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To: **Pensions Committee**:- Councillor Malik, Convener; Councillor Reynolds, Vice Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Bell, Cooke, Delaney, Donnelly, Flynn and MacGregor.

Pension Board:- Mr L Knox, Chair; Councillor McKelvie, Vice Chair; Councillors Allan and Cowe; and Mr I Black, Mrs M Lawrence, Mr N Strachan and Mr A Walker.

Town House,
ABERDEEN, 22 November 2019

PENSIONS COMMITTEE AND PENSION BOARD

The Members of the **PENSIONS COMMITTEE AND PENSION BOARD** are requested to meet in **Committee Room 2 - Town House** on **FRIDAY, 29 NOVEMBER 2019 at 10.30 am.**

FRASER BELL
CHIEF OFFICER - GOVERNANCE

B U S I N E S S

NOTIFICATION OF URGENT BUSINESS

- 1 There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

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

DECLARATIONS OF INTEREST

- 3 Members are requested to intimate any declarations of interest (Pages 3 - 4)

MINUTES OF PREVIOUS MEETINGS

- 4 Minute of Previous Meeting of 13 September 2019 (Pages 5 - 12)

COMMITTEE BUSINESS PLANNER

- 5 Business Planner (Pages 13 - 16)

NOTICES OF MOTION

- 6 There are currently no motions to the Pensions Committee

RISK MANAGEMENT / STRATEGY

- 7 Strategy - PC/NOV19/STRAT (Pages 17 - 54)

FINANCE

- 8 Budget Forecast & Projected Spend - PC/NOV19/BUD (Pages 55 - 62)

EXEMPT BUSINESS - NOT FOR PUBLICATION

- 9 Procurement of Bulk Annuity for the ACC Transport Fund - PC/NOV19/ACCTF
(Pages 63 - 66)

- 10 Asset and Investment Manager Performance Report - to follow

Should you require any further information about this agenda, please contact Stephanie Dunsmuir, tel 01224 522503 or email sdunsmuir@aberdeencity.gov.uk

DECLARATIONS OF INTEREST

You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether reports for meetings raise any issue of declaration of interest. Your declaration of interest must be made under the standing item on the agenda, however if you do identify the need for a declaration of interest only when a particular matter is being discussed then you must declare the interest as soon as you realise it is necessary. The following wording may be helpful for you in making your declaration.

I declare an interest in item (x) for the following reasons

For example, I know the applicant / I am a member of the Board of X / I am employed by...

and I will therefore withdraw from the meeting room during any discussion and voting on that item.

OR

I have considered whether I require to declare an interest in item (x) for the following reasons however, having applied the objective test, I consider that my interest is so remote / insignificant that it does not require me to remove myself from consideration of the item.

OR

I declare an interest in item (x) for the following reasons however I consider that a specific exclusion applies as my interest is as a member of xxxx, which is

- (a) a devolved public body as defined in Schedule 3 to the Act;
- (b) a public body established by enactment or in pursuance of statutory powers or by the authority of statute or a statutory scheme;
- (c) a body with whom there is in force an agreement which has been made in pursuance of Section 19 of the Enterprise and New Towns (Scotland) Act 1990 by Scottish Enterprise or Highlands and Islands Enterprise for the discharge by that body of any of the functions of Scottish Enterprise or, as the case may be, Highlands and Islands Enterprise; or
- (d) a body being a company:-
 - i. established wholly or mainly for the purpose of providing services to the Councillor's local authority; and
 - ii. which has entered into a contractual arrangement with that local authority for the supply of goods and/or services to that local authority.

OR

I declare an interest in item (x) for the following reasons.....and although the body is covered by a specific exclusion, the matter before the Committee is one that is quasi-judicial / regulatory in nature where the body I am a member of:

- is applying for a licence, a consent or an approval
- is making an objection or representation
- has a material interest concerning a licence consent or approval
- is the subject of a statutory order of a regulatory nature made or proposed to be made by the local authority.... and I will therefore withdraw from the meeting room during any discussion and voting on that item.

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 (Pension Board).

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.

NOTIFICATION OF URGENT BUSINESS

1. 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

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 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 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.

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MINUTE OF PREVIOUS MEETING

3. 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

4. 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

5. There were no declarations of interest.

EXTERNAL AUDIT ANNUAL AUDIT REPORT 2018/19

6. 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.

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

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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.

BUDGET FORECAST / PROJECTED SPEND - PC/SEPT19/BUD

7. 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).

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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

8. 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
- (ii) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

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STRATEGY - PC/SEPT19/STRAT

9. 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.

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 –

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- 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

10. 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;
- (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.

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PROCUREMENT OF ACTUARIAL SERVICES - PC/SEPT19/ACT

11. 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.

MATTER OF URGENCY

The Vice Convener intimated that he had directed in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, that the following item be considered as a matter of urgency as the Committee had specifically requested a report on the matter to this meeting, however the paper had not been available to circulate earlier as further legal advice was being sought in respect of the report recommendations.

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

12. 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**

	A	B	C	D	E	F	G	H	I
1	PENSIONS COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	29 November 2019								
4	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.2		
5	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
6	Procurement of Bulk Annuity for the ACC Transport Fund	To provide an update on the procurement process		Mairi Suttie	Finance	Resources	1, 4 and 5		
7	Strategic Infrastructure Priorities and the Scottish Local Government Pensions Scheme	Pensions Committee 15/03/19 - To instruct the Chief Officer Finance to explore the opportunities for a strategic partnership between the Council, other stakeholders and the North East Scotland Pension Fund for the purposes of supporting local infrastructure investment and to report on the feasibility of this within three committee cycles		Jonathan Belford	Finance	Resources	1.2	D	Officers are continuing to work on preparing a report, which has been delayed due to competing priorities from the City Council perspective. A report will be presented to the next meeting.
8	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.1		
9	13 March 2020								
10	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.2		
11	Investment Strategy Update	To provide an update on the investment strategy of the NESPF		Graham Buntain / Laura Colliss	Finance	Resources	1.2		
12	Internal Audit Plan 2020/21	To present the Internal Audit Plan for 2020/21		David Hughes	Internal Audit	Internal Audit	2.1		
13	Statement of Accounts	To provide high level information and key dates in relation to the 2019/20 Statement of Accounts		Laura Colliss	Finance	Resources	1.3		
14	Review of Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements	To provide an annual review of governance arrangements		Mairi Suttie	Finance	Resources	4.1 and 4.2		
15	External Audit Annual Audit Plan 2019/20	To present the External Audit annual audit plan		Rachel Browne	External Audit	External Audit	2.1		

