

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 26 March 2021. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Reynolds, Vice-Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Cooke, Delaney, Henrickson, MacGregor and Sellar (as substitute for Councillor Wheeler) (Pensions Committee); and Councillor McKelvie, Chairperson; Mr N Stirling, Vice Chairperson; Councillors Allan and Cowe; and Mr I Hodgson, Mr L Knox, Mrs M Lawrence and Mr A Walker (Pension Board).

Also in attendance:- Jonathan Belford, Chief Officer – Finance; Laura Colliss, Pensions Manager; Graham Buntain, Investment Manager; and Gillian Woolman, 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.

DETERMINATION OF EXEMPT BUSINESS

1. The Committee was requested to determine that the following items of business which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973 be taken in private – items 10.1 (Accommodation) and 10.2 (Asset and Investment Manager Performance Report).

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above-mentioned items so as to avoid disclosure of exempt information of the class described in paragraphs 8 and 9 (Item 10.1) and 6 (Item 10.2).

The Board resolved:-

to note the decision of the Committee.

DECLARATIONS OF INTEREST

2. There were no declarations of interest.

MINUTE OF PREVIOUS MEETING OF 11 DECEMBER 2020

3. The Committee had before it the minute of its previous meeting of 11 December 2020 for approval.

The Committee resolved:-

to approve the minute as a correct record.

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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:-

- (i) to note that the Committee Annual Effectiveness Report would now be presented to the December 2021 meeting of the Committee to enable sufficient data to be included due to the cancellation of meetings in 2020; and
- (ii) to otherwise note the planner.

The Board resolved:-

to note the decision of the Committee.

NORTH EAST SCOTLAND PENSION FUND ANNUAL AUDIT PLAN 2020/21 - REPORT BY EXTERNAL AUDIT

5. The Committee had before it a report by External Audit which set out the North East Scotland Pension Fund Annual Audit Plan 2020/21. The report highlighted key audit risks and the planned audit work in respect of these, and set out the 2020/21 reporting arrangements to the Committee.

The Committee heard from Ms Gillian Woolman, External Audit, on the main points from the report.

It was noted that the Auditor General for Scotland, the Accounts Commission and Audit Scotland were responding to the risks to public services and finances from Covid-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland viewed 2020/21 as a transitional year, leading in future to audit timetables which were possible before Covid-19, and it was important to maintain a pragmatic and flexible approach which would enable change at short notice as new issues emerged, or if current risks changed in significance. Where this impacted on annual audits, it was noted that an addendum to the annual audit plan might be necessary.

The following risks were highlighted to be taken forward as part of the annual audit plan:-

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- Consideration of the risk of fraud, presumed to be a significant risk in any audit. This included consideration of the risk of management override of controls to change the position disclosed in the financial statements.
- The degree of subjectivity in the measurement and classification of certain investments and in the actuarial valuation. The report noted that the North East Scotland Pension Fund investments included investments such as property, unquoted equity and pooled funds, where valuations involved the application of judgement in determining appropriate amounts. The actuarial valuation depended on a number of assumptions about the future. These included investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. The Transport Fund insurance buy-in contract would be subject to an annual actuarial valuation. The report noted that this subjectivity entailed a risk of misstatement in the financial statements.
- The insurance buy-in contract to cover the cost of paying pensioners within the Transport Fund. The report noted that this was a new arrangement and additional audit procedures would be carried out to ensure that it was accounted for correctly.
- Scrutiny of the annual accounts and audit reports could be limited in comparison to other Pensions Committee reports and External Audit would encourage members to strengthen their scrutiny of the annual report and accounts as the Fund's primary vehicle to demonstrate stewardship of public funds.

The Committee resolved:-

- (i) to thank Ms Woolman for her presentation of the report; and
- (ii) to note the annual audit plan.

The Board resolved:-

to note the decision of the Committee.

BUDGET/FORECAST AND PROJECTED SPEND 2020/21 - PC/MAR21/BUD

6. The Committee had before it a report by the Chief Officer – Finance which provided details of the Management Expenses Budget/Forecast and Projected Spend 2020/21 for the North East Scotland Pension Fund (NESPF).

The report recommended:-

that the Committee note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend 2020/21, shown in Appendix I.

The Committee resolved:-

to approve the recommendation.

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The Board resolved:-

to note the decision of the Committee.

INVESTMENT STRATEGY - PCMAR21/REVIEW

7. The Committee had before it a report by the Director of Resources which detailed the outcome of the investment strategy review prepared by officers following the outcome of the 2020 Actuarial Valuation. The report set out the details of the Fund's current investment strategy and made a number of recommendations on taking the strategy forward.

