

Public Document Pack



To: Pensions Committee

Councillor Crockett, Convener; Councillor Reynolds, Vice Convener; and Councillors Donnelly, Kiddie, MacGregor, Malik, Malone, Noble and Young.

Pensions Board

Mr J Mulholland, Chairperson; Mr D Briggs, Vice Chairperson; and Councillors Cowe, Howatson and Ironside CBE; and Mr R Henderson and Mr A Walker.

Town House,
ABERDEEN, 9 December 2015

PENSIONS COMMITTEE AND PENSIONS BOARD

The Members of the **PENSIONS COMMITTEE AND THE PENSIONS BOARD** are requested to meet in Committee Room 2 - Town House on **THURSDAY, 17 DECEMBER 2015 at 10.30 am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

DETERMINATION OF EXEMPT BUSINESS

- 1 Members are requested to determine that any exempt business on the agenda be considered with the press and public excluded

MINUTES & MOTIONS LIST

- 2 Minute of Meeting of the Pensions Committee and Pensions Board of 4 September 2015 (Pages 3 - 10)
- 3 Matters Arising
- 4 Motions List (Pages 11 - 12)

ADMINISTRATION

- 5 Training (Pages 13 - 36)

ACCOUNTING

- 6 Budget / Forecast and Projected Spend 2015/16 (Pages 37 - 44)

NOT FOR PUBLICATION

- 7 Asset and Investment Manager Performance Report (Pages 45 - 68)

- 8 Investment Strategy Update Report (Pages 69 - 76)

Website Address: www.aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Stephanie Dunsmuir, tel 522503 or email sdunsmuir@aberdeencity.gov.uk

PENSIONS COMMITTEE AND PENSIONS BOARD

ABERDEEN, 4 September 2015. Minute of Meeting of the PENSIONS COMMITTEE AND PENSIONS BOARD. Present (Pensions Committee):- Councillor Crockett, Convener; and Councillors Donnelly, Kiddie, Malone, MacGregor, Noble, Reynolds and Young; (Pensions Board) Mr J Mulholland, Chairperson, Cllr W Howatson, Cllr L Ironside CBE and Mr A Walker.

In attendance:- Mr S Whyte, Head of Finance, Mr F Bell, Head of Legal & Democratic Services, Ms L Colliss, Pensions Manager, Mr S Boyle, External Audit, Ms A MacDonald, External Audit and Ms F Smith, Governance Support Officer.

EXEMPT BUSINESS

1. The Committee was requested to determine that the following items of business, which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973, be taken in private – items 15 (Fund Performance Report) and 16 (Investment Strategy Update).

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of items 14 & 15 so as to avoid disclosure of exempt information of the classes described in paragraph 8.

The Board resolved:-

to note the decision of the Committee.

APOLOGIES FOR ABSENCE

2. Apologies for absence were received from Councillor Laing (Pensions Committee) and from Mr D Briggs, Councillor Cowe and Mr R Henderson (Pensions Board).

MINUTE OF THE MEETING OF THE PENSIONS COMMITTEE AND PENSIONS BOARD

3. The Committee and Board had before it the Minute of the Pensions Committee and Board meeting of 15 June 2015.

The Committee and Board resolved:-

to approve the minute.

PENSIONS COMMITTEE AND PENSIONS BOARD

4 September 2015

MATTERS ARISING

4. With reference to item 12, the Pensions Committee sought an update with respect of the position in connection with an on-going legal matter.

Councillor Donnelly and Councillor Young declared an interest in this part of the agenda as a result of their roles as Trustees of Oakbank School. Both Members considered that the nature of their interest required them to withdraw from the meeting, which they did whilst the Head of Finance responded to Members.

The Head of Finance provided an update to Members on the on-going legal matter.

APPOINTMENT OF THE PENSIONS COMMITTEE VICE CONVENER

5. The Committee agreed to appoint Councillor Reynolds as the Pensions Committee Vice Convener.

The Committee resolved:-

to appoint Councillor Reynolds as Vice Convener of the Pensions Committee.

The Board resolved:-

to note the decision of the Pensions Committee.

MOTION BY COUNCILLOR KIDDIE

6. "That the Head of Finance be instructed to provide a report on ethical investments in respect of the Pension fund and the impact of such a strategy and reports back to Committee within a 6 month period on such a strategy."

The Committee resolved:-

to approve the motion.

The Board resolved:-

to note the decision of the Pensions Committee.

DATES OF FUTURE PENSIONS COMMITTEE MEETINGS

7. The Committee had before it a report by the Clerk which set out proposed amended meeting dates for 2016. It was also proposed that pre-meetings would be arranged in future for the Convener and Vice Convener.

PENSIONS COMMITTEE AND PENSIONS BOARD
4 September 2015

The proposed Committee and Board dates were as follows:-

Friday 4 December 2015

Friday 11 March 2016

Friday 24 June 2016

Friday 16 September 2016

Friday 2 December 2016

The Committee resolved:-

to agree the dates.

The Board resolved:-

to note the decision of the Committee.

PENSION FUND STRATEGY

8. The Committee had before it a report by the Pensions Manager which provided an update to Committee and set out any recommended changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

The Committee heard that in line with the structural review of the Pension Fund, six specific areas had been identified which fully addressed the strategic management of the Fund, namely:-

- Investment
- Accounting
- Administration
- Technical
- Governance
- Employer Relations

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

ADMINISTRATION AND GOVERNANCE OF NORTH EAST SCOTLAND PENSION FUND (NESPF)

9. The Committee had before it a report by the Head of Finance which had been prepared to assess the North East Scotland Pensions Fund's approach to management

PENSIONS COMMITTEE AND PENSIONS BOARD

4 September 2015

of administration and governance and the effectiveness of scheme risk controls in the managed of the Fund.

