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To: **Pension Committee Members** - Councillor Crockett, Convener; Councillor Reynolds, Vice Convener; and Councillors Donnelly, Kiddie, MacGregor, Malik, Malone, Noble and Young.

Pension Board Members – Councillor Howatson, Chairperson; Councillors Cowe and Ironside; and Ms M Hart, Mr K Masson and Mr A Walker.

Town House,
ABERDEEN, 2 March 2017

PENSION COMMITTEE AND PENSION BOARD

The Members of the **PENSION COMMITTEE AND PENSION BOARD** are requested to meet in Committee Room 2 - Town House on **FRIDAY, 10 MARCH 2017 at 10.30 am.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

BUSINESS

DETERMINATION OF EXEMPT BUSINESS

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

MINUTES AND MOTIONS LIST

- 2 Minute of Previous Meeting of 2 December 2016 (Pages 3 - 12)
- 3 Matters Arising
- 4 Motions List (Pages 13 - 14)

GOVERNANCE

- 5 Annual Audit Plan 2016/17 (Pages 15 - 28)
- 6 Strategy (Pages 29 - 84)
- 7 Request for Admitted Body Status (Pages 85 - 96)
- 8 Review of NESPF Implementation of the Public Service Pensions Act 2013 and Compliance with Pension Regulator Requirements (Pages 97 - 104)

ACCOUNTING

- 9 Budget/Forecast and Projected Spend 2016/17 (Pages 105 - 112)
- 10 Statement of Accounts 2016/17 - Action Plan (Pages 113 - 116)

NOT FOR PUBLICATION

INVESTMENT

- 11 Asset and Investment Manager Performance Report (Pages 117 - 134)
- 12 Investment Strategy Update (Pages 135 - 144)

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

PENSION COMMITTEE AND PENSION BOARD

ABERDEEN, 2 December 2016. Minute of Meeting of the PENSION COMMITTEE AND PENSION BOARD. Present:- Councillor Crockett, Convener; and Councillors MacGregor, Malik, Malone and Young (from article 8 onwards) (Pension Committee); and Councillor Howatson, Chairperson; Councillor Cowe, Mr K Masson and Mr A Walker (Pension Board).

The agenda and reports associated with this minute can be found at:-
<http://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=506&MIId=3886&Ver=4>

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

DETERMINATION OF 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 12 (Asset and Investment Manager Performance Report) and 13 (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 12 and 13, so as to avoid disclosure of exempt information of the class described in paragraph 6.

The Board resolved:-

to note the decision of the Committee.

ANNOUNCEMENTS

2. The Convener welcomed Colin Morrison of Audit Scotland to the meeting and advised that he was in attendance to observe the meeting on behalf of his colleague Rachel Browne, who had taken over the audit function for the Committee from Anne MacDonald. He also welcomed Graham Buntain, the new Investment Manager for the North East Scotland Pension Fund to his first meeting of the Committee.

The Committee then heard that the NESPF team had been nominated for two Local Government Chronicle awards on 9 November 2016, for Scheme of the Year and Quality of Service, and had been successful in the latter category. It was noted that the team had done a great job in terms of service delivery and the quality of information provided to Scheme members, and the Committee agreed that the award was very well-deserved.

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The Committee resolved:-

to congratulate the NESPF team on their success in the Local Government Chronicle awards.

The Board resolved:-

to note the decision of the Committee.

MINUTES OF PREVIOUS MEETINGS

3. The Committee and Board had before them the minutes of the Pension Committee and Board meetings of 24 June and 19 September 2016.

The Committee resolved:-

to approve the minutes as a correct record.

The Board resolved:-

to note the decision of the Committee.

MOTIONS LIST

4. With reference to article 4 of the minute of the meeting of 24 June 2016, the Committee had before it a motions list prepared by the Head of Legal and Democratic Services. In relation to the motion by Councillor Kiddie requiring a report on ethical investments and the decision of the Committee to defer removal of the item from the motions list until Councillor Kiddie was in attendance, the Committee heard from the Head of Finance that the revised investment strategy would be reported to Committee next year and this would likely cover the terms of Councillor Kiddie's motion.

The Committee resolved:-

to request that the Head of Finance write to Councillor Kiddie to advise of the content of the revised investment strategy and to request that he therefore give his authority for the motion to be removed from the motions list.

The Board resolved:-

to note the decision of the Committee.

STRATEGY

5. With reference to article 8 of the minute of the meeting of 24 June 2016, the Committee had before it a report by the Pensions Manager which provided an update

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on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

The report contained information on the Local Government Pension Scheme Regulation amendment; an update on the restructure of the Pension Fund staff; an update on Internal Audit recommendations; the Corporate Governance and Corporate Social Responsibility Policy; updates made to the Conflicts of Interest Policy and the Reporting Breaches of Law Policy; and system development and the I-Connect renewal.

It was also noted that David Briggs had resigned from the NESPF Pension Board in September and the appointment of the nominated replacement would be confirmed shortly.

Finally, due to a number of staff changes within Aberdeen City Council and the Pension Fund, the report sought approval of a revised authorised signatory list.

In respect of the risk register attached at Appendix X, Councillor Howatson asked when the Committee and Board could expect the report on the first year review of the workings of the Pension Committee and Board. Ms Colliss advised that this would be brought to Committee in March 2017, noting that the governance arrangements for the Board were currently being reviewed.

Councillor MacGregor referred to the risk around staff being unable to access the workplace, and sought assurance as to what was being done to mitigate the risk around business continuity and any attacks to the system. The Head of Finance advised that officers worked closely with colleagues in IT in respect of firewalls and security and suggested that he could ask Simon Haston, Head of IT and Transformation, to attend a future meeting to provide further information. Ms Colliss also advised that the pensions system was internet based and so could be accessed remotely by staff in the event of any issue with access to buildings.

The report recommended:-

that the Committee –

- (a) approve the update to the Pension Fund Signatory List as noted in Appendix IX of the report, namely that Jackie Buchanan, Service Manager Legal Services, and Graham Buntain, Investment Manager, be added; and
- (b) otherwise note the report.

The Committee resolved:-

- (i) to note that the Head of Finance would ask Simon Haston, Head of IT and Transformation, to attend a future meeting to provide reassurance around IT security arrangements;

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- (ii) to note that the report on the first year review of the Pension Committee and Board would be submitted to Committee in March 2017; and
- (iii) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

INTERIM VALUATION RESULTS FOR THE NORTH EAST SCOTLAND PENSION FUND

6. The Committee had before it a report by the Head of Finance which provided information on the outcome of the Interim Actuarial Valuation for the main fund, commissioned by the Fund as at 31 March 2016.

The report advised that as a result of the deteriorating funding position since the triennial valuation in 2014, the Fund had commissioned the scheme actuary to carry out an interim valuation based on the assets and liabilities held within the Fund as at 31 March 2016. This information would be used to prepare the Fund for the 2017 triennial valuation and would assist with the development of the 2017 funding strategy statement.

The report noted that the funding level as at 31 March 2016 was 97% for the whole fund, and the Fund and scheme actuary would continue to monitor the funding position until March 2017 when the full valuation would be undertaken.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

INTERIM VALUATION RESULTS FOR THE ABERDEEN CITY COUNCIL TRANSPORT FUND

7. The Committee had before it a report by the Head of Finance which set out details of the Interim Actuarial Valuation for the transport fund which had been commissioned by the Fund as at 31 March 2016.

The report advised that the funding level as at 31 March 2016 had been calculated as 93% for the Aberdeen City Council transport fund. The resulting deficit was £6.4 million, which was the same as the previous valuation in 2014. It was noted that the

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results would be discussed at a meeting between the Pensions Manager, the Employer Relationship Team and First Bus.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

RISK - EMPLOYER COVENANT

8. The Committee had before it a report by the Head of Finance which provided information on the ongoing work undertaken by the Employer Relationship Team to reduce the potential risk to the Fund posed by employers who were unable to meet the financial requirements of participation within the LGPS.

Ms Colliss explained that work was done to engage with any at risk employers at an early stage to try to mitigate that risk.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

BUDGET/FORECAST AND PROJECTED SPEND 2016-17

9. The Committee had before it a report by the Head of Finance which provided details of the Management Expenses Budget / Forecast and Projected Spend 2016/17 for the North East Scotland Pension Fund.

It was noted that there was a projected overspend in respect of the staff costs budget for 2016/17 as a result of the new staffing structure being implemented from 1 April 2016. Ms Colliss advised that due to difficulties in filling vacancies, it had been hard to predict when the additional spend would be required which was why the overspend was predicted.

The report recommended:-

that Committee –

- (a) note the update on the NESPF Management Expenses Budget / Forecast and Projected Spend 2016/17;

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- (b) note the update on Pension Fund staff costs resulting from the implementation of the new staffing structure; and
- (c) note the update on revised guidance on Accounting for Scheme Management Costs.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

UPDATE ON ANNUAL BENEFIT STATEMENTS

10. The Committee had before it a report by the Head of Finance which provided an update on the provision of the Annual Benefit Statements to the Fund's active and deferred members which set out an estimate of the member's pension position at retirement age, based on data currently held by the Fund. It was noted that in total, 23,398 benefit statements had been issued to active members which represented 99.62% compliance with the statutory requirement, and the outstanding member records had been identified and were being addressed as part of the post review undertaken by officers. A revised project plan would be implemented in preparation for the 2016/17 year and it was hoped that 100% compliance could be achieved.

It was therefore noted that as the full 100% compliance had not been achieved, this would be recorded as a breach in the Register in terms of the NESPF Breaches of Law Policy, however as it was not considered to be material significance to the Pensions Regulator, there would be no requirement to report the matter to the Regulator, as steps were being taken to prevent future reoccurrence.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

MEETING DATES FOR 2017

11. The Committee heard that meeting dates for 2017 had been set as follows:-

- 10.30am, Friday 10 March 2017
- 10.30am Friday 23 June 2017
- 10.30am, Friday 15 September 2017

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10.30am, Friday 1 December 2017

A further date would be arranged for the Pension Board annual meeting for some time in May 2017.

The Committee resolved:-

to note the dates.

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.

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT

12. With reference to article 13 of the minute of the meeting of 24 June 2016, the Committee had before it a report by the Head of Finance which provided a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 September 2016. The report was supported by the BNY Mellon Fund Analysis and Performance Report and the Fund Managers' quarterly investment reports.

Members heard that following legal advice, the opportunity investment agreed by Committee at its meeting of 24 June 2016 had not proceeded.

Ms Colliss advised that as a result of recommendations from internal audit, the report also now contained information on the Market Value Reconciliation from BNY Mellon.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

INVESTMENT STRATEGY UPDATE

13. 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 compliance and adherence to the Fund's benchmark allocation.

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The report recommended:-

that Committee –

- (a) approve an increase headroom in accordance with regulation 14(3) and item 11 of Part 1 of Schedule 1 of the Local Government Pension Scheme (Scotland)(Management and Investment of Funds) Regulations 2010, to allow an increase in the investment to the Aberdeen City Transport fund and stock lending programme to 35%; and
- (b) 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.**

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2 December 2016

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**PENSIONS COMMITTEE
MOTIONS LIST – 10 MARCH 2017**

<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.	Motion by Councillor Kiddie “Council agrees 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.”	19.08.15 (Council)	The Council resolved: to refer the motion to the Pensions Committee.	It was noted that the report from KPMG (article 10 of the minute of 17 December 2015 refers) would possibly not solely satisfy the terms of the motion, and that the Committee had agreed to defer consideration of this item until Councillor Kiddie was in attendance. At its meeting of 2 December 2016, the Committee asked the Head of Finance to approach Councillor Kiddie about removing his motion from the list as the revised investment strategy would be reported to Committee next year and this would likely cover the terms of Councillor Kiddie’s motion.	Head of Finance	11/03/16	Yes

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North East Scotland Pension Fund

Annual Audit Plan 2016/17



 **AUDIT SCOTLAND**

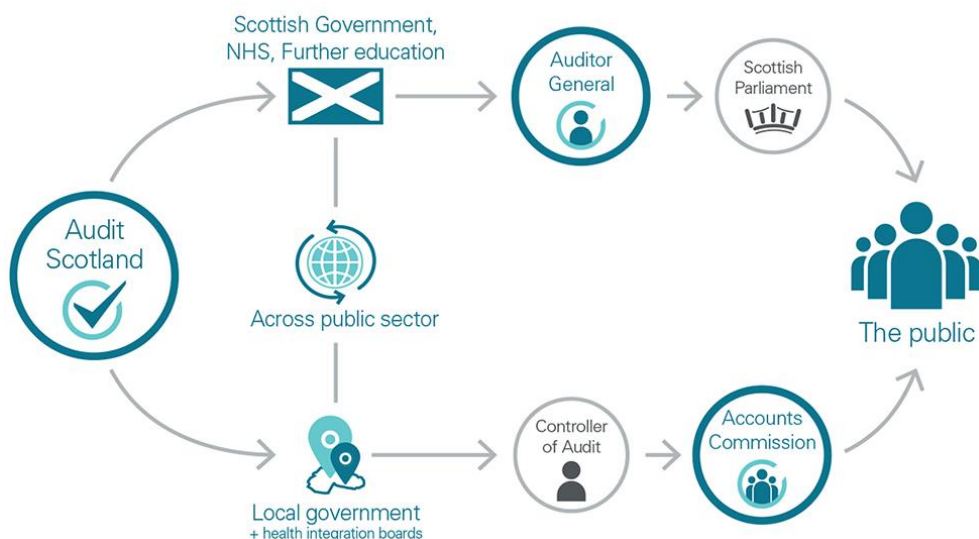
Prepared for members of Aberdeen City Council Pension Committee

March 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the North East Scotland Pension Fund. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Assurances on administering authority key financial systems used by NESPF</p> <p>Aberdeen City Council (ACC) is the administering authority for the North East Scotland Pension Fund. Several ACC key financial systems (general ledger; accounts payable; accounts receivable) underpin the NESPF accounting records. We are dependent on the council's external auditor, KPMG, for audit assurances on these systems.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable</p>	<p>Assurances will be agreed with and obtained from KPMG on key Aberdeen City Council financial systems which underpin NESPF accounting records.</p>
<p>2 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>