The report recommended:-

that the Committee approve the proposed investment strategy as set out in section 3.5 of the report, namely:-

Current Strategic Benchmark	Proposed Strategic Benchmark
Growth Assets 57.5% (+/- 5%)	Growth Assets 55.0% (+/- 5%)
Global Equities 45%	Global Equities 50%
Diversified Growth Funds 7.5%	
Limited Partnerships 5%	Limited Partnerships 5%
Income/Protection Assets 42.5% (+/- 5%)	Income/Protection Assets 45.0% (+/- 5%)
Bonds/Credit 15%	Bonds/Credit 22.5%
Property 10%	Property 10%
Infrastructure 10%	Infrastructure 10%
Index Linked 5%	
Other 2.5%	Other 2.5%

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

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2020 TRI-ENNIAL VALUATION RESULTS - PC/MAR21/VAL

8. The Committee had before it a report by the Director of Resources which provided details of the triennial valuation as at 31 March 2020 for the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) in advance of the sign off by the scheme actuary in March 2021.

The report advised that the draft NESPF Funding Strategy Statement was brought to Committee in December 2020 and the final version of the report along with the ACCTF Funding Strategy Statement were appended at Appendix I and Appendix III for approval. The documents outlined the methodology and assumptions used to determine the value of the liabilities held within the Funds. Also appended to the report were the actuarial valuation reports which certified the outcome of the valuation exercise. It was noted that the report would be made available to all stakeholders and would be provided to the Scottish Government in accordance with the regulatory requirements.

The report recommended:-

that Committee –

- (a) approve the final Funding Strategy Statement for both the NESPF and the ACCTF which outlines the assumptions used in the calculation of the Fund liabilities for the triennial valuation as at 31 March 2020; and
- (b) note the Actuarial Valuation Reports which outline the overall results of the valuation including the funding levels for the NESPF and the ACCTF which will be the published following the sign off by the scheme actuary.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

STATEMENT OF ACCOUNTS ACTION PLAN - PC/MAR21/ACCOUNTS

9. The Committee had before it a report by the Director of Resources which provided high level information and key dates to the 2020/21 Statement of Accounts including linkages to the plans and timetables of the Council's External Auditors.

The report recommended:-

that the Committee note the report for assurance.

The Committee resolved:-

to note the report.

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The Board resolved:-

to note the decision of the Committee.

REVIEW OF NESPF COMPLIANCE WITH PSPA 2013 AND PENSION REGULATOR REQUIREMENTS - PC/MAR21/GOV

10. The Committee had before it a report by the Director of Resources which presented a review of the North East Scotland Pension Fund's compliance with the Public Service Pensions Act 2013 and the Pensions Regulator requirements during the financial year 2020/21, including detail on meeting and training attendance by Board members and costs of operation for the year.

The report recommended:-

that the Committee note the assurance provided in the report.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

ADMINISTRATION REVIEW - PC/MAR21/ADMIN

11. The Committee had before it a report by the Director of Resources which provided details of an administration review carried out by the scheme actuary (Mercer) and the North East Scotland Pension Fund to gain efficiencies and improve member outcomes. The review had been undertaken due to increasing workload, the impact of regulatory change, the impact of the McCloud age discrimination, and due to the continuing challenges of homeworking as a result of COVID-19.

The report recommended:-

that Committee consider the outcome of the review and note the recommendations set out in section 3.6 of the report which would be taken forward over the next 12 to 18 months.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

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STRATEGY - PC/MAR21/STRAT

12. 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.

The report provided an update on training which had been undertaken by Pension Fund staff; an update that there had been no fraud or whistleblowing cases throughout the year, nor breaches of the Bribery Act; and information on the completion of the Aberdeen City Council Transport buy-in. It was further noted that there had been minor amendments to the following documents around structure and wording to assist with clarity:-

- Systems Access Policy
- Governance Policy
- Overpayment of Pensions Policy
- Investment Policy and Myners Statement
- Governance Compliance Policy
- Risk Management Policy

The report recommended:-

that Committee note the updates to the Scheme policy documents as part of the annual document review.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

In accordance with the decision taken under article 1 of this minute, the following reports were considered with the press and public excluded.

ACCOMMODATION - PC/MAR21/ACCO

13. With reference to article 13 of the minute of its meeting of 13 September 2019, the Committee had before it a report by the Director of Resources which provided an update on the completion of the NESPF accommodation move approved by Committee.

The report recommended:-

that Committee note the report for reassurance.

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The Committee resolved:-
to note the report.

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

**ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT -
PC/MAR21/AIMPR**

14. The Committee had before it a report by the Director of Resources which presented a review 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 31 December 2020.

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

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

Members then heard an update from Mr Belford, Chief Officer – Finance in respect of the additional appendix which had been circulated.

The report recommended:-
that Committee note the contents of the report.

The Committee resolved:-
(i) to thank Mr Buntain and Mr Belford for the updates provided at the meeting; and
(ii) to note the report.

The Board resolved:-
to note the decision of the Committee.
- **COUNCILLOR M. TAUQEER MALIK, Convener**