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
16	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.1		
17	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
18	12 June 2020								
19	Committee Effectiveness Annual Report	To consider the annual committee effectiveness report		Laura Colliss	Finance	Resources	GD 7.5		
20	Training Report	To provide details of the Training Plan 2020/2021 for the Pensions Committee and Pension Board of the NESPF		Laura Colliss	Finance	Resources	1.3		
21	Internal Audit Annual Report 2019/20	To present the Internal Audit Annual Report for 2019/20		David Hughes	Internal Audit	Internal Audit	2.1		
22	Draft NESPF Annual Report & Accounts	To present the draft annual accounts		Laura Colliss	Finance	Resources	3.1		
23	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.2		
24	Investment Strategy Update	To provide an update on the investment strategy of the NESPF		Graham Buntain / Laura Colliss	Finance	Resources	1.2		
25	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.1		
26	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
27	11 September 2020								
28	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.2		
29	Investment Strategy Update	To provide an update on the investment strategy of the NESPF		Graham Buntain / Laura Colliss	Finance	Resources	1.2		
30	External Audit Annual Audit Report 2019/20	To present the External Audit Annual Audit Report 2020		Rachel Browne	External Audit	External Audit	2.1		
31	NESPF Annual Report & Accounts	To present the audited annual accounts and report on the NESPF		Laura Colliss	Finance	Resources	3.1		
32	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.1		
33	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
34	11 December 2020								

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
35	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.2		
36	Investment Strategy Update	To provide an update on the investment strategy of the NESPF		Graham Buntain / Laura Colliss	Finance	Resources	1.2		
37	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.1		
38	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
39									
40									
41									
42	To be added once discussion held with officers - ESG discussion item								

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	29 November 2019
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/NOV19/STRAT
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Laura Colliss & Mairi Suttie
TERMS OF REFERENCE	Pensions Committee 1-5

1. PURPOSE OF REPORT

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

2. RECOMMENDATIONS

That the Committee: -

- 2.1 approve the revisions to the scheme policy documents including creation of a new NESPF specific risk management policy (item 3.9.8); and
- 2.2 approve the travel for one appointed Advisory Committee Officer to attend the following:
- **Partners Group, Denver, March 2020**
 - **RCP, Chicago, June 2020**
 - **Harbourvest, Boston, May 2020**
 - **Harbourvest, Boston, December 2020**
- (item 3.9.9)

3. BACKGROUND

3.1 In line with the structural review of the Pension Fund, six specific areas were identified to fully address the strategic management of the Fund;

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

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

3.3 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 service updates covering the six strategic areas will also be available via the secure website (<http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx>) and email.

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

3.5 INVESTMENT

3.5.1 *Asset & Investment Manager Performance Report
Strategic Infrastructure Priorities and The Scottish Local Government Pension Scheme Update Report*

Separate Reports, provided

3.5.2 **Firstbus Merger/Buy-in – Verbal Update**

A progress update will be provided to the Committee on the Firstbus merger/buy-in (Project Dallas)

3.5.3 **Local Authority Pension Fund Forum (LAPFF)**

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at <http://www.lapfforum.org>

3.6 ACCOUNTING

3.6.1 *Budget/Forecast and Projected Spend 2019/20 Report*

Separate Report, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 N/A

3.8 **TECHNICAL**

3.8.1 *Appendix I*, Pensions Administration Strategy Update

3.9 **GOVERNANCE**

3.9.1 **Scheme Advisory Board**

Copies of the latest bulletins and meetings available at <http://lgpsab.scot>

3.9.2 **Pension Fund Annual Benefit Statements**

3.9.3 Following on from the update to Committee in September (PC/SEPT19/STRAT), the annual benefit statement project has now been successfully completed.

3.9.4 Active benefit statements were issued electronically to members through My Pension (MSS) by the statutory deadline of 31 August 2019. Letters were issued in advance to active members advising them that their statement was available online and activation keys enclosed for those not already registered for My Pension.

3.9.5 The Fund has recorded 99.86% compliance for active ABS's for 18/19 (up from 99.84% in 17/18). In line with our Breaches Policy, this will be recorded on the breaches register but not reported to the Pensions Regulator as we do not deem it to be of material significance. Officers have already investigated the 58 member records which did not generate an annual benefit statement (these were set to 'no ben calcs' on the administration system). The 58 records were for members who had not paid any pension contributions in 18/19 and therefore had no data on which to produce a statement.

3.9.6 The move to online benefit statements has seen a cost saving for the Fund and we anticipate this to reduce further still next year. Across both deferred and active the total cost for postage of letters in 18/19 was £15,066.68 which equates to a cost of 0.36p per member. From next year, members registered for MSS will start to receive email notifications in place of letters. However it will not be possible to eliminate all mailing costs, at present there are 635 active and 418 deferred members who have 'opted in' to receive traditional paper statements and letters will still be sent to members not registered for MSS.

3.9.7 In terms of online usage following the mailing, we saw respectively a 16.3% increase in deferred members registering for MSS and a 42.3% increase for active members. In addition to viewing benefit statements, MSS is a useful tool for members to view up to date pensions data, keep the Fund informed of changes to personal details and help plan for their retirement using the online

calculators. As part of the digital transformation journey, it's not just about member registration figures. Officers continue to monitor user feedback to allow us to continue to improve on the overall experience and ensure users remained engaged.

3.9.8 **Document Review**

The following documents have been updated:

- Statement of Investment Principles
- Data Protection Policy
- Reporting Breaches of Law Policy
- Personal Data Breaches Procedure Notes (for staff)
- Risk Management Policy (**New**) and Risk Register

Copies are available on the secure trustee area of the NESPF website at <http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx>. Details of the changes to the above documents can be found in the summary at *Appendix II*.

3.9.9 **Overseas Travel**

- 3.9.10 With the Pension Fund's increasing allocation to alternatives which usually come in the form of Funds/Fund of Funds there is a requirement for greater due diligence and scrutiny given the nature of these investments being privately owned. Following the Funds continued commitment to the likes of Harbourvest and RCP, overseas travel has been previously authorised and will be required going forward as these companies continue to be global investors, globally headquartered and have global clients.
- 3.9.11 The vast majority of private investment funds have limited partner advisory committees, these committees are composed of representatives of the limited partners, usually significant institutional limited partners/clients, dealing with a number of issues regarding conflicts, investment restrictions, general oversight and using the committee as a sounding board for other matters.
- 3.9.12 As stated due to the increased allocation from the Pension Fund to alternatives, depending on the level of commitment the Fund will request or be invited to accept a position on the Advisory Committees, the Fund also has positions on the SL Capital, Capital Dynamics, and the Scottish Loan Fund/Maven Advisory Committees.
- 3.9.13 Advisory Committees are Officer led and by invitation/request only, managers seek to appoint Officers from their clients that have significant experience within the industry to ensure meaningful scrutiny and challenge.
- 3.9.14 Officers and elected members have clear statutory responsibilities for the management and investment of the Pension Fund, part of those responsibilities is to monitor and review external manager's performance. This is usually achieved by means of regular reporting, presentations to Officers/Members and attending client conferences.

3.9.15 The Advisory Committee is additional to the above and provides the Pension Fund with greater access to the Manager and the management of those investments and access to the General Partners (underlying assets). Given the increased value of commitments within this asset class this type of forum strengthens the governance arrangements for the Fund together with the fund manager.

3.9.16 Officers recommend the approval for overseas travel to the following Advisory Committees:

1. **Partners Group, Denver, March 2020**
2. **RCP, Chicago, June 2020**
3. **Harbourvest, Boston, May 2020**
4. **Harbourvest, Boston, December 2020**

3.9.17 Approval is requested for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced Officer Substitute) to attend.

3.9.18 Most travel costs are covered by the individual fund managers, these Committees are perceived to be of great value by the fund managers providing additional governance and transparency, some are also rotated to the UK to deliver a balance to all global clients.