Audit Risk	Management assurance	Planned audit work
<p>3 Risk of fraud over income and expenditure</p> <p>ISA 240 presumes a risk of fraud over income; this is expanded to include the risk of fraud over expenditure in the public sector by the Code of Audit Practice and the Financial Reporting Council's Practice Note 10 (revised).</p> <p>The North East Scotland Pension Fund receives a significant amount of investment income from third party sources. This presents a risk due to the extent and complexity of income.</p> <p>The Pension Fund also makes a high volume of payments, including high value payments, which can constitute a risk of misstatement of expenditure.</p>		<p>Evaluating the effectiveness of systems for income recognition and recording.</p> <p>Conduct a review of third party service providers, where relied upon by management, including review of service auditor reports.</p> <p>Analytical procedures on income and expenditure streams.</p> <p>Agree income to third party confirmation.</p> <p>Substantive testing of expenditure.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of investments.</p> <p>This includes level 3 investments such as unquoted equity (private equity) where valuations use techniques that require significant professional judgement in determining appropriate assumptions.</p> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>These judgements are within the various private equity/venture capital global industry standards of managing and valuing these types of assets.</p>	<p>Completion of 'review of the work of an expert' in accordance with ISA500.</p> <p>Test valuations to valuation reports and/or other supporting documentation.</p>
<p>5 Change of a key expert on which the pension fund places reliance</p> <p>The custodian for the pension fund changed to BNP Paribas during 2016/17. This introduces the risk that investment assets aren't properly managed and secured.</p>	<p>Custodian procured to ensure experienced and secure management of investment assets.</p>	<p>Conduct a review of third party service providers, where relied upon by management, including review of service auditor reports.</p> <p>Substantive testing of investment assets will provide assurance that investment assets are complete with the proper rights and obligations in place.</p>
<p>6 Changes to financial reporting</p> <p>There are changes to the accounting code for 2016/17 financial statements:</p> <ul style="list-style-type: none"> • Presentation changes to the format of the pension fund account. • Application of IFRS 13 Fair Value measurement to 	<p>Relevant guidance and regulations will be reviewed to ensure the 2016/17 annual report and accounts meet their requirements.</p>	<p>Communication of technical changes with officers.</p> <p>Review disclosures as part of our financial statements audit.</p> <p>Review of application of IFRS13</p>

Audit Risk	Management assurance	Planned audit work
<p>pension fund investments</p> <ul style="list-style-type: none"> New recommended disclosures in respect of management expenses. (NESPf adopted this approach early, in the 2015/16 accounts.) 		
Wider dimension risks		
<p>7 Governance: updates to key governance documentation</p> <p>The Orders of Reference within the ACC Standing Orders have not been updated to reflect changes in pension fund governance. The Orders of Reference for the Pension Committee still refer to the Joint Investment Advisory Committee, which no longer exists.</p> <p>The minutes of the ACC Pension Committee do not record attendees other than councillors; it would improve transparency if attendees such as internal audit, external audit or management experts were also listed in the minutes.</p>	<p>The orders of reference have been updated and are with Legal for review.</p>	<p>We will review any updates to governance documents.</p>
<p>8 Governance: declaring conflicts of interest</p> <p>The 2015/16 audit review of the NESPf Pension Board against the requirements of the 2015 Regulations found that there was no formal process for Pension Board members to declare conflicts of interest and maintain a register of interests. Management agreed in September 2016 to implement a Conflicts of Interest Policy by December 2016.</p>	<p>A policy and procedure has been put in place and is being reported to committee in March 2017.</p>	<p>We will review the policy and its effectiveness in practice through attendance at committees.</p>
<p>9 Governance: local government elections</p> <p>There may be changes to the composition of the Pension Committee and the Pension Board as a result of the local government elections in May 2017. There is a risk that following the elections, a number of new members do not have the necessary experience and understanding of their role and responsibilities in such areas as governance, scrutiny and decision making.</p>	<p>Training and support for members is available and they are reminded regularly of opportunities and support available from officers.</p> <p>Training and induction will be provided to new members.</p>	<p>We will monitor the council's arrangements for developing members and preparations for inducting newly elected members.</p>

Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.
4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the Aberdeen City Council Head of Finance and the Pensions Manager of the North East Scotland Pension Fund to confirm factual accuracy.
5. We will provide an independent auditor's report to the administering authority and the Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Aberdeen City Council Pension Committee and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Report including ISA 260 requirements	30 September 2017	15 September 2017
Signed Independent Auditor's Report	30 September 2017	15 September 2017

Audit fee

6. The proposed audit fee for the 2016/17 audit of the North East Scotland Pension Fund is £33,420 (2015/16 £46,130). In determining the audit fee we have taken account of the risk exposure of the North East Scotland Pension Fund, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package, by 30 June 2017.
7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Aberdeen City Council Pension Committee and Head of Finance

8. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.
9. The audit of the financial statements does not relieve management or the Aberdeen City Council Pension Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the Public 1973 Act for local government, the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

11. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the North East Scotland Pension Fund and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the North East Scotland Pension Fund will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

13. We will give an opinion on the financial statements as to whether they:

- give a true and fair of the financial transactions of the fund during the year ended 31 March 2017 and the amount and disposition as at that date of its assets and liabilities;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the UK; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements.

15. The calculated materiality values for the North East Scotland Pension Fund are set out in [Exhibit 3](#).



characteristics



responsibilities



principal activities



risks



governance arrangements

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - Fund Account This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 10% of contributions receivable (based on the latest audited accounts, for the year ended 31 March 2016).	Main Fund £12.2 million Transport Fund £0.3 million
Performance materiality - Fund Account This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of planning materiality.	Main Fund £6.1 million Transport Fund £0.1 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 2.5% of planning materiality (with a maximum level of £100,000).	Main Fund £100,000 Transport Fund £10,000



16. We review and report on other information published with the financial statements including the management commentary and annual governance statement. Any issue identified will be reported to the Aberdeen City Council Pension Committee.

Timetable

17. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Pension Committee meeting dates.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	By 31 August 2017
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Pensions Manager and ACC Head of Finance	25 August 2017 TBC
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

18. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the Aberdeenshire Council internal audit service, overseen by the Chief Internal Auditor.

Adequacy of internal audit

19. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an early assessment of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Areas of reliance

20. To support our audit opinion on the financial statements we plan to place formal reliance on the 2016/17 internal audit review of the Pension Fund Payroll.

Audit dimensions

21. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



22. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

Financial sustainability

23. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the fund's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

Financial management

24. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the fund has arrangements in place to ensure systems of internal control are operating effectively
- whether the fund can demonstrate an effective budgetary control system for communicating accurate and timely financial performance
- how the fund has assured itself that its financial capacity and skills are appropriate

- whether the fund has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

25. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- Whether the fund can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

26. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the fund can provide evidence that it is demonstrating value for money in the use of its resources, has a focus on improvement and that there is a clear link to the outcomes delivered.

Independence and objectivity

27. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

28. The engagement lead for the North East Scotland Pension Fund is Gillian Woolman, Assistant Director. Auditing and ethical standards require Audit Scotland to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the North East Scotland Pension Fund.

Quality control

29. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

30. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

North East Scotland Pension Fund

Annual Audit Plan 2016/17

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	10 MARCH 2017
REPORT BY	HEAD OF FINANCE
TITLE OF REPORT	STRATEGY
REPORT NUMBER	PC/MAR17/STRATEGY

1. PURPOSE OF REPORT

To inform the Committee and provide recommendations to any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

2. RECOMMENDATION(S)

- i. Review and approve policy document changes as noted in Appendix II
- ii. Review and approve Pension Administration Strategy (2017) as noted in Appendix VII
- iii. Approve additional resources as stated in 5.5.1
- iv. Note the remainder of the report

3. FINANCIAL IMPLICATIONS

The performance of the Fund over the long term can impact on the Fund's funding level and therefore the ability to meet its long term liabilities.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

In line with the structural review of the Pension Fund, six specific areas have been identified which fully address the strategic management of the Fund;

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

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Funds strategy and recommendations. To support this report information bulletins covering the six strategic areas will also be available via the secure website and email.

Also available on the Pension Fund Website are all the Policy documents that govern the Pension Fund including its various strategies.

5.1 **INVESTMENT**

5.1.1 *Asset & Investment Manager Performance Report Investment Strategy Update Report*

Separate Reports, provided.

5.2 **ACCOUNTING**

5.2.1 *Budget / Forecast Report*

Statement of Accounts 2016/17 – Action Plan

Separate Reports, provided.

5.3 **BENEFIT ADMINISTRATION**

5.3.1 **GMP Equalisation & Indexation**

A consultation exercise is running until 20th February 2017 to consider the options for future Guaranteed Minimum Pension (GMP) equalization and indexation of public service scheme members who reach State Pension Age after 5 December 2018.

There are three options being proposed: - full indexation, conversion on a 1:1 basis for main Scheme pension or on a case by case basis. A response to the consultation will be provided by NESPF Fund Officers as each of the 3 proposed options are either, administratively complex and costly, or increase the cost of the LGPS, or both.

5.4 **TECHNICAL**

5.4.1 Appendix I, Pensions Administration Strategy December 2016 Report

5.5 **GOVERNANCE**

5.5.1 **Pension Fund Staff Appointments**

Interviews for the Pension Officer (Accounting) post took place in late November. Unfortunately the decision was made not to appoint any of the candidates. The post has now been re-advertised to internal candidates only and interviews are expected shortly.

The Benefits Administration team is advertising internally for two Trainee Pension Officers. One of these posts will be permanent and the other temporary (to cover maternity leave).

Pension Fund Staff Structure

Following the implementation of the restructure on 1 April 2016, officers have been monitoring and reviewing the structure that was put in place. While it has only been a relatively short period of implementation officers have identified a couple of areas that require attention.

Due to the ever increasing size and complexity of the asset base of the Fund and following the successful recruitment of the Investment Manager position, the Fund is looking for approval to add an Investment Pension Officer post to support the Senior Pension Officer and the Investment Manager. This post will also help to address succession planning for the future.

The other area to address is the Employer Relationship Team, the Fund is looking for approval to add an additional Pension Officer within this team. With an increasing work load due to this team taking on more of the administrative workload from the Benefits team we are looking to add an additional member to the team and this will also assist in future succession planning.

5.5.2 Annual Review of Scheme Documentation

The Fund undertakes an annual review of all major scheme policies and statements. Revisions as at 1 February 2017 have been made to the following policies.

- Governance Policy
- Governance Compliance Statement
- Communication Policy
- Statement of Investment Principles
- Investment Policy

Further details of the revisions to each of the above policies and statements are provided at Appendix II. All of the above revised reports are available to view via the Pension Fund website at www.nespf.org.uk.

5.5.3 Annual Governance Review

Review of NESPF Implementation of the Public Service Pensions Act 2013 and Compliance with Pension Regulator Requirements Report

Separate report, provided

5.5.4 Fraud, Whistleblowing & Breaches of Bribery Act

There have been no cases during the year 2016/17.

5.5.5 Internal Audit

Appendix III, Update on Internal Audit recommendations

5.5.6 External Audit

Appendix IV, Update on External Audit recommendations

5.5.7 Scheme Advisory Board

New Scheme Advisory Board website now available at <http://lgpsab.scot/>

Appendix V, Transparency Code

5.5.8 Accounts Commission

Appendix VI, Local Government Financial Overview Report 2015/16 and supplement

5.5.9 Training

September 2016 Training Feedback

Following the training event held in London during September 2016, feedback was requested on 6 January 2017 with the Fund receiving three responses from Committee and Board members.

The responses are as follows;

1. "I thoroughly enjoyed the training, very informative. Some of the investment information was very enlightening". "Trip was well organized and we were well looked after".
2. "The training/meetings in London were a good opportunity to meet and talk formally and informally to the investment managers and find out some of the rationale behind the choices and types of investments especially in a difficult market. I found it both informative and interesting".
3. "I think there is discussion to be had which would clarify any lessons to be learned from the visit. As the Convener pointed out, it is in the nature of things that some advisors will recommend bailing out of a market at the same time as others are seeing an opportunity there.

For instance, while others are going lukewarm on renewables, Barings seem very keen on wind-turbine generating electricity in Texas, thanks to the development of inter-connectors.

Property, by definition, is a long-term investment and I found it hard to see up side in the retail or office development in the London area. Advisors agreed that it will be a disaster for London if they cannot get free movement to continue despite the UK's EU referendum vote.

I was surprised in Aberdeen Asset Management's portfolio, the only property out of 25 in Scotland was an industrial property in Westhill – and they were unaware that it is over the county line and in Aberdeenshire. I was disappointed that given the name of the company and who their presentation was aimed at, they seemed light on details.

Similarly, they decided against investing in the Volvo training and development centre – although it was a bespoke unit specific to Volvo's use – lest Volvo should relocate as a result of the 'Brexit' vote.

Obviously these are commercial judgements, but criteria to justify some investments seemed to be given greater or less weight in different investment proposals.

I was confused by their answers, felt we could be doing better and would like to hear the views of others on how we balance our investments generally and who, during the trip, impressed most.”

Although the Fund received only a few responses these were mainly positive and encouraging with a few specific questions which will be addressed at Committee in March.

5.6 EMPLOYER RELATIONSHIP

5.6.1 Liquidation of Admitted Body

Moray Anchor Projects (MAP) went into liquidation on 13 December 2016. They were contributing to the NESPF until July 2016 when the last active member left the Scheme. At this time, the Employer Relationship Team commenced discussions with MAP and sought a termination valuation from the Scheme Actuary. NESPF have now registered a claim for £211,900.00 with the liquidator in terms of the outstanding termination amount. The first creditor meeting was held on 23 January 2017 and we await further update.

5.6.2 Pension Administration Strategy (PAS) 2017

The Pension Administration Strategy was first introduced in 2013 and details responsibilities, service standards, levels of performance and policies required for the Fund to meet its statutory and regulatory requirements.

The revised version of the PAS (appendix VII) incorporates new scheme regulations and the requirement for all employers to provide monthly data using I-Connect. The revised PAS was distributed to all employers for consultation (commencing 6 February for 4 weeks). The results of the consultation and the

final version will be issued to all employers and the Scottish Ministers prior to implementation from 1 April 2017.

Appendix VII, Pensions Administration Strategy 2017

5.6.3 Request for Admitted Body Status

Separate report, provided

6. IMPACT

The Pension Committee has a fiduciary duty to monitor the Pension Fund Strategies across all areas and timelines to deliver a timely, accurate and compliant service to all stakeholders.

7. MANAGEMENT OF RISK

The Pension Fund regularly updates its Risk Register in line with change and is reported quarterly to the Pensions Committee.