The report recommended:-

that the Committee –

- (a) approve the Fund's statement of compliance with the TPR Code of practice "Governance and administration of public service pension schemes";
- (b) agree the action to be implemented at 5.7 of the report;
- (c) approve the designation of a day's training for members of the Pension Board in 2015 and members of the Pension Committee should they wish to attend; and
- (d) note the remainder of the report.

The Committee heard that there were two training opportunities available for Members, specifically designed to the needs of Committee and Board members, one on 9 October and the other on 19/20 November. The training sessions would be provided by the Governance Group of LGPS Funds in Scotland, and the LGC.

The Committee resolved:-

to agree the recommendations.

The Board resolved:-

to note the decision of the Committee.

PENSION FUND STAFF RESTRUCTURE

10. The Committee had before it a report by the Head of Finance which provided details of the staff restructure of the North East Scotland Pension Fund which would secure the long-term delivery of the service, as well as considering future succession planning.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

NESPF PERFORMANCE REPORTING

11. The Committee had before it a report on the performance of the North East of Scotland Pension Fund for the period 1 April 2015 to 30 June 2015. The Pensions Manager advised members that future reports would be presented based on the six themes outlined earlier.

PENSIONS COMMITTEE AND PENSIONS BOARD

4 September 2015

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

FINANCIAL FORECAST PLUS OUT-TURN 2015-16

12. The Committee had before it a report by the Head of Finance which set out the Management Expenses Forecast for the North East Scotland Pension Fund.

The report recommended:-

that the Committee note the update on the current NESPF Management Expenses Forecast for 2015/16.

The Committee resolved:-

to note the forecast.

The Board resolved:-

to note the decision of the Committee.

ANNUAL AUDIT REPORT ON THE 2014/15 AUDIT

13. The Committee had before it a report by the External Auditor prepared as a result of the requirement on auditors to report on specific matters arising from the audit of financial statements. Members heard that as a result of the new audit regulations, there was a requirement for the report to be uploaded to the NESPF website. Mr Boyle thanked the Head of Finance and the Pensions Manager for their support in ensuring that the report was delivered on time. He added that representations on the report had now been received from management and that there were no outstanding matters for consideration.

During the discussion which followed on this report, Councillor Donnelly and Councillor Young declared an interest as a result of their roles as Trustees of Oakbank School. Both Members considered that the nature of their interest required them to withdraw from the meeting, which they did during the discussion of that particular issue only.

It was noted that the new governance framework was working well and provided a good opportunity to exercise scrutiny. The arrangements would continue to be monitored as they bedded in.

PENSIONS COMMITTEE AND PENSIONS BOARD

4 September 2015

The Committee resolved:-

- (i) to note the report; and
- (ii) to thank the Head of Finance, Pensions Manager and Audit Team for the work which had gone in to producing the report.

The Board resolved:

to note the decision of the Committee.

NESPF ANNUAL REPORT AND ACCOUNTS 2014/15

14. The Committee had before it a report by the Head of Finance which set out the Audited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for consideration and signing.

The Head of Finance reiterated his thanks to Mr Boyle and his team, noting the good working relationship that existed between both teams, which was reflected in the high standard of audit papers. He also thanked the Pensions Manager and her team for their work, particularly given other competing deadlines and pieces of work.

The Convener echoed the thanks to both Audit and Pension Fund staff.

The Committee resolved:-

to agree the annual report and accounts for signature by the Convener and the Head of Finance.

The Board resolved:-

to note the decision of the Committee.

In accordance with the decision recorded under article 1 of this minute, the following items were considered with the press and public excluded.

FUND PERFORMANCE REPORT

15. The Committee had before it a report by the Head of Finance which set out the performance of the North East of Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 June 2015.

PENSIONS COMMITTEE AND PENSIONS BOARD
4 September 2015

The Committee resolved:-
to note the report.

The Board resolved:-
to note the decision of the Committee.

INVESTMENT STRATEGY UPDATE

16. The Committee had before it a report by the Head of Finance which provided an update on the Fund's Investment Strategy and proposed actions to secure the Fund's benchmark allocation.

The report recommended:-
that the Committee –

- (a) approve the commitments to RCP, Capital Dynamics and Unigestion (as set out in section 5.1 of the report); and
- (b) otherwise note the remainder of the report.

The Committee resolved:-
to approve the recommendations.

The Board resolved:-
to note the decision of the Committee.

- **COUNCILLOR BARNEY CROCKETT, Convener**

This page is intentionally left blank

PENSIONS COMMITTEE MOTIONS LIST – 17 DECEMBER 2015

<u>No.</u>	<u>Motion</u>	<u>Date of Council/ Committee Meeting</u>	<u>Committee Motion referred to / date/ decision of Committee</u>	<u>Action taken / Proposed Future Action</u>	<u>Responsible Head(s) of Service</u>	<u>Due Date</u>	<u>Is authority sought to remove motion from list?</u>
1.	<p><u>Motion by Councillor Kiddie</u> to instruct the Head of Finance to provide a report on ethical investments in respect of the Pension Fund and the impact of such a strategy and reports back to Council within a 6 month period on such a strategy.”</p>	19.08.15 (Council)	The Council resolved: to refer the motion to the Pensions Committee.		Head of Finance	11/03/16	

This page is intentionally left blank

ABERDEEN CITY COUNCIL

COMMITTEE: PENSIONS COMMITTEE

DATE: 17th DECMEBER 2015

REPORT BY: HEAD OF FINANCE

TITLE OF REPORT: TRAINING

REPORT NUMBER: PC/DEC15/TRAINING

1. PURPOSE OF REPORT

To provide details of the training plan (2016) for the Pensions Committee and Pensions Board of the North East Scotland Pension Fund.