3.9.19 **The Pensions Regulator**

3.9.20 The Pension Regulator (tPR) conducted an engagement programme with the Local Government Pension Scheme, consisting of high level engagement sessions with 10 LGPS Funds across the UK from late 2018 to summer 2019.

3.9.21 From the sessions, they were able to gain a strong insight into current governance and administration standards and practices.

3.9.22 A copy of tPR's engagement report and its recommendations is available at (<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report>)

3.9.23 **LGPS Scheme Structure Review**

3.9.24 The final report from the Pensions Institute appointed as consultants to the Scheme Advisory Board (SAB) to run the structure review consultation was published on 4 November 2019. A copy is available at <https://lgpsab.scot/structure-review-consultants-final-report/>

3.10 **EMPLOYER RELATIONSHIP**

3.10.1 **New Admission Body**

3.10.2 Inspire Catering Scotland LLP have completed an application to be admitted to the North East Scotland Pension Fund under the Local Government Pension Scheme (Scotland) Regulations 2018, Schedule 2, Part 2, 1(d)(i) to allow them to meet the requirements of TUPE (Transfer of Undertakings (Protection of Employments) Regulations) for two employees.

3.10.3 As the originating employer North East Scotland College will be required to act as guarantor for the admission in accordance with the Scheme regulations.

3.10.4 Inspire Catering will be admitted to the Scheme with an effective date of 27 July 2019 following the completion of the admission report by the Scheme actuary and the finalisation of the admission agreement.

4. FINANCIAL IMPLICATIONS

4.1 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.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations in this report.

6. MANAGEMENT OF RISK

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

Appendix III, Copy of Risk Register (November 2019)

7. OUTCOMES

Design Principles of Target Operating Model	
	Impact of Report
Governance	This report links to the 'governance' design principle by ensuring transparency and by providing the necessary information to allow informed decisions to be made and implemented, including performance and improvement measures.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Data Protection Impact Assessment	Not required

Duty of Due Regard / Fairer Scotland Duty	Not applicable
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9. BACKGROUND PAPERS

None

10. APPENDICES

Appendix I, PAS Update Quarter 2 Report 2019/20

Appendix II, Document Revisions Summary

Appendix III, Copy of Risk Register (November 2019)

Appendix IV, Risk Management Policy

11. REPORT AUTHOR CONTACT DETAILS

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Pension Administration Strategy



Quarterly Reporting | September 2019

1. NESPF performance from 1st April to 30th September

1.1 Key administration tasks

Measuring performance is essential to evidence the efforts made by both the Pension Fund and Scheme employers to comply with statutory requirements and deliver a high-quality pension administration service. The Pension Fund aims to provide the information below within the agreed timescales shown.

Administration Task	Completed cases during reporting period				Additional targets for completed cases during reporting period				Uncompleted cases during reporting period	
	Target	Cases	Achieved	Percentage	+ 5 days	+ 10 days	+ 20 days	> + 20 days	Cases	Revised %
Notification of death in service	5 days	17	15	88.2%	94.1%	100.0%		0	0	88.2%
Notification of retirement estimate	10 days	583	582	99.8%	100.0%			0	9	98.3%
Notification of retirement benefits	10 days	1005	983	97.8%	98.4%	98.9%	99.5%	5	18	96.1%
Notification of deferred benefits	10 days	570	558	97.9%	97.9%	97.9%	97.9%	12	19	94.7%
Notification of refund	10 days	456	454	99.6%	99.8%	99.8%	99.8%	1	48	90.1%
Notification of transfer in value	10 days	29	26	89.7%	92.9%	96.4%	96.4%	1	4	78.8%
Notification of transfer out value	10 days	206	169	82.0%	90.2%	94.1%	98.5%	3	3	80.9%
		2866	2787	97.2%				22	101	93.9%

Completed cases during reporting period - reporting output is based on 5 and 10 day targets built into workflow cases for processing administration tasks as declared in the pension administration strategy:

- *For the first time in seven years of reporting more than 500 retirements were processed during the second quarter.*

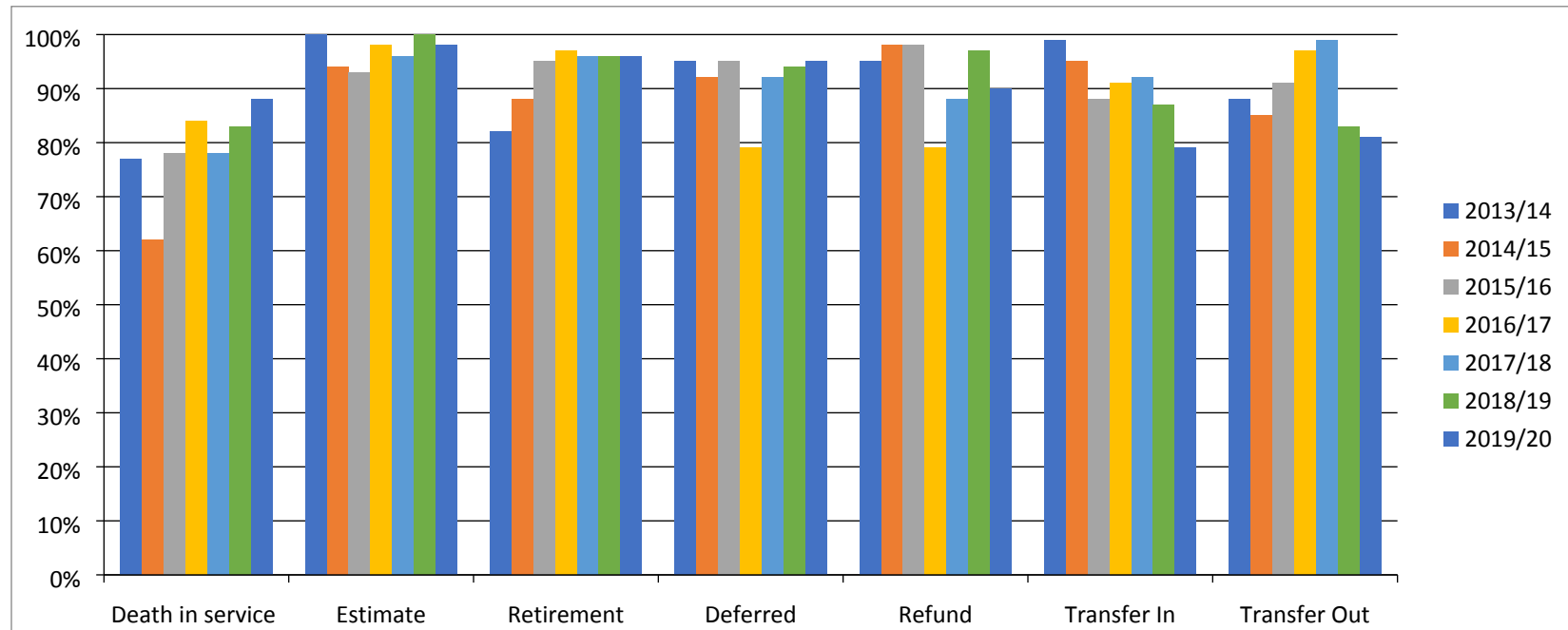
Additional targets for completed cases during reporting period - reporting output is based on adding 5/10/20 days to the 5 and 10 day targets built into workflow cases for processing administration tasks:

- *100% achieved for death in service and retirement estimates within 15 days*
- *22 completed in over 30 days, this amounts to less than 1% of completed cases.*

Uncompleted cases during reporting period - cases identified that were due to be completed and do not have a Reply Due date set in advance of the end of the reporting period:

- 101 cases were identified and contributed to the Revised Percentages
- 64 were identified in the first quarter which reduced to 37 in the second quarter
- A sample check revealed that most were awaiting further information from members, employers or third parties but the Reply Due date had not been advanced.

