

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

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