2. RECOMMENDATION(S)

It is recommended that the committee:

- i.) Approve the content of training, 5.1.1 and,
- ii.) Discuss and resolve the delivery of the training plan, 5.1.2.
- iii.) Note the remainder of the report.

3. FINANCIAL IMPLICATIONS

The financial implications are detailed in the report.

4. OTHER IMPLICATIONS

None

5. Training

As stated within the Training Policy (Appendix I and II) there is a requirement under The Pensions Regulator and CIPFA/Myners Guidance that there is a certain level of knowledge and understanding that if required to sit on Local Government Pension Scheme committees and boards.

The degree of knowledge and understanding required is that appropriate for the purpose, of enabling the individual to properly exercise the functions of a member of the pension Committee and Pensions Board.

5.1 Delivery and Content

5.1.1 Officers propose to deliver training over two set periods during 2016, together with any Industry externally delivered training when available.

The first training session will be delivered to co-inside with the 11th March Pensions Committee, along with Fund Managers presentations.

A full day training on Wednesday 9th March 2016 to include the Pension Fund's Actuary, Investment Consultant and the Fund's Global Custodian.

A full day on Thursday 10th March 2016 will include presentations from the Fund's Fund Managers which currently include, State Street Global Advisors, Baillie Gifford, Blackrock, Baring, Aberdeen Asset Management and Aberdeen Property Investors. The Pensions Manager will provide an overview of the Fund's Alternative investment program.

The manager presentations will discuss their investing process, how they manage money for their clients, looking forward and how they are going to continue to deliver the Pension Fund's Strategy while providing an update on their business and any industry and economic insight.

Friday 11th March 2016 will be the normal business meeting in the morning.

The second period of training will be provided to co-inside with the 16th September 2016 Pensions Committee, agenda to be discussed and confirmed.

5.1.2 Training Location

There are a number of options to facilitate this initial training program of 2016 that will encourage and assist the delivery and attendance.

1. Commitment to 2.5 days in Aberdeen, Town House.
2. Commitment to 2.5 days in a location, outside the City, TBC.
3. Commitment to 2.5 days in London, a Fund manager to provide meeting accommodation.

There are obvious benefits for all three options, location, attendance and cost, while there is a cost if the training were to be delivered in London this cost is mitigated to a certain extent with the reduced costs of the Actuary and Investment Consultant fees to travel to Aberdeen rather than London.

Attendance for the training, presentations and business meeting would include the nine members of the Pensions Committee, the seven members of the Pensions Board and three officers, in total 19 attendees.

If option 1 or 2 were to be considered the main costs to be considered would be the costs of the training being provided by the consultants as this would most likely require an overnight stay on their behalf to ensure attendance and will increase costs.

If option three were to be considered the costs would include return flights from Aberdeen to London (Heathrow or London City) and three nights hotel accommodation. Travelling on the afternoon/evening of Tuesday 8th March and returning the afternoon of Friday 11th March 2016.

The Pension Fund has a budget for both the Pensions Committee and the Pensions Board, both being set as £18,000 for the year 2015/16. While the above depending on the option chosen could be in the region of £15,000 it will be delivered within budget.

While the Pension Fund is very aware of costs the Administering Authority and the Fund have a duty under the regulations to ensure the members of the committee and Board are provided with sufficient training to meet the required level of knowledge and understanding to exercise their function and enable them to challenge where appropriate.

6. IMPACT ON THE PENSION FUND

Not providing sufficient training the Pension Fund would be in breach of The Pension Regulator guidance on Training.

7. BACKGROUND PAPERS

Training Policy, Appendix I & II

8. REPORT AUTHOR DETAILS

Laura Colliss, Pensions Manager

lgoodchild@nespf.org.uk

01224 264158

This page is intentionally left blank

TRAINING POLICY

1. Introduction

1.1 This policy statement details the training agenda for members of the Pensions Committee has been drawn up to meet their needs in relation to training.

1.2 In addition to the Training Policy both the Convener and the Vice Convener of the Pensions Committee have been provided with description of their roles and provides further details of training requirements. Appendix I provides a description of both roles.

2. Training Programme

2.1 Training is provided to members of the Pensions Committee in respect of the following:

2.1.1 Scheme Governance

- LGPS - Status and Legal Framework
- Role of Elected Members
- Advisors and their Role
- Actuarial Valuation and Funding Strategy Statement
- Statement of Investment Principles
- Myners Principles

2.1.2 Investment Strategy

- Asset Classes
- Risk
- Investment Structure
- Investment Management and Performance Monitoring

2.1.3 Support Services

- Custody Services
- Service Organisation
- Role of the Head of Finance
- Role of the Pensions Manager and Pensions Section

3. Scheme Documentation

3.1 On joining the Pensions Committee, a new member will received the following documentation:

- Copy of the guide to the Local Government Pension Scheme (LGPS)
- Actuarial Valuation and Funding Strategy Statement

- Copy of the Governance Statement
- Copy of the LGPS Scheme Regulations
- Copy of the Fund's compliance with the Myners Principles
- Copy of the Statement of Investment Principles