Appendix VIII, Risk Register

8. BACKGROUND PAPERS

None

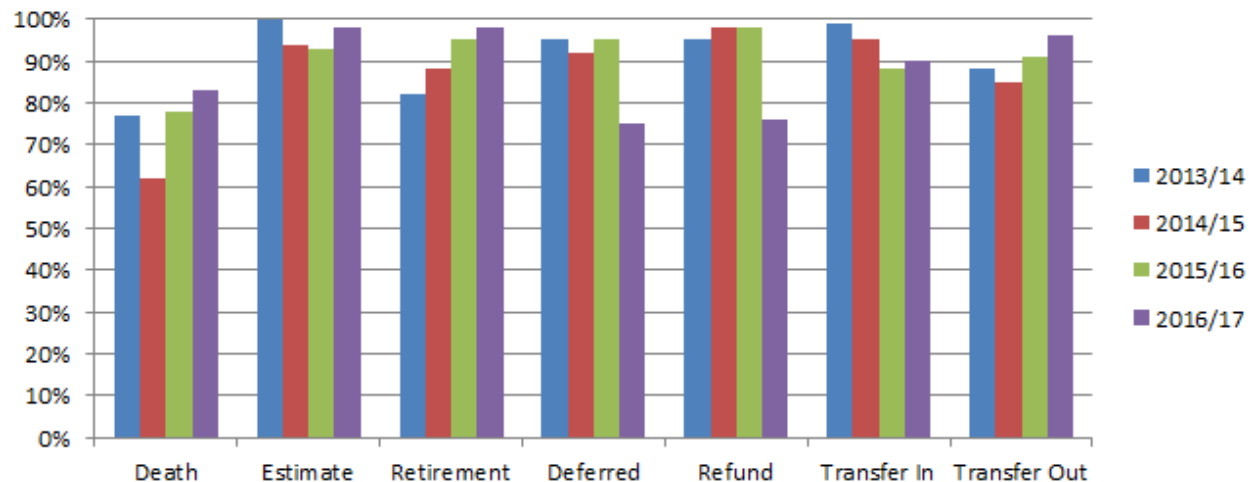
9. REPORT AUTHOR DETAILS

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

Performance Reporting as at 31 December 2016

A Pension Administration Strategy was developed in accordance with Regulation 60A of the LGPS (Administration) (Scotland) Regulations 2008 and published in July 2013 following consultation with employers which specifies levels of service and performance measures for participating employers and the North East Scotland Pension Fund (NESPF). This report covers the period **1 April 2016 to 31 December 2016** and focuses on NESPF key performance measurements and the quantity and quality of electronic data received from employers.

NESPF performance measurement	Target	Amount	Achieved	Percentage
Notification of death in service	5 days	36	30	83%
Notification of retirement estimate	10 days	700	689	98%
Notification of retirement benefits	10 days	1024	1002	98%
Notification of deferred benefits	10 days	1272	958	75%
Notification of refund	10 days	1189	909	76%
Notification of transfer in value	10 days	71	64	90%
Notification of transfer out value	10 days	216	208	96%
Benefit statements issued to active members prior to 31 August 2016	100%	23398	23308	99%



“Five of the seven measurements are all above 2015/16 performance and Deferred/Refund processing will continue to be targeted in final quarter”

Electronic Data Quantity from Employers

NESPF provide 2 methods of communication for employers to securely submit electronic data as detailed in the Pensions Administration Strategy:

- Employer Services is available to all employers for starter, amendment and leaver interfacing
- I-Connect is available to large employers for event processing including starters, amendments, leavers, contributions, salaries and CARE pay

Employer Services interface updates during 2016/17

Starters	Amendments	Leavers
165	61	74

I-Connect event processing during 2016/17

Starters	Amendments	Leavers	Contributions	Salaries	CARE Pay
1715	5772	1245	112239	107600	107644

“Monthly file submissions from I-Connect improves the accuracy of member data held on the pensions administration system”

Total amount of electronic updates provided by employers during 2016/17

336,515

For more information on electronic data submission please contact Employer Relationship Team at employer@nespf.org.uk.

Electronic Data Quality from Employers

NESPF monitor the quality as well as the quantity of data provided by employers using Employer Services and I-Connect. Data is classed as being of high, medium or low quality depending on amount of events/interface updates successfully processed and validated.

Employer	Submission	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Aberdeen City Council	I-Connect	H	H	H	H	H	H	H	H	H			
Aberdeenshire Council*	I-Connect												
Bon Accord Care	I-Connect	H	H	H	H	H	H	H	H	H			
Bon Accord Support	I-Connect	H	H	H	H	H	H	H	H	H			
Grampian Valuation Joint Board	I-Connect	H	H	H	H	H	H	H	H	H			
Northern Community Justice Association*	I-Connect												
NESTRANS*	I-Connect												
Police Scotland	I-Connect	H	H	H	H	H	H	H	H	H			
The Moray Council	I-Connect	H	H	H	H	H	H	H	H	H			
The Robert Gordon University	I-Connect	H	H	H	H	H	H	H	H	H			
Aberdeen Cyrenians	Emp Services	H											
Aberdeen Foyer	Emp Services		H										
Aberlour	Emp Services		H	H					H				
Cairngorm Outdoor Access Trust	Emp Services			H	H								
First Bus	Emp Services						H	H	H				
Moray College	Emp Services	H	H	H	H	H	H	H	H	H			
North East Scotland College	Emp Services	H	H	H	H	H	H		H	H			
North East Sensory Services	Emp Services								H				
Osprey Housing	Emp Services		H					H	H	H			
Peterhead Port Authority	Emp Services	H											
Robert Gordon College	Emp Services		H										
SCARF	Emp Services						H						
Scottish Fire and Rescue Service	Emp Services				H								
Scottish Water	Emp Services	H	H	H	H	H	H	H	H	H			

*data will be provided in January (previously November)

“Nothing other than high quality data has been received throughout the year which helps NESPF comply with new scheme and The Pensions Regulator requirements”

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Document Name		Revisions
1.	Governance Policy	<ul style="list-style-type: none"> To reflect current Pension Fund communication arrangements, requirements under the Regulations and the Pensions Regulator.
2.	Governance Compliance Statement	<ul style="list-style-type: none"> To reflect current Pension Fund communication arrangements, requirements under the Regulations and the Pensions Regulator.
3.	Communication Policy	<ul style="list-style-type: none"> To reflect current Pension Fund working arrangements; with continuing improvements to Fund communications
4.	Statement of Investment Principles	<ul style="list-style-type: none"> To reflect Committee approval to increase to Headroom limits
5.	Investment Policy	<ul style="list-style-type: none"> To reflect current Pension Fund governance and investment arrangements To correspond with Asset Class monitoring benchmarks within quarterly Committee reporting.

All of the above revised reports are available to view via the Pension Fund website at www.nespf.org.uk

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AC1620 PF/AC/01 Investment Strategy

31-Aug-17 2.1.2 The Administering Authority should ensure that the Pensions Committee's Orders of Reference reflect its current remit.

These have been updated and are currently with Legal for review.

31-Mar-17 2.1.7 The Administering Authority should ensure staff training, development and competency is adequately evidenced.

A staff training register has been created to record and monitor all training going forward.

31-Mar-17 2.5.3 The Service should ensure that appropriate agreements are in place which govern the banking and investment service provided to the Fund by Aberdeen City Council's Treasury Section.

We are in the process of reviewing our current arrangements.

31-Dec-16 2.4.6 i The Service should ensure an appropriate asset valuation variance threshold for fee invoice verification purposes is approved by the Committee.

The 10bps tolerance/variance will be confirmed to Committee in March 2017.

31-Dec-16 2.5.1 The Service should evidence a rolling procurement plan which ensures contracts are retendered where necessary

The internal contract register has been revised to include contract end dates and tender review start dates between 6-12 months before contract end dates.

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APPENDIX 4 – EXTERNAL AUDIT RECOMMENDATIONS

Responses to the recommendations are as follows:

- There is a need for clarity in reporting against benchmarks given the range of targets used by the fund.

The performance and benchmark reporting is under review.

- The funding position is not reported to members as frequently as it used to be.

The funding position will be reported to Committee annually.

- The Committee does not routinely receive an annual activity report summarising fraud/suspected fraud cases, whistleblowing cases and breaches of the Bribery Act, even if it is a nil report.

We note this in the Strategy Report. There were no reported cases for 16/17.

- The pensions administration strategy needs to be updated and associated monitoring of targets revised to ensure meaningful information is collected and reported.

The PAS has been updated and the new version taken to March 17 Committee meeting for approval, with implementation from 1 April 17.

- There is no formal process for Pension Board members to declare conflicts of interest.

The Conflicts of Interest Policy was approved by Committee in Dec 16. We have recently written out to our Board members for declaration of any conflicts (and will do so annually going forward). A Conflict of Interest Register has been implemented and we will use this for monitoring.

- The 2014 Regulations require councils to assess the efficiency and effectiveness of the internal audit service from time to time.

KPMG are currently reviewing internal audit services to the Aberdeen City Council, which includes the Pension Fund.

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November 2016

Circular: 01/2016
Transparency Code

The Scottish Local Government Pension Scheme Advisory Board (SLGPSAB) has improving cost transparency and investment fee consistency in its current work plan. The SLGPSAB received a presentation in February and agreed to follow the work commissioned by the England and Wales SAB on this issue. As many of the same asset managers operate in Scotland, there seemed little point in duplicating this work.

The E&W SAB has now formally announced that it will proceed with a cost collection strategy. This is as an important factor in the LGPS being perceived as a value led and innovative scheme.

To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis, the E&W Board has developed a Code of Transparency for LGPS asset managers. The core of the code is a template for completion by asset managers, which lists a series of broad headings for reporting costs and expenses. In its initial form it will concentrate on those areas which should already be available, but may not have been supplied by asset managers either proactively or in a format easily useable by LGPS funds.

The Code will be voluntary with asset managers encouraged to sign up to it to demonstrate their commitment to transparent reporting of costs. Those asset managers who sign up to the 'Code of Transparency' will be listed on the E&W Board website and able to use the Code logo on their marketing literature.

The code and template can be accessed here:

<http://www.lgpsboard.org/index.php/structure-reform/cost-transparency>

The SLGPSAB welcomed this code and asks pension funds in Scotland to promote the code with their own asset managers.

It should also assist in the consistent reporting of costs in Scotland. The aim is to ensure that the LGPS, across the UK, will become the first pension system in the world to move toward cost transparency outside of the Netherlands.

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To: The Scottish Local Government Pension Scheme c/o the Head of Service,
Convener of the Pensions Committee and Chair of the Pension Board of the respective
Scottish LGPS Fund

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23 January 2017

Dear Ms Colliss

Local Government Financial Overview Report 2015-16

I write to advise you that the Commission has published its financial overview report for the financial year 2015-16 accounts and audit.

This is the first year that we have published a financial overview to complement our full overview report which we publish in the Spring. It reports on financial figures arising from the local government accounts, telling the strategic financial story for local government in Scotland in 2015/16, another challenging year for councils.

The report is accompanied by a short supplement on the Local Government Pension Scheme in 2015-16 which I attach for ease of reference. The main report and supplement are both available on the Accounts Commission website linked below:

- <http://www.audit-scotland.gov.uk/report/local-government-in-scotland-financial-overview-201516>

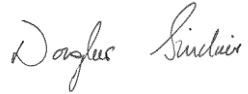
In the supplement we provide an overview of the LGPS in Scotland in 2015-16 and comment on how well pension funds have coped with the introduction of the new Career Average Revalued Earnings scheme and governance arrangements.

Of course there are ongoing challenges for pension funds and we note the work programme of the Scottish Scheme Advisory Board which includes a structural review of the LGPS in Scotland.

In an important milestone for us, we have recently appointed new auditors for the five year period from 2016-17 and issued a new Code of Audit Practice. I hope by now that you have had the opportunity to meet your new auditors and that you look forward to receiving their audit plans and building a relationship with them in the year ahead.

I would commend you to share the LGPS 2015-16 supplement with colleagues, pension board members and officers at your council. (Please note that I have also sent a copy of this letter and the supplement to the Conveners of Local Government Pension Schemes).

Yours sincerely

A handwritten signature in cursive script that reads "Douglas Sinclair".

Douglas Sinclair
Chair

Local Government Pension Scheme 2015/16



ACCOUNTS COMMISSION 

1. This supplement accompanies our Financial Overview of Local Government in Scotland 2015/16.
2. There are 11 council administered Local Government Pension Scheme (LGPS) pension funds in Scotland. They range from one of the biggest pension funds in the UK (Strathclyde) to one of the smallest (Orkney). Key LGPS facts are shown in [Exhibit 1](#).

Exhibit 1

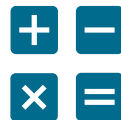
Scottish Local Government Pension Scheme—key numbers

Membership



Active **226,000**
Deferred¹ **126,000**
Pensioner **169,000**

Assets and liabilities



Position
£34.5 billion assets
£41.8 billion liabilities
(estimate)

Transactions



£1.1 billion benefits paid
£0.94 billion employer contributions
£0.27 billion employee contributions
£0.68 billion return on investments

Note: 1 Deferred pensioners are members who have left the scheme but will be eligible for benefits upon reaching retirement age

3. It has been a challenging year for the LGPS in Scotland with the introduction of the new career average revalued earnings (CARE) scheme from 1 April 2015, new governance arrangements at UK, Scotland and local levels and uncertainty in investment markets affecting invest returns.

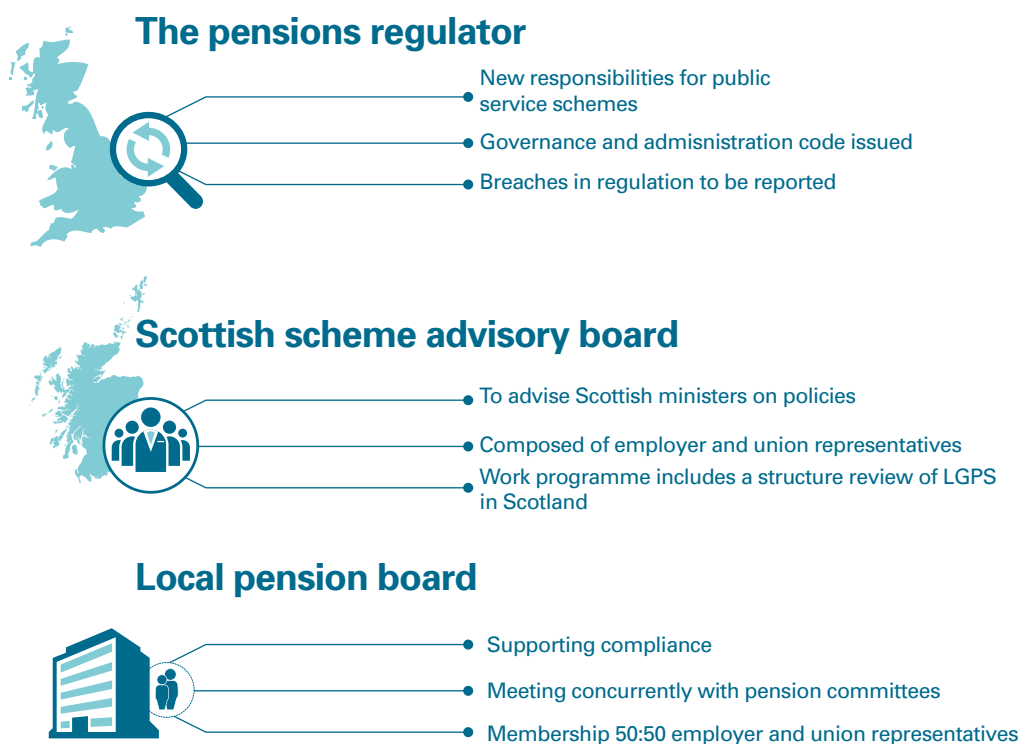
4. Pension funds are required by regulation to produce an annual report and accounts and these are audited separately from the accounts of the administering council. Auditors' deemed the 2015/16 annual accounts of all 11 pensions funds to be true and fair.

