

ABERDEEN CITY COUNCIL

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| COMMITTEE | PENSIONS COMMITTEE |
| DATE | 20 MARCH 2020 |
| EXEMPT | NO |
| CONFIDENTIAL | NO |
| REPORT TITLE | REVIEW OF NESPF COMPLIANCE WITH THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND PENSION REGULATOR REQUIREMENTS |
| REPORT NUMBER | PC/MAR20/GOV |
| DIRECTOR | STEVEN WHYTE |
| CHIEF OFFICER | JONATHAN BELFORD |
| REPORT AUTHOR | MAIRI SUTTIE |
| TERMS OF REFERENCE | PENSIONS COMMITTEE REMIT 4.1 & 4.2 |

1. PURPOSE OF REPORT

- 1.1 To provide members with a review of the North East Scotland Pension Fund's (the 'Fund') compliance with the Public Service Pensions Act 2013 (PSPA) and the Pensions Regulator ('tPR') requirements during the financial year 2019/20.

2. RECOMMENDATION

- 2.1 That the Committee note the assurance provided in the report.

3. BACKGROUND

GOVERNANCE FRAMEWORK REVIEW

- 3.1 A review of the Fund's governance framework is conducted on an annual basis. The purpose of the review is to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.
- 3.2 In terms of Scheme compliance with legislation such as the Local Government Pension Scheme (Scotland) Regulations, the PSPA 2013 and tPR requirements (as set out in the Code of Practice 14 Governance &

Administration of Public Sector Pension Schemes) a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

Pension Board

3.3 The NESPF Pension Board is made up of equal numbers of member (4) and employer (4) representatives as follows:

- 1 x Aberdeen City Council
- 1 x Aberdeenshire Council
- 1 x The Moray Council
- 1 x Scheduled/Admitted Bodies
- 1 x Unison
- 1 x Unite
- 1 x GMB
- 1 x UCATT

3.4 The role of the local pension board is to assist the Scheme Manager to:

- ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS); and
- ensure compliance with LGPS Regulations and other relevant legislation, together with any requirements imposed by tPR

3.5 The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision-making body. In so doing, the Pension Board is helping to manage the reputational risk of the Fund, and of the administering authority, which responds to the Pension Regulator's expanded regulatory role.

Meeting Attendance

3.6 During 2019/20 the Pension Board met formally (and concurrently with the Pensions Committee on):

14 June 2019
13 September 2019
29 November 2019
20 March 2020

3.7 During 2019/20 there was an overall 83% attendance rate at meetings (up to December 2019). Unfortunately, one member of the Pension Board was unable to attend meetings or training during 2019/20 due to ill health. If we exclude this member then the overall attendance rate for 2019/20 increases to 95% (up to December 2019). High attendance levels, and active participation at both the quarterly meetings and training events, demonstrate a strong commitment to the ongoing effectiveness of the NESPF Pension Board. In addition, low turnover of members ensures knowledge and experience is retained. A further 3 members also nominated substitutes within their respective organisations during 2019/20.

3.8 The table below details meeting attendance during 2019/20:

| | 14/06/2019 | 13/09/2019 | 29/11/2019 | 20/03/2020* | Individual |
|----------------|------------|------------|------------|-------------|-------------|
| Cllr Allan | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr McKelvie | ✓ | ✓ | ✓ | ✓ | 100% |
| Cllr Cowe | X | X | X | ✓ | 25% |
| Ian Black | X | ✓ | ✓ | ✓ | 75% |
| Morag Lawrence | ✓ | ✓ | ✓ (sub) | ✓ | 100% |
| Alan Walker | ✓ | ✓ | ✓ | ✓ | 100% |
| Neil Stirling | ✓ | ✓ | ✓ | ✓ | 100% |
| Liam Knox | ✓ | ✓ | ✓ | ✓ | 100% |

*projected attendance, to be confirmed in Committee Effectiveness Report to June meeting.

Training Attendance 2019/20

- 3.9 It is a statutory requirement under Schedule 4 of the PSPA 2013 that members of local pension boards have 'knowledge and understanding' of pensions law and are 'conversant' with Scheme regulations and Fund documents. The issue of training is approached carefully by both the administering authority and individual Board members.
- 3.10 The Board meets annually in June to review their annual report. This provides an opportunity for any issues around attendance to be addressed or gaps in training knowledge to be discussed.
- 3.11 During 2019/20 Pension Board members have continued to demonstrate a commitment to developing their 'knowledge and understanding' by attending training events covering key areas, with particular focus on ESG (environmental, social and governance) and Scheme governance.
- 3.12 Fund Officers maintain a training register to allow attendance to be monitored on an ongoing basis. The Training Policy, approved by Committee in June 2019 (PC/JUN19/TRA), sets out review arrangements to address poor attendance or failure to achieve/maintain the required level of knowledge and understanding.
- 3.13 The table below details training attendance for 2019/20 to date:

| | Intro | 24 Apr'19 | 3 Sept'19 | 13 Sept'19 | 24-25 Oct'19 | 7-10 Jan'20 | Total |
|-------------------|-------|--------------|--------------|---------------|-----------------|----------------|-------|
| Cllr Allan | | X | X | ✓ | X | X | 1 |
| Cllr McKelvie | | X | X | ✓ | ✓ | X | 2 |
| Cllr Cowe* | | X | X | X | X | X | 0 |
| Ian Black | | ✓ | ✓ | ✓ | ✓ | ✓ | 5 |
| Morag Lawrence | | ✓ | X | ✓ | ✓ | X | 3 |
| Alan Walker | | ✓ | ✓ | ✓ | ✓ | X | 4 |
| Neil Stirling | ✓ | X | ✓ | ✓ | ✓ | ✓ | 5 |
| Liam Knox | | X | ✓ | X | X | ✓ | 2 |

* Notes: Unable to attend training during 2019/20 due to ill health

- 3.14 Board members are expected to carry out an annual personal assessment of their knowledge and understanding.