4. Training Agenda

4.1 Training is ongoing for elected members, however it would normally consist of the following:

- it is expected that each Committee member receives at least 2 days of training each year
- all members are invited to attend training courses suitable for their needs
- members are invited to attend employer and scheme member events hosted by the Pension Fund
- members will be given the opportunity to attend Seminars and conferences that are offered by industry wide bodies, specifically the LAPFF annual conference, LGC conferences and NAPF conferences, these provide a general appreciation of the pension industry
- on-line training
- members will be given the opportunity to attend seminars and training events offered by the Fund's investment managers and advisors
- in addition fund officers are available to answer any queries from Committee members.
- use of the member secure area of the Pension Fund website www.nespf.org.uk

4.2 In line with the CIPFA guidance 'Trustee Knowledge and Skills Framework', Appendix II outlines a framework for the degree of knowledge and skill expected of the member. A copy of the full CIPFA guide can be found on the member secure area of the Pension Fund website at www.nespf.org.uk

5. Review arrangements

5.1 A report will be presented to the Committee on an annual basis detailing:

- training provided in the previous year
- those elected members who attended the various training sessions
- seminars and conferences held in the previous year
- which seminars and conferences were attended by elected members and by which members

6. Reimbursement of Expenses

6.1 All training costs are met directly by the Pension Fund.

Convener of the Pensions Committee

Strategy and operations of the Pension Fund; the proper administration of the Pension Scheme by the administering authority; the performance of the Fund, its advisors and agents; and the proper governance of the Committee and the Fund.

PRINCIPAL RESPONSIBILITIES

1. Convener of the Pension Committee to determine, after taking the advice of the Head of Finance and other advisors:
 - a) The investment strategy of the Fund or Funds for which the Pension Committee is responsible
 - b) The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - c) The appointment of investment and actuarial advisors and other third party services
 - d) The Governance Framework
 - e) The communication strategy of the Fund or Funds
2. And to monitor:
 - a) The performance of the investments, the pensions administration service, the advisors and agents of the Fund and of the Committee itself
 - b) The costs of running the Pension Fund and Scheme
 - c) Comments and feedback from stakeholders
3. And to approve:
 - the annual report and accounts of the Fund(s)
 - Audit reports on the performance of the Pension Fund Service
 - Statements on Investment Principles, Governance, Administration and Communication
 - The Risk Register and an annual risk analysis
 - The medium term business plan and annual updates
 - Training and development plans and updates
 - Discretions given by statute and regulation to the Pension Committee in relation to benefits under the LGPS
4. Work with the Head of Finance and other officers and advisors to plan an effective work programme for the Pension Committee
5. Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communication, to give assurances about the Fund's financial statements, risk management and internal control mechanisms

6. Receive regular briefings from the Head of Finance and other advisors in order to understand the context and import of forthcoming issues

PERSONAL SPECIFICATION

Requirement	Essential	Desirable
1. Educational	Appropriate financial experience and training. Knowledge of pension funds and schemes.	Demonstrable evidence of knowledge kept up to date.
2. Work Experience	Political awareness in numerous political environments. Chairing high level partnership meetings achieving effective outcomes. Operated for 5 years at a senior level. Experience of risk and performance frameworks.	Previously chaired a pension committee or similar.
3. Abilities, Intelligence & Special Aptitudes	Chairing skills. Influencing and consensus building. Listening skills. Able to assimilate complex information.	Mathematical/statistical literacy. Knowledge of public sector and local government finance.
4. Adjustment & Social Skills	Ability to establish good working relationships with councillors, officers and advisors. Able to direct discussions in politically sensitive environments. Able to command respect and demonstrate strong leadership.	Diplomacy and tact.

Requirement	Essential	Desirable
	<p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the Pension Scheme and Fund(s).</p>	
6. Equal Opportunities	<p>Understanding and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

The vice convener of the Pension Committee will also receive a copy of this guidance

Compliance with the Job Description

1. Pensions Legislative and Governance context

1.1 The pension's landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions etc.

1.2 Also of key importance is a knowledge of the governance frameworks that apply within the pensions industry (such as the Myners principles); within individual schemes (such as the LGPS Governance statement requirements); and within the organisations that administer the schemes (for example the CIPFA/SOLACE framework Delivering Good Governance in Local Government).

Full details of the scheme governance documentation and wider pension fund industry documentation can be found on the dedicated 'trustee' area of the Pension Fund website. In addition to this information regular training sessions are held for 'trustees' given by officers, fund managers, the scheme actuary and other advisors. In order to maintain an up-to-date knowledge of the pensions landscape the Convener/Vice Conveners must commit to attending a minimum of two UK wide pension conferences per annum. Recommended is the NAPF Local Authority Conference held annual in May which covers all aspects of the LGPS and the Local Authority Investment Seminar held in the autumn giving a focus on investment management. Other events may arise during the year that would be of value to the Convener/Vice Convener of the Pension Committee will be brought to the attention of members by officers.

The Convener/Vice Convener should as a minimum receive a monthly update from officers covering:

- ***Scheme Valuation***
- ***Administration Matters which are ongoing***
- ***Investment Matters ongoing***
- ***Pensions Market issues***
- ***Communication with employers and scheme members***

Where appropriate this report should be accompanied by a meeting with Fund officers.

2. Pensions accounting and auditing standards

2.1 The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime at all levels within the finance structure in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.

Officers report annually to the Pension Committee on the scheme annual accounts. From 2011 the scheme accounts and audit have been separated out from the administering authority Financial Statement. The scheme auditor reports directly to the Pension Committee on the scheme accounts.

3. Investment performance and risk management

3.1 In the Local Government Pension Scheme and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of finance professionals. The skills required for managing and controlling investment activities are relatively specialised and at present there is no formal framework against which Funds can test their current skills and competencies.

