

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	26 March 2021
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/MAR21/GOV
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CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Mairi Suttie
TERMS OF REFERENCE	4.1 and 4.2

1. PURPOSE OF REPORT

- 1.1 To provide Elected 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 2020/21.

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 Public Sector Pensions Act 2013 and tPR requirements (as set out in Code of Practice 14 Governance and 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 the LGPS (Scotland) 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.

Meeting Attendance

3.6 During 2020/21 the Pension Board met formally (and concurrently with the Pensions Committee on):

11 September 2020
 11 December 2020
 26 March 2021

Following the COVID 19 outbreak, all Council Committees were suspended with effect from March 2020. This included the scheduled June meeting of the Pensions Committee and Board. Instead Urgent Business Committees were held to determine business of an urgent nature. The June meeting of the UBC was attended by a number of Pensions Committee members for the consideration of the NESPF Unaudited Annual Report and Accounts 2019/20 but due to the unprecedented times, Board members were not present. However they were kept up to date on what was agreed during the UBC by Officers. Pensions Committee and Board meetings resumed from September 2020, taking place in a hybrid manner to allow virtual participation in line with Scottish Government travel restrictions and work from home guidance.

3.7 During 2020/21 there was an overall **94%** attendance rate at meetings (up to December 2020).

High attendance levels, and active participation at both the quarterly meeting 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.

3.8 The table below details meeting attendance during 2020/21:

	29/09/2020	11/12/2020	26/03/2021*	Individual
Cllr Allan	✓	✓	✓	100%
Cllr McKelvie	✓	✓	✓	100%
Cllr Cowe	✓	✓	✓	100%
Morag Lawrence	✓	✓	✓	100%
Ian Hodgson	X	✓	✓	50%
Alan Walker	✓	✓	✓	100%
Neil Stirling	✓	✓	✓	100%
Liam Knox	✓	✓	✓	100%

*projected attendance, to be confirmed in Committee Effectiveness Report to December 2021 meeting

** Mr Hodgson joined the Board on 8 September 2020.

Training Attendance 2020/21

- 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 normally meets 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. Due to COVID-19 the June meeting of the Pension Board did not take place in person. Instead the annual report was issued electronically for review and approval and members were given the opportunity to appoint a new Chair and Vice Chair for 2020/21.
- 3.11 During 2020/21 Pension Board members have continued to demonstrate a commitment to developing their 'knowledge and understanding' by attending training events virtually 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 and reviewed annually, 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 2020/21 to date:

	Intro	22/23 Oct	1 Oct	8 Oct	Total
Cllr Allan		X	X	X	0
Cllr McKelvie		✓	✓	✓	3
Cllr Cowe		X	✓	✓	2
Ian Hodgson	✓	X	X	X	1
Morag Lawrence		✓	✓	✓	3
Alan Walker		✓	X	✓	2
Neil Stirling		✓	✓	✓	3
Liam Knox		X	✓	X	1

3.14 Board members are expected to carry out an annual personal assessment of their knowledge and understanding and ensure they are meeting the requirements of the Training Policy.

Costs of Operation 2020/21

3.15 The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

3.16 Under normal circumstances the costs and expenses of the Pension Board are principally travel related expenses to attend meetings and training events. Due to COVID-19 all training in 2020/21 took place virtually, with the joint Pensions Committee and Board meetings also taking place in a hybrid manner (in person and virtually).

3.17 As a result there were no costs associated with the Pension Board during 2020/21.

3.2 COMPLIANCE REVIEW

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

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 2020. A further review using tPR's Scheme Assessment Tool confirmed there are no areas for concern.

3.2.3 Work is ongoing within the Fund to ensure it continues to meet legislative and tPR requirements.

Elected Member and Board Knowledge and Understanding

- 3.2.4 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.
- 3.2.5 The Pension Fund launched a brand new website in Summer 2020, which included a redesigned secure area for the Pensions Committee and Board to access information and training materials. This resource will continue to be developed during 2021/22 to assist members to maintain and further their knowledge and understanding.

GOING FORWARD

Scheme Structure Review

- 3.2.6 While work progresses on the scheme structure review, 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.

Covid-19

- 3.2.7 The global pandemic will continue to be a focus in 2021, however current governance arrangements are working effectively with Pensions Committee and Board meetings being undertaken in a hybrid fashion and training offered virtually.

TPR Code of Practice

- 3.2.8 TPR is expected to release a new single Code of Practice in 2021. This will replace the existing 15 Codes of Practice. A full compliance review will be carried out by officers once this new Code is released.

Pensions Administration Review

- 3.2.9 A review of activities within the pensions administration team was undertaken at the end of 2020 to assess key processes, identify any areas for improvement to meet increasing demands on performance and ensure the Funds continuing ability to comply with legislation and tPR guidance. The review concluded that many of the current key processes were working well, however a number of recommendations were made to help increase efficiency. An update on the outcome of the review is also on the agenda for consideration.

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

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

None

11. REPORT AUTHOR CONTACT DETAILS

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