



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting June 2024

1. Background

1.1 Quarterly Report to June 2024

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 Review 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.lapfforum.org>.

3. Accounting

3.1 Aberdeen City Council Pension Fund (known as the North East Scotland Pension Fund) Annual Report & Accounts (draft) Budget/Forecast 2024/25

Separate reports, provided

4. Benefit Administration

4.1 2020 HM Treasury Cost Control Mechanism Results

On 19 April 2024, the Government Actuary's Department released the results of the 2020 HM Treasury cost control.

The results showed that the core cost was 12.4 per cent of pensionable pay. This is 2.8 per cent below the employer cost cap of 15.2 per cent. As this lies within 3 per cent of the cost cap corridor, there is no breach of the cost control mechanism. Therefore, there is no requirement for Scottish Ministers to consult on changes to the scheme.

5. Systems

5.1 Performance Reporting

The quarterly update covering the period to March 2024 is attached to this report. Revised PAS reporting will be taken to the September meeting.

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 Updates

- NESPF Cyber Incident Response Plan (**NEW**)
- Record Keeping Policy (removed references to the Transport Fund and replaced Code of Practice 14 with General Code following implementation)
- Training Policy (minor amendments for improved clarity, added CIPFA Framework for Board members)
- Pension Board Appointment Process (update from CoP14 to General Code)
- Statement of Investment Principles (addition of Exclusion Policy and enhanced Climate Statement, also added details on biodiversity and provided examples)
- Investment Policy (minor amendments to reference ESG, responsible investment, risk classes)
- Corporate Governance and SRI Policy (minor amendments in reference to ESG and responsible investment to provide further clarity on approach)

6.3 Breaches of Law

A breach of law occurs where a duty imposed by virtue of an enactment or rule of law; and relevant to the administration of the scheme, has not been, or is not being complied with. There were 17 breaches of law recorded in the NESPF breaches register during 2023/24. The majority were scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions. The remainders were personal data breaches resulting mostly from human error.

The Pension Fund will continue to engage with scheme employers during 2024/25 and build on the training and support already provided. Officers complete mandatory information governance training annually and receive further training and reminders to reinforce this throughout the year.

Following assessment none of the above breaches were deemed to be of material significance to require reporting to the Pensions Regulator.

In line with the UK data protection legislation certain data breaches must be reported to the Information Commissioners' Office i.e. where there is likely to be a risk to the individual(s) rights and freedoms. There were no reports made to the ICO in 2023/24.

6.4 Pensions Committee and Board Training

Separate report, provided

6.5 LAPFF Executive Committee

Separate report, provided

6.6 Pensions Dashboards

Separate report, provided

6.7 Operating Model Review

Aberdeen City Council in its role as the Administering Authority has a duty to deliver a pension service to all stakeholders. Hymans Robertson have recently been appointed via the Norfolk Local Government Pension Scheme (LGPS) Framework to deliver a full Operating Model Review of the Pension Fund.

The Operating Model Review will look at the current structure and provision of critical services, with the aim to ultimately deliver financial and service efficiencies. The delivery of an efficient Pension Fund is critical to the 41 employers and 70,000 plus members of the scheme including local taxpayers. The review and following outcomes will future proof the Fund, ensuring the delivery of this critical service for generations to come. Further updates will be provided.

7. Employer Relationship

7.1 2023 Actuarial Valuation

Following the Funding Strategy Statement consultation with the Pensions Committee and participating employers in December 2023 the triennial valuation was completed by the Scheme Actuary in March 2024. The Valuation Report confirms that the funding level for the NESPF as at 31 March 2023 was 126% with a calculated surplus of £1,190m.

The Valuation Report also includes the Rates and Adjustments Certificate which details the individual employer contribution rate requirements for the three years from 2024/25 to 2026/27. All participating employers within the NESPF have seen a reduction to their rate from the previous valuation in 2020. Some employers have seen more significant reductions than others depending on the individual employer funding level and the membership profile held.

The NESPF and the Scheme actuary have delivered a balanced valuation ensuring that employers are benefiting from the surplus position which has been maintained over the last three valuations whilst also putting in the appropriate levels of prudence to achieve contribution sustainability over the longer term.

The final versions of the NESPF Valuation Report 2023 and the NESPF Funding Strategy Statement 2023 are attached for your information and outlines the valuation methodology and the assumptions used.

Appendix III, NESPF Valuation Report 2023

Appendix IV, NESPF Funding Strategy Statement 2023