All investment performance and risk management is reported by the Fund custodian. Regular training sessions are given to all Committee members on understanding investment performance and risk reporting. Understanding investment performance and risk are key functions of the Convener and Vice Convener of the Pension Committee,

4. Financial markets and product knowledge

4.1 In those schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (The investment activities of LGPS funds for example can be split into two groups - those funds that use external managers to manage all of their investment portfolio and those that undertake some or all of their investment activities using in-house investment managers).

The time given during the quarterly meetings of the Pension Committee to reviewing financial markets and product knowledge is limited. This fundamental knowledge should be updated regularly not only by the Convener and Vice Conveners, but all 'trustees' through attendance at least one investment conference per annum. There is a wide selection of national conferences such as the NAPF or the Local Authority Pension Fund Seminar held annually at Celtic Manor, however there are also a wide number of conferences hosted by fund managers to which 'trustees' are invited. Likewise attendance at such events as the LAPFF annual conference provides 'trustees' with an insight to future legislation that make impact on the companies in which we invest. A list of forthcoming conferences is reported quarterly meeting to the Pension Committee.

5. Actuarial methods, standards and practices

5.1 The scheme actuary holds a key position in the financial management of a pension scheme. A successful pension scheme financial manager will need to be able to do more than simply manage the relationship with their actuary. They will need to understand, at some levels in detail, the work of the actuary and the way

in which actuarial information is produced and the impact it has on both the finances of the scheme and the employer.

The triennial valuation and funding strategy statement are two key documents in the governance of the scheme. A copy of both documents can be found on the secure 'trustee' area of the Pension Fund website. Through regular meetings with the scheme actuary (at least twice a year) the Convener/Vice Convener, will build up an understanding of the actuarial process and role and influence that key stakeholders such as the Convener and Vice Conveners have in the process. Discussions held with other LGPS 'trustees' on an ongoing basis will enhance this process.

Knowledge and Skills Framework

This framework identifies the level of knowledge required by members to ensure that they can carry out effective decision making in respect of the Fund.

Level of knowledge required

1 – In depth, 2 – Understanding, 3 – Conversant

CIPFA Knowledge and Skills	Knowledge Requirement	
	Pension Committee	Pension Board
Pension legislative and governance context <ul style="list-style-type: none"> • General and Scheme Pension Legislation • Scheme Governance • Pension regulators and advisors • Legislative framework • Risk 	2	2
Pension accounting and auditing standards <ul style="list-style-type: none"> • Audit and accounting regulations and requirement 	2	2
Financial services procurement and relationship management <ul style="list-style-type: none"> • Understanding public procurement • Supplier risk management 	2	3
Investment Governance <ul style="list-style-type: none"> • Investment Strategy • Financial Markets 	2	2
Investment performance and risk management <ul style="list-style-type: none"> • Fund performance • Performance of advisors • Performance of the committee • Performance of support services and advisors 	2	3
Actuarial methods, standards and practices <ul style="list-style-type: none"> • Valuations • Outsourcing 	2	3

This page is intentionally left blank

PENSIONS BOARD TRAINING POLICY	
1.	Introduction
1.1	This policy statement details the training agenda for members of the Pensions Board and has been drawn up to meet their needs in relation to training.
1.2	In addition to the Training Policy for Board members, Board members will have access to all training provided to members of the Pensions Panel and the JIAC.
2.	Knowledge and understanding required by pension board members
2.1	<p>A member of the pension board of a public service pension scheme must be conversant with:</p> <p>a. the rules of the scheme, and</p> <p>b. any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.</p> <p>A member of a pension board must have knowledge and understanding of:</p> <p>a. the law relating to pensions, and</p> <p>b. any other matters which are prescribed in regulations.</p> <p><i>The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.</i></p>
3.	Training Programme
3.1	Training is provided to both members of the Pensions Board in respect of the following:
3.1.1	<p>Scheme Governance</p> <ul style="list-style-type: none"> • LGPS - Status and Legal Framework • LGPS Regulations • Roles of Pensions Board, Pensions Committee, JIAC and Scheme Manager • Advisors and their Role • Actuarial Valuation and Funding Strategy Statement • Statement of Investment Principles • Myners Principles • Risk Management

3.1.2	<p>Investment Strategy</p> <ul style="list-style-type: none"> • Asset Classes • Risk • Investment Structure • Investment Management and Performance Monitoring
3.1.3	<p>Support Services</p> <ul style="list-style-type: none"> • Custody Services • Service Providers • Role of the Head of Finance • Role of the Pensions Manager and Pensions Section
4.	<p>Scheme Documentation</p>
4.1	<p>On joining the Pensions Board, a new member will received the following documentation:</p> <ul style="list-style-type: none"> • Copy of the guide to the Local Government Pension Scheme (LGPS) • Copy of the most recent Annual Report • Copy of the most recent Actuarial Valuation and Funding Strategy Statement • Copy of the Governance Statement • Copy of the Fund’s compliance with the Myners Principles • Copy of the Statement of Investment Principles <p>All remaining scheme documentation will be available to Board members via the Pensions Fund website at www.nespf.org.uk</p>
5.	<p>Training Agenda</p>
5.1	<p>Training is ongoing for members, however it would normally consist of some/all of following:</p> <ul style="list-style-type: none"> • it is expected that each Board member receives at least 2 days full training each year • all members are invited to attend training courses suitable for their needs • members are invited to attend employer and scheme member events hosted by the Pension Fund • members will be given the opportunity to attend Seminars and conferences that are offered by industry wide bodies, specifically the LAPFF annual conference, LGC conferences and NAPF conferences, these provide a general appreciation of the pension industry • on-line training provided by the Pensions Regulator • members will be given the opportunity to attend seminars and training events offered by the Fund’s investment managers and advisors

	<ul style="list-style-type: none"> • in addition fund officers are available to answer any queries from Board members • use of the member secure area of the Pension Fund website www.nespf.org.uk
6.	Review arrangements
6.1	<p>A report will be presented to the Pensions Board on an annual basis detailing:</p> <ul style="list-style-type: none"> • training provided in the previous year • those members who attended the various training sessions • seminars and conferences held in the previous year • which seminars and conferences were attended by members and by which members
6.2	Board Members will carry out a personal training needs analysis on an annual basis to assess their overall level of 'Knowledge and Understanding';
6.3	The Pension Board will review the Training policy annually.
7.	Reimbursement of Expenses
7.1	All training costs are met directly by the Pension Fund.

