



North East Scotland Pension Fund

**nespf**

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# Strategy Report

Quarterly Reporting December 2024

# 1. Background

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## 1.1 Quarterly Report to December 2024

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Fund's 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](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

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### 2.1 Asset & Investment Manager Performance Report

*Separate report, 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>.

Following discussion at the June 2024 meeting (PC/JUN24/LAPFF), the Pension Fund Manager's nomination to the LAPFF Executive Committee has now been accepted.

## 3. Accounting

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### 3.1 Budget/Forecast and Projected Spend 23/24 Report

N/A

## 4. Benefit Administration

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### 4.1 Pension Fund Annual Benefit Statements

Following on from the update to Committee in September (PC/SEPT24/STRAT), the annual benefit statement project has now been successfully completed.

Active benefit statements were issued electronically to members through My Pension+ 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 My Pension+

The Fund recorded 99.92% compliance for all benefit statements in 23/24 (active, deferred and Councillors). This is an increase from the reported figure of 99.78% in 22/23. In terms of calculating the final percentage for reporting:

- 100% of all deferred ABS were issued;
- 100% of ABS were issued for Councillors (both active and deferred); and
- 99.82% of active ABS were issued;

By the 31 August deadline.

For the active members 86 errors were reported in total, 35 of those were for members who joined the Scheme before 1 April 2024 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 benefit administration system. After further investigation, a further 50 of the errors were carried over from the previous year as due to an oversight the "no ben calc" indicator had not been removed for the March 2023 joiners. The 1 remaining error is currently being investigated further by the Benefit Administration Team.

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 members' records which did not generate an annual benefit statement as per the above summary.

At present 704 (-33 from 22/23) active and 696 (-39 from 22/23) deferred members have opted in to receive traditional paper statements and letters will still be sent to members not registered for My Pension+. The cost of each ABS letter is approximately 73p compared to an email notification which costs only 5p. Overall the move to online benefits 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 My Pension+.

With the move to the new online platform, the Fund required all members already registered to My Pension to complete a migration process in order to access their account on the new site. As of 1 November 2024, 16,304 active members were registered, with 11,473 (70.4%) migrated to My Pension+ and 11,052 deferred members registered, with 6,600 (59.7%) successfully migrated.

A full review of the ABS project will be carried out in the coming months to guide future improvements.

### **McCloud Remedy Regulations**

Scottish Ministers also notified of their intention to consult on the draft LGPS (Remediable Service)(Amendment)(Scotland) Regulations 2024 to remove the requirement to include McCloud Remedy underpin information in the 2024 Annual Benefit Statements (ABS), due to be issued to members by 31 August 2024.

However, as the modified regulations would not be in force before the 2024 ABS deadline of 31 August 2024, the Pensions Regulator (tPR) expected all administering authorities to report that they would not be in a position to include underpin information in the 2024 ABS.

NESPF, therefore, had to formally report itself for a breach of the law to tPR. The Scottish Public Pensions Agency (SPPA) have advised tPR that the breach should be resolved when the regulations come into force later in 2024.

## **5. Systems**

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### **5.1 Performance Reporting**

Performance is reported using new business intelligence and analytics software (Insights).

In addition to quarterly performance, the new PAS reporting also includes comparison against the previous quarter, information on data quality and progress on large scale exercises required by regulations e.g. McCloud and Pension Dashboards.

**Appendix II, Pension Administration Strategy Report**

## 6. Governance

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### 6.1 Scheme Advisory Board

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

### 6.2 Document Updates

Copies of the draft policy documents can be found in the secure member area of the website ([www.nespf.org.uk](http://www.nespf.org.uk)) or copies can be requested from the Governance Team. Any significantly revised or new documents will be included as appendices to this report.

- **Reporting Breaches of the Law Policy** (updated reference from COP14 to GCOP, included reference to regulation, expanded definition of breach and non-compliance for LGPS, responsibilities of monitoring officer and additions to Related Policies section)
- **Conflicts of Interest Policy** (updated reference from COP14 to GCOP, provided further detail on contribution setting, investment decisions, administration, third parties, financial reporting, updated Related Policies section and added in Seven Principles of Public Life to purpose statement)
- **Data Quality Improvement Plan** (updated for 2024 – see **Appendix III**)
- **Cash Management Principles** (updated to remove reference to Aberdeen City Council Transport Fund, removal of staff names to job positions)

### 6.3 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 Fund's 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 Committee.

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 – Zug, Switzerland (TBC)**
- 2. HarbourVest, May – London, UK**
- 3. IFM, May – Milan, Italy**
- 4. Blackrock, May/June – New York, US**
- 5. Capital Dynamics, May – London, UK (TBC)**
- 6. Unigestion, June – Madrid, Spain**
- 7. RCP, June – Chicago, US**
- 8. HarbourVest, December – Boston, US**