Governance arrangements

5. The Public Service Pensions Act 2013 introduced significant changes to the governance framework for public service pension schemes and for the LGPS in Scotland. [Exhibit 2](#) sets out the key changes to governance in 2015.

Exhibit 2

New LGPS governance arrangements in Scotland 2015



6. The Pensions Regulator has issued a code of practice for public sector schemes and pension funds in Scotland continue to monitor compliance with the new code assisted by local pension boards. Fund managers and advisors have a statutory responsibility to report significant breaches to the Pensions Regulator. We have not been made aware of any reports in respect of breaches in 2015/16.

7. The Scheme Advisory Board has a comprehensive programme of work and is planning to review of the LGPS structure in Scotland during 2016-17. Its review will include consideration of collective investment vehicles and the asset pooling model adopted in England and Wales.

8. At a local level all funds introduced pension boards. The role of pension boards is to support pension committees on compliance with regulations and codes. The role pension boards can play is developing, but it is clear they can also provide a useful scrutiny function. Auditors will be expected to monitor the operation of pension boards.

The new Career Average Revalued Earnings LGPS 2015

9. A new Scottish Local Government Pension Scheme was introduced on 1 April 2015. The key changes include:

- a move to benefits being worked out using career average (CARE) rather than final salary
- pension is built up at a rate of 1/49th of annual pensionable pay
- member's normal retirement age being linked to their own State Pension Age.
- A cost-control mechanism will be implemented to make sure the Scheme remains affordable and sustainable in the future.

10. Pension funds have coped well with the introduction of the new CARE LGPS with only minor teething issues reported by auditors. However, there are ongoing challenges in relation to the new scheme as record keeping is more complex than for final salary schemes and there is greater dependency on employers for complete and accurate information. Pension calculations for existing older members will be complex as many will have benefits accrued under the new 2015 scheme (based on CARE and 1/49ths) the previous 2009 scheme (based on final salary and 1/60ths) and the 1998 scheme (based on final salary and 1/80ths).

Cost control under the LGPS 2015

11. The new LGPS 2015 includes a cost control mechanism designed to ensure that the LGPS remains affordable for employers. Under this arrangement, the Government's Actuary Department (GAD) has established a Scottish LGPS cost cap of 15.5 per cent for employers (on a whole scheme basis). If the cost in relation to future service increases by more than two per cent above the employer cost cap, then employee contributions and/or benefits will be reviewed. We understand that employer cost cap costs will next be appraised by GAD following the 2017 triennial valuation and that the earliest cost sharing could start would be 2019.

Investment returns and expenses 2015/16

12. A number of LGPS funds saw negative investment returns on their assets in 2015/16, as shown in [Exhibit 3 \(page 4\)](#). This was influenced by increased uncertainty in global investment markets, low inflation and low growth. The outlook for investment management remains challenging with ongoing volatility and uncertainty in global markets following important events such as Brexit and the US presidential election.

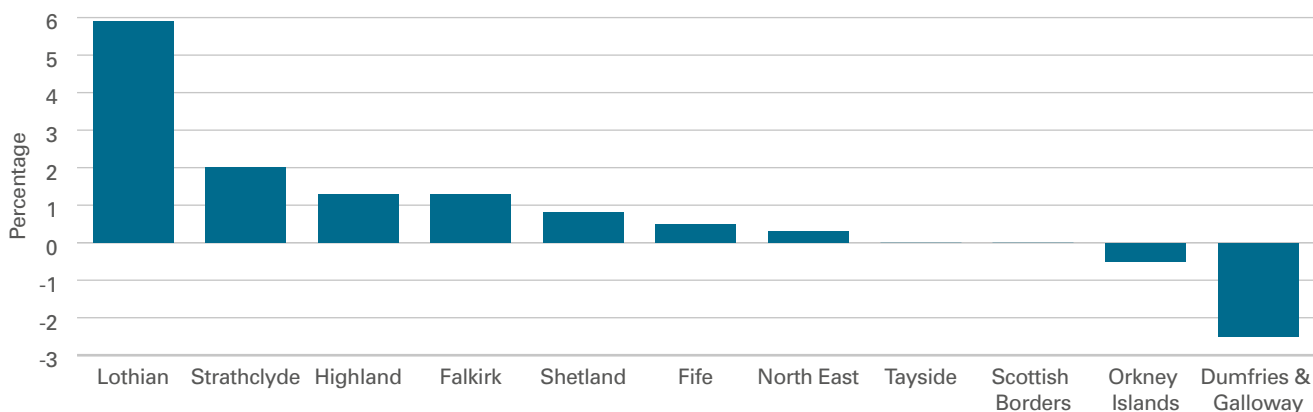
13. Although pension funds manage their investments in line with the same regulatory and governance regimes they have differing strategies and arrangements. Investment management is a complex area and funds make use of external advisers and managers. The full costs of investment management are not always fully transparent and there has been increased scrutiny and changes to guidance around accounting for these costs in recent years.

14. In 2015/16 we saw a divergence in approach by pension funds to the inclusion of investment management expenses in their annual accounts. Revised accounting guidance for 2016/17 emphasises that pension funds' financial statements should only include costs for which they are directly liable, or are within their control. The Accounts Commission is encouraged by the commitment of Scottish funds to full transparency around investment management costs charged and supports indirect expenses being reported in the wider annual report.

Exhibit 3

LGPS pension funds – Net return on investment 2015/16

In 2015/16, four funds saw negative returns on investments.



Source: Pension Fund accounts 2015/16

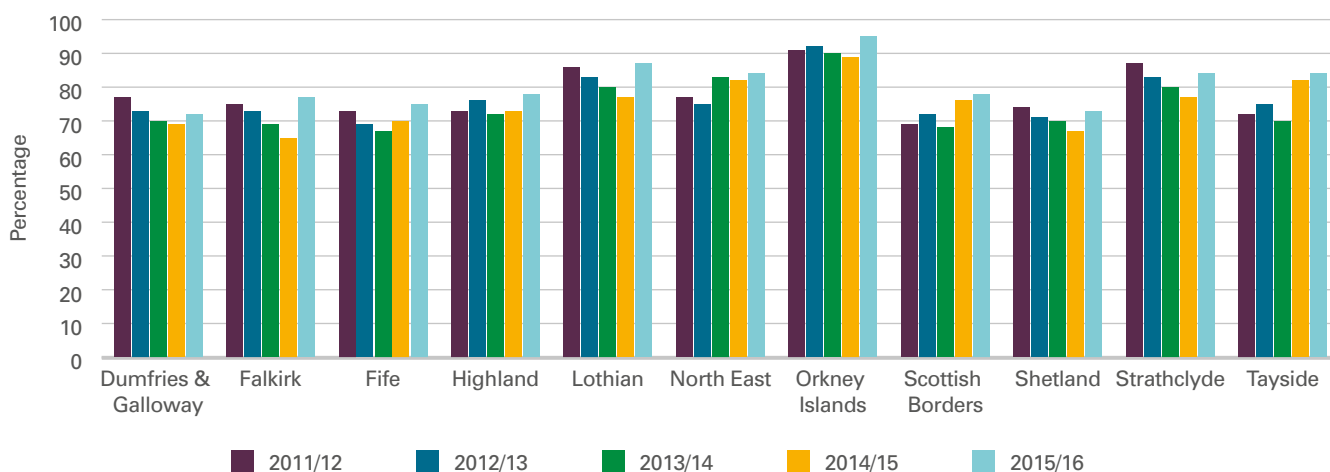
Present value of promised retirement benefits

15. Pension fund accounts include a disclosure of the present value of promised retirement benefits. This value of this liability is an estimate made by actuaries based on a number of assumptions about the future and the figure is quite sensitive to changes to those assumptions. The Liability can be compared with the assets of the pension fund at a point in time and [Exhibit 4](#) shows the valuation of pension fund assets as a proportion of liabilities for each of the last five years.

Exhibit 4

Pension fund assets as a proportion of the present value of promised retirement benefits

The position of all funds improved in 2015/16.



Note: The Scottish weighted average is close to that for Strathclyde which is by far the biggest pension fund in Scotland and one of the biggest in the UK.

Source: Pension Fund accounts 2011/12–2015/16

16. The percentages shown in [Exhibit 4](#) will typically be lower than those calculated by actuaries for the triennial funding valuations which are then used to set employer contributions. This is because the assumptions that can be used for accounting purposes are more tightly prescribed.

17. The overall Scottish LGPS net pension deficit at 31 March 2016 was £7.3 billion. Pension fund deficits are included in employers' accounts. Pension funds have arrangements to recover deficits over periods of up to 20 years in some cases, depending on the risk status associated with individual employers.

18. Pension deficits and employer contributions are complex areas and it can be difficult to establish differences between pension funds from their annual reports. Greater transparency and consistency of reporting in this an area would be beneficial to an understanding of the LGPS in Scotland.

Outlook

19. At a time when councils are under increasing financial pressure, administrative workloads will remain high as councils: continue to reduce their workforces and deal with auto enrolment; refine how they administer the new LGPS; embrace new online technologies to improve information flows with employers and members; deal with recent changes to pension scheme governance; and changes to the UK state pension arrangements.

20. The low inflation and low growth economic outlook together with uncertainty on the financial markets means that investment management will remain challenging at a time when investment performance is key.

21. The new cost control mechanism should help ensure that the LGPS remains affordable for employers in respect of active members although it does nothing to reduce the costs of pensions in payment and the associated deficits.

22. The Scottish Scheme Advisory Board is currently undertaking a structural review of the LGPS in Scotland. The outcome of this review is clearly of pivotal importance to the shape of the scheme and to administration costs going forward.



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Pension Administration Strategy



January 2017 | Version 2

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1. Introduction

1.1 Pension Administration Strategy

The North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) are administered by Aberdeen City Council (the Fund) within Local Government Pension Scheme (LGPS) regulations. The Fund is committed to providing a high quality pension administration service to both scheme members and employers. This document is the Pension Administration Strategy¹ (PAS) which details responsibilities, service standards, levels of performance and policies required to deliver statutory requirements for the LGPS and comply with requirements of The Pensions Regulator (TPR)².

1.2 Pensions Committee

Aberdeen City Council as an administering authority delegates this responsibility to the Pensions Committee which is comprised of elected members of Aberdeen City Council. The Pensions Committee carries out a role that is similar to that of trustees of a pension scheme and is the key decision maker for all matters under the regulations including benefit administration, governance and investment management. The Council and the Pensions Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members, participating employers and local taxpayers.

The Pensions Committee takes a keen interest in administration matters and receives reports on Fund and employer performance at its quarterly meetings. It is also responsible for approving any policy documentation including any revision to this document following a consultation period with employers. The commencement date for the revised PAS will be 1 April 2017.

¹ Regulation 57 - The Local Government Pension Scheme (Scotland) Regulations 2014

² The Pension Regulator Code 14 – Governance and administration of public sector pension schemes

1.3 New Scheme

This is the first revision of the PAS since its introduction in 2013 and is as a result of changes introduced by government for public sector pension schemes. The primary legislation for delivering change was the Public Services Pensions Act 2013 with the following regulations coming into force on 1 April 2015:

- The Local Government Pension Scheme (Scotland) Regulations 2014
- The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

The new regulations saw the scheme change from Final Salary to Career Average Revalued Earnings (CARE) which required significant changes to be made by employers to amend their systems and processes to deliver new scheme requirements which included:

- Cumulative Pensionable Pay for Main and 50/50 schemes (CARE pay)
- Assumed Pensionable Pay and Additional Pension Contributions
- Underpin protection for certain categories of members.

1.4 Pensions Board

In line with the new scheme regulations the Fund established a Pension Board which is responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of TPR. Pensions Board membership consists of equal numbers of trade union representatives and employer representatives drawn from Councils and scheduled or admitted bodies. The Board sits at the same time as the Pensions Committee and receives the Committee reports for each meeting. In assisting with compliance the Board can report the Fund for non-compliance with regulations or TPR code of practice.

2. Liaison and Communication

2.1 Pension Fund

The Fund underwent a restructure to deliver the requirements of the new scheme which included creating a dedicated team to assist and advise participating employers. The Employer Relationship Team (ERT) is responsible for:

- Events for administration and financial management (forums etc.)
- Collection and reconciliation of monthly electronic data provision
- Electronic communications (quarterly briefings/technical bulletins etc.)
- Employer Covenant
- Employer training
- Consultations in respect of actuarial matters and policy changes
- Securing compliance with Regulations (discretions etc.)
- Address unsatisfactory levels of performance.

The ERT can be contacted by phone 01224 264157 or by email employer@nespf.org.uk.

Other teams within the Fund involved with delivering requirements of the PAS are the Governance Team who design scheme documentation, maintain the Fund website www.nespf.org.uk and record and report breaches of law to The Pensions Regulator. The Accounting Team is responsible for all financial transactions in and out of the Fund, including contributions received, and prepares the Annual Report and Accounts. The Benefit Administration Team is responsible for calculating and paying member benefits and assists the ERT at administration events.

2.2 Employers

Each scheme employer will designate a named individual to act as a Pensions Liaison Officer, the main contact with regard to any aspect of administering the LGPS. The designated individual should have a level of authority within their organisation to resolve issues with administration or in respect of the requirements of the strategy once it has been agreed.

3. Pension Fund Responsibilities and Service Standards

3.1 Responsibilities

- 3.1.1 To maintain the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.
- 3.1.2 To invest pension contributions received and account for and manage the Fund's assets.
- 3.1.3 To create and maintain a record for each member that contains all the necessary information for accurate calculation of member benefits.
- 3.1.4 To calculate and pay the appropriate benefits, based on the members record and the termination and pay details provided by the Employer when an employee ceases employment.
- 3.1.5 To calculate and process transferred in benefits and transfer value payments.
- 3.1.6 To provide a statutory notice on commencement of membership or following a transfer in.
- 3.1.7 To provide survivor beneficiaries with notification of entitlement.
- 3.1.8 To provide annual pension forecasts for members.
- 3.1.9 To provide pension saving statements for members.
- 3.1.10 To ensure that every effort is made to pay benefits to appropriate beneficiaries and reduce the possibility of fraud.
- 3.1.11 To apply revaluation to pension accounts in accordance with Revaluation Orders.
- 3.1.12 To apply pensions increases in accordance with Pension Increase Orders.
- 3.1.13 To publish Annual Report and Accounts in accordance with regulations.
- 3.1.14 To continually review the PAS and consult with Scheme employers on changes.
- 3.1.15 To publish and review policy statements in accordance with regulations – see Appendix 2
- 3.1.16 To appoint an actuary to carry out triennial valuations and provide actuarial advice – see Appendix 1
- 3.1.17 To provide accurate data to the Fund actuary in respect of valuation and employer accounting standards.
- 3.1.18 To appoint a suitable person for the purposes of the Internal Dispute Resolution Procedure.
- 3.1.19 To appoint an Additional Voluntary Contributions provider.
- 3.1.20 To ensure that sufficient information³ is available to satisfy disclosure requirements.