Convener of the Pensions Panel and Joint Investment Advisory Committee (JIAC)

PURPOSE OF ROLE

Strategy and operations of the Pension Fund; the proper administration of the Pension Scheme by the administering authority; the performance of the Fund, its advisors and agents; and the proper governance of the Committee and the Fund.

PRINCIPAL RESPONSIBILITIES

1. Convener of the Pensions Panel/JIAC to determine, after taking the advice of the Head of Finance and other advisor:
 - a) The investment strategy of the Fund or Funds for which the Panel is responsible
 - b) The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - c) The appointment of investment and actuarial advisors and other third party services
 - d) The Governance Framework
 - e) The communication strategy of the Fund or Funds
2. And to monitor:
 - a) The performance of the investments, the pensions administration service, the advisors and agents of the Fund and of the Panel itself
 - b) The costs of running the Pension Fund and Scheme
 - c) Comments and feedback from stakeholders
3. And to approve:
 - the annual report and accounts of the Fund(s)
 - Audit reports on the performance of the Pension Fund Service
 - Statements on Investment Principles, Governance, Administration and Communication
 - The Risk Register and an annual risk analysis
 - The medium term business plan and annual updates
 - Training and development plans and updates
 - Discretions given by statute and regulation to the Panel in relation to benefits under the LGPS
4. Work with the Head of Finance and other officers and advisors to plan an effective work programme for the Panel/JIAC

6. Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communication, to give assurances about the Fund's financial statements, risk management and internal control mechanisms
7. Receive regular briefings from the Head of Finance and other advisors in order to understand the context and import of forthcoming issues
8. Chair the JIAC, with the responsibility of considering the major investment issues in order to plan future Committee agendas, and monitoring investments between Committee meetings

PERSONAL SPECIFICATION

Requirement	Essential	Desirable
1. Educational	Appropriate financial experience and training. Knowledge of pension funds and schemes.	Demonstrable evidence of knowledge kept up to date.
2. Work Experience	Political awareness in numerous political environments. Chairing high level partnership meetings achieving effective outcomes. Operated for 5 years at a senior level. Experience of risk and performance frameworks.	Previously chaired a pension committee or similar.
3. Abilities, Intelligence & Special Aptitudes	Chairing skills. Influencing and consensus building. Listening skills. Able to assimilate complex information.	Mathematical/statistical literacy. Knowledge of public sector and local government finance.
4. Adjustment & Social Skills	Ability to establish good working relationships with councillors, officers and advisors.	Diplomacy and tact.

Requirement	Essential	Desirable
	<p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the Pension Scheme and Fund(s).</p>	
6. Equal Opportunities	<p>Understanding and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

The vice – convener of the Pensions Panel and Joint Investment Advisory Committee to also receive copies of this guidance.

Compliance with the Job Description

1. Pensions Legislative and Governance context

1.1 The pension's landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions etc.

1.2 Also of key importance is a knowledge of the governance frameworks that apply within the pensions industry (such as the Myners principles); within individual schemes (such as the LGPS Governance statement requirements); and within the organisations that administer the schemes (for example the CIPFA/SOLACE framework Delivering Good Governance in Local Government).

Full details of the scheme governance documentation and wider pension fund industry documentation can be found on the dedicated 'trustee' area of the Pension Fund website. In addition to this information regular training sessions are held for 'trustees' given by officers, fund managers, the scheme actuary and other advisors. In order to maintain an up-to-date knowledge of the pensions landscape the Convener/Vice Conveners must commit to attending a minimum of two UK wide pension conferences per annum. Recommended is the NAPF Local Authority Conference held annual in May which covers all aspects of the LGPS and the Local Authority Investment Seminar held in the autumn giving a focus on investment management. Other events may arise during the year that would be of value to the Convener/Vice Convener of the Pensions Panel and JIAC and will be brought to the attention of members by officers.

The Convener/Vice Conveners should as a minimum receive a monthly update from officers covering:

- ***Scheme Valuation***
- ***Administration Matters which are ongoing***
- ***Investment Matters ongoing***
- ***Pensions Market issues***
- ***Communication with employers and scheme members***

Where appropriate this report should be accompanied by a meeting with Fund officers.

2. Pensions accounting and auditing standards

2.1 The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime at all levels within the finance structure in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.

Officers report annually to the Pensions Panel and the JIAC on the scheme annual accounts. From 2011 the scheme accounts and audit have been separated out from the administering authority Financial Statement. The scheme auditor reports directly to the Pensions Panel on the scheme accounts. A report on the scope of the annual audit will be sent to members of the JIAC and Vice Convener of the JIAC for information.

3. Investment performance and risk management

3.1 In the Local Government Pension Scheme and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of finance professionals. The skills required for managing and controlling investment activities are relatively specialised and at present there is no formal framework against which Funds can test their current skills and competencies.