Costs of Operation 2019/20

- 3.15 The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The costs are principally travel related expenses to attend meetings and training events. The Pension Board continues to carry out its role in a cost effective manner, mindful of delivering value for money.

- 3.16 The table below details costs of operation for 2019/20 to date:

| Travel | Cost (£'s) |
|-----------|------------|
| Hotel | 3,909.92 |
| Train | 963.35 |
| Flights | 1,220.68 |
| Event Fee | 133.50 |
| Catering | 51.50 |
| Total | 6,278.95 |

Costs of operation were up from 18/19, this was due to increased attendance at training opportunities and the decision to extend the London training event from 2 to 4 days. Costs for the Pension Board will be accounted for in the next Budget Report (PC/BUD).

3.2 COMPLIANCE REVIEW

- 3.2.1 A compliance review is carried out by the Pension Fund on a six monthly basis, with annual reporting to the Pensions Committee.

Summary of the main findings:

- 3.2.2 Again the review found that the key internal controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively with the latest compliance review taking place in December 2019. A further review using tPR Scheme Assessment Tool confirms there are no areas for concern.
- 3.2.3 Internal Audit carried out a review of Pension Governance. Their report was presented to Committee in June 2019 and gave further assurance over the Pension Fund's Governance arrangements. 8 recommendations were made within the report, and the 6 agreed recommendations were completed during 2019.
- 3.2.4 Work continues to take place within the Fund to ensure it meets legislative and tPR requirements:

Elected Member and Board Knowledge and Understanding

- 3.2.5 As per the Pensions Regulator Code of Practice 14, Pension Board members must have knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.
- 3.2.6 A knowledge and skills assessment was carried out late 2019 into early 2020. 14 responses were received in total, with a good split between Board and Committee members. The information gathered is currently being reviewed and will enable Officers to identify knowledge gaps and direct future training accordingly.
- 3.2.7 A new NESPF website will launch in April/May 2020. Although in the early stages of development, there will be potential going forward to utilise this resource for additional online learning through a dedicated trustee area.

Scheme Record Keeping

- 3.2.8 Poor data keeping can present both reputational and financial risks for a Pension Fund. A Data Quality Improvement Plan was approved by Committee in March 2019 (PC/MAR19/STRAT) and recent high scores reported to the Pensions Regulator demonstrate the Fund's ongoing commitment to ensuring data is of the highest quality.
- 3.2.9 Committee will receive an update on progress against the Data Quality Improvement Plan in March 2020, including details on the procurement of member tracing services to clean up 'gone away' member data ahead of the tri-

ennial valuation. This will help ensure the Fund continues to meet statutory requirements as set out in the Public Service Pensions Act 2013, and in data protection terms under the GDPR and DPA 2018.

Risk Management

3.2.10 Effective risk management is key to good governance. A new Fund specific risk management framework was approved by Committee in November 2019 (PC/NOV19/STRAT), including a revised risk register. This followed guidance issued by CIPFA in December 2018 and subsequent recommendations in Internal Audit Report IA/AC1923 Pension Governance.

Conflicts of Interest

3.2.11 Pension Board members are currently covered by the NESPF Conflicts of Interest Policy. Elected Members are covered separately by the Councillor's Code of Conduct. Both are recorded within the NESPF Conflicts of Interest Register. As part of the annual review of the Policy, Officers will also review the register to ensure key individuals are being captured.

Reporting Breaches of Law

3.2.12 A revised Reporting Breaches of Law Policy was approved by Committee in November 2019 (PC/NOV19/STRAT) to incorporate procedure changes in relation to personal data breaches. All NESPF staff undertake annual data protection refresher training.

GOING FORWARD

Scheme structure review

3.2.13 Elected Members remain committed to delivering a well run and well governed Scheme. The Pension Board will continue to assist and constructively challenge Officers to deliver effective management and administration within their existing remit.

3.2.14 A working group, established by the Scheme Advisory Board, has now been tasked with scoping out the next stages for considering the 4 options (status quo, further collaboration, pooling or merger). A timetable for this scoping work is currently unknown.

4. FINANCIAL IMPLICATIONS

4.1 Good governance is a crucial element of effective public services. It leads to good management, good performance and good stewardship of public money.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendation 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. A NESPF specific risk management strategy was approved by the Pensions Committee in 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 |

9. BACKGROUND PAPERS

None

10. APPENDICES

Training Policy (for Committee & Board)
Terms of Reference – Pensions Committee
Terms of Reference – Pension Board

11. REPORT AUTHOR CONTACT DETAILS

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