1.2 Previous years comparison



2. Employer performance from 1st April to 30th September

2.1 Policy on discretions received (85%)

Each Scheme employer is required under regulation 58 of the Local Government Pension Scheme (Scotland) Regulations 2018 to prepare a written statement of its policy on how it will exercise various discretions provided by the Scheme. This 'discretions policy' must be kept under review by employers and revised as necessary.

Employers			
Aberdeen City Council	Aberdeen Cyrenians	Aberdeen Endowments Trust	Aberdeen Foyer
Aberdeen Heat and Power	Aberdeen Performing Arts	Aberdeen Sports Village	AIYF
Aberdeenshire Council	Aberlour	Archway	Bon Accord Care
Bon Accord Support	Outdoor Access Trust for Scotland	Fersands and Fountain	First Aberdeen
Forth & Oban (City)	Fraserburgh Harbour	Grampian Valuation Joint Board	Home Start Aberdeen
Inspire	Mental Health Aberdeen	Middlefield Community Project	Moray College
NESTRANS	North East Scotland College	North East Sensory Services	Osprey Housing
Pathways	Peterhead Port Authority	Printfield Community Project	Robert Gordons College
Robert Gordon University	Sanctuary Scotland	Scottish Fire and Rescue	Scotland's Lighthouse Museum
Scottish Police Authority	Scottish Water	Sport Aberdeen	St Machar Parent Support Project
Station House Media Unit	The Moray Council	Visit Scotland	Xerox

2.2 Signed PLO statements received (46%)

Following the revision of the NESPF Pension Administration Strategy in April 2018 each Scheme employer must designate a named individual to act as a Pension Liaison Officer, the main contact regarding any aspect of administering the Local Government Pension Scheme (LGPS).

Pension Liaison Officers			
Aberdeen City Council	Aberdeen Cyrenians	Aberdeen Endowments Trust	Aberdeen Foyer
Aberdeen Heat and Power	Aberlour Childcare Trust	Alcohol & Drugs Action	Archway

Bon Accord Care	Bon Accord Support	Outdoor Access Trust for Scotland	Fraserburgh Harbour
Middlefield Community Project	Moray College	North East Scotland College	North East Sensory Services
Pathways	Peterhead Port Authority	Printfield Community Project	Robert Gordons College
Scottish Fire and Rescue	Scottish Water	Sport Aberdeen	St Machar Parent Support Project
Visit Aberdeenshire	Xerox		

2.3 Quantity of data received (382,828)

All Scheme employers are now required to provide monthly data using I-Connect, by way of a monthly file extracted from the payroll system or by completing electronic forms for individual members.

I-Connect events processed	Total
Starters (new start and opt in)	2244
Amendments (address, personal details, hours and absence)	11223
Leavers (exit and opt out)	2091
Contributions (employee, employer and additional)	121707
Salary	121348
Cumulative CARE Pay	116303
Works address	7912

2.4 Quality of data received

The quality of data received from Scheme employers is assessed and checked by the Employer Relationship Team (ERT). Red, Amber and Green flags will be used to assess the quality of the data. The Pension Fund will seek, at the earliest opportunity, to work closely with Scheme employers in identifying areas of unsatisfactory performance and provide the necessary training and development for improvement.

Since the introduction of the requirement to provide monthly information in this format the quality of the data received through i-Connect has been of a very high standard. This allows the Fund to provide accurate and up to date information to members, meet the requirements of The Pension Regulator and improved the accuracy of the financial information held for the valuation of the Fund.

Green	I-Connect events processed and validated by ERT
Amber	I-Connect events processed however missing or incorrect data identified by ERT
Red	I-Connect events not processed
Blank	Data not provided (as at 2019)

Employer	Submission	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Aberdeen City Council	Extract File												
Aberdeenshire Council	Extract File												
Bon Accord Care	Extract File												
Bon Accord Support	Extract File												
Grampian Valuation Joint Board	Extract File												
Moray Council	Extract File												
NESTRANS	Extract File												
Police Scotland (Aberdeen)	Extract File												
Robert Gordon University	Extract File												
Moray College	Extract File												
Scottish Water	Extract File												
Scottish Fire and Rescue Service	Extract File												
Sport Aberdeen	Extract File												
Aberdeen Endowments Trust	Online Return												
Aberdeen Cyrenians	Online Return												
Aberdeen Foyer	Online Return												
Aberdeen Heat and Power	Online Return												
Aberdeen Performing Arts	Online Return												
Aberdeen Sports Village	Online Return												
Aberlour Child Care Trust	Online Return												
Archway	Online Return												
City Moves Dance Agency	Online Return												
Alcohol & Drugs Action	Online Return												
Fersands and Fountain	Online Return												
First Aberdeen	Online Return												
Forth and Oban (City)	Online Return												
Forth and Oban (Shire)	Online Return												

Fraserburgh Harbour	Online Return																			
Homestart Aberdeen	Online Return																			
Homestart NEA	Online Return																			
ID Verde	Online Return																			
Inspire	Online Return																			
Mental Health Aberdeen	Online Return																			
Middlefield Community Project	Online Return																			
North East Sensory Services	Online Return																			
Osprey Housing	Online Return																			
Outdoor Access Trust Scotland	Online Return																			
Pathways	Online Return																			
Peterhead Port Authority	Online Return																			
Printfield Community Project	Online Return																			
Police Scotland (Glasgow)	Online Return																			
Robert Gordon College	Online Return																			
Robertson FM City	Online Return																			
Robertson FM Shire	Online Return																			
Sanctuary Scotland	Online Return																			
SCARF	Online Return																			
Scotlands Lighthouse Museum	Online Return																			
St Machar Parent Support Project	Online Return																			
Station House Media Unit	Online Return																			
Visit Scotland	Online Return																			
Xerox	Online Return																			
North East Scotland College	ALCARE																			

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Document Name		Revisions/Notes
1.	Statement of Investment Principles	<ul style="list-style-type: none"> Section on shareholder activism has been expanded to provide further detail on ESG engagement.
2.	Data Protection Policy	<ul style="list-style-type: none"> To adopt/incorporate ACC procedures in relation to ad hoc data sharing requests received by the Pension Fund.
3.	Risk Management Policy (NEW)	<ul style="list-style-type: none"> In response to recommendation in CIPFA 'Managing Risk in the Local Government Pension Scheme' (2018 edition) and Audit Report AC1923, that the Pension Fund create its own risk management framework separate from that of the administering authority. Pension Fund Risk Register has been revised to tie in with this new policy.
4.	Breaches of Law Policy	<ul style="list-style-type: none"> To adopt ACC procedures for reporting personal data breaches e.g. to the ICT Helpdesk through ServiceNow. ACC as the administering authority act as Data Controller under GDPR. Linked procedure notes for staff also updated to incorporate above changes.