All investment performance and risk management is reported by the Fund custodian. Regular training sessions are given to all 'trustees' of the JIAC on understanding investment performance and risk reporting.. Understanding investment performance and risk are key functions of the Convener and Vice Convener 's of the Pension Panel and JIAC,

4. Financial markets and product knowledge

4.1 In those schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (The investment activities of LGPS funds for example can be split into two groups - those funds that use external managers to manage all of their investment portfolio and those that undertake some or all of their investment activities using in-house investment managers).

The time given during the quarterly meetings of the Pensions Panel and JIAC to reviewing financial markets and product knowledge is limited. This fundamental knowledge should be updated regularly not only by the Convener and Vice Conveners, but all 'trustees' through attendance at least one investment conference per annum. There is a wide selection of national conferences such as the NAPF or the Local Authority Pension Fund Seminar held annually at Celtic Manor, however there are also a wide number of conferences hosted by fund managers to which 'trustees' are invited. Likewise attendance at such events as the LAPFF annual conference provides 'trustees' with an insight to future legislation that make impact on the companies in which we invest. A list of forthcoming conferences is reported quarterly meeting to the Pensions Panel.

5. Actuarial methods, standards and practices

5.1 The scheme actuary holds a key position in the financial management of a pension scheme. A successful pension scheme financial manager will need to be

able to do more than simply manage the relationship with their actuary. They will need to understand, at some levels in detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and the employer.

The triennial valuation and funding strategy statement are two key documents in the governance of the scheme. A copy of both documents can be found on the secure 'trustee' area of the Pension Fund website. Through regular meetings with the scheme actuary (at least twice a year) the Convener/Vice Convener, will build up an understanding of the actuarial process and role and influence that key stakeholders such as the Convener and Vice Conveners have in the process. Discussions held with other LGPS 'trustees' on an ongoing basis will enhance this process.

Knowledge and Skills Framework

This framework identifies the level of knowledge required by members to ensure that they can carry out effective decision making in respect of the Fund.

Level of knowledge required

1 – In depth, 2 – Understanding, 3 – Awareness

CIPFA Knowledge and Skills	Knowledge Requirement	
	Pensions Panel	JIAC
Pensions legislative and governance context <ul style="list-style-type: none"> • General and Scheme Pensions Legislation • Scheme Governance • Pension regulators and advisors • Legislative framework • Risk 	2	3
Pensions accounting and auditing standards <ul style="list-style-type: none"> • Audit and accounting regulations and requirement 	2	3
Financial services procurement and relationship management <ul style="list-style-type: none"> • Understanding public procurement • Supplier risk management 	2	3
Investment Governance <ul style="list-style-type: none"> • Investment Strategy • Financial Markets 	2	2
Investment performance and risk management <ul style="list-style-type: none"> • Fund performance • Performance of advisors • Performance of the committee • Performance of support services and advisors 	2	2
Actuarial methods, standards and practices <ul style="list-style-type: none"> • Valuations • Outsourcing 	2	2

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	17 th DECEMBER 2015
REPORTED BY	HEAD OF FINANCE
TITLE OF REPORT	BUDGET OR FORECAST & PROJECTED SPEND 2015/16
REPORT NUMBER	PC/DEC15/BUD

1. **PURPOSE OF REPORT**

- 1.1 The purpose of this report is to give the Pensions Committee details of the Management Expenses Budget or Forecast and Projected Spend for the North East Scotland Pension Fund (NESPF).

2. **RECOMMENDATIONS**

- 2.1 It is recommended that the Pensions Committee:
- Notes the update on the current NESPF Management Expenses Budget or Forecast and Projected Spend for 2015/16.

3. **FINANCIAL IMPLICATIONS**

- 3.1 All Pension Fund costs are paid for by the Fund.

4. **OTHER IMPLICATIONS**

- 4.1 None.

5. REPORT

5.1 2015/16 BUDGET OR FORECAST AND PROJECTED SPEND (APPENDIX I)

5.1.1 Administrative Expenses – all staff costs of the pension administration team are charged direct to the fund quarterly. Associated management, accommodation and other overheads are apportioned to this activity and charged annually as expenses to the Fund.

5.1.2 Oversight and Governance Expenses – all staff costs associated with governance and oversight are charged direct to the fund quarterly. Associated management costs are apportioned to this activity and charged annually as expenses to the Fund.

5.1.3 The projected spend for 2015-16 includes an accrual for the annual pay award of 1.5%. The delayed implementation of the proposed staff restructure has impacted upon the Pension Fund Staffing Costs (Administrative and Investments), e.g. increase costs for higher graded duties.

5.1.4 Investment Management Expenses – Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the market value of these investments change. Fund Managers charge their fees quarterly in arrears. In addition, the fund has negotiated performance related fees with a number of its investment managers and the forecast is based upon last year's actuals. If applicable, performance fees are charged annually at the year end. The unpredictability of market forces for these elements makes forecasting extremely difficult with any degree of accuracy.

The fees are significantly higher than previous due to the change in accounting code of practice that moved the limited partnerships fee from being included within the Net Asset Value of the assets to being included within the Investment Management Expenses heading. Transaction costs and direct property expenditure are now included within the Investment Management Expenses heading.

5.2 GOVERNANCE

5.2.1 The Pension Fund projected costs for salaries and direct costs are included in monthly monitoring reports to the Service and Corporate Management Teams. The Head of Finance reports to the Pensions Committee on a quarterly basis.

6. **IMPACT**

- 6.1 The Pension Fund Budget or Forecast promotes accountability and gives reassurance to the stakeholders in the Pension Fund. This report ensures transparency in costs from the administrator of the fund.

