by possible conflicts of interest or not in the best interests of stakeholders.	Limited discretion for interested parties or stakeholders to influence decisions. The pension fund is regulated by the statutory provisions of the LGPS.	1	2	2	2	<ul style="list-style-type: none"> <li>Training provided.</li> <li>Potential conflicts of interest are declared at the beginning of each committee meeting.</li> <li>Register of Interests for members to the PFSC and PB is in place and reviewed annually.</li> </ul>	Head of Finance	Ongoing
21	Failure to adhere to relevant statutory regulations including updates from LGPS. Failure to process accurate pension benefit payments, including lump sum payments, in a timely manner.	Incorrect calculations of pensions, possible unacceptable delays in making full payments to pensioners. Audit criticism, legal challenge, reputational damage and cost.	1	2	2	2	<ul style="list-style-type: none"> <li>Regular systems checks take place to ensure compliance with current LGPS (Scotland) Regulations.</li> <li>Continual review of discretionary pension policies.</li> <li>Participation in the Scottish Pension Investments Governance Group.</li> <li>Provision of staff training.</li> <li>Updates confirmed via Scottish Public Pensions Agency (SPPA).</li> <li>System provider updates pension administration system.</li> <li>Segregation of duties.</li> <li>Regular checks by Internal Audit.</li> <li>Subscription to tracing service for deceased pensioners.</li> </ul>	PFSC/PB Head of Finance Pensions Manager Internal Audit	Ongoing
22	Failure of Global Custodian.	Loss of investments or control of investments.	1	2	2	2	<ul style="list-style-type: none"> <li>Regular review and periodic re-tendering.</li> <li>Banking and FCA regulation. Fund's assets not on custodian's balance sheet.</li> <li>The Global Custodian's hold certificates of investments only, with the Fund Managers holding the actual money relating to those investments.</li> </ul>	PFSC	Ongoing
23	The administration performance measures and targets may no longer be the most appropriate for the fund.	Poor performance of the administration of the Pension Fund.	2	1	2	2	<ul style="list-style-type: none"> <li>Performance is measured and reported to the Pension Board twice yearly.</li> <li>Increased staffing within the Pensions Section has resulted in more targets being met.</li> <li>Regular reviews of performance measures will take place.</li> </ul>	Pensions Manager	Ongoing

Pension Fund - Risk Ranking

Ranking	Risk	Impact	L	I	Current Risk Rating	Previous Risk Rating	Risk Control Measures	Assigned to	Target Date (priority items)
24	Closure of facilities.	Loss of income for employer resulting in inability to pay contributions. Adverse impact on cashflow.	2	1	2	2	<ul style="list-style-type: none"> <li>• Low number of admitted and scheduled bodies and any new admitted bodies are carefully considered before admission.</li> <li>• The Pensions Section are in regular contact with the admitted bodies and would be aware very quickly of any potential non-payment of contributions.</li> <li>• The main employer in the scheme is OIC and funding of the Council is not at risk.</li> </ul>	Head of Finance and Pensions Manager	Ongoing



# Pension Fund Training Policy

## February 2026

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## Policy Objectives

The objectives of this training policy are to:

- Ensure administering Officers of the Orkney Islands Council Pension Fund and Members of the Pension Board and the Pension Fund Sub-committee have the appropriate knowledge and expertise to effectively fulfil their role.
- Develop the skills and knowledge to support effective and robust decision making, ensuring that the Fund meets its objectives and decisions are well founded and comply with Regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Ministry for Housing, Communities and Local Government (MHCLG).
- Provide Members of the Pension Board and the Pension Fund Sub-committee with the skills to evaluate the information they receive and effectively challenge it where appropriate.

## Key Principles

The Pension Fund Sub-committee recognises that effective financial administration, scheme governance and decision-making can only be achieved where those involved have the requisite knowledge and skills.

