



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting September 2023

1. Background

1.1 Quarterly Report to September 2023

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 fully 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 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.lapfforum.org>.

3. Accounting

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

3.2 Budget/Forecast 23/24 Report

Separate reports, provided

4. Benefit Administration

4.1 Pension Fund Annual Benefit Statements

The North East Scotland Pension Fund has a statutory requirement to issue all active and deferred members with annual benefit statement information by 31st August each year.

In line with our continual progression towards improved digital communication, both active and deferred statements were, once again, issued online in 2022/23. 2023 saw the launch of the new Member Self Service (MSS/My Pension+) platform for members, an upgrade on the previous version and a large undertaking for NESPF staff.

Statements are no longer posted out to members unless they contact the Fund and “opt in” to continue to receive them in paper format. To meet disclosure requirements, letters are sent out to members to provide “activation keys” where a member is not already registered with My Pension+ . Members registered for MSS receive an email notification advising them that their annual statement is available to view online.

Benefit statement data was generated against 19,316 deferred records on 18th July, with 14 reported errors. The 14 identified errors were investigated and ABS details issued manually to these members. Letters were issued for those not registered on MSS+ on 18th July, with emails for those registered being issued on 25th July.

The Committee approved a Data Quality Improvement Plan in March 2019 (PC/MAR19/STRAT) which included address tracing. In line with the plan, a bulk tracing exercise for all “gone away” members i.e. those whom we do not hold a current address for will be carried out every three years using an external tracing provider. The Fund will utilise the services of Target as approved by the Committee in December 2021 for member tracing.

In addition, a mortality check is carried out against “gone away’s” annually using the National Fraud Initiative and ATMOS Data Services on alternative years to identify any deceased

members. For “gone away” deferred members reaching age 55, an individual trace will be carried out through the DWP Tracing Service.

A final update on the active member statements will be provided to the next meeting. However 26,367 active statements were generated on 4th August, with letters being posted on the 9th August and email notifications issued on the 15th August for those members not registered for MSS+ or who have requested paper statements.

4.2 Consultations

McCloud Remedy

The Scottish Government published a further consultation and draft regulations concerning the McCloud remedy on 26th June 2023. The consultation period ran until 31st July 2023.

The consultation sought views on the proposal to address discrimination found by the courts in the McCloud case. A number of new approaches in certain areas were proposed based on the responses to the previous consultation in 2020 and to more closely align the Local Government Pension Scheme to the policies adopted by other public service pension schemes.

Both the Scheme Advisory Board and Heywood (our benefits administration system provider) have submitted a response.

Lifetime allowance

HM Revenue and Customs (HMRC) launched a consultation on 18th July 2023 in respect of abolishing the pensions lifetime allowance from pensions legislation from April 2024. The lifetime allowance is the amount of pension benefits an individual can build up in their lifetime before they need to pay a lifetime allowance charge. The consultation closes on 12th September 2023.

4.3 Early Retirement Factors

Normally, if a member chooses to take their pension benefits before their Normal Pension Age (NPA), it will be reduced for early payment based on the period between the date the benefits are paid and their NPA. New early retirement factors came into force from 3rd July 2023. The new factors are lower which means the reduction to a members pension will be less. This change will be communicated to members.

4.4 Pensions Dashboards

The Department for Work and Pensions (DWP) has laid the draft Pension Dashboards (Amendment) Regulations 2023 before each House of Parliament for approval. A date for debate has yet to be confirmed.

The draft regulations remove the phased staging timeline, replacing it with a single connection deadline of 31st October 2026. The regulations will allow the DWP and the Monday and Pensions Service (MaPS) to issue guidance setting out a staged connection timeline for individual schemes.

5. Systems

5.1 Performance Reporting

The quarterly update covering the period to June 2023 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 Document Update

The following documents have been updated and are available in the secure trustee area of the NESPF website or from the Governance Team on request:

- Cyber Security Policy (***NEW***)
- Governance Compliance Statement (minor amendments to reflect current practice)
- Corporate Governance & SRI Policy (minor amendments following merge of NESPF and Transport Fund)

6.3 Pension Board Annual Report

The Pension Board Annual Report 2022/23 was agreed by the Pension Board members at their meeting on 23rd June 2023. As part of the process, members were required to nominate and appoint a new Chair and Vice Chair for 2023/24. These posts need to be rotated annually under the regulations. Morag Lawrence (Trade Union) was appointed as Chair with Councillor Stephen Smith (Employer) as Vice Chair.

A follow up meeting/training session for the Pension Board will be held shortly to further discuss issues raised during the previous meeting.

Appendix III, Pension Board Annual Report 2022/23

6.4 Procurement for Global Custody Services

Separate report, provided

7. Employer Relationship

7.1 Forums

The Fund will host its annual financial forum on 14th September 2023. The event will be attended by a number of speakers including the scheme actuary who will discuss the 2023 triennial valuation.

7.2 Year-end Process

All scheme employers are required to submit an annual year end data return by 30th April. The year end process in 2022/23 was completed in 20 days (down from 23 days in 21/22).

The Fund continues to expand its online data exchange services, with all employers required to submit electronic monthly submissions. Monthly processing has a number of benefits for the Fund, one of which is significantly reducing the time and resource drain at year-end time. To provide a more accurate overall picture, the Employer Relationship Team (ERT) record reconciliation time on a monthly basis. On average, the ERT spent 7 days per month on reconciliation.

7.3 Scottish Fire & Rescue Service

Separate report, provided