

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	11 December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/DEC20/STRAT
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CHIEF OFFICER	Jonathan Belford
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TERMS OF REFERENCE	1-5

1. PURPOSE OF REPORT

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

2. RECOMMENDATION

- 2.1 That the Committee note the final outcome of the annual benefit statement project, which was completed successfully, for reassurance (3.9.2 of the report refers).

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
 - Systems
 - 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>).
- 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*

Separate Report, provided

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 2020/21 Report*

Separate Report, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 **Scottish Public Pensions Agency Consultation (SPPA)**

3.7.1.1 Pension Fund officers have prepared and submitted a response to the SPPA consultation on addressing discrimination – amendments to the statutory underpin as reported previously (item 3.7.1 of PC/SEPT20/STRAT). This consultation proposes changes to address age discrimination brought about by changes to the Scheme in 2015.

Appendix I, Consultation Response

3.8 **SYSTEMS**

3.8.1 Performance reporting is provided on a quarterly basis.

Appendix II, Pensions Administration Strategy Update

3.9 **GOVERNANCE**

3.9.1 **Scheme Advisory Board**

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

3.9.2 **Pension Fund Annual Benefit Statements (ABS)**

3.9.2.1 Following on from the update to Committee in September (PC/SEPT20/STRAT), the annual benefit statement project has now been successfully completed.

3.9.2.2 Active benefit statements were issued electronically to members through My Pension (MSS) by the statutory deadline of 31 August. Letters and emails were issued in advance to active members advising them that their statements were

available to be viewed online and activation keys were issued to those members not already registered for MSS.

3.9.2.3 The Fund recorded 99.74% compliance for all benefit statements in 19/20 (active, deferred and councillors). This is a slight decrease from the reported figure of 99.86% in 18/19. This slight decrease is understandable given both employers and NESPF staff are working under very challenging circumstances due to COVID-19.

3.9.2.4 In line with our Breaches Policy, this will be recorded on the Breaches Register but not reported to the Pensions Regulator. Due to the ongoing COVID-19 situation the Pensions Regulator have chosen to adopt a more flexible approach, however we do not deem the breach to be of material significance. Officers have already investigated the member records which did not generate an annual benefit statement. 111 errors were identified in total out of 42,853 records, the identified errors were for members that had not paid any pension contributions in 19/20 and therefore had no data on which to produce a statement i.e. employees who are taken onto the payroll in March but didn't receive their first pay until April, and for a very small minority the appropriate data was not received from the employer. Where applicable, the employer relationship team will work with employers to resolve any data issues going forward.

3.9.2.5 Costs for the ABS project this year were slightly up from 2019 due to email set up costs, however this was a one off expenditure to enable the Fund to utilise Adare's email facility and it covered both active/deferred mailings as well as any other email broadcasts issued in future years. Overall the move to online benefit statements has delivered a cost saving for Fund, we anticipate costs to continue to reduce as the process is streamlined and more members register for MSS.

3.9.2.6 At present, 731 (+96 from 18/19) active and 431 (+13 from 18/19) deferred members have opted in to receive traditional paper statements and letters will still be sent to members not registered for MSS.

3.9.2.7 In terms of online usage following the mailing, we saw respectively an increase of 14.3% in deferred members registering for MSS and a 13.4% 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 data and help plan for their retirement using the online calculator. Officers continue to participate in the MSS working group to help future development and further work will be undertaken to grow MSS registration and interaction amongst members.

3.9.3 Accommodation

The fit out of Marischal Square was completed on the 19th November, on time. A report will be presented to the March 2021 Committee meeting providing full details.

3.10 EMPLOYER RELATIONSHIP

3.10.1 Tri-ennial Valuation Update

An update on the tri-ennial valuation focussing on the assumptions and Funding Strategy Statement.

Separate report, provided

3.10.2 Financial Forum

3.10.2.1 Given the ongoing COVID-19 situation, the decision was taken to host the annual Financial Forum online. As 2020 is a valuation year, it was important that employers were given the opportunity to be provided with as much information as possible.

3.10.2.2 Presentations were provided by the Scheme Actuary, Mercer and Fund Officers. In addition, a virtual Q & A session was held which gave employers the opportunity to question the Actuary, Investment Manager, Operations Manager and Pensions Manager from a whole Fund perspective. Employers were also given an opportunity for further 1-2-1 sessions to discuss their individual positions.

3.10.3 Aberdeen City Council Transport – Buy in

The buy in was completed on the 19th November, on time. A report will be presented to the March 2021 Committee meeting providing full details.

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 a number of legal implications arising from implementation of the strategy which have been identified and addressed as set out in this report.

6. MANAGEMENT OF RISK

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

Appendix III, Copy of Risk Register (November 2020)

7. OUTCOMES

7.1 The proposals in this report have no impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None

10. APPENDICES

Appendix I, Consultation response
Appendix II, PAS update
Appendix III, Copy of Risk Register (November 2020)

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