³ Newsletters, guides and other materials

- 3.1.21 To admit new participating employers and provide information for tender including notification of admission to the SPPA.
- 3.1.22 To request termination assessment from Fund actuary on cessation of admission agreements or when a scheme employer ceases participation in the Fund.
- 3.1.23 To recover termination cost from the exiting employer.
- 3.1.24 To arrange events, meetings and training sessions for scheme employers.
- 3.1.25 To ensure compliance with Data Protection legislation.

3.2 Service Standards

Description	Requirement/Target
To acknowledge or answer enquiries	Within 5 working days
To answer telephone calls within office hours	95%
To provide scheme information to members	Within 2 months of membership beginning*
To acknowledge deferred benefit entitlement	Within 2 months of receiving leaver notification*
To provide transfer credit notification	Within 2 months of request
To provide transfer value payment	Within 3 months of request
To provide divorce notification	Within 3 months of request
To provide death acknowledgement letter	Within 5 working days of notification of death
To provide retirement estimates	Within 10 working days of receipt of all information
To provide retirement benefit notification	Within 10 working days of receipt of all information
To provide deferred benefit notification	Within 10 working days of receipt of all information
To process refund of contributions	Within 10 working days of receipt of all information
To provide transfer in notification	Within 10 working days of receipt of all information
To provide transfer out notification	Within 10 working days of receipt of all information
To provide benefit statements to active and deferred members	By 31 August*
To provide pension saving statements	By 6 October*
To carry out a record keeping exercise to comply with TPR requirements	At least annually
To publish forms required for completion by scheme members, potential members or scheme employers	Within 30 days from any revision

To issue formal valuation results including individual employer details	By 31 January following the 31 March valuation period end date
To prepare new admission agreements	Within 3 months of receipt of all appropriate employer information
To provide employer briefings	Quarterly
To provide technical bulletins	As and when required
To provide notice to scheme employer of any additional costs (including any interest that may be due) arising from performance	1 month
To notify scheme members and employers of changes to the scheme rules	When possible in advance of change but no later than 1 month of change date
To host meetings for all scheme employers	Annually
To arrange training/bespoke meetings for employers	Upon request or as deemed necessary by the Fund

*Regulatory requirement

3.3 Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities using benchmarking clubs and other available comparators. Details of cost of administration, quality measures and standards of performance will be published in the Annual Report and Accounts.

3.4 Customer Satisfaction

The Fund has established a program of surveys to collate information to identify areas of improvement with the results reported in the Annual Report and Accounts.

4. Employer Responsibilities and Service Standards

4.1 Responsibilities

- 4.1.1 To decide scheme eligibility of employees and admit members in accordance with contractual enrolment or admission policy.
- 4.1.2 To advise employees of entitlement to the LGPS and their rights under Auto Enrolment.
- 4.1.3 To determine a members pay for the purpose of pensions contributions.
- 4.1.4 To arrange for the correct deduction of employee contributions from a member's pensionable pay in accordance with statutory guidance.
- 4.1.5 To implement changes to employer contribution rates as instructed from date specified in actuarial advice.
- 4.1.6 To pay over and account for employee, employer and additional contributions to the Fund.
- 4.1.7 To arrange for the deduction of AVCs and payment of contributions to AVC provider(s).
- 4.1.8 To provide timely and accurate information including starters, amendments, leavers, contributions, salaries and CARE pay to the Fund using I-Connect to ensure member records are accurate and up to date.
- 4.1.9 To distribute any information provided by the Fund to scheme members and potential scheme members.
- 4.1.10 To pay "Strain on fund" costs to the Fund in full for early payment of benefits from flexible, redundancy or business efficiency retirement or where a member retires early with employer's consent.
- 4.1.11 To pay additional costs arising from level of performance⁴
- 4.1.12 To pay interest on late payments arising from overdue payments⁵
- 4.1.13 To formulate and publish discretions as required under regulations – see Appendix 2
- 4.1.14 To issue a certificate of protection automatically where a member has suffered a compulsory and permanent reduction in, or restriction to, their rate of contractual pensionable pay and keep a record of that members pay for a period of 10 years from the effective date of the certificate.*
- 4.1.15 To make decisions known as "First instance decisions" and inform employees of those decisions.*

⁴ [Regulation 68 – The Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

⁵ [Regulation 69 - The Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

- 4.1.16 To nominate an Appointed Person to uphold or dismiss any appeal against a “First instance decision”.
- 4.1.17 To appoint a Pension Liaison Officer and complete and return PLO statement – see Appendix 3
- 4.1.18 To use an Independent Medical Registered Practitioner qualified in Occupational Health medicine for the purpose of determining eligibility for Ill Health retirement.

*Guides for Certificates of Protection and Internal Dispute Resolution are available on the Fund website

4.2 Service Standards

Description	Requirement/Target
To respond to enquiries by the Fund	Within 5 working days
To notify the Fund of new starters	No later than month following date of entry to scheme ⁶
To notify the Fund of any change in employees circumstances (name, address, marital status and hours)	No later than month following date of change
To notify the Fund of leavers and provide form PEN 2A if appropriate	No later than month following date left scheme ⁷
To provide cumulative employee, employer and additional contributions	Monthly prior to 19th of following month
To provide FTE Final Pay calculated under 2009 Regulations for underpin protection	Monthly OR annually in March data submission
To provide cumulative CARE pay (or assumed pensionable pay)	Monthly
To notify breaks in service for underpin calculation using the method stipulated by the Fund	No later than month following start of break
To notify the Fund of retirements and provide form PEN 6	2 months in advance
To notify the Fund in advance when requesting retirement estimates for more than 20 members	3 months in advance
To notify the Fund of the death of a scheme member	As soon as is practicably possible
To provide information requested by the Fund in relation to the Employer	Within 10 days of request

⁶ Regulatory requirement for Fund to provide information to active member within 2 months of membership beginning

⁷ Regulatory requirement for Fund to provide information to deferred member within 2 months of receiving leaver notification

Covenant	
To refer new or prospective scheme members to the Fund's website	Within 10 days of commencement of employment
To arrange for the correct deduction of employee contributions from a member's pensionable pay	Immediately on joining scheme and following statutory guidance
To ensure correct employee contribution rate is applied	Immediately on joining the scheme, as a result of a material change to pay and annually as at 1 April
To remit employee, employer and additional contributions to the Fund	By 19th of month
To ensure correct deduction of pension contributions during any period of absence	Immediately following election of scheme member
To arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence payment of AVC's following month of election
To notify the Fund if contracting out services which will involve a TUPE transfer of staff to another organisation	As soon as decision made and to allow the Fund to provide information for tender documentation
To work with the Fund to arrange for an admission agreement to be in place when contracting out a service and assist with ensuring compliance	Agreement to be in place no later than start date of contract
To notify the Fund if an employer changes their admission policy or there is a possibility of terminating participation in the Fund	As soon as possible following change of circumstance or in advance of any policy change
To appoint appropriate person to review "first instance decisions"	Within 1 month of becoming scheme employer or making new appointment if required
To pay Fund invoices	Within 28 days

4.3 Data Provision

I-Connect is a data exchange portal for employers to provide monthly data for automated processing on the pensions administration system. The system provides employers with a secure method of providing updates including starters, amendments, leavers, contributions, salaries and CARE pay.

From 1 April 2017 **all employers** will be required to provide monthly data using I-Connect⁸ by way of a monthly file extracted from the payroll system or by completing electronic forms for individual members. This will replace starter, leaver and amendment processing through Employer Services. There will be no cost for using the I-Connect portal as there is no requirement for employers to contract direct with the provider.

The quality of data received from employers is assessed and checked by the Employer Relationship Team. Red/Amber/Green flags will be used to assess the quality of the data and this information will be published quarterly for each employer.

Flag	Description
Green	Events processed on I-Connect and validated by ERT
Amber	Events processed on I-Connect however missing or incorrect data identified by ERT
Red	No updates processed on I-Connect

If an employer has a number of payroll services in respect of its employees, a consolidated submission using I-Connect is required. If the payroll is contracted out to a bureau or another third-party organisation, then it remains the responsibility of the Scheme employer to ensure a complete and accurate data submission is provided monthly to the Fund.

The significance of receiving monthly data⁹ during 2015/16 was acknowledged by the actuary during the interim valuation process and helped the Fund meet benefit statement deadlines. Monthly data greatly improves the accuracy of member records, removes requirement for an annual return, helps the Fund deliver statutory requirements and significantly reduces likelihood of having to report a breach of law to The Pensions Regulator.

⁸ If you currently provide monthly data by spreadsheet the ERT will contact you about using I-Connect

⁹ During 2015/16 more than 682,000 starters, amendments, leavers, contributions, salaries and CARE pay system updates were received via I-Connect

4.4 Forms

From 1 April 2017 all scheme employers will be providing electronic data however there is still a requirement for certain forms to be completed and provided to the Fund.

Form	Requirement
Abbreviated Cessation Notice (PEN 2A)	Required for all members with pre 1 April 2015 membership. Not required for members with post 1 April 2015 membership only however any members that have transferred pre 2015 service into their current employment will require a PEN 2A which will be requested by the Fund.
Certificate of Permanent Ill Health (PEN 3.1)	Notification for Ill Health retirement which should be completed by the employer and an independent registered medical practitioner.
Notice of Retirement (PEN 6)	This form should be completed in advance for Voluntary, Late, Flexible, Early with Employers Consent, Ill Health, Business Efficiency and Redundancy retirements. In the case of Ill Health this form should be submitted with a PEN 3.1.
Certificate of Protection	Employers should automatically issue a Certificate of Protection where a member has suffered a compulsory and permanent reduction in or restriction to, a member's rate of contractual pensionable pay. A copy of the certificate should be provided to the Fund.

4.5 Audit

The Fund is subject to annual audit of its processes and internal controls. Employers are expected to fully comply with any request for information from both internal and approved external auditors. Any subsequent recommendations will be considered and, where appropriate, implemented with Scheme employer cooperation.

4.6 Level of Performance

The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of unsatisfactory levels of performance, and provide the necessary training and development for improvement.

In the event of continued unsatisfactory performance, and a lack of evidence of any measures being taken to achieve improvement, the Fund will seek to recover any additional costs arising¹⁰ from the employer. These may include fines imposed by the Courts or The Pensions Regulator, additional charges in respect of actuarial fees, third party charges and additional printing or distribution costs.

Circumstances where such additional costs will be recovered from the scheme employer are:

- Persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with service standards and performance measures either as a result of timeliness, delivery or quality of information
- Failure to pass relevant information to the scheme member or potential member
- Failure to deduct, and pay the Fund, the correct employee and employer contributions within the stated timescales
- Instances where the performance of the employing authority results in fines being levied against the administering authority, and
- Additional costs incurred in providing expert third party advice in administering the scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.

Where the Fund determines cost recovery appropriate, written notice will be given to the scheme employer stating:

- The reasons, in the Funds opinion, why the employer's unsatisfactory performance resulted in the additional cost
- The amount of additional cost incurred
- The basis of how the additional cost was calculated, and
- The provision within the Pensions Administration Strategy relevant to the decision to give notice.

¹⁰ [Regulation 68 – The Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

Any instances¹¹ of additional cost being recovered from employers will be reported to Pensions Committee and Board and published in the Annual Report and Accounts.

5. Performance Measurement and Reporting

Measuring performance is essential to evidence the efforts made by the Fund and employers to comply with statutory requirements and deliver a high quality pension administration service.

5.1 Pension Fund Performance Measurement

Performance measure	Shown as	Quarterly	Annually
Benefit statements issued to active members prior to 31 August	Percentage	No	Yes
Employer administration events	Number	No	Yes
Employer financial events	Number	No	Yes
Employer training events	Number	No	Yes
Employer briefings	Number	No	Yes
Employer bulletins	Number	No	Yes
Notification of death acknowledged within 5 working days	Percentage	Yes	Yes
Notification of retirement estimate issued within 10 working days	Percentage	Yes	Yes
Notification of retirement benefits issued within 10 working days	Percentage	Yes	Yes
Notification of deferred benefits issued within 10 working days	Percentage	Yes	Yes
Notification of refund issued within 10 working days	Percentage	Yes	Yes
Notification of transfer in value issued within 10 working days	Percentage	Yes	Yes
Notification of transfer out value issued within 10 working days	Percentage	Yes	Yes
Quality of data held on pensions administration system for TPR record keeping	RAG flags	No	Yes
Telephone calls answered within office hours against 95% target	Percentage	No	Yes

¹¹ During 2015/16 there were no instances of additional cost recovery

5.2 Employer Performance Measurement

Performance measure	Shown as	Quarterly	Annually
Contributions paid by 19 month	Percentage	No	Yes
Instances of additional administration charges for unsatisfactory level of performance	Number	No	Yes
New start notification no later than month following date of entry to scheme	Percentage	No	Yes
Notification of employer initiated retirements two months in advance	Percentage	No	Yes
Policy on discretions received	Percentage	Yes	Yes
Quality of data received via I-Connect displayed for individual employers	RAG flags	Yes	Yes
Quantity of data received via I-Connect for all employers	Number	Yes	Yes
Signed PLO statement received	Percentage	Yes	Yes

5.3 Performance Reporting

Quarterly reports are put before the Pensions Committee and Pensions Board and an annual report will be included in the audited Annual Report and Accounts, both are published on the Fund website.

Appendix 1 | Overriding Legislation and Valuation

Overriding Legislation

In performing the role of administering the LGPS, the Fund and Employers will comply with overriding legislation (examples below) and any future amendments:

- The Occupational Pension Schemes (Disclosure of Information) Regulations 1986
- The Pensions Act 1995
- The Data Protection Act 1998
- The Freedom of Information (Scotland) 2002
- The Finance Act 2004
- The Age Discrimination Act 2006
- The Pension Schemes Act 2015.

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various associated parties, not least of which the scheme member. The LGPS regulations also identify a number of requirements for the Fund and employers with performance standards which are detailed in the strategy. The strategy is designed to highlight the key areas for providing high quality administration but **does not cover all regulatory requirements**.

