

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 13 September 2019. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Reynolds, Vice-Convener; and Councillors Bell, Cooke, Crockett, Delaney, Donnelly, Flynn and MacGregor (Pensions Committee); and Mr L Knox, Chairperson, Councillor McKelvie, Vice Chairperson; Councillor Allan; and Mr I Black, Mrs M Lawrence, Mr N Stirling and Mr A Walker.

Also in attendance:- Jonathan Belford, Chief Officer – Finance; Laura Colliss, Pensions Manager; Graham Buntain, Investment Manager; Gillian Woolman, Assistant Director and Colin Morrison, Senior Auditor, Audit Scotland.

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.

CONVENER

1. In the absence of the Convener, Councillor Reynolds, Vice Convener took the chair for the meeting.

NOTIFICATION OF URGENT BUSINESS

2. The Vice Convener advised that he had accepted item 10.3 (NESPF Accommodation) as a matter of urgency in terms of Section 50B(4)(b) of the Local Government (Scotland) Act 1973.

The Committee resolved:-

to note the decision of the Vice Convener.

The Board resolved:-

to note the decision of the Committee.

DETERMINATION OF EXEMPT BUSINESS

3. 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 10.1 (Asset and Investment Manager Performance Report; 10.2 (Procurement of Actuarial Services); and 10.3 (North East Scotland Pension Fund – Office Accommodation).

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 the above-mentioned

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items so as to avoid disclosure of exempt information of the class described in paragraphs 6 (item 10.1), 8 (item 10.2) and 8 and 9 (item 10.3).

The Board resolved:-

to note the decision of the Committee.

MINUTE OF PREVIOUS MEETING

4. The Committee had before it the minute of its previous meeting of 14 June 2019.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

BUSINESS PLANNER

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

The Committee resolved:-

to note the planner.

The Board resolved:-

to note the decision of the Committee.

DECLARATIONS OF INTEREST

6. There were no declarations of interest.

EXTERNAL AUDIT ANNUAL AUDIT REPORT 2018/19

7. The Committee had before it a report by the External Auditor on the 2018/19 Annual Audit of the North East Scotland Pension Fund. The report noted that auditors were required to report on specific matters arising from the audit of the financial statements to those charged with governance of a body, prior to the financial statements being approved and certified. The report presented the draft annual report on the 2018/19 audit.

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The key messages from the audit were that in the opinion of External Audit, the North East Scotland Pension Fund's financial statements gave a true and fair view and were properly prepared. The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and had been properly prepared. The Fund had effective arrangements in place for financial management, including the comprehensive reporting of investment performance. The report advised that the Fund had effective arrangements in place for financial management, including comprehensive reporting of investment performance.

Net assets had increased in 2018/19: by £343 million to £4.5 billion for the Main Fund and by £5 million to £105 million for the Transport Fund. Performance of investments remained above the benchmark. Systems of internal control operated appropriately and effectively in 2018/19.

The Fund had appropriate and effective financial planning arrangements in place and although Main Fund contributions from members currently exceeded benefits paid out, this was likely to change in the coming years.

The audit had found that effective governance arrangements were in place to support scrutiny of decisions made by the Pensions Committee and decisions were transparent, with committee papers and detailed minutes available on the Aberdeen City Council website. The performance of the Fund was subject to regular review and scrutiny by the Committee. The report noted however that not all Members of the Committee or Board had attended the expected number of training sessions, and noted that it was important that Members maintained an appropriate level of knowledge to fulfil their role effectively.

There were two recommendations from External Audit, namely (a) that the Fund should ensure that adequate arrangements were in place for the transfer of membership data, assets and liabilities from Strathclyde Pension Fund Transport Fund; and (b) that Pensions Committee and Pension Board members should ensure that they keep their pensions knowledge up to date and take advantage of the training and development opportunities offered.

The Committee heard in detail from Ms Woolman in respect of the report.

The Committee resolved:-

- (i) to thank Ms Woolman and her team for both the clear and informative presentation and report; and
- (ii) to note the audit report.

The Board resolved:-

to note the decision of the Committee.

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BUDGET FORECAST / PROJECTED SPEND - PC/SEPT19/BUD

8. With reference to article 11 of the minute of its meeting of 15 March 2019, the Committee had before it a report by the Director of Resources which provided detail of the Management Expenses Budget / Forecast and Projected Spend 2019/20 for the North East Scotland Pension Fund (NESPF).

The report recommended:-

that Committee –

- (a) approve the NESPF Management Expenses Budget/Forecast 2019/20, shown in Appendix I; and
- (b) note the work planned in preparation for the Management Expenses Budget/Forecast 2020/21.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

NESPF ANNUAL REPORT AND ACCOUNTS - PC/SEPT19/ARA

9. With reference to article 11 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources which provided the Audited Annual Report and Accounts for the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) for consideration and signing.