Accordingly, the Pension Fund Sub-committee will ensure that it has the necessary resources to discharge its pensions administration responsibilities and that all staff and members charged with financial administration, governance and decision-making about the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

## Regulatory Requirements

### Myners Principles/CIPFA/LGPS Regulations

Training expectations for pension fund trustees were defined in the 2001 Myners Principles. They were revised and updated in the revised principles published in 2009. Principle 1 Effective Decision-Making reads as follows:

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation.
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Administering authorities are required by the Local Government Pension Scheme regulations to state within their Statement of Investment Principles the extent of their compliance with the principles and guidance and the reasons for any non-compliance.

### **CIPFA Code of Practice**

During 2011 CIPFA launched a Code of Practice on Public Sector Pensions Finance Knowledge and Skills. The Code seeks to embed the requirements for the acquisition, retention and maintenance of appropriate knowledge and skills. The Code of Practice is underpinned by four key principles:

1. Organisations responsible for the financial administration of public sector pension schemes recognised that effective financial management, decision-making and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
2. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration and decision making.
3. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Finance Knowledge and Skills Frameworks.
4. The organisation has designated a named individual to be responsible for ensuring that policies are implemented.

The Code of Practice recommends that all organisations responsible for the financial management of public sector pension schemes should adopt CIPFA's practice and policy statements.

## The Pensions Regulator (TPR)

From 1 April 2015 The Pension Regulator (TPR) became responsible for regulatory oversight of public service pension schemes including the LGPS because of the Public Service Pensions Act 2013. In January 2015 TPR published a Code of Practice for the Governance and Administration of Public Service Pension Schemes.

In 2024, TPR published a new General Code of Practice (GCoP) for all pension schemes including the public sector. This became effective on 28 March 2024. This new code consolidates and updates ten existing codes of practice into a single set of clear and consistent expectations for scheme governance and administration. The GCoP applies to all pension schemes, both public and private.

The “Knowledge and Understanding Requirements” section of the GCoP mandates that the governing body, or pension board, must demonstrate that, collectively, they possess the skills, knowledge, and experience necessary to effectively manage the scheme. The governing body should:

- Have a balance of skills and experience throughout the board and be able to demonstrate this.
- Be able to apply its knowledge to governing the scheme.
- Have enough skills to judge and question advice or services provided by a third party.
- Be able to identify and address skills gaps.
- Have enough understanding of industry good practice and standards to assess scheme performance and its service providers.
- Keep records of the learning activities of individual members and the body as a whole.
- Be able to demonstrate steps it has taken to comply with the law.
- Have and maintain training and development plans to ensure that individual and collective knowledge and understanding is kept relevant and up to date.

## Training Needs Assessment

The GCoP on Public Sector Pensions Finance Knowledge and Skills, together with supporting Framework and guidance documentation provides additional support for assessing the training needs of individual members and officers, using self-assessment tools. Members and officers are encouraged to carry out the self-assessment to identify training needs.

Members may then wish to approach relevant senior officers to discuss how individual training needs can be met. In doing so it is, however, important for members to appreciate that an in-depth knowledge of all the core knowledge areas is neither assumed nor necessary. In many cases what the framework expects is only an understanding or awareness of an area, and knowledge of where more detailed knowledge can be sought.

The training needs self-assessment will be issued to members of the sub-committee, board and officers periodically to determine levels of knowledge and identify areas where further training is required.

## The Training Plan

The Council's approach to training will be supportive and provide Pension Fund Sub-committee members, Pension Board members and senior officers with regular sessions that will contribute to and advance their level of skills and knowledge. This will include regular events to cover the latest developments in the Local Government Pension Scheme, investment strategy and performance monitoring.

A training plan will be produced annually and presented to the Pension Fund Sub-committee for approval in February each year. All members must participate in at least one training event, or equivalent to five hours training, as a minimum requirement, each financial year.

The training plan will set out how levels of understanding will be assessed, and how the knowledge and skills requirements and other regulatory requirements will be supported through training events over the next financial year.

Training requirements for key individuals will be identified having regard for:

- Topics identified in relevant frameworks or in publications by relevant bodies (e.g. CIPFA, TPR etc).
- The business plan of the fund.
- Current or topical issues.

In addition, members and officers should make use of the Pension Regulator's Trustee Toolkit. This online resource will enable users to target the areas of knowledge they feel would benefit them most by completing individual modules at a time that is convenient.