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

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Pensions Dashboard

In line with best practice and the Pensions Regulator (tPR) 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.

This Risk Register is reviewed and updated quarterly, with reporting to the Pensions Committee.

The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Reference.

Risk Scoring Process

In order to apply an assessment rating (score) to a risk, NESPF implements a 4 x 6 matrix. The 4 scale represents the impact of a risk and the 6 scale represents likelihood of a risk event occurring.

4	Very Serious	4	8	12	16	20	24
3	Serious	3	6	9	12	15	18
2	Marginal	2	4	6	8	10	12
1	Negligible	1	2	3	4	5	6
Impact		1	2	3	4	6	6
	Likelihood	Almost impossible	Very Low	Low	Significant	High	Very High

Current Heat Map

4	Very Serious	1, 17	6,15, 20	13			
3	Serious	9	4, 19, 21	8, 14, 24	23		
2	Marginal	16	2,5, 7,11, 26,28	3,12,18, 22	10, 27		25
1	Negligible						
Impact		1	2	3	4	6	6
	Likelihood	Almost impossible	Very Low	Low	Significant	High	Very High

Red = High Priority (urgent action required)

Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

Green = Low Priority (no immediate action subject to exceptions, continue to review)

DRAFT

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
NESPFO01	Risk: Lack of effective risk controls	<ul style="list-style-type: none"> NESPF risk register is reviewed and updated quarterly by senior management team Consideration by Pensions Committee & Board at quarterly meetings 	4	1	4	↔	TREAT	Creation of new Fund specific risk management policy and risk register in line with new CIPFA guidance 'Managing Risk in the LGPS' (2018)	Mairi Suttie, December 2019
	Causes: Failure to implement risk management framework								
	Potential Impact: Operational, financial and reputational issues								
NESPFO02	Risk: Poor Governance	<ul style="list-style-type: none"> Annual review of Funds Governance Compliance Statement and supporting policies and procedures Adherence to Council's Scheme of Governance New Committee Effectiveness Report (June 2019) to support good governance 	2	2	4	↔	TREAT		Ongoing
	Causes: Lack of robust and effective governance framework and supporting policies and procedures								
	Potential Impact: Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk								
NESPFO03	Risk: Lack of performance measures	<ul style="list-style-type: none"> Statutory and local KPI's Pension Administration Strategy published quarterly Investment performance (against benchmark) reported to Committee quarterly 	2	3	6	↔	TREAT		Ongoing
	Causes: Failure to develop performance reporting framework								
	Potential Impact: Lack of transparency, poor performance could go unaddressed								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPF004	Risk: Failure of Pensions Committee and Pension Board to operate effectively	<ul style="list-style-type: none"> • Publication of Pension Board Annual Report • Training Policy reviewed annually and training register in place • Nomination & Appointment procedure • Committee Effectiveness Report introduced (June 2019) 	3	2	6	↔	TREAT		Ongoing
	Causes: Poor attendance/commitment to role, high turnover of members, lack of training								
	Potential Impact: Non-compliance with regulatory requirements, inability to make decisions or policies, reputational risk								
NESPF005	Risk: Operational Disaster; unable to access the workplace	<ul style="list-style-type: none"> • ACC Disaster recovery policy in place • NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	2	2	4	↔	TOLERATE		Ongoing
	Causes: Major incident, natural disaster								
	Potential Impact: Loss of service delivery, staff downtime								
NESPF006	Risk: Failure to recruit, retain and develop staff	<ul style="list-style-type: none"> • All staff have individual training plans which are reviewed annually • Training register to monitor • 2 full time training & development staff • Internal 2 year training programme for benefit admin staff • Future-focused staffing structure, subject to 	4	2	8	↔	TREAT	Posts approved in March 2019 to be filled. Staff job profile review underway to ensure clear understanding of roles and training requirements. Committee approved office relocation in	Laura Colliss, August 2020
	Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities								
	Potential Impact: Loss of service delivery, risk to succession planning								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		ongoing review							
NESPF007	<p>Risk: Pay and price inflation valuation assumptions either higher or lower</p> <p>Causes: Economic factors</p> <p>Potential Impact: Potential increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> Quarterly funding updates to Committee (using FSM) Tri-ennial valuation Individual employer contribution rates 	2	2	4	↔	TOLERATE	Sept'2019	Ongoing
Governance									
NESPF008	<p>Risk: Failure to adhere to relevant pensions legislation and guidance</p> <p>Causes: Political and legislative changes, increased administrative complexity, staff training issue</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action</p>	<ul style="list-style-type: none"> Six monthly compliance review, with annual reporting to Pensions Committee and Board Active participation at LGPS events, Testing Working Party for administration software updates Established processes for staff training Regular benefit admin team meetings to share knowledge 	3	3	9	↔	TREAT		Ongoing
NESPF009	<p>Risk: Failure to comply with FOI or SAR requests</p> <p>Causes: Missed statutory deadlines due to training or resource issues</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk</p>	<ul style="list-style-type: none"> Internal written procedures in place FOI/SAR log to record & monitor 	3	1	3	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
NESPF010	Risk: Conflicts of Interest	<ul style="list-style-type: none"> Regular discussions between CO-Finance and Pension Fund Manager Standing item at meetings Conflicts policy & register in place, with conflicts declarations issued annually 	2	4	8	↔	TREAT		Ongoing
	Causes: Competing professional and personal interests of staff, Committee and Board members								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
Benefit Administration									
NESPF011	Risk: Requirement to complete GMP reconciliation	<ul style="list-style-type: none"> Dedicated GMP project team reporting to Operations Manager Regular updates to Committee and Board 	2	2	4	↔	TREAT	Under/Over payments calculated and payments made in respect of underpayments. IPE Regulations in effect from 30/12/2019	Gary Gray, December 2019
	Causes: End of contracting out due to reforms of state pension								
	Potential Impact: Failure to calculate future benefits correctly, audit criticism, financial loss								
NESPF012	Risk: Fraud/Negligence	<ul style="list-style-type: none"> Segregation of duties for benefits staff authorising/submitted lump sum payments Pension payments signed off by benefits senior Participation in National Fraud Initiative exercise Overseas pensioner existence checking Breaches Policy & 	2	3	6	↔	TREAT	Implementation of enhanced Admin to Pay module to provide secondary calculation checks as system requirement	Neil Middleton, March 2020
	Causes: Dishonesty or human error by staff, Scheme members								
	Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
		register <ul style="list-style-type: none"> Internal Audit control reviews 							
Investments									
NESPFO13	Risk: Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none"> Quarterly assessment of investment performance and funding updates Tri-ennial valuation and investment strategy review Diversification of assets Due diligence of fund managers External advisor for specialist guidance on strategy 	4	3	12	↔	TREAT		Ongoing
	Causes: Failure of investment strategy or fund managers to produce expected returns								
	Potential Impact: Increase in employer contribution rates, investment risk, audit criticism, financial loss								
NESPFO14	Risk: Failure to monitor investment managers and assets	<ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	3	9	↔	TREAT		Ongoing
	Causes: Lack of internal procedures								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPFO15	Risk: Failure of world stock markets	<ul style="list-style-type: none"> Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	↔	TOLERATE		Ongoing
	Causes: Systemic								
	Potential Impact: Increase in employer contribution rates, financial loss								
NESPFO16	Risk: Negligence/Fraud/Default	<ul style="list-style-type: none"> Due diligence on appointment and 	2	1	2	↔	TOLERATE		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p>Causes: Dishonesty by fund managers, lack of care or human error</p> <p>Potential Impact: Financial loss, reputational damage</p>	<p>appropriate clause in legal agreements</p> <ul style="list-style-type: none"> Fund management monitoring SAS 70 reports 							
NESPF017	<p>Risk: Failure of Global Custodian</p> <p>Causes: Financial market crisis, regulatory/political</p> <p>Potential Impact: Loss of assets or control of assets</p>	<ul style="list-style-type: none"> Regular meeting with custodian Receipt of SAS 70 reports and monitoring 	4	1	4	↔	TOLERATE		Ongoing
NESPF018	<p>Risk: Failure to fulfil fiduciary duties with appropriate regard to ESG responsibilities</p> <p>Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy</p> <p>Potential Impact: Reputational damage</p>	<ul style="list-style-type: none"> Member training on roles and fiduciary duties Policy incorporated within SIP 	2	3	6	NEW	TREAT	Revised SIP to Nov'19 meeting for approval. New UK Stewardship Code and ESG training scheduled for Jan'20.	Graham Buntain, March 2020
Accounting									
NESPF019	<p>Risk: Poor financial reporting</p> <p>Causes: Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues</p>	<ul style="list-style-type: none"> Comprehensive policies and procedures in place and review of <i>the Code</i> Attending CIPFA meeting and reviews Regular reconciliations e.g. fund managers, custodian 	3	2	6	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	Potential Impact: Qualified accounts	<ul style="list-style-type: none"> Internal/External Audits 							
Technical									
NESPF020	<p>Risk: Failure to secure and manage personal data in line with data protection requirements</p> <p>Causes: Cyber-attack, human processing error</p> <p>Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties</p>	<ul style="list-style-type: none"> Annual information governance training for staff Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) Secure physical storage measures Admin system providers implement range of protections against cyber threats including encryption, firewalls, annual 3rd party penetration testing etc 	4	2	8	↓	TREAT	Revisions made to personal data breach reporting procedure and Breaches Policy. No further personal data breaches this quarter, therefore risk scoring has been reduced	Mairi Suttie, December 2019
NESPF021	<p>Risk: Failure of the Fund's administration system</p> <p>Causes: Outages, hardware and software failures and cyber attacks</p> <p>Potential Impact: Staff downtime, loss of service delivery</p>	<ul style="list-style-type: none"> Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place 	3	2	6	↔	TOLERATE		Ongoing
NESPF022	Risk Failure to track member status and trace information	<ul style="list-style-type: none"> Tracing service in place (ATMOS) 	2	3	6	↔	TREAT		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p>Causes: Poor record keeping</p> <p>Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action</p>	<ul style="list-style-type: none"> • Use of 'Tell Us Once' service • Data quality improvement plan in place including measures to trace • Existence checking 							
Employer Relationship									
NESPF023	<p>Risk: Failure to monitor employer covenant</p> <p>Causes: Failure of internal procedures</p> <p>Potential Impact: Orphaned liabilities could fall on remaining employers</p>	<ul style="list-style-type: none"> • Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) 	3	4	12	↔	TREAT		Ongoing
NESPF024	<p>Risk: Changes in early retirement strategies by employers</p> <p>Causes: Public service cuts to funding</p> <p>Potential Impact: Pressure on cash flows</p>	<ul style="list-style-type: none"> • Management through Covenant Assessment and Monitoring Policy (within FSS) 	3	3	9	↔	TREAT		Ongoing
NESPF025	<p>Risk: Employers leaving Scheme or closing to new members</p> <p>Causes: Public service cuts to funding, increased pension contribution costs</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<ul style="list-style-type: none"> • Management through Covenant Assessment and Monitoring Policy (within FSS) • Cost Cap mechanism introduced in LGPS regulations 	2	6	12	↔	TREAT		Ongoing
NESPF026	<p>Risk: Longevity</p>	<ul style="list-style-type: none"> • Tri-ennial valuation 	2	2	4	↔	TOLERATE		Ongoing

