

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 17 September 2021. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Allard (as substitute for Councillor Cooke), Bell, Delaney, Henrickson, MacGregor and Wheeler (Pensions Committee); and Mr N Stirling, Chairperson; Councillor McKelvie, Vice Chairperson; Councillors Allan and Cowe; Mr I Hodgson, Mr K Luke and Mr A Walker (Pension Board).

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

MEMBERSHIP

1. The Convener advised that Mr Liam Knox had now stepped down from his role on the Pension Board. He thanked Mr Knox for his attendance and valuable contributions at meetings and advised Members that details were awaited of Mr Knox's replacement.

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 – item 11.1 (Investment Strategy) and item 11.2 (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 item so as to avoid disclosure of exempt information of the class described in paragraph 6.

The Board resolved:-

to note the decision of the Committee.

DECLARATIONS OF INTEREST

3. There were no declarations of interest.

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MINUTE OF PREVIOUS MEETING OF 25 JUNE 2021

4. The Committee had before it the minute of its previous meeting of 25 June 2021 for approval.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

BUSINESS PLANNER

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

The Committee resolved:-

to note the planner.

The Board resolved:-

to note the decision of the Committee.

BUDGET / FORECAST 2021/2022 - PC/SEPT21/BUD

6. The Committee had before it a report by the Chief Officer – Finance which provided details of the Management Expenses Budget/Forecast 2021/22 for the North East Scotland Pension Fund (NESPF).

The report recommended:-

that the Committee approve the NESPF Management Expenses Budget/Forecast 2021/22, shown in Appendix I.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

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EXTERNAL AUDIT ANNUAL AUDIT REPORT 2020/21

7. The Committee had before it a report by the External Auditor on the 2020/2021 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.

In the opinion of External Audit, the North East Scotland Pension Fund's financial statements gave a true and fair view in accordance with applicable law and the 2020/21 Code of the financial transactions of the funds during the year ended 31 March 2021 and of the amount of disposition at that date of their assets and liabilities; had been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

The key messages of the audit were as follows:-

- That the Fund had had a strong investment performance in 2020/21 and recovered from the significant impact of the Covid pandemic on investment values last year;
- That it had appropriate and effective financial management arrangements.
- That systems of internal control operated appropriately and effectively in 2020/21, with two areas for improvement: reconciliations and authorisation limits.
- That standards of conduct and arrangements for prevention and detection of fraud and error were appropriate.

The audit further noted that the triennial funding valuation as at March 2020 assessed both funds as fully funded and that the investment strategy had been reviewed and updated accordingly. The insurance buy-in contract for the Transport Fund reduced risk for the Fund and increased certainty around the funding of the liabilities insured. It was further noted that the Fund had appropriate and effective financial planning arrangements in place.

In terms of governance, it was considered that the governance arrangements introduced in response to the pandemic were appropriate and operated effectively, and that the Pension Fund demonstrated a commitment to openness and transparency. The Fund was actively considering environmental, social and corporate (ESG) governance matters.

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The audit had noted that there were effective arrangements for complying with the Pensions Regulator Public Service Code but that Member attendance at pensions training was however not meeting the minimum expected level.

The audit advised that the pension administration function's performance against targets had been affected by added pressures from the Covid-19 pandemic, but that performance in priority areas remained high. It was further noted that Fund investment performance in 2020/21 had exceeded all agreed benchmarks as markets recovered from the significantly reduced annual returns last year, and the Fund had effective arrangements in place for monitoring investment performance and scrutinising investment management.

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

Members asked a number of questions of Ms Woolman and officers in relation to the training attendance and any recommendation as to how to maintain attendance levels, the consideration of ESG issues in comparison to other areas; the risk register; and private equity level 3 valuations; and sought reassurance from officers that the two areas highlighted for improvement (reconciliations and authorisation limits) had now been addressed.

The Committee resolved:-

to thank staff and External Audit for their work to enable the audited accounts and annual report to be presented to the September meeting.