The Toolkit consists of 11 modules, 9 of which are relevant to defined benefit schemes such as Orkney Islands Council's Pension Fund, as follows:

- Introducing pension schemes.
- The Trustee's role.
- Running a scheme.
- Pensions law.
- An introduction to investment.
- How a defined benefits scheme works.
- Funding your defined benefits scheme.
- Defined benefit recovery plans, contributions and funding principles.
- Investment in a defined benefit scheme.

## **Pension Board Specific Requirements**

Members of the Pension Board are required to have the capacity to take on the role of assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

In addition, in accordance with Section 248A of the Pensions Act 2004 which was introduced to make provision relating to pensions and financial planning for retirement, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the regulations governing the Local Government Pension Scheme, such as the Transitional Regulations and the Investment Regulations.
- Be conversant with any policy document relating to administration of the Fund.
- Have knowledge and understanding of the law relating to pensions.
- Have knowledge and understanding of such other matters as may be prescribed.

## **Training Delivery**

Training is delivered through a variety of mediums including:

- Formal reports and presentations to the Pension Fund Sub-committee and the Pension Board.
- Specific training sessions/conferences/seminars provided by Council Officers, investment managers and investment advisors, including national bodies.
- Other briefings and associated research material.

The methods of delivery used are:

- In person.
- Hybrid.
- Documentation.

## Monitoring and Reporting

Attendance at all training events is documented by the Accountancy team in a training log, which records the subjects covered and the duration of each session.

In line with the CIPFA Code of Practice, a disclosure will be made in the Fund's Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.

An annual training update will be presented to the Pension Fund Sub-committee each February. This report will summarise the training undertaken in the previous 12 months and outline the training plan for the forthcoming year.

## Review

This policy will be reviewed on a regular basis and updated where necessary.



## **ORKNEY ISLANDS COUNCIL**

# **Pension Fund Training Plan**

## **2026**

### **1. Introduction**

The Orkney Islands Council Pension Fund is committed to providing training to those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This includes regular events to cover the latest developments in the Local Government Pension Scheme, investment strategy and performance monitoring. In April 2015, the Pension Fund Sub-committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Pension Fund Sub-committee and the Pension Board receive appropriate training to allow them to carry out their roles effectively.

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next financial year.

### **2. Knowledge and Skills Framework**

There are eight areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for Local Government Pension Scheme funds. They are:

- Pensions legislation and guidance.
- Pensions governance.
- Funding strategy and actuarial methods.
- Pensions administration and communications.
- Pensions financial strategy, management, accounting, reporting and audit standards.

- Investment strategy, asset allocation pooling, performance and risk management.
- Financial markets and products.
- Pension services procurement, contract management and relationship management.

Members of the Pension Fund Sub-committee and the Pension Board are expected to have a collective understanding, and Officers are expected to have detailed understanding of these areas of knowledge and skills.

### **3. Pension Board Specific Requirements**

Members of the Pension Board are required to have the capacity to take on the role of assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

In addition, in accordance with Section 248A of the Pensions Act 2004 which was introduced to make provision relating to pensions and financial planning for retirement, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the regulations governing the Local Government Pension Scheme, such as the Transitional Regulations and the Investment Regulations.
- Be conversant with any policy document relating to administration of the Fund.
- Have knowledge and understanding of the law relating to pensions.
- Have knowledge and understanding of such other matters as may be prescribed.

### **4. Committee and Pension Board Training**

Training for the Pension Fund Sub-committee and the Pension Board during 2026 will continue to focus on the following areas:

#### **Knowledge and Skills Framework**

All training will focus on maintaining the eight areas of knowledge and skills, with any gaps in knowledge identified throughout the past year and including the periodic use of members' self-assessment returns where appropriate. A self-assessment was prepared and issued to officers and members in December 2025, and the results show that additional training would be beneficial in the areas of Pension Legislation and Pensions Administration.

#### **Training Events**

Expressions of interest are sought from members to attend relevant industry events, including conferences and seminars throughout the year. If there is more interest to attend an event than places available, a decision to determine who should get approval to attend will be made by the Head of Finance, in consultation with the Chair of the Pension Fund Sub-committee, who will determine appropriate representation and approve attendance.