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
	<p>Causes: Increasing life expectancy rates</p> <p>Potential Impact: Increase in employer contribution rates and liabilities</p>	undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases							
NESPF027	<p>Risk: Employer contributions not received, collected or recorded accurately</p> <p>Causes: Lack of staff resources, training issues</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<ul style="list-style-type: none"> Internal escalation procedures Breaches policy and register Monthly data submission reconciled by ERT Quarterly PAS reporting to Committee & Board Ongoing training provided by dedicated ERT to Scheme employers 	2	4	8	↔	TREAT		Ongoing
NESPF028	<p>Risk: Failure to maintain member records; data incomplete or inaccurate</p> <p>Causes: Lack of staff resources, training issues</p> <p>Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, TPR action</p>	<ul style="list-style-type: none"> Monthly data from employers which is reconciled by ERT Quarterly PAS reporting to Committee & Board Data quality improvement plan implemented 	2	2	4	↔	TREAT		Ongoing

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North East Scotland **PENSION FUND**

Risk Management Policy

October 2019

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DRAFT

Document	Risk Management Policy
Draft/Review Date	05/06/2019
Approval Date	
Author & Team	Mairi Suttie, Governance
Review Date	September 2020

Introduction

This policy has been prepared on behalf of Aberdeen City Council as the administering authority for the North East Scotland Pension Fund (the 'Fund').

The Fund's risk management framework sets out the Fund's strategic approach to effective risk management including:

- the Fund's risk philosophy, attitude to and appetite for risk
- how risk management is implemented
- risk management responsibilities
- the procedures that should be adopted in the risk management process

In preparing this Fund specific framework, guidance has been taken from:

- CIPFA 'Managing Risk in the LGPS' publication;
- CIPFA 'Delivering Good Governance in the Local Government: Framework (2016 Edition);
- The Pensions Regulator Code of Practice 14;
- LGPS (Scotland) Regulations; and
- Aberdeen City Council's Risk Management Framework

The Fund adopts a structured and focused approach to managing risks and ensures risk management is an integral part in the governance of the Fund at both a strategic and operational level.

Purpose

Risk, uncertainty and change create challenges for the Fund in meeting its objectives. The administering authority recognises effective risk management as an essential element of good governance and key for the Pension Fund to meet its strategic objectives.

With this purpose, the Fund will seek to:

- embed risk management in the day to day activities and culture of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund
- manage risk in accordance with best practice and support well considered risk taking, with the aim of reducing overall cost of risk to the Fund
- maintain a robust framework and processes for identifying risks and their likely impact to inform decision making of the Fund

This Policy applies to all members of the Pensions Committee and Pension Board as well as senior officers within the Pension Fund management team.

Less senior officers involved in the day to day management of the Fund are also integral to managing risk for the Fund and will need to have an understanding of this policy.

