

PENSIONS COMMITTEE AND PENSION BOARD

1 December 2017

ABERDEEN, 1 December 2017. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Reynolds, Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Allard, Cooke, Delaney, MacGregor and Malik (Pensions Committee), Mr A Walker; Councillors Cowe and McKelvie; Ms M Lawrence; and Mr K Masson (Pension Board).

Also in attendance:- Steve Whyte, Head of Finance; Graham Buntain, Investment Manager; Claire Mullen, Employee Relationship Team Manager; Mairi Suttie, Governance Manager; David Hughes, Chief Internal Auditor; and Colin Morrison, Senior Auditor, Audit Scotland.

The agenda and reports associated with this minute can be found at:-

<https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=506&MId=4356>

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 URGENT BUSINESS

1. The Convener advised that there were no items of urgent business to be considered.

DETERMINATION OF EXEMPT BUSINESS

2. 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 13 (Asset and Investment Manager Performance Report) and 14 (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 13 and 14, 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.

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DECLARATIONS OF INTEREST

3. There were no declarations of interest.

MINUTE OF PREVIOUS MEETING

4. The Committee had before it the minute of its previous meeting of 15 September 2017.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

INTERNAL AUDIT REPORT AC1725 - PENSION FUND PAYROLL

5. The Committee had before it a report by the Internal Auditor which presented the planned Internal Audit report on the Pension Fund Payroll, with recommendations to be taken forward.

The Committee heard from David Hughes, Chief Internal Auditor, in respect of the report.

The report recommended:-

that the Committee review, discuss and comment on the issues raised within the report and the attached appendix.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

BUDGET FORECAST AND PROJECTED SPEND 2017/18 - PC/DEC17/BUD

6. With reference to Article 6 of the minute of the previous meeting, the Committee had before it a report by the Head of Finance which provided details of the Management Expenses Budget / Forecast and Projected Spend 2017/18 for the North East Scotland Pension Fund (NESPF).

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It was noted that there was an underspend in respect of staff costs, and Members sought assurance that there were adequate staffing levels. Mr Whyte explained that he was in discussions with HR about some aspects of the recruitment and it was hoped that the vacancies could be filled soon.

Members highlighted that the transaction fees seemed to be relatively substantial, and officers advised that a breakdown could be provided.

The report recommended:-

that Committee –

- (a) note the update on the NESPF Management Expenses Budget / Forecast and Projected Spend for 2017/18;
- (b) note the update on the Pension Fund staff costs and staffing vacancies; and
- (c) note the update on the Actuarial Fees, Direct Property Expenses and Transaction Costs shown in Appendix 1.

The Committee resolved:-

- (i) to request that officers provide a breakdown in respect of the transaction fees; and
- (ii) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

2017 ACTUARIAL VALUATION AND FUNDING STRATEGY STATEMENT - INITIAL RESULTS - PC/DEC17/ACT

7. The Committee had before it a report by the Head of Finance which provided details of the initial results of the triennial valuation for the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) as at 31 March 2017, which had been carried out by the scheme actuary. The report also provided an initial view of the 2017 Funding Strategy Statement for each Fund.

The report recommended:-

that Committee –

- (a) note the initial valuation results of both Funds, as at 31 March 2017;
- (b) note the draft Funding Strategy Statement (FSS) for both the NESPF and ACCTF, including the assumptions recommended by the scheme actuary to determine the value placed on the Fund liabilities as at 31 March 2017, and the individual employer contribution rates payable from 2018/19;
- (c) instruct the Head of Finance to carry out a full consultation on the FSS as required by the scheme regulations and provide a report on the consultation outcome to the March Pensions Committee;

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- (d) note the intention to disaggregate the remaining employer groupings within the Fund; and
- (e) note the remainder of the report.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/DEC17/STRATEGY

8. With reference to article 8 of the minute of its previous meeting, the Committee had before it a report by the Pensions Manager which provided an update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

The report contained information and updates on the planned updates to the LGPS Regulations; the annual review of all the major Scheme policies and statements; a request for a delegation of power to the Pensions Manager; the proposed appointment of an external legal advisor; the review of the secure online area of NESPF website; and a series of requests for approval of overseas travel for one appointed Advisory Committee Officers to attend the following Advisory Committees:-

- Harbourvest – 5/6 December 2017, Boston
- Partners Group – 13/16 March 2018, Switzerland
- Harbourvest – May 2018, Boston
- RCP, June 2018, Chicago
- HarbourVest – December 2018, Boston

The report recommended:-

that Committee –

- (a) approve the delegation of power to the Pensions Manager to authorise deviations from the Local Government Pension Scheme (Scotland) Regulations, as set out in 3.6.3 of the report;
- (b) approve the appointment of an external legal advisor to the Fund, as set out in 3.6.4 of the report, following consultation with the Head of Commercial and Procurement Services and approve the associated expenditure;
- (c) approve the overseas travel, as set out in 3.6.8 of the report; and
- (d) otherwise note the report.

The Committee resolved:-

to approve the recommendations.

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The Board resolved:-

to note the decision of the Committee.