Triennial and Interim Valuations

The funds have to be re-valued every three years¹² by the Fund actuary to determine Scheme employer contribution rates. Interim valuations may happen within the triennial cycle, to review such events as, changes in market conditions, incidents of ill health and early retirements. For any valuation it is essential that data held on the pension administration system is accurate and up to date as inaccurate data could affect liability assessment and impact on published funding levels and employer contribution requirements.

¹² [Regulation 60 – Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

Appendix 2 | Policy Statements & Employer Discretions

The following policy statements have been produced to deliver regulatory requirements and are available on the Fund website.

Communications Policy

This policy provides information on the frequency, format and method of communicating with scheme members, employers and other stakeholders.

Funding Strategy Statement (FSS)

This statement provides information on how employer pension liabilities are best met going forward. The FSS also contains policies on:

- Termination Funding for Employers (Appendix 3)
- Risk and Assessment of Employer Covenant (Appendix 4).

Governance Compliance Statement

This statement sets out the extent to which governance arrangements comply with best practice.

Employer Discretions

Employers are required under regulation¹³ to prepare a written statement of its policy of how it will exercise various discretions provided by the scheme. This statement must be kept under review and revised as necessary with a copy provided to the Fund following any revision – a Discretions Policy Guide is available from the Employer Relationship Team.

¹³ [Regulation 58 – the Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

Appendix 3 | PLO Statement

On behalf of my organisation I confirm that I am the named individual who will be the Pension Liaison Officer.

I understand that we have various **statutory duties** in relation to the Local Government Pension Scheme (LGPS) and **obligations** under the Pension Administration Strategy (PAS).

I confirm that as a Scheme employer we will:

1. Action any requirements contained in briefings or bulletins and keep up to date with the Fund website www.nespf.org.uk
2. Deliver requirements in respect of deducting and paying over contributions to the Fund
3. Provide monthly electronic data to ensure Fund member records are accurate and up to date
4. Contact the Fund immediately if, for whatever reason, we are having difficulties delivering LGPS or PAS requirements.

EMPLOYER	
PRINT NAME	
JOB TITLE	
EMAIL ADDRESS	
SIGNATURE	
DATE	

Please complete and return the PLO statement to the Employer Relationship Team at employer@nespf.org.uk.

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NESPF Risk Register

1. In line with best practice and the Pension Regulator's Code of Practice, NESPF maintains a risk register to ensure the risks the Fund faces are properly understood and risk mitigation actions are in place.
2. The risk register is updated regularly, with quarterly reporting to the Committee and Board.

3. Summary at January 2017

Key priorities for 2016/17						
Consequences	Impact					
	Almost impossible	Very low	Low	Significant	High	Extremely High
Catastrophic Impact		1, 8				
Critical Impact		6, 7				
Marginal Impact		2, 4	5	3		
Negligible Impact						

Ongoing Assessment with tPR requirements						
Consequences	Impact					
	Almost impossible	Very Low	Low	Significant	High	Extremely High
Catastrophic Impact	17, 21, 22, 23	2, 7, 14				
Critical Impact		6	15, 18, 19	8, 9, 25		
Marginal Impact	16	3, 4, 24	1, 5, 10, 11	13, 20		12
Negligible Impact						

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Pension Fund Risk Register

Key Priorities 2016 -2017

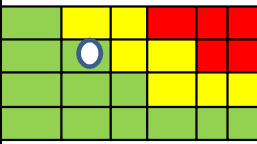

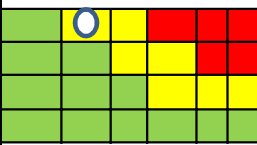

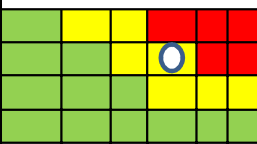

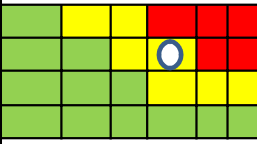

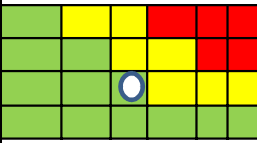

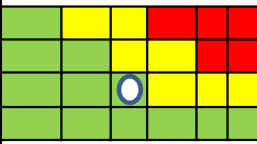

No	Category	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Matrix	Risk Score	Status/Work to be undertaken	Change since last review																																															
1	Corporate	Lack of effective Risk Management	Failure to identify and respond to risks with the potential to impact on our ability to achieve our objectives	Pension Fund risk register reviewed and updated quarterly	<table border="1"> <tr> <td rowspan="4">Consequences</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td colspan="10">Likelihood</td> </tr> </table>	Consequences																																					Likelihood										8	Ongoing	
Consequences																																																							
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2	Corporate	Poor Governance	Failure to ensure the Fund has in place a sound organisational framework, identifies responsibilities, manages its systems and processes and support the Council's culture and values	Fund has in place an annual review of its governance statement and supporting documents ensuring they comply with both regulation and Council objectives	<table border="1"> <tr> <td rowspan="4">Consequences</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td colspan="10">Likelihood</td> </tr> </table>	Consequences																																					Likelihood										4	Ongoing - annual review of policy documents	
Consequences																																																							
Likelihood																																																							
3	Corporate	Lack of Performance Measures	Failure to measure how successful we are at delivering the Pension Fund Business Plan priorities and achieving improved outcomes for our scheme members	Fund has in place both statutory and local PI's	<table border="1"> <tr> <td rowspan="4">Consequences</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td colspan="10">Likelihood</td> </tr> </table>	Consequences																																					Likelihood										8	Annual CIPFA Benchmarking exercise. Also Investment performance and PAS reporting	
Consequences																																																							
Likelihood																																																							
4	Funding	Actuarial Valuation - impact of market volatility	Increase in employer contributions to meet unfunded position	Interim actuarial valuation to be undertaken	<table border="1"> <tr> <td rowspan="4">Consequences</td> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> <tr> <td colspan="10">Likelihood</td> </tr> </table>	Consequences																																					Likelihood										4	Interim valuation completed & data quality scored highly by Actuary. Further work to undertaken before 2017 valuation.	
Consequences																																																							
Likelihood																																																							

5	Regulatory and Compliance	Requirement to complete GMP Equalisation	Failure to ensure that future member benefits are calculated correctly. Audit criticism and financial loss to the Fund	Staff appointed to carry out calculations	<p>Consequences</p> <p>Likelihood</p>	6	Ongoing	↔
6	Governance	Lack of change in management to new Pension Fund structure	Failure to ensure that all staff receive appropriate training. Financial loss through incorrect benefit calcs. Audit criticism. Failure to ensure right first time, every time	Training plans drawn up for all staff to be overseen by Governance Manager	<p>Consequences</p> <p>Likelihood</p>	6	Ongoing - training plans to be implemented by 31st March 2017.	↔
7	Governance	Annual Review of workings of Pension Board and Pension Committee	Failure to ensure effective joint working of the Pension Board and Pension Committee, not compliant with Scheme Regs and Pension Regulator requirements	Review of Pension Committee and Board	<p>Consequences</p> <p>Likelihood</p>	6	Report to Committee in March 2017. Governance Review by SPPA underway.	↔
8	Investment	New Global Custody Services	Failure to manage transition between old and new custodial arrangements. Financial loss through delay in service or errors in data	Project Plan and risk register drafted. Regular reporting to Pension Committee	<p>Consequences</p> <p>Likelihood</p>	8	Ongoing	↓



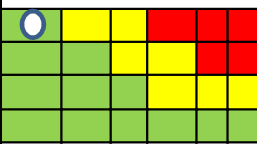

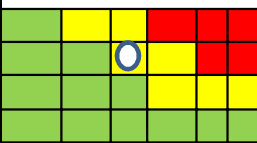

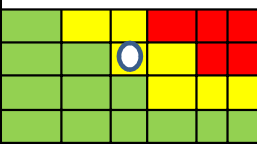

Pension Fund ongoing risk assessment in accordance with Pension Regulator Requirements

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No	Category	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Matrix	Risk Score	Status/Work to be undertaken	Change since last review
1	Operational	Pension Administration system failure	Staff downtime, loss of service delivery	System is hosted externally with back-up in separate location	<p>Consequences</p> <p>Likelihood</p>	6	Technical Manager to provide report on hosted system errors and resolutions to Pensions Manager Quarterly	↔
2	Operational	Unable to access workplace	Staff downtime, loss of service delivery	Disaster recovery policy in place which is incorporated within CG overall policy	<p>Consequences</p> <p>Likelihood</p>	8	Review to be carried out. New Pension Fund Management team to be made fully aware of disaster recovery plan	↔
3	Operational	Overpayment of pension benefits	Audit criticism, legal challenge, reputational risk	All pension payments signed off by a senior pensions officer – segregation of duties for staff processing lump sums	<p>Consequences</p> <p>Likelihood</p>	4	Ongoing	↔
4	Operational	Failure to maintain member records and comply with regulations	Incorrect pension payments, incorrect assessment of actuarial liabilities	All employers required to submit monthly data, which is checked	<p>Consequences</p> <p>Likelihood</p>	4	PAS reporting quarterly to the Pensions Manager	↔
5	Operational	Failure to carry out effective member tracing	Incorrect pension payments, incorrect assessment of actuarial liabilities	Tracing service in place (ATMOS)	<p>Consequences</p> <p>Likelihood</p>	6	Review of tracing service to be undertaken	↔

6	Operational	Fraud/Negligence	Overpayment, unauthorised payments, system corruption, audit criticism, reputational damage	All pension payments signed off by a senior pensions officer – segregation of duties for staff processing lump sums	<p>Consequences</p>  <p>Likelihood</p>	6	Ongoing	
7	Operational	Failure to recruit and develop staff	Reduction in service delivery, poor operation of risk management controls	On-going review of staffing requirements and training.	<p>Consequences</p>  <p>Likelihood</p>	8	Ongoing	
8	Funding	Fund's investments fail to deliver returns in line with anticipated returns required to meet the valuation of the long term liabilities	Increase in employer contributions	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to pensions committee. Triennial investment strategy review.	<p>Consequences</p>  <p>Likelihood</p>	12	Ongoing	
9	Funding	Fall in bond yields, leading to risk in value placed on liabilities	Increase in employer contributions	Quarterly funding updates prepared by FSM reported to Pensions Committee	<p>Consequences</p>  <p>Likelihood</p>	12	Ongoing	
10	Funding-	Pay and price inflation valuation assumptions either higher or lower	Increase in employer contributions	Quarterly funding updates reported to Pensions Committee	<p>Consequences</p>  <p>Likelihood</p>	6	Information to be provided by FSM	
11	Funding	Longevity issues	Increase in employer contributions	Actuarial assessment every three years undertake scheme specific analysis	<p>Consequences</p>  <p>Likelihood</p>	6	Strategy review to consider matching liabilities	

12	Funding	Employers leaving scheme/closing to new members due to cost	Residual liabilities could fall to other scheme employers	Monitor scheme employer – seek guarantors for smaller employers	<p>Consequences</p> <p>Likelihood</p>	12	Ongoing	
13	Funding	Failure to recover unfunded payments from employers, cross subsidy by other employers	Residual liabilities could fall to other scheme employers	Accounting officers will escalate failed employer payments to Employer Relationship Team. Breaches to be recorded & monitored by Governance Team.	<p>Consequences</p> <p>Likelihood</p>	8	Ongoing	
14	Financial	Failure of world stock markets	Increase in employer contribution rates	Diversification of scheme assets, investment strategy review following outcome of triennial valuation	<p>Consequences</p> <p>Likelihood</p>	8	Strategy Review following 2017 Valuation results	
15	Financial	Early retirement strategies by scheme employers	Pressure on cash flow	On-going discussions with scheme employers of Funding issues. Documentation in place	<p>Consequences</p> <p>Likelihood</p>	9	Ongoing	

16	Financial	Negligence, fraud, default by investment managers	Loss of value of the Fund, reputational damage	Fund management monitoring, SAS 70 reports and appropriate clauses in all scheme documentation	<p>Consequences</p>  <p>Likelihood</p>	2	Ongoing	
17	Financial	Failure of Global Custodian	Loss of investments or control of investment	Regular meetings with global custodian, receipt of SAS 70 reports and monitoring	<p>Consequences</p>  <p>Likelihood</p>	4	Ongoing	
18	Financial	Failure to monitor investment managers and assets	Audit criticism, legal challenge, reputational risk	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to Pensions Committee.	<p>Consequences</p>  <p>Likelihood</p>	12	Ongoing	
19	Regulatory and Compliance	Failure to comply with LGPS Regulations, Pensions Act, HMRC and other overriding regulations	Audit criticism, legal challenge, reputational risk, financial loss/financial penalties	Six monthly review of compliance with regulations and report to Pensions Committee	<p>Consequences</p>  <p>Likelihood</p>	9	Ongoing - six monthly review. Last review Dec 2016. Annual report to March Committee meeting.	

20	Governance	Potential risks and conflicts of interest between ACC and NESPF	Audit criticism, legal challenge, reputational risk	Regular discussions between Head of Finance and Pensions Managers, areas of risk and conflict reported to Pensions Committee	<p>Consequences</p> <p>Likelihood</p>	8	Ongoing	
21	Governance	Breach of Data Protection –theft or loss of data	Audit criticism, legal challenge, reputational risk	Internal control and procedures for management of data. To be reviewed and reported to Pensions Committee on annual basis.	<p>Consequences</p> <p>Likelihood</p>	4	Ongoing	
22	Governance	Failure to comply with FOI requests	Audit criticism, legal challenge, reputational risk	Pensions Manager responsible for all FOI requests and meeting deadline for information requests	<p>Consequences</p> <p>Likelihood</p>	4	Ongoing- Governance Team oversee FOI	
23	Governance	Failure to meet annual audit deadlines	Audit criticism, legal challenge, reputational risk	Pensions Manager responsible for all internal and external audit requirements	<p>Consequences</p> <p>Likelihood</p>	4	2015/16 Annual Accounts signed off by Committee in Sept 2016.	
24	Governance	Failure to monitor AVC arrangements	Audit criticism, legal challenge, reputational risk	Annual review of AVC arrangement carried out by scheme actuary	<p>Consequences</p> <p>Likelihood</p>	4	Annual review by Investments Manager/Governance Manager	
25	Governance	Failure to monitor employer covenants	Residual liabilities could fall to other scheme employers	On-going discussions with scheme employer of funding issues	<p>Consequences</p> <p>Likelihood</p>	12	Ongoing	

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ABERDEEN CITY COUNCIL

COMMITTEE:	PENSIONS COMMITTEE
DATE:	10 MARCH 2017
REPORT BY:	HEAD OF FINANCE
TITLE OF REPORT:	REQUEST FOR ADMITTED BODY STATUS
REPORT NUMBER:	PEN/MAR17/ADB(1)

1. PURPOSE OF REPORT

To consider an application from FES FM Ltd for admitted body status, within the Local Government Pension Scheme administered by Aberdeen City Council.

