

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 22 June 2018. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Reynolds, Vice-Convener; Councillor Barney Crockett, the Lord Provost; Councillor Alan Donnelly, the Depute Provost; and Councillors Allard, Bell, Cooke and MacGregor (Pensions Committee); and Councillor McKelvie, Chairperson; and Mr S Clunes, Mr K Masson and Mr A Walker (Pension Board).

The agenda and reports associated with this minute can be found [here](#).

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 – item 12 (Asset and Investment Manager Performance Report).

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 item 12, 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.

DECLARATIONS OF INTEREST

2. There were no declarations of interest.

MINUTE OF PREVIOUS MEETING

3. The Committee had before it the minute of its previous meeting of 16 March 2018.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

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COMMITTEE BUSINESS PLANNER

4. The Committee had before it the committee business planner, as prepared by the Chief Officer – Governance.

The Committee resolved:-
to note the business planner.

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

INTERNAL AUDIT ANNUAL REPORT AND INTERNAL FINANCIAL CONTROL STATEMENT 2017/18 - IA/18/013

5. The Committee had before it a report by Internal Audit which set out the Internal Audit Annual Report for the North East Scotland Pension Fund for 2017/18. The Committee heard from Colin Harvey, Senior Auditor, in respect of the report.

The report recommended:-
that Committee –

- (a) note the Annual Report for 2017/18;
- (b) note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- (c) note that there has been no limitation to the scope of Internal Audit work during 2017/18; and
- (d) note the progress that management has made with implementing recommendations agreed in Internal Audit reports.

The Committee resolved:-
to approve the recommendations.

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

INTERNAL AUDIT REPORT AC1827 - PENSIONS SYSTEM

6. The Committee had before it a report by Internal Audit which presented the planned Internal Audit report on the Pensions System. The Committee heard from Colin Harvey, Senior Auditor, in respect of the report.

Members asked questions of officers in connection with the report, in respect of the recommendation to Committee in December 2017 to enter a new contract with the

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current supplier of the Pensions System, and the follow-up report presented to Committee in March 2018 to advise of the potential risk involved due to the supplier having the option to increase the support and maintenance fee by RPI plus 5% annually. Mr Harvey advised that Internal Audit had been involved in extensive discussions with officers as to whether the information should have been included in the December report, however as the decision in respect of the contract had not been taken until March, and the risk had been notified to Committee in March, the recommendation that the Committee should be provided with the full estimated cost of the proposed contract and alternative options had been implemented.

The report recommended:-

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

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

**NESPF DRAFT ANNUAL REPORT AND ANNUAL ACCOUNTS 2017-18 -
PC/JUN18/AR**

7. The Committee had before it a report by the Director of Resources which presented the unaudited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for consideration.

The Committee heard from Laura Colliss, Pensions Manager, in respect of the report. In relation to questions from the Committee about Section 12 (Corporate, Environment and Social Governance) and the NESPF voting, it was suggested that a report containing information on the activities of the Local Authority Pension Fund Forum (LAPFF) would be welcomed, and that an invitation could be extended to the Pensions & Investment Research Consultants Ltd (PIRC) to attend a future meeting.

The report recommended:-

that the Committee review and consider the unaudited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

The Committee resolved:-

- (i) to request that officers consider inviting representatives from PIRC to attend a future meeting; and
- (ii) to approve the recommendation.

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The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/JUN18/STRAT

8. With reference to article 14 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources which provided an update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies and sought approval for amendments to the Scheme policy documents.

The report contained information and updates on an enhanced administration to payroll module which provided a more streamlined and secure process of passing pensioner data from the administration to payroll system; the Local Government Pension Scheme (Scotland) Regulations 2018 which were expected to come into force from 1 June 2018; the consultation on the LGPS Structure Review; breaches of law; pension fund staff training; and the 2018 Administration Forum to be held on 4 July 2018 at the Beach Ballroom.

The report also highlighted revisions which had been made to the following Scheme policies:-

- Governance Policy
- Communication Policy
- Myners Compliance Statement
- Training Policy
- Reporting Breaches of Law Policy
- Record Keeping Requirements Policy; and
- the new Data Protection Policy

The report recommended:-

That Committee review and approve the Scheme policy document updates as set out in the report at section 3.9.1.

The Committee resolved:-

- (i) to request that officers prepare a report for a future meeting of the Committee in respect of engagement and the work of the LAPFF;
- (ii) to note that officers would update the Committee on the discussion in respect of the LGPS Structure Review;
- (iii) to note that officers would provide information outwith the meeting on the guidance given to participating employers in 2015 to help them to put together their discretions policy following the change of regulations; and
- (iv) to approve the recommendations.

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The Board resolved:-

to note the decision of the Committee.

NESPF BUSINESS PLAN

9. The Committee had before it the North East Scotland Pension Fund Pension Service Business Plan for 2018 to 2021, which set out officers' plan to build on current strengths and internal capabilities to drive transformation through the Service.

The report advised that the plan would be subject to regular reviews and updates in line with the development of the Local Government Pension Scheme and Aberdeen City Council as the administering authority for the Pension Fund.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

TRAINING PLAN 2018/19 - PC/JUN18/TRA

10. The Committee had before it a report by the Director of Resources which provided details of the training plan for 2018/19 for the Pensions Committee and Pension Board of the North East Scotland Pension Fund, and sought approval for travel to the various training sessions.

The report advised that training would be delivered over two set periods during 2018/19, alongside any external industry delivered training which became available.

It was noted that a training session would be held in London in early 2019 to include presentations from the Fund's fund managers.

There would also be external training opportunities including:-

- Scottish Funds Investment Governance Group – in Edinburgh (date and agenda to be confirmed)
- LGC Investment Seminar Scotland – in Edinburgh, 23-24 October 2018
- Local Authority Pension Fund Forum – location and dates to be confirmed, held quarterly with an annual conference.

The report recommended:-

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that Committee:

- (a) agree the proposed training scheduled as set out in items 3.4 to 3.8 in the report;
- (b) approve the travel of members to the training session in London;
- (c) approve the travel of members to external training opportunities; and
- (d) approve the travel of members to attend LAPFF meetings.

The Committee resolved:-

to approve the recommendations.

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 -
PC/JUN18/AIMPR**

11. With reference to article 16 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources which provided a review of the investment activity of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 31 March 2018.

The Committee heard from Mr Graham Buntain, Investment Manager, in respect of the detail contained in the report. With reference to the discussion at the previous meeting about the Corporate Social Responsibility Policy and the responsibilities around good social and environmental practice, Mr Buntain advised that although officers had hoped to bring information before Committee at the meeting, discussions were ongoing to try to find a suitable provider who could produce consolidated metrics. Mr Buntain further advised that two of the long-standing fund managers with Aberdeen Property Investors and Blackrock had stepped down.

The report recommended:-

that the Committee note the report.

The Committee resolved:-

- (i) to request that officers write to the fund managers to acknowledge their efforts on behalf of the Fund; and
- (ii) to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

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- **COUNCILLOR M. TAUQEER MALIK, Convener**