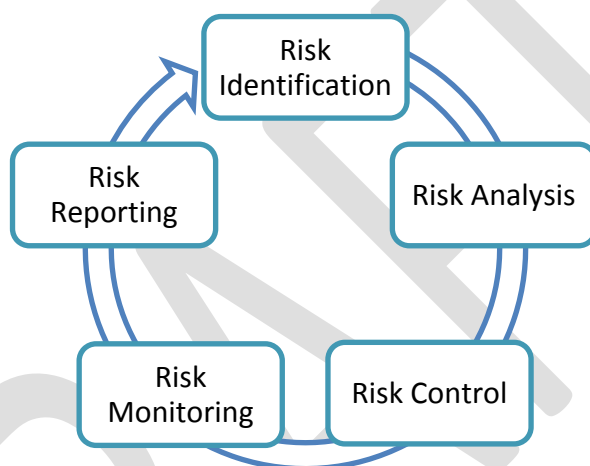
Advisers and suppliers to the Fund are also expected to be aware of this policy, and assist officers, Committee and Board members as required, in meeting its objectives.

The Fund's Approach to Risk Management

Risk can be defined as the combination of the probability of an event and its consequences.

In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) and threats to success (downside). ISO/IEC Guide 73

The Fund's risk management process is in line with that recommended by The Chartered Institute of Public Finance & Accountancy (CIPFA).



Source: CIPFA

Risk management is the approach to identifying, evaluating and managing risks with the aim of minimising or mitigating the impact of these risks on the Funds service delivery. Risk management is critical to the overall management of the Pension Fund, including the management of staff, physical assets and financial resources.

Risk management is not about being risk averse, it is about being risk aware. The Fund recognises that it is not necessary or sometimes possible, to fully eliminate risk as some risks are necessary to achieve the objectives of the Fund e.g. investment return targets. Rather the aim is to reduce this residual risk to an appropriate level with which the Fund is comfortable.

Effective risk management has numerous benefits for the Fund:

- An established and reliable basis for decision making that can be justified
- Improved governance
- Enhanced financial control
- Strengthened ability to meet key objectives and targets
- Improved member service
- Improved reputation

The Pensions Regulator Code of Practice No.14 *Governance and Administration of Public Service Pension Schemes* requires the scheme manager of a public service pension scheme to establish and

operate internal controls. As per the Code these internal controls should address significant risks which are likely to have a material impact on the scheme. Scheme managers should employ a risk-based approach and ensure that sufficient time and attention is spent on identifying, evaluating and managing risks and developing and monitoring appropriate controls.

In order to ensure compliance with the Code, the Pension Fund operates a range of internal controls, which are reflected in scheme documentation, including:

- [Investment Policy](#)
- [Statement of Investment Principles](#)
- [Funding Strategy Statement](#)
- [Annual Report and Accounts](#)

1. Risk Identification

Risk identification is a systematic effort to identify and document the Pension Fund's key risks, which in turn results in the creation of the risk register. It is both a proactive and reactive process i.e. horizon scanning for potential risks and learning lessons from previously manifested risks.

Identification can take place through, but is not limited to:

- Internal and external audit findings
- Pension Fund staff and management team meetings
- Feedback and/or liaison with stakeholders and other external organisations such as Scottish Pensions Liaison Group (SPLG), Investment & Governance Group etc
- Advice from scheme advisors e.g. actuarial, legal and investment

The key risks of a pension fund have been identified as:

Financial	Market fluctuations, investment returns, pay and price inflation
Demographic	Increased longevity, cost of early retirements and death in service
Regulatory	Changes to the regulations, national requirements and/or HMRC rules
Governance	Lack of awareness of structural changes in employers membership, not advised of employers closing to new entrants, employers ceasing to exist with insufficient funding, poor data quality
Employers	Sustainability of an employer or their ability to meet their liabilities

Once identified, risks are documented on the Fund's risk register (see 4 & 5. Monitoring and Reporting).

2. Risk Analysis

Risk analysis looks at the potential impact of a risk as well as the likelihood of occurrence. By multiplying impact by likelihood, a risk score is produced which can be used to determine an appropriate response by the Fund.

For example, a risk which scores 1 for likelihood i.e. almost impossible and 1 for impact i.e. negligible, is unlikely to require any action by the Fund, whereas a risk which scores 6 for likelihood i.e. very high and 4 for impact i.e. very serious, will require immediate action.

However, it is worth noting that just because a risk achieves a low scoring that doesn't necessarily mean it can be discounted e.g. where likelihood may be almost impossible but the impact may be very high if it did occur.

Scoring will mirror that of the administering authority to allow the NESPF risk register to feed directly into the Council's corporate risk register.

Risk Matrix

Very Serious	4	4	8	12	16	20	24
Serious	3	3	6	9	12	15	18
Marginal	2	2	4	6	8	10	12
Negligible	1	1	2	3	4	5	6
Impact		1	2	3	4	5	6
	Likelihood	Almost impossible	Very Low	Low	Significant	High	Very High

Low	Fund will tolerate this level of risk
Medium	Fund will seek to contain risk, requires active monitoring
High	Fund is adverse to this level of risk and will look to eliminate or contain immediately

A risk can be closed on completion of mitigating actions, achievements of targets and/or when the pensions committee is satisfied that there is no longer a risk to the organisation.

3. Risk Control

In its fiduciary role, the Fund will take a cautious approach to risk, ensuring risks are carefully considered and controls are in place. Risk controls are those actions taken to reduce the likelihood of a risk event occurring, its frequency and the severity of the consequences should it occur.

Methods of risk control include:

Risk Approach

- **Terminate:** for example, if the risk cannot be reduced to an acceptable level only option may be to stop the activity or course of action or find a different way of doing it
- **Treat:** for example, putting mitigating controls in place to reduce the likelihood of the risk occurring or the impact if it does arise . Unlikely to eliminate the risk.

-
- Tolerate: for example, deciding to carry the risk as part of normal operations where the risk is unavoidable or more tolerable than alternatives, where impact is assessed as minimal or at disproportionate cost
 - Transfer: for example, move or let another party take on the risk such as an insurance company

In practice most risks will be treated, by introducing controls and mitigating actions to **reduce** the likelihood of the risk occurring and the impact if it does (residual risk). Examples of common controls include diversification of investments, separation of duties, internal/external audit assurance, robust governance framework and procedures.

The key to effective risk management is the effectiveness of mitigating controls. For example, a preventative control such as training would not be considered fully effective if it was not kept up to date or attendance was not mandatory.

4. & 5. Monitoring and Reporting

The NESPF risk register covers a broad range of risks including strategic, investment and operational risks. Once identified, the risk register is the primary control document for subsequent analysis, control and monitoring of those risks.

Risk ranking has been based on the RAG (Red, Amber, Green) system and each risk is ranked based on existing risk controls in place, likelihood of the risk occurring, impact if the risk did occur and the effectiveness of any risk controls which may mitigate current likelihood and/or impact.

Risk assessment and monitoring is a continual process, the risk register is reviewed quarterly by the NESPF senior management team and reported to the Pensions committee and Pension Board for consideration (as a standing item within the main strategy report) to allow opportunity for consideration and discussion.