2. RECOMMENDATION(S)

It is recommended that the Committee agree to allow the employees transferring from Aberdeenshire Council to FES FM Ltd to participate in the Local Government Pension Scheme administered by Aberdeen City Council.

3. FINANCIAL IMPLICATIONS

There is no financial impact for the Pension Fund with regard to granting admitted body status to FES FM Ltd, all costs of admission will be met by FES FM Ltd as the new participating employer.

4. SERVICE AND COMMUNITY IMPACT

None

5. OTHER IMPLICATIONS

None

6. REPORT

6.1 Background

- 6.1.1 As the administering authority for the Pension Fund, Aberdeen City Council is responsible for the prudent governance and management of

the Pension Fund in the interest of all scheduled and admitted bodies.

- 6.1.2 As administering authority the council must admit a body to the Pension Fund as 'an admitted body' under the Local Government Pension Scheme (Scotland) Regulations 2014, Schedule 2, Part 2, 1(d) (i), providing that the body complies with the regulation as detailed in Appendix I.

6.2 FES FM Ltd request for admission

- 6.2.1 From the 1st April 2017 Aberdeenshire Council will enter into a contract with FES FM Ltd to provide managed print services. Ten staff are to be transferred to FES FM Ltd under TUPE arrangements.

A copy of the letter from FES FM Ltd seeking admission to the fund with effect from 1st April 2017 is attached at Appendix III.

- 6.2.2 Admission to the scheme by FES FM Ltd will be on a closed basis allowing admission to only those employees protected under TUPE.
- 6.2.3 Aberdeenshire Council, as the originating employer, will act as guarantor for the admission. They have also guaranteed any exit payment which may arise upon termination from the Scheme. A bond for £17,000 in respect of potential unfunded liabilities will be requested by the Fund as part of Admission. This is in accordance with Local Government Pension Scheme (Scotland) Regulations 2015, Regulation 62(3) – Appendix II.
- 6.2.4 The transfer will be carried out on a fully funded basis meaning no deficit for past service will be transferred to the new employer.

6.3 Actuarial Evaluation and Admission Agreement

- 6.3.1 Details of those employees transferring have been supplied to the Scheme actuary who has calculated that the employer contribution rate for the new admission will be 21.4%.
- 6.3.2 The employer contribution rate and the bond requirement will be subject to review at the 2017 actuarial valuation.
- 6.3.3 Brodie's LLP have been requested to draft the admission agreement.

7. BACKGROUND PAPERS

LGPS(Scotland) Regulations, Schedule 2, Part 2 (Appendix I)

LGPS(Scotland) Regulations, Regulation 62 (Appendix II)
Letter from FES FM Ltd (Appendix III)

8. REPORT AUTHOR DETAILS

Lyndsay Haughs
Employer Relationship Team, NESPF
lhaughs@nespf.org.uk
01224 264167

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SCHEDULE 2

Scheme employers

PART 2

1. The following bodies are admission bodies with whom an administering authority may make an admission agreement—

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of—

(i) any Scheme employers, or

(ii) local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—

(i) the transfer of the service or assets by means of a contract or other arrangement, or

(ii) any provision in any enactment

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Scottish Ministers for the purpose of admission to the Scheme.

2. An approval under paragraph 1(e) may be subject to such conditions as the Scottish Ministers think fit and the Scottish Ministers may withdraw an approval at any time if such conditions are not met.

3. The Scheme employer, if it is not also the administering authority, must be a party to the admission agreement with a body falling within the description in paragraph 1(d).

4. In the case of an admission body falling within the description in paragraph 1(b), where at the date of the admission agreement the contributions paid to the body by one or more Scheme employers equal in total 50% or less of the total amount it receives from all sources, the Scheme employer paying contributions (or, if more than one pays contributions, all of them) must guarantee the liability of the body to pay all amounts due from it under these Regulations.

5. If the admission body is exercising the functions of the Scheme employer in connection with more than one contract or other arrangement under paragraph 1(d)(i), the administering authority and the admission body shall enter into a separate admission agreement in respect of each contract or arrangement.

6. An admission agreement must require the admission body to carry out, to the satisfaction of the administering authority, and to the satisfaction of the Scheme employer in the case of a body falling within paragraph 1(d)(i), an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body.

7. Notwithstanding paragraph 6, and subject to paragraph 8, the admission agreement must further provide that where the level of risk identified by the assessment is such as to require it, the admission body shall enter into an indemnity or bond in a form approved by the administering authority with—

(a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000(12) to accept deposits or to effect and carry out contracts of general insurance;

(b) a firm in an EEA state of the kind mentioned in paragraph 5(b) and (d) of Schedule 3 to that Act(13), which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule(14)) to accept deposits or to effect and carry out contracts of general insurance; or

(c) a person who does not require permission under that Act to accept deposits, by way of business, in the United Kingdom.

8. Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond, the admission agreement must provide that the admission body secures a guarantee in a form satisfactory to the administering authority from—

(a) a person who funds the admission body in whole or in part;

(b) in the case of an admission body falling within the description in paragraph 1(d), the Scheme employer referred to in that paragraph;

(c) a person who—

(i) owns, or

(ii) controls the exercise of the functions of,

the admission body; or

(d) the Scottish Ministers in the case of an admission body—

(i) which is established by or under any enactment, and

(ii) where that enactment enables the Scottish Ministers to make financial provision for that admission body.

9. An admission agreement must include—

(a) provision for it to terminate if the admission body ceases to be such a body;

(b) a requirement that the admission body notify the administering authority of any matter which may affect its participation in the Scheme;

(c) a requirement that the admission body notify the administering authority of any actual or proposed change in its status, including a take-over, reconstruction or amalgamation, insolvency, winding up, receivership or liquidation and a material change to the body's business or constitution;

(d) a right for the administering authority to terminate the agreement in the event of—

(i) the insolvency, winding up or liquidation of the admission body,

(ii) a material breach by the admission body of any of its obligations under the admission agreement or these Regulations which has not been remedied within a reasonable time,

(iii) a failure by the admission body to pay any sums due to the fund within a reasonable period after receipt of a notice from the administering authority requiring it to do so.

10. An admission agreement must include a requirement that the admission body will not do anything to prejudice the status of the Scheme as a registered scheme.

11. When an administering authority makes an admission agreement it must make a copy of the agreement available for public inspection at its offices and must promptly inform the Scottish Ministers of—

(a) the date the agreement takes effect;

(b) the admission body's name; and

(c) the name of any Scheme employer that is party to the agreement.

12. Where an admission body is such a body by virtue of paragraph 1(d), an admission agreement must include—

(a) a requirement that only employees of the body who are employed in connection with the provision of the service or assets referred to in that sub-paragraph may be members of the Scheme;

(b) details of the contract, other arrangement or statutory provision by which the body met the requirements of that sub-paragraph;

(c) a provision whereby the Scheme employer referred to in that sub-paragraph may set off against any payments due to the body, an amount equal to any overdue employer and employee contributions and other payments (including interest) due from the body under these Regulations;

(d) a provision requiring the admission body to keep under assessment, to the satisfaction of the bodies mentioned in paragraph 6, the level of risk arising as a result of the matters mentioned in that paragraph;

(e) a provision requiring copies of notifications due to the administering authority under paragraph 9(b) or (c) to be given to the Scheme employer referred to in that sub-paragraph; and

(f) a provision requiring the Scheme employer referred to in that sub-paragraph to make a copy of the admission agreement available for public inspection at its offices.

13. Where an admission body of the description in paragraph 1(d) undertakes to meet the requirements of these Regulations, the appropriate administering authority must admit to the Scheme the eligible employees of that body.

Special circumstances where revised actuarial valuations and certificates must be obtained

62.—(1) If a person—

- (a) ceases to be a Scheme employer (including ceasing to be an admission body participating in the Scheme), or
- (b) was a Scheme employer, but no longer has an active member contributing to a fund,

that person becomes “an exiting employer” for the purposes of this regulation and is liable to pay an exit payment.

(2) When a person becomes an exiting employer, the appropriate administering authority must obtain—

- (a) an actuarial valuation as at the exit date of the liabilities of the fund in respect of benefits in respect of the exiting employer’s current and former employees; and
- (b) a revised rates and adjustments certificate showing the exit payment due from the exiting employer in respect of those benefits.

(3) Where for any reason it is not possible to obtain all or part of the exit payment due from the exiting employer, or from an insurer, or any person providing an indemnity, bond or guarantee on behalf of the exiting employer, the administering authority must obtain a further revision of any rates and adjustments certificate for the fund showing—

- (a) in the case where a body is an admission body falling within paragraph 1(d) of Part 2 of Schedule 2 to these Regulations (Scheme employers: bodies providing services as a result of transfer of a service), the revised contribution due from the body which is the related employer in relation to that admission body; and
- (b) in any other case, the revised contributions due from each Scheme employer which contributes to the fund, with a view to providing that assets equivalent to the exit payment due from the exiting employer are provided to the fund over such period of time as the administering authority considers reasonable.

(4) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary’s opinion—

- (a) the contribution at the primary rate should be adjusted; or
- (b) any prior secondary rate adjustment should be increased or reduced,

with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable.

(5) When an exiting employer has paid an exit payment into the appropriate fund, no further payments are due from that employer in respect of any liabilities relating to the benefits in respect of any current or former employees of that employer as a result of these Regulations.

(6) Paragraph (7) applies where—

(a) a Scheme employer agrees to pay increased contributions to meet the cost of an award of additional pension under regulation 30 (award of additional pension); or

(b) it appears likely to an administering authority that the amount of the liabilities arising or likely to arise in respect of members in employment with a Scheme employer exceeds the amount specified, or likely as a result of the assumptions stated, for that authority, in a rates and adjustments certificate by virtue of regulation 60(8) (actuarial valuations of pension funds: assumptions).

(7) The administering authority must obtain a revision of the rates and adjustments certificate concerned, showing the resulting changes as respects that Scheme employer.

(8) For the purposes of this regulation—

“exiting employer” means an employer of any of the descriptions specified in paragraph (1);

“exit payment” means the assets required to be paid by the exiting employer over such period of time as the administering authority considers reasonable, to meet the liabilities specified in paragraph (2);

“exit date” means the date on which the employer becomes an exiting employer; and

“related employer” means any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority).



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North East Scotland Pension Fund
Business Hub 16
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Marischal College
Broad Street
Aberdeen City Council
AB10 1AB

3rd February 2017

Dear Sirs,

Admission into North East Scotland Pension Fund

FES FM Ltd have secured a new contract for Aberdeenshire Council and as a result a number of employees who are members of the North East Scotland Pension Fund will TUPE to our payroll company Forth & Oban Ltd.

Forth & Oban Ltd are already a member of the above fund by virtue our contract for Moray Schools however I believe that we require to request formal admission into the fund for the new contract.

Can you please accept this letter as our formal confirmation to request admission into the fund for our Aberdeenshire Council Contract employees. These employees are due to transfer to us from 1st April 2017.

Should you require any further information please do not hesitate to contact me.

Yours sincerely,

Claire McNally CA BAcc
Finance Director

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ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	10 MARCH 2017
REPORT BY	HEAD OF FINANCE
TITLE OF REPORT	REVIEW OF NESPF IMPLEMENTATION OF THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND COMPLIANCE WITH PENSION REGULATOR REQUIREMENTS
REPORT NUMBER	PC/MAR17/GOV

1. PURPOSE OF REPORT

To provide members with a review of the Fund's implementation of the PSPA 2013 and compliance with Pension Regulator requirements relating to the North East Scotland Pension Fund during the financial year 2016/2017.

2. RECOMMENDATION(S)

- i. To note the report

3. FINANCIAL IMPLICATIONS

Good governance is a crucial element of effective public services. It leads to good management, good performance and good stewardship of public money.

4. OTHER IMPLICATIONS

None

5. BACKGROUND/MAIN ISSUES

- 5.1 The Public Service Pensions Act 2013 (PSPA 2013) introduced a framework for the governance and administration of public service pension schemes, including an increased regulatory role for the Pensions Regulator (tPR).
- 5.2 A review of the Fund's governance framework will be conducted on an annual basis. The purpose of the review will be to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.

- 5.3 In terms of scheme compliance with legislation and tPR requirements a review will be carried out on a six monthly basis by Fund Officers with annual reporting to the Committee.
- 5.3 To assist public service pension schemes in reviewing their scheme, a new self-assessment tool has been developed by tPR. The Fund has utilized this tool to assist in reviewing our current governance, risk and administration practices.
- 5.4 In late 2016, the Fund completed and returned the Pensions Regulator annual Public Service Governance and Administration Survey. The survey has been designed to help the Regulator build a picture of current governance and administration standards and understand how schemes are progressing.

6. GOVERNANCE FRAMEWORK REVIEW

Pensions Board

- 6.1 One of the key new governance arrangements introduced by the PSPA 2013 was the requirement for each Local Government Pension Scheme in Scotland to establish a local Pension Board from 1 April 2015.
- 6.2 The NESPF Pension Board is made up of equal numbers of trade union (4) and employer representatives (4), made up as follows:
- 1 x Aberdeen City Council Councillor Len Ironside (Aberdeen City Council)
 - 1 x Aberdeenshire Council (Chair)
 - 1 x The Moray Council
 - 1 x Scheduled/Admitted Bodies
 - 1 x Unison (Vice Chair)
 - 1 x Unite
 - 1 x GMB
 - 1 x UCATT
- 6.3 The role of the local pension board is to assist the Administering Authority (Aberdeen City Council) to:
- Ensure effective and efficient governance and administration of the LGPS, and
 - Ensure compliance with LGPS scheme regulations and other legislation, together with any requirements imposed by tPR.
- 6.4 The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision making body. In so doing, the Pension Board is helping to manage the reputational risk of the Fund, and of the Administering Authority, which responds to the Pension Regulator's expanded regulatory role.
- 6.5 During 2016/17 the Pension Board met formally (and concurrently with the Pensions Committee) on:

13 May 2016 (Pension Board only)
 24 June 2016
 19 September 2016
 2 December 2016
 10 March 2017

6.6 During 2016/17 there was a 62% attendance record for Pension Board members at meetings. Both active participation during the meetings and a willingness to undertake training, indicate the commitment of Board members to the effectiveness of the NESPF Pension Board.

Meeting attendance 2016/17

	13 May 2016	24 June 2016	19 Sept 2016	2 Dec 2016
Councillor Len Ironside	X	✓	X	X
Councillor William Howatson	✓	✓	✓	✓
Councillor John Cowe	X	✓	X	✓
David Briggs (Left Sept'16)	X	X		
James Mulholland	✓	✓	✓	X
Alan Walker	✓	✓	X	✓
Kevin Masson	X	✓	✓	✓
Marie Hart (joined Dec'16)				

6.7 The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The costs are principally travel related expenses to attend meetings and training events. The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

The table below details costs of operation for 2016/17 **to date**.

