



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting December 2022

1. Background

1.1 Quarterly Report to December 2022

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Funds strategy and recommendations.

In line with the structural review of the Pension Fund, six specific areas were identified to full address the strategic management of the Fund;

- Investment
- Accounting
- Benefit Administration
- Systems
- Governance
- Employer Relations

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

To support this support services updates covering the six strategic areas will also be available via the secure website at <http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx>.

Also available on the Pension Fund website are all the policy documents that govern the Pension Fund including its various strategies.

2. Investment

2.1 Asset & Investment Manager Performance Report Investment Strategy Update Report

Separate reports, provided

2.2 Local Authority Pension Fund Forum (LAPFF)

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at <http://www.lapffforum.org>.

3. Accounting

3.1 Aberdeen City Council Pension Fund (known as the North East Scotland Pension Fund) Annual Report & Accounts

Budget/Forecast and Projected Spend 22/23 Report

Separate reports, provided

4. Benefit Administration

N/A

5. Systems

5.1 Performance Reporting

The quarterly update covering the period to September 2022 is attached to this report.

Appendix II, Pension Administration Strategy Report

6. Governance

6.1 Scheme Advisory Board

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

6.2 Pension Fund Annual Benefit Statements Final Update

Following on from the update to Committee in September (PC/SEPT22/STRAT), the annual benefit statement project has now been successfully completed.

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.

The Fund recorded 98.31% compliance for all benefit statements in 21/22 (active, deferred and councillors). This is a decrease from the reported figure of 99.64% in 20/21. In terms of calculating the final percentage for reporting:

- 99.9% of all deferred ABS were issued (1 error, this was a member for whom we do not hold an address);
- 100% of ABS were issued for Councillors (both active and deferred); and
- 97.08% of active ABS were issued;

by the 31 August deadline.

For the active members 108 errors were reported for members who joined the scheme before 1 April 2022 but had not paid any pension contributions i.e. joined mid March but didn't receive their first salary payment until the April payroll, therefore no CARE pay was held on the Altair system.

A further 631 members had previously requested to receive a paper copy of their ABS. Although the statements for these members had been generated in advance against their online records and could be viewed through My Pension online before the 31 August deadline, their paper statements were only printed on 30 August and did not go in the post until 1 September in part due to a postal strike. This accounts for the decrease in our reported percentage figure for 21/22 as we are considering this as a breach.

In line with our Breaches Policy, the ABS result will be recorded on the Breaches Register but not reported to the Pensions Regulator as 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 and all paper statements have since been issued.

At present 770 (+119 from 20/21) active and 626 (+128 from 20/21) deferred members have opted in to receive traditional paper statements and letters will still be sent to members not registered for MSS. The cost of each ABS letter is approximately 60p compared to an email notification which costs only 5p. Overall the move to online benefit statements has delivered a cost saving for the Fund, we anticipate costs to continue to reduce as the process is streamlined and more members register for MSS. However this year we have seen an increase in requests for paper statements.

In terms of online usage following the mailing, we saw respectively an increase of 5.9% in deferred members registering for MSS and a 6.1% 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 developments.

A full review of the ABS project will be carried out in the coming months.

6.3 Hymans Learning Academy Update

As per the Training Report and Training Policy approved by the Pensions Committee in June 2022 (PC/JUNE22/TRA), it was recommended that Committee and Board members work through and complete the Hymans modules by March 2023, and on an ongoing basis thereafter as new or updated modules are delivered.

Monthly progress reports are provided to the Pension Fund. To date, only one Committee member has fully completed all modules. All members should have been emailed individual logins from Hymans and have access to the learning portal.

6.4 Document Update

The below documents have been updated as part of the annual governance review process:

- Conflicts of Interest Policy (very minor changes to improve readability)
- Breaches of Law Policy (very minor changes to improve readability)

Copies of these documents are available on the secure area of the trustee website.

6.5 Overseas Travel

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 Blackrock, 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.

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.

As stated due to 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.

Advisory Committees are officer led and by invitation/request only, managers seek to appoint officers from their clients that have significant experience with the industry to ensure meaningful scrutiny and challenge.

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 managers performance. This is usually achieved by means of regular reporting, presentations to officers/members and attending client conferences.

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 with this asset class this type of forum strengthens the governance arrangements for the Fund together with the Fund Manager.

Officers recommend the approval for overseas travel to the following Advisory Committees:

- 1. Partners Group, March 2023, location to be confirmed**
- 2. Blackrock, April 2023, location to be confirmed**
- 3. RCP, June 2023, Chicago**
- 4. Unigestion, June 2023, Milan Italy**
- 5. IFM, date and location to be confirmed**
- 6. Harbourvest, December 2023, Boston**
- 7. Blackrock, date and location to be confirmed**

Approval is requested for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced officer substitute) to attend.

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.

7. Employer Relationship

7.1 Pensions Administration Strategy

Separate report, provided