In monitoring risk management activity, senior officers and the Pensions Committee and Board will consider whether:

- the risk control approach taken has achieved the desired outcomes
- the procedures adopted and information gathered for undertaking the risk assessment were appropriate
- there are any lessons to be learned for future assessment and management of risks

and ultimately continue to identify new and emerging risks.

Risk Appetite & Responsibility

Risk appetite is the amount and type of risk that the Fund is willing to accept or is comfortable with in order to achieve its strategic objectives.

Some risk is inevitable and unavoidable for the Pension Fund, particularly relating to LGPS investments.

Risk tolerance is the amount of risk that the Pension Fund can feasibly cope with.

In its fiduciary role, the Fund will not accept risks which are assessed as having a high likelihood of causing substantial impact on its financial position or services and/or lead to widespread member or employer complaints. Any such risk identified will need to have a risk reduction plan implemented to return the risk to a tolerable level within an acceptable timescale.

Responsibility and accountability for managing the risks within the Fund lies with the Pensions Committee. However day to day management of the NESPF risk register will be the responsibility of the Pension Fund Manager. The senior management team will be responsible for identifying and managing risks in their respective areas and for alerting the Pension Fund Manager to risks which may need escalation.

Officers involved in the daily management of the Fund are also integral to managing risk for the Fund, and will be required to have appropriate understanding of risk management relating to their roles.

Communication

The risks associated with the Fund will be clearly communicated to those who may be adversely affected by failure to manage those risks effectively, in line with the Fund's Communication Policy. For example, all Fund employers are exposed to the potential effects of investment risk since failure to manage investment risk may lead to higher employer contribution rates.

Review

The risk management framework will be reviewed annually, taking into account changes to guidance.

Further information

If you have any questions relating to this statement please contact the **Governance Team**:

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	29 November 2019
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Budget / Forecast & Projected Spend 2019/20
REPORT NUMBER	PC/NOV19/BUD
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Michael Scroggie
TERMS OF REFERENCE	Pensions Committee 1.3

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to give the Pensions Committee details of the Management Expenses Budget/Forecast and Projected Spend 2019/20 for the North East Scotland Pension Fund (NESPF).

2. RECOMMENDATION

That the Committee: -

- 2.1 note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend 2019/20, shown in Appendix I.

3. BACKGROUND/MAIN ISSUES

3.1 BUDGET/FORECAST AND PROJECTED SPEND 2019/20

- 3.1.1 Appendix I shows the NESPF Budget 2019/20. The budget includes a re-alignment of cost headings that follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for Pension Funds. Additional NESPF budget is added for costs outwith the Council's Budget and for those costs directly paid for by the Fund.

- 3.1.2 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.

- 3.1.3 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.
- 3.1.4 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 few of its investment managers. 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.
- 3.1.5 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 accounts for indirect limited partnership fees.
- 3.1.6 Transaction Costs and Direct Property Expenses are included within the section 'Investment Management Expenses'. Other Investment related expenses (e.g. investment advice and litigation, etc) are included within the section 'Oversight & Governance Expenses'.

3.2 GOVERNANCE

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

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendation in this report.

6. MANAGEMENT OF RISK

- 6.1 There are no direct risk implications arising from the recommendation in this report.

7. OUTCOMES

- 7.1 This report does not impact either the Local Outcome Improvement Plan or the Targeting Operating Model.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

North East Scotland Pension Fund (NESPF) Annual Report & Accounts (2018/19) and Fund Governance Policy Statement

10. APPENDICES

Appendix I, Budget/Forecast and Projected Spend 2019/20

11. REPORT AUTHOR CONTACT DETAILS

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Appendix I – 2019/20 BUDGET/FORECAST AND PROJECTED SPEND

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

	Notes	Full Year Budget 2019/20	Budget to 30/06/19	Actual Spend to 30/06/19	Accrual to 30/06/19	Amended Spend to 30/06/19	Over or (Under) to 30/06/19	Proj Annual Spend 2019/20	Proj Over or (Under) Spend 2019/20
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Staff Costs	1	1,352	676	287	289	576	(100)	1,190	(162)
Information Technology		462	231	268	87	355	124	451	(11)
Support Services		107	53	26	28	54	1	109	2
Accommodation		92	46	0	46	46	0	92	0
Printing & Publications		23	12	7	2	9	(3)	23	0
Administration Expenses Total		2,036	1,018	588	452	1,040	22	1,865	(171)

Note (Spend Variance \pm 5%):

1. Under spend – Budgeted FTE 37 versus Actual FTE 31.5

Appendix I – 2019/20 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

	Notes	Full Year Budget 2019/20	Budget to 30/06/19	Actual Spend to 30/06/19	Accrual to 30/06/19	Amended Spend to 30/06/19	Over or (Under) to 30/06/19	Proj Annual Spend 2019/20	Proj Over or (Under) Spend 2019/20
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Staff Costs	1	236	118	51	42	93	(25)	200	(36)
Pension Fund Committee		13	7	1	1	2	(5)	14	1
Pension Board		4	2	0	2	2	0	4	0
External Audit Fee		41	20	5	20	25	5	45	4
Internal Audit Fee		10	5	0	5	5	0	10	0
Actuarial Fees		130	65	25	25	50	(15)	130	0
General Expenses		167	83	43	0	43	(40)	169	2
Oversight & Governance Expenses Total		601	300	125	95	220	(80)	572	(29)

Note (Spend Variance ± 5%):

1. Under spend – see previous note.

Appendix I – 2019/20 BUDGET/FORECAST AND PROJECTED SPEND (continued)

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

	Notes	Full Year Forecast 2019/20	Forecast to 30/06/19	Actual Spend to 30/06/19	Accrual to 30/06/19	Amended Spend to 30/06/19	Over or (Under) to 30/06/19	Proj Annual Spend 2019/20	Proj Over or (Under) Spend 2019/20
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management		11,380	5,690	590	5,100	5,690	0	11,381	1
Performance Fees		6,524	3,262	0	3,262	3,262	0	6,524	0
Direct Property Expenses		534	267	295	0	295	28	534	0
Transaction Costs		1,507	753	336	146	482	(271)	964	(543)
Custody Fees		138	69	32	35	67	(2)	139	1
Investment Management Expenses Total		20,083	10,041	1,253	8,543	9,796	(245)	19,542	(541)

Note (Spend \pm 5%):

- Transaction Costs are reported by the Custodian (HSBC) as at the reporting date then projected for the remaining part of the year. Albeit a useful guide, using past transaction activity as a basis for projecting costs carries the risk of over/under stating the spend for the year. If current transaction activity continues then it is anticipated that there will be an underspend.

2(a). Transaction Costs are reported by the Custodian (HSBC).

Analysis of Transaction Costs for the period 1 April 2019 to 30 September 2019:

	Commission (£)	Expenses (£)	Tax (£)	Total (£)
Equities	119,291.06	1,068.45	164,830.87	285,190.38
Pooled – Unit Trust	0	196,946.66	0	196,946.66
Grand Total (£)	119,291.06	198,015.11	164,830.87	482,137.04

Important to Note:

Appendix I is a forecast of costs for Investment Management Expenses 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.

Exempt information as described in paragraph(s) 8 of Schedule 7A of the Local Government (Scotland) Act 1973.

Document is Restricted

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