Pension Board Costs of Operation 2016/2017

Travel Costs	£1,283.41
Allowances/Other* (*includes loss of earning to attend meetings/training)	£275.02
Total	£1,558.43

Pension Board Training

6.8 It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 that members of pension boards have 'knowledge and understanding' of pensions law and be 'conversant' with scheme regulations and fund

documents. The issue of training has been approached carefully by both the Administering Authority and individual Board members.

The Board meets annually in May/June to review the annual report and agree a training plan for the forthcoming year. Both internal and external training is available and a training log to monitor attendance is maintained by Fund Officers.

- 6.9 During the first year the NESPF Pension Board focused on developing its role and ensuring that members received the training necessary to undertake their role. The second year of operation has seen a continued commitment to training.

The table below details training attendance to date for 2016/17 **to date**.

Training attendance summary for 2016/17

	1/2 Sept 2016	5/6 Oct 2016	12 Dec 2016
Councillor Len Ironside	X	X	X
Councillor William Howatson	X	X	✓
Councillor John Cowe	X	✓	X
David Briggs (Left Sept'16)	X	X	
James Mulholland	✓	✓	X
Alan Walker	✓	✓	X
Kevin Masson	X	X	X
Marie Hart (joined Dec'16)			

7. COMPLIANCE REVIEW

- 7.1 Following the restructure of the Pension Fund section in April 2016 a compliance review was carried out by the newly formed Governance Team. The review found that the key controls for monitoring the ongoing compliance with legislative and tPR requirements are in place; a compliance review will be conducted by the Governance Team every six months with annual reporting to Committee.

However there were a several areas identified through the review where further opportunity for improvement existed.

7.2 Summary of the main findings:

- 7.2.1 In order to comply with tPR requirements under Code of Practice 14 Governance and Administration of public service pension schemes, we identified further work was needed in terms of how the Fund handles and records breaches of law.

Action taken: The NESPF Breaches of Law Policy Statement was reviewed and updated by the Governance Team. It was presented to the Pension Committee in December 2016 for approval and will be subject to annual review going forward.

In addition, a Register has been developed for recording and monitoring all breaches of law. The Governance Team will be responsible for maintaining the Register; this will allow us to decide when/what further action needs to be taken i.e. further training, and will also allow us to see the bigger picture in terms of deciding when to report to tPR.

- 7.2.2 In order to comply with tPR requirements under Code of Practice 14 Governance and Administration of public service pension schemes, we identified further work was needed in terms of recording and monitoring conflicts of interest.

Action taken: The NESPF Conflicts of Interest Policy Statement was reviewed and updated by the Governance Team. It was presented to the Pension Committee in December 2016 for approval and will be subject to annual review going forward.

In addition, a conflicts of interest declaration form was developed and will be issued to all new Pension Board members prior to appointment. Further, the form will be issued to existing Board members on a regular basis for review. Members are also under a duty to declare any conflicts at the start of all Committee/Board meetings and these will continue to be recorded in the formal minutes.

Lastly, a Register has been developed to allow the Governance Team to record and monitor conflicts of interest and will be updated on an ongoing basis.

- 7.2.3 The review identified that there was a need for improvement in terms of providing an up to date and more user friendly administration guide for scheme employers as set out in our Communication Policy.

Action taken: The Governance Team are working in conjunction with the Employer Relationship Team to develop a series of informative and practical 'mini-guides' to assist our scheme employers with their administration responsibilities. A sample of these was taken along to our Annual Administration Forum in February to seek feedback from key Payroll and HR staff.

- 7.2.4 Under code of Practice 14 Governance and Administration of public service pension schemes, there is a requirement to publish specific information in relation to the Pension Board. The Fund publishes this information on its website at www.nespf.org.uk but we found there were further opportunities for improvement.

Action taken: A copy of the Pension Board appointment process has been published on the NESPF website. We have also expanded our range of Pension Board documentation i.e. meeting agenda/minutes, annual report etc.

Looking forward, the Governance Team will seek to develop the information we publish so for example, providing more background information on our Pension Board members, publishing any declared interests etc.

We will also continue to monitor and review to ensure we comply with publishing requirements.

8. GOING FORWARD

- 8.1 In 2017/2018 the Board will continue to develop its role in assisting and constructively challenging officers to deliver effective management and administration of the scheme.

In terms of Board membership the Fund will renew attempts to fill the remaining UCATT seat on the Pension Board, to ensure the NESPF Board has equal representation from the employers and members.

- 8.2 A review of the new governance arrangements is underway on behalf of the Scottish Government by the Scottish Public Pensions Agency (SPPA) with assistance from KPMG.

The objectives of the review are to consider the effectiveness of the operation of the Scheme Advisory Boards and local Pension Boards across the various public sector schemes in Scotland. In doing so, it will cover:

- the composition and operation of the Scheme Advisory Boards for each of the schemes
- the composition and operation of the eleven Pension Boards for the LGPS in Scotland and related governance arrangements, and
- interaction and communication between the various boards and respective scheme stakeholders.

The process is due to conclude by end of April 2017, with the following expected outcomes:

- A final report of review findings
- Presentation of findings to the SAB
- Summary policy advice to Scottish Ministers
- Communication on resultant decisions taken

9. IMPACT

The Fund will continue to review its governance arrangements, taking on board any recommendations issued from the Scheme Advisory Board following its review.

10. BACKGROUND PAPERS

Training Policy (for Committee and Board)
Terms of Reference – Pension Committee
Terms of Reference – Pension Board

11. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	10 MARCH 2017
REPORTED BY	HEAD OF FINANCE
TITLE OF REPORT	BUDGET/FORECAST & PROJECTED SPEND 2016/17
REPORT NUMBER	PC/MAR17/BUD

1. PURPOSE OF REPORT

The purpose of this report is to give the Pensions Committee details of the Management Expenses Budget/Forecast and Projected Spend 2016/17 for the North East Scotland Pension Fund (NESPF).

2. RECOMMENDATIONS

It is recommended that the Pensions Committee:

- i. Note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend for 2016/17;
- ii. Note the update on Pension Fund Staff Costs resulting from the implementation of the new staffing structure.
- iii. Note the update on revised guidance on Accounting for Scheme Management Costs.

3. FINANCIAL IMPLICATIONS

All Pension Fund costs are paid for by the Fund.

4. OTHER IMPLICATIONS

None.

5. REPORT

5.1 BUDGET/FORECAST AND PROJECTED SPEND 2016/17 (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 oversight and governance 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 staff costs budget for 2016/17 was based upon last year's actual plus 1%, i.e. the old grades for posts and the Fund not operating to a full complement of staff. However, the new staffing structure was implemented from 1 April 2016. Therefore, a projected overspend is anticipated if the Fund transitions during 2016/17 to a full staffing complement on the new posts and grades.

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 plus 1%. 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 Chartered Institute of Public Finance and Accountancy (CIPFA) has reviewed and revised their guidance to Pension Funds on Accounting for Scheme Management Costs. As a result, the Fund no longer needs to account for the indirect limited partnership fees. The Forecast for Investment Management Expenses was based upon last year's actual spend plus 1%, i.e. this included the indirect expenditure. Hence, there is a projected 'underspend' as the figures for 2016/17 no longer include this expenditure.

Actuarial Fees for 2016/17 are anticipated to be particularly high when compared to 2015/16. The main reason for the increase in expenditure is mainly due to recent market volatility and the Fund's decision to undertake an Interim Valuation.

Transaction costs, general investment expenses (e.g. Investment advice and litigation, etc.) and direct property expenditure are now included within the Investment Management Expenses heading.

General Investment Expenses are anticipated to significantly rise during 2016/17. The main reason for the increase in expenditure is expected to be because of the additional investment advice being sought from Klynveld Peat Marwick Goerdeler (KPMG), such as advice on transition and fund manager selection.

5.2 **GOVERNANCE**

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 monthly basis.

6. **IMPACT**

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 (2015/16) and Fund Governance Policy Statement.

8. **REPORT AUTHOR DETAILS**

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Appendix I – 2016/17 BUDGET/FORECAST AND PROJECTED SPEND

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

	Notes	Full Year Budget 2016/17 £'000	Budget to 31/12/16 £'000	Actual Spend to 31/12/16 £'000	Accrual to 31/12/16 £'000	Amended Spend to 31/12/16 £'000	Over or (Under) to 31/12/16 £'000	Proj Annual Spend 2016/17 £'000	Proj Over or (Under) Spend 2016/17 £'000
Administrative Staff Costs	1	975	731	475	253	728	(3)	981	6
Support Services Inc IT	2	550	413	305	99	404	(9)	519	(31)
Printing & Publications	3	32	24	26	1	27	3	33	1
Administration Expenses Total		1,557	1,168	806	353	1,159	(9)	1,533	(24)

Note:

1. Overspend – Implementation of new staffing structure assuming full complement of staff being in post.
2. Underspend – Costs arising from Pensions Reform and maintenance of new software systems, i.e. Member Self Service (MSS) system and GMP Reconciliation being less than originally anticipated.
3. Relatively neutral position expected for 2016/17.

Appendix I – 2016/17 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

	Notes	Full Year Budget 2016/17 £'000	Budget to 31/12/16 £'000	Actual Spend to 31/12/16 £'000	Accrual to 31/12/16 £'000	Amended Spend to 31/12/16 £'000	Over or (Under) to 31/12/16 £'000	Proj Annual Spend 2016/17 £'000	Proj Over or (Under) Spend 2016/17 £'000
Investment Staff Costs	1	102	76	52	41	93	17	131	29
Pension Fund Committee	2	4	3	5	3	8	5	11	7
Pension Board	3	1	1	1	1	2	1	3	2
External Audit Fee	4	45	34	0	27	27	(7)	36	(9)
Internal Audit Fee	5	8	6	0	6	6	0	8	0
Actuarial Fees	6	104	78	103	29	132	54	177	73
General Expenses	7	87	65	118	39	157	92	196	109
Oversight & Governance Expenses Total		351	263	279	146	425	162	562	211

Note:

1. Overspend – Implementation of new staffing structure assuming full complement of staff being in post.
2. Overspend – Arising from London/Edinburgh training events.
3. Overspend – Arising from London/Edinburgh training events.
4. Underspend – Reduction expected in the External Audit Fee for 2016/17.
5. Internal Audit Fee last year actual + 1%. Charge made at year end.
6. Overspend – As a result of market volatility the Fund has undertaken an interim valuation.
7. Overspend – Mainly arising from additional KPMG investment advice e.g. transition and fund manager selection.

Appendix I – 2016/17 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

	Notes	Full Year Forecast 2016/17	Forecast to 31/12/16	Actual Spend to 31/12/16	Accrual to 31/12/16	Amended Spend to 31/12/16	Over or (Under) to 31/12/16	Proj Annual Spend 2016/17	Proj Over or (Under) Spend 2016/17
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management	1	11,297	8,473	3,037	4,271	7,308	(1,165)	9,592	(1,705)
Performance Fees	2	6,117	4,588	1,010	3,329	4,339	(249)	5,364	(753)
Direct Property Expenses	3	128	96	109	43	152	56	202	74
Transaction Costs	4	1,077	808	745	93	838	30	1,118	41
Custody Fees	5	150	112	51	54	105	(7)	149	(1)
Investment Management Expenses Total		18,769	14,077	4,952	7,790	12,742	(1,335)	16,425	(2,344)

Note:

1. Underspend – Mainly arising from the revised CIPFA guidance on Accounting for Management Costs.
2. Underspend – Mainly arising from the revised CIPFA guidance on Accounting for Management Costs.
3. The Projection for 2016/17 is based upon the Fund Manager's spend as at reporting date then projected.
4. Transaction Costs reported by BNY Mellon as at Nov'16 then projected.
5. Custody Fees based on last year actual.

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.

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ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	10 MARCH 2017
REPORT BY	HEAD OF FINANCE
TITLE OF REPORT	STATEMENT OF ACCOUNTS 2016/17 - ACTION PLAN
REPORT NUMBER	PC/MAR17/ACCOUNTS

1. PURPOSE OF REPORT

The purpose of this report is to provide Elected Members with high level information and key dates in relation to the 2016/17 Statement of Accounts including linkages to the plans and timetables of the Council's External Auditors.

2. RECOMMENDATION(S)

1. To note the contents of the report.

2. FINANCIAL IMPLICATIONS

There are no direct financial implications resulting from this report.

4. OTHER IMPLICATIONS

There is a statutory requirement for the Council to produce both a draft and audited Statement of Accounts within certain timescales and to a high standard. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

5. BACKGROUND

5.1 The Statement of Accounts 2016/17 will summarise the Pension Fund's transactions for the period 1st April 2016 to 31st March 2017 and its financial position at the year end 31st March 2017. It will be prepared in accordance with the International Financial Reporting Standards (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and the Service Reporting Code of Practice (SeRCOP). There are no changes to either of the codes in 2016/2017 which will have any significant impact on the statement of accounts.

5.2 There are a number of key dates and these are summarised as follows:-

31 March 2017	End of financial year 2016/17
17 June 2017	Deadline for giving notice to public of right to inspect and object to Accounts
23 June 2017	Pensions Committee
30 June 2017	Statutory deadline for submission of Draft Statement of Accounts to the Controller of Audit
July 2017	Advertising and Inspection of Accounts
31 July 2017	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
15 September 2017	Pensions Committee
30 September 2017	Deadline for submission of Audited Statement of Accounts to the Controller of Audit
31 October 2017	Deadline for submission of the Audited WGA to the Scottish Government
1 December 2017	Pensions Committee

5.2.1 31 March 2017

Transactions relating to goods and services received or provided by the Pension Fund by 31 March 2017 should be recorded in the 2016/17 financial year.

To facilitate an efficient year end closure, deadlines have been put in place in relation to ordering goods and services, posting/authorising payments, raising invoices and making accruals for material items. These key dates along with relevant guidance have been communicated throughout the Council by messages on the Zone, e-mails from the Head of Finance and meetings between accounting staff and budget holders.

5.2.2 23 June 2017

The Pensions Committee will receive the Draft Statement of Accounts 2016/17, including the Annual Report for overall scrutiny.

5.2.3 July 2017

This is the period within which the Council must give public notice of the rights of interested parties to inspect and object to its accounts. There are statutory requirements currently under The Local Authority Accounts (Scotland) Regulations 2014 which define the notice period, the inspection period, deadline for submission of an objection and the information which must be made available for inspection.

5.2.4 15 September 2017

The Pensions Committee will receive Audit Scotland's combined ISA260 and "Report to those charged with Governance on the 2016/17 audit" for debate and consideration, together with the Audited Statement of Accounts 2016/17 for signing.

6. IMPACT

The publication of the annual Statement of Accounts demonstrates the Council's proper stewardship and accountability of the public funds with which it is entrusted.

7. BACKGROUND PAPERS

None

8. REPORT AUTHOR DETAILS

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