The Committee and Board heard from Mr Belford in respect of the report, who added that he wished to note his thanks to the Pension Fund team and also External Audit for their roles in ensuring the annual report and accounts were before Committee for approval.

The report recommended:-

that the Committee -

- (a) consider and approve the Audited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund; and
- (b) instruct the Chief Officer - Finance as the Local Government (Scotland) Act 1973 - Section 95 Officer to sign the accounts on behalf of the Funds.

The Committee resolved:-

- (i) to agree that the Vice Convener would sign the accounts in the absence of the Convener; and

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(ii) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/SEPT19/STRAT

10. With reference to article 6 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.

The report provided an update on the McCloud judgement; a further delay in the laying of the Local Government Pension Scheme (Scotland) Pensions Amendment (Increased Pension Entitlement) Regulations 2019; the issuing of the Pension Fund Annual Benefit Statements, noting that a final update would be provided to the next meeting of the Committee; the latest position in respect of Pension Fund staffing; an amendment to the Investment Policy; changes to the authorised signatory list; and the employer relationship year end process and employer discretions.

Appended to the report was the Pension Administration Strategy Quarterly Update for Quarter 1 2019/2020; the proposed amendments to the authorised signatory list; and the Risk Register for August 2019.

The Committee and Board also heard an update from Ms Colliss, Pension Manager, in respect of the current position with the Merger of the Aberdeen City Council Transport Fund with the Strathclyde No. 3 Fund.

The report recommended:-

that Committee –

- (a) review and approve changes made to the Investment Policy, to meet requirements set out in the recent Internal Audit report AC1923, to document reporting requirements and management of underperforming fund managers (item 3.9.5);
- (b) approve the amendments to the Pension Fund Authorised Signatory List as noted in Appendix II; and
- (c) authorise the Chief Officer – Governance, following consultation with the Chief Officer – Finance, to make amendments to the Authorised Signatory List as required by changes in personnel subject to the positions as listed remaining the same.

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The Committee resolved:-

- (i) in respect of the Key Administration Tasks reported as part of the Pension Administration Strategy Quarterly update (Appendix I to the report), to request that future reports also include performance against 15 days and 20 days;
- (ii) in respect of the quality of data received (illustrated at 2.4 in Appendix I), to note (a) that the Aberdeen City Council, Bon Accord Care and Bon Accord Support data had not been processed in time and that the Chief Officer – Finance was due to escalate this further with the Chief Officer – Customer; and (b) that the Chief Officer – Finance would circulate an update to the Committee and Board via email outwith the meeting; and
- (iii) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

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

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT - PC/SEPT19/AIMPR

11. With reference to article 12 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources which provided an overview of the investment activity of both the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 June 2019.

Appended to the report was information in respect of the NESPF and environmental, social and governance matters and responsible investment.

The Committee and Board heard from Mr Buntain, Investment Manager, in respect of the detail contained within the report.

It was noted that Members had received correspondence outwith the meeting in respect of investment in carbon.

The report recommended:-

that the Committee note the contents of the report.

The Committee resolved:-

- (i) to note that the Pension Fund would respond to the correspondence received in respect of carbon investment on behalf of the Committee and Board Members;

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- (ii) to request that the Chief Officer – Finance and Pensions Manager consider how best to bring together information in respect of environmental, social and governance issues which would then enable further discussion of the issues at a future meeting of the Committee; and
- (iii) to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

PROCUREMENT OF ACTUARIAL SERVICES - PC/SEPT19/ACT

12. The Committee had before it a report by the Director of Resources which sought approval to use the National Local Government Pension Scheme Framework to let actuarial and benefit consultancy services for the North East Scotland Pension Fund.

The report recommended:-

that Committee –

- (a) approve the award of a call-off contract under the National LGPS Framework agreement set up by Norfolk County Council to procure an actuary to provide actuarial and benefit consultancy services to the Fund from 1 April 2020 for a term of 7 years; and
- (b) approve the potential expenditure as set out in sections 4.1 and 4.2 in the report.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

NORTH EAST SCOTLAND PENSION FUND ACCOMMODATION - PC/SEPT19/ACCOM

13. With reference to article 15 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources which provided an overview of the accommodation aspects of the North East Scotland Pension Fund and its ability to address all the governance arrangements from its current accommodation, and sought approval for relocation of the Aberdeen City Council officers and other resources that support the Fund.

The report recommended:-

that Committee –

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- (a) approve the relocation of the Aberdeen City Council officers and other resources that support the North East Scotland Pension Fund to 2 Marischal Square, Level 1, and the associated costs and expenditure as detailed in the report; and
- (b) instruct the Chief Officers for Finance, Corporate Landlord and Governance to put in place appropriate agreements to reflect the relationship between the Council and the Pension Fund.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

- **COUNCILLOR JOHN REYNOLDS, Vice Convener**