The Board resolved:-

to note the decision of the Committee.

CONSIDERATION AND SIGNING OF AUDITED ANNUAL REPORT & ACCOUNTS - PC/SEPT21/ARA

8. The Committee had before it a report by the Director of Resources which presented 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.

Members heard from Mr Belford in respect of the report, who advised that he wished to thank the NESPF team and External Audit for their efforts in ensuring the accounts were presented to Committee, noting that External Audit had rearranged their resources to align with the Council's dates for reporting.

Members asked a number of questions in respect of the report, particularly in relation to attendance, and it was suggested that officers could review how attendance was

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recorded for future reports as it was considered by Members that reporting it in a percentage style made the attendance levels look lower than they had been. It was also noted that Members may have other training opportunities that they participated in which would not be logged in the annual report and so Mr Belford advised that officers could review this for the next report. Councillor Henrickson and Councillor Reynolds highlighted that they had been in attendance at the December 2020 meeting of the Committee, however Mr Belford advised that it would not be possible to amend the annual report at this stage. The Clerk advised that she could however record the attendance correction in the minute.

The report recommended:-

that 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 note that Councillors Henrickson and Reynolds had in fact been in attendance at the December 2020 meeting of the Committee;
- (ii) to note the points raised about reflecting any additional training and experience Members of the Committee and Board had outwith the scheduled training provided by the NESPF and that the Chief Officer-Finance had undertaken to review the recording of training for future reports;
- (iii) to note that officers were monitoring the situation in respect of the recent investigation into British American Tobacco and would advise Committee if any action required to be taken and to further note that the Convener would raise the matter at the Local Authority Pension Fund Forum;
- (iv) to thank officers and External Audit for their efforts in the production of the audited annual accounts; and
- (v) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/SEPT21/STRAT

9. The Committee had before it a report by the Director of Resources which provided updates for the Committee and recommendations (if applicable) to any changes required to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

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The report provided an update on the award of the investment management consultancy services contract to ISIO, the current provider; an update on the Scottish Government decision that underpin protection would apply to all LGPS members who met the revised qualifying criteria, noting that further information would follow in the published response to the consultation; a further update on the issuing of pension fund annual benefit statements; notification of the change to the Chair and Vice Chair of the Pension Board following the recent annual meeting; publication of documentation relating to the CIPFA Knowledge and Skills Framework in the trustee area of the website; and the year end processing of scheme employer data.

It was further noted that there had been minor amendments to the following documents which could be viewed on the NESPF website:-

- Communications Policy
- Investment Policy
- Corporate Governance & SRI Policy
- Employer Engagement Policy
- Record Keeping Policy
- Reporting Breaches of Law
- Data Protection Policy

There was some discussion around the training statistics included in the Pension Board annual report, and the Pension Fund Manager reiterated that officers would consider the comments made in respect of how additional training and qualifications could possibly be recorded in future reports.

The report recommended:-

that the Committee note the work undertaken to review and update the scheme policy documents to ensure continuing compliance with LGPS regulations (as per item 3.9.3).

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

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

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INVESTMENT STRATEGY – PC/SEPT21/INVSTRAT

10. The Committee had before it a report by the Director of Resources which provided an update on the review of the investment re-balancing activity of the North East Scotland Pension Fund for the three month period ending 30th June 2021. The report also contained an update on the Under Armour class action.

Members heard from Ms Colliss in respect of the detail in the report.

The report recommended:-

that the Committee note the contents of the report for assurance.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT – PC/SEPT21/AIMPR

11. 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 30 June 2021.

Members heard from Ms Colliss in respect of the detail in the report.

The report recommended:-

that Committee note the contents of the report for assurance.

The Committee resolved:-

- (i) to request that officers consider how the detail of the environmental, social and governance work being undertaken could be shared with the public; and
- (ii) to note the report.

The Board resolved:-

to note the decision of the Committee.

- **COUNCILLOR M TAUQEER MALIK, Convener**