## Informative Review Presentations

Members will receive regular reports on the performance of the administration and investment functions throughout the year. In addition to this members will be invited to attend informative review presentations by external advisors including the Pension Fund's appointed actuaries, investment advisors and fund managers.

## Electronic Resources

Members are invited to access training information available on the Pension Regulator's website setting out the governance requirements of the local government pension scheme, including the respective roles of the Pension Fund Sub-committee and Pension Board at the following link:

<https://trusteetoolkit.thepensionsregulator.gov.uk/login/index.php>

Additionally, resources from previous training events have been made available to Councillors on their Council electronic device under "Training". Training materials will be added to this folder going forward as and when events occur.

## 5. The Pensions Regulator New General Code of Practice (GCoP)

The Pensions Regulator's (TPR) new [General Code of Practice](#) (GCoP) was presented in Parliament on 10 January 2024 and came into effect on 28 March 2024. This new code consolidates and updates ten existing codes of practice into a single set of clear and consistent expectations for scheme governance and administration. The GCoP applies to all pension schemes, both public and private.

The "Knowledge and Understanding Requirements" section of the GCoP mandates that the governing body, or pension board, must demonstrate that, collectively, they possess the skills, knowledge, and experience necessary to effectively manage the scheme. The governing body should:

- Have a balance of skills and experience throughout the board and be able to demonstrate this.
- Be able to apply its knowledge to governing the scheme.
- Have enough skills to judge and question advice or services provided by a third party.
- Be able to identify and address skills gaps.
- Have enough understanding of industry good practice and standards to assess scheme performance and its service providers.
- Keep records of the learning activities of individual members and the body as a whole.
- Be able to demonstrate steps it has taken to comply with the law.
- Have and maintain training and development plans to ensure that individual and collective knowledge and understanding is kept relevant and up to date.

The GCoP requires the governing body to regularly assess their skills and experience, with best practice being to conduct a formal audit of skills and experience periodically. In line with best practice, the Pension Fund Manager will issue a questionnaire to members and officers as part of a formal audit to assess knowledge, skills, and experience against the Knowledge and Skills Framework and schedule appropriate training as needed.

In addition, to allow a formal record of completion to be maintained, members should notify the Pension Fund Manager when they complete a module from the electronic Trustee Toolkit training referred to above.

## 5. Responsible Investment Training

To ensure compliance with the Pension Fund Sub-committee's Responsible Investment Policy, members will undergo regular training on Responsible Investment. This training will equip them with the necessary understanding to support and inform their decision-making processes.

## 6. Other Training

Where gaps in individual members' knowledge have been identified that will not be met by the core training described above, then members should approach officers in the first instance with a view to addressing those needs.

Specific training can also be provided for the Chairs of the Pension Fund Sub-committee and the Pension Board to support them in their role, if required.

## 7. Officer Training

It is important that officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the eight areas of the framework.

Officers will attend relevant professional training events, conferences and seminars during the year to ensure that they remain up to date with the latest requirements. In addition, they will be expected to keep up to date through use of the internet, and conduct research on relevant issues where required

For officers, there will be a particular focus on the following areas:

**Governance** – Understanding the guidance and regulations in relation to local pension boards and keeping up to date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.

**New Investment Arrangements** – Understanding the implications of how the Financial Conduct Authority will implement the Markets in Financial Instruments Directive (MiFIDII) and what the Fund will need to do to comply.

**New Investment Products** – Keeping up to date with what the market is offering, to assess the validity of new products for investment by the Fund.

**Accounting Issues** – Keeping up to date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.

**Pensions Admin Regulations** – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.

**Pensions Admin Systems** - Keeping up to date with updates/new releases to the software system Altair, passing training onto all staff.

**Wider Pensions Issues** – Understanding the impact of wider Government reforms to pensions, such as “freedom and choice” on the LGPS.

## **8. Reporting and Compliance**

In line with the CIPFA Code of Practice, a disclosure will be made in the Fund’s Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.