UPDATE ON ANNUAL BENEFIT STATEMENTS - PC/DEC17/ABS

9. The Committee had before it a report by the Head of Finance which provided an update on the provision of the Annual Benefit Statements (ABSs) to the Fund's active and deferred members. The statements provided members with an estimate of their pension position at retirement age, based on data currently held by the Fund.

The report advised that 99.76% compliance had been achieved. Although this had fallen slightly short of 100% compliance, issues had been identified in the outstanding member records (56 records) which had prevented the target being met. The data issues with these member records would be addressed in preparation for the 2017/18 year. A problem with a further 3 records had been raised with the software provider and it was therefore hoped that the resolution of these issues would improve performance next year with the aim of achieving full compliance.

In line with the NESPF Breaches of Law Policy, the fact that the full 100% compliance was not achieved would be recorded as a breach in the Register, however as this was not a breach of material significance, it would not be reported to the Pensions Regulator.

The report recommended:-

that the Committee note the report.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

REQUEST FOR ADMITTED BODY STATUS - PC/DEC17/ADBOD

10. The Committee had before it a report by the Head of Finance which set out an application from Aberdeenshire Council to admit Aberdeenshire Sport and Culture Ltd (ACS Ltd) into the Local Government Pension Scheme administered by Aberdeen City Council.

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The report advised that Aberdeenshire Council planned to create a charitable trust from 1 April 2018 to provide sport and culture services within the Council. Around 700 staff would be transferred to the new body under TUPE arrangements.

The report recommended:-

that Committee agree to allow the employees transferring from Aberdeenshire Council to ACS Ltd to participate in the Local Government Pension Scheme administered by Aberdeen City Council.

At this juncture, Councillor McKelvie advised that although the report advised that the decision in respect of the above would be taken on 23 November 2017, the decision would in fact not be taken until January 2018.

The Committee resolved:-

- (i) to agree in principle to allow the employees transferring from Aberdeenshire Council to ACS Ltd to participate in the Local Government Pension Scheme administered by Aberdeen City Council; and
- (ii) to delegate authority to the Pensions Manager to make the necessary arrangements, subject to the decision being taken by Aberdeenshire Council in January.

The Board resolved:-

to note the decision of the Committee.

PROCUREMENT OF PENSION ADMINISTRATION SOFTWARE - PC/DEC17/ADMIN

11. The Committee had before it a report by the Head of Finance which sought approval to enter into a new contract with Aquila Heywood for the provision of pension administration software to the North East Scotland Pension Fund. The report explained that the existing contract was due to expire in 2018.

The report recommended:-

that Committee approve the award of a new contract with Heywood as the supplier of pensions administration software, using the Northumberland County Council Framework for a 10 year term.

At this juncture, the Committee heard from Steven Inglis, Team Leader, Legal and Democratic Services who advised that a slight amendment was required to the wording of the recommendation, namely:-

“That Committee approve the award of a new contract to Heywood as the supplier of pensions administration software, using the Northumberland County Council Framework, for a 10 year term (or such shorter term as may be deemed appropriate by the Head of Finance following consultation with the Head of

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Commercial and Procurement Services) and approve the total estimated expenditure as detailed in this report.”

The Committee resolved:-

to approve the amended recommendation.

The Board resolved:-

to note the decision of the Committee.

In accordance with the decision recorded under article 2 of this minute, the following items were considered with the press and public excluded.

**ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT -
PC/DEC17/AIMPR**

12. With reference to article 9 of the minute of its previous meeting, 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 2017.

The Committee heard from Mr Graham Buntain, Investment Manager, in respect of the detail contained in the report and Members then asked questions of Mr Buntain.

Councillor Allard highlighted the Corporate Social Responsibility Policy in respect of the responsibilities around good social and environmental practice, and requested that officers review the assets of the Pension Fund in light of these responsibilities and report back to Committee on a strategy to incorporate those responsibilities into the future investment strategy. Steven Whyte, Head of Finance, advised that the upcoming Mercer evaluation would mean that a new investment strategy would be brought back to Committee for approval and an evaluation and analysis of the investments would be undertaken as part of that work.

As part of a discussion on the activities of the Local Authority Pension Fund Forum it was suggested that a report on the Forum activities be taken to the next meeting of the Committee and Board for information.

The report recommended:-

that Committee note the report.

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The Committee resolved:-

- (i) to note that a report in respect of an updated investment strategy would be brought to a future meeting of the Committee which would include an evaluation and analysis of the investments;
- (ii) to request that a report on the activities of the Local Authority Pension Fund Forum be brought to the next meeting of the Committee; and
- (iii) to otherwise note the report.

The Board resolved:-

to note the decision of the Committee.

INVESTMENT STRATEGY UPDATE - PC/DEC17/INVSTRAT

13. With reference to Article 10 of the minute of the previous meeting, the Committee had before it a report by the Head of Finance which provided an update on the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

The Committee heard from Mr Buntain in respect of the detail outlined in the report.

The report recommended:-

that Committee –

- (a) approve the commitment of £40 million investment to the HarbourVest Co-Investment Overflow Opportunities Fund; and
- (b) otherwise note the report.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

- **COUNCILLOR JOHN REYNOLDS, Convener**