7. **BACKGROUND PAPERS**

North East Scotland Pension Fund Annual Report & Accounts (2014/15) and Fund Governance Policy Statement.

8. **REPORT AUTHOR DETAILS**

Michael Scroggie
Senior Pensions Officer (Accounting & Investments)
mscroggie@nespf.org.uk
[01224 264178](tel:01224264178)

Laura Colliss
Pensions Manager
lgoodchild@nespf.org.uk
01224 264158

This page is intentionally left blank

Appendix I - 2015/16 BUDGET OR FORECAST AND PROJECTED SPEND

The Budget and Projected Spend for NESPF Administration Expenses are shown below:

	Notes	Full Year Budget 2015/16 £'000	Budget to 30/09/15 £'000	Actual Spend to 30/09/15 £'000	Accrual to 30/09/15 £'000	Amended Spend to 30/09/15 £'000	Over or (Under) to 30/09/15 £'000	Proj Annual Spend 2015/16 £'000	Proj Over or (Under) Spend 2015/16 £'000
Administrative Staff Costs	1	865	433	218	224	442	9	880	15
Support Services Inc IT	2	555	277	376	58	434	157	555	0
Printing & Publications	3	41	20	21	2	23	3	33	(8)
Administration Expenses Total		1,461	730	615	284	899	169	1,468	7

Note:

1. Adjusted for the Annual Pay Award of 1.5%. First quarter actual then accrual to Sep'15 and projection.
2. Anticipated neutral year end position.
3. Greater use of in-house scanning facilities to help reducing costs.

Appendix A - 2015/16 BUDGET OR FORECAST AND PROJECTED SPEND (continued)

The Budget and Projected Spend for NESPF Oversight & Governance Expenses are shown below:

	Notes	Full Year Budget 2015/16 £'000	Budget to 30/09/15 £'000	Actual Spend to 30/09/15 £'000	Accrual to 30/09/15 £'000	Amended Spend to 30/09/15 £'000	Over or (Under) to 30/09/15 £'000	Proj Annual Spend 2015/16 £'000	Proj Over or (Under) Spend 2015/16 £'000
Investment Staff Costs	1	113	57	23	32	55	(2)	109	(4)
Pension Fund Committee	2	18	9	1	6	7	(2)	18	0
Pension Board	3	18	9	0	6	6	(3)	12	(6)
External Audit Fee	4	39	19	0	19	19	0	38	(1)
Internal Audit Fee	5	30	15	0	15	15	0	31	1
Actuarial Fees	6	100	50	36	35	71	21	141	41
General Expenses	7	0	0	13	1	14	14	21	21
Oversight & Governance Expenses Total		318	159	73	114	187	28	370	52

Note:

- Adjusted for the Annual Pay Award of 1.5%. First quarter actual then accrual to Sep'15 and projection.
- 50% Apportionment of Clerk time to the Pensions Committee. Charge made at year end.
- 50% Apportionment of Clerk time to the Pensions Board. Charge made at year end.
- External Audit Fee last year actual + 1.5%. Charge made at year end.
- Internal Audit Fee last year actual + 1.5%. Charge made at year end.
- Projected Actuarial fees £141k is less than when compared to last year actual £221k due to drop in actuarial activity.
- Investment litigation and tendering expenses not previously separated.

Appendix A - 2015/16 BUDGET OR FORECAST AND PROJECTED SPEND (continued)

The Forecast and Projected Spend for NESPF Investment Management Expenses are shown below:

	Notes	Full Year Forecast 2015/16 £'000	Forecast to 30/09/15 £'000	Actual Spend to 30/09/15 £'000	Accrual to 30/09/15 £'000	Amended Spend to 30/09/15 £'000	Over or (Under) to 30/09/15 £'000	Proj Annual Spend 2015/16 £'000	Proj Over or (Under) Spend 2015/16 £'000
Investment Management Performance Fees	1	9,706	4,853	1,282	3,565	4,847	(6)	9,693	(13)
Direct Property Expenses	2	5,300	2,650	0	2,721	2,721	71	5,443	143
Transaction Costs	3	1,500	750	58	12	70	(680)	140	(1,360)
Custody Fees	4	1,500	750	0	581	581	(169)	1,163	(337)
	5	142	71	14	64	78	7	155	13
Investment Management Expenses Total		18,148	9,074	1,354	6,943	8,297	(777)	16,594	(1,554)

Note:

- Investment Management in quarterly arrears. Proportionate accrual to Sep'15 and projection.
- Performance Fees based on last year actual as Market Value unpredictable for year end.
- Projected Direct Property Expenses £140k is less than when compared to last year actual £1,461k due to drop in void costs, letting and rent review fees.
- Transaction Costs reported by BNY Mellon as at reporting date then projected.
- Custody Fees in arrears. Only one month actual Apr'15 known. Proportionate accrual to Sep'15 and projection.

The above is a forecast of costs rather than a traditional budget. This is due to the level of estimation involved and the extent of the unknown, especially given that Investment Management and Performance Fees are based upon an unpredictable Market Value. This terminology has been adopted following discussions with the CIPFA Pensions Network.

This page is intentionally left blank

Exempt information as described in paragraph(s) 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

Document is Restricted

This page is intentionally left blank

Exempt information as described in paragraph(s) 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

Document is Restricted

This page is intentionally left blank

Exempt information as described in paragraph(s) 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

Document is Restricted

This page is intentionally left blank

Exempt information as described in paragraph(s) 6 of Schedule 7A
of the Local Government (Scotland) Act 1973.

Document is Restricted

This page is intentionally left blank