

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	26 March 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/MAR21/STRAT
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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 updates to Scheme policy documents as part of the annual document review (item 3.9.6).

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 Statement of Accounts 2020/21 – Action Plan*

Separate Reports, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 **Administration Review**

Final report and recommendations presented following administration review completed by Mercer.

Separate report, provided

3.8 **SYSTEMS**

3.8.1 Performance reporting is provided on a quarterly basis.

Appendix I, 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 **Accommodation**

A final update following completion of the NESPF office relocation project.

Separate report, provided

3.9.3 **Pension Fund Staff Training Update**

Individual staff training and development continued during 2020/21. Due to Covid-19 most of this learning took place online through webinars and training sessions. A number of staff across the 6 pensions team virtually attended the Scottish LGPS Conference in October 2020 and all staff completed the

mandatory Information Governance refresher online training during the year. Training was also provided in February 2021 by our external legal advisors through Teams, covering a range of investment and administration topics. This training was well attended by pensions staff and feedback has been very positive.

3.9.4 Annual Governance Review

Review of NESPF compliance with the Public Service Pensions Act 2013 and the Pensions Regulators Code of Practice 14.

Separate report, provided

3.9.5 Fraud, Whistleblowing and breaches of the Bribery Act

There have been no cases during the year. All NESPF staff were asked to familiarise themselves with the Whistleblowing Policy and Procedure and compliance was recorded by the Governance Team.

3.9.6 Document Review

A number of Policy documents have been reviewed and updated, including:

- Systems Access Policy
- Governance Policy
- Overpayment of Pensions Policy
- Investment Policy and Myners Statement
- Governance Compliance Policy
- Risk Management Policy

Minor changes have been made around structure and wording to make the policies clearer.

Copies of which are available at www.nespf.org.uk.

3.10 EMPLOYER RELATIONSHIP

3.10.1 Aberdeen City Council Transport – Buy in Update and Completion

3.10.2 At the Pensions Committee meeting in June 2019 (PC/JUN19/ACCTF), the Committee approved the merger of the Strathclyde No.3 Fund into the Aberdeen City Council Transport Fund and subsequent Buy-In in respect of the combined pensioner liabilities on the basis that a full OJEU procurement would take place.

3.10.3 The procurement of this bulk annuity was very unusual, being only the second one undertaken by a public authority across the entire United Kingdom. Following June's Committee meeting, further discussions took place between Fund officers, legal and procurement colleagues and the scheme actuary on the most suitable procurement route.

3.10.4 Following those discussions, the Pensions Committee approved an alternative procurement route at their meeting in November 2019 (PC/NOV19/ACCTF). Officers submitted a request in writing to the Chief Operating Officer and the Head of Commercial and Procurement Services to suspend the Aberdeen City Council Procurement Regulations:

The Procurement Regulations may be suspended either in whole or in part by the Director of Commissioning and the Head of Commercial and Procurement Services in writing in respect of any contract where the award of that contract is urgently requested to meet the exigencies of the Service.

3.10.5 As per Regulation 33 of The Public Contract (Scotland) Regulations 2015:

33.-(1) A contracting authority may award a public contract following negotiated procedure without prior publication of a contract notice or prior information notice in any of the following cases - (c) where (but only if it is strictly necessary) for reasons of extreme urgency brought about by events unforeseeable by the contracting authority, the time limits for open procedure, restricted procedure or competitive procedure with negotiation cannot be complied with.

33.-(3) For the purposes of paragraph 1(c), the circumstances invoked to justify extreme urgency must not, in any event, be attributable to the contracting authority.

3.10.6 The Chief Operating Officer and the Head of Commercial and Procurement Services were satisfied the criteria to suspend was fulfilled and approved the request. Officers cited the unique nature of the project and the urgency of the procurement to justify the request. The Buy-In had to be completed by the end of March/April 2020 as annuity pricing is very much dependent on timing within the insurance sector and on market movements. Failing to complete the Buy-in within the timeframe would result in financial and reputational risks for the Pension Fund.

3.10.7 In addition, access to the bulk annuity market must be undertaken by a Broker (with Mercer having been appointed through a compliant framework). Mercer advised the Fund that there were only 8 suitable suppliers in the market, and as part of the process they intended to approach each one. This gave assurance that the procurement process would be undertaken in a fair and transparent way by ensuring the entire market had an opportunity to bid.

3.10.8 As reported in December 2020 the Buy-in was completed on the 19th November 2020, while the reasons for the alternative procurement route still very much stand the process was delayed due to COVID-19 and procurement subsequently paused due to market volatility. Once markets had recovered the process to procure commenced with contracts signed with the preferred provider Rothesay. (Appendix II, Press release)

3.10.9 This is a huge achievement for the Fund and a significant step in liability management, however it does bring additional work and complexity to the Fund. The Fund has another relationship to manage, ensuring we fulfil our

contractual arrangements will require the involvement of all areas of the Pension Fund.

Accounting	reconcile monthly payments, annual accounts, ensuring the insurance policy is accounted for appropriately.
Benefits Administration	additional payrolls, record keeping, monthly reporting requirements including member movements and deaths, mortality screening.
Employer Relationship	additional record reconciliation and ensuring Rothesay data is accurate and up to date (18 month data cleanse project to ensure current data held.) Meeting contractual obligations of sanctions checking, quarterly reconciliation and member communications.
Governance	monitoring contractual compliance.
Investments	managing the remaining assets and custody arrangements for policy.
Systems	ensuring systems are available.

3.10.10 This will be a long term process for the Fund, updates will be provided to committee in due course.

3.10.2 Valuation

Report to update on the tri-ennial valuation.

Separate report, provided

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 (February 2021)

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, PAS Update
Appendix II, Press Release
Appendix III, Copy of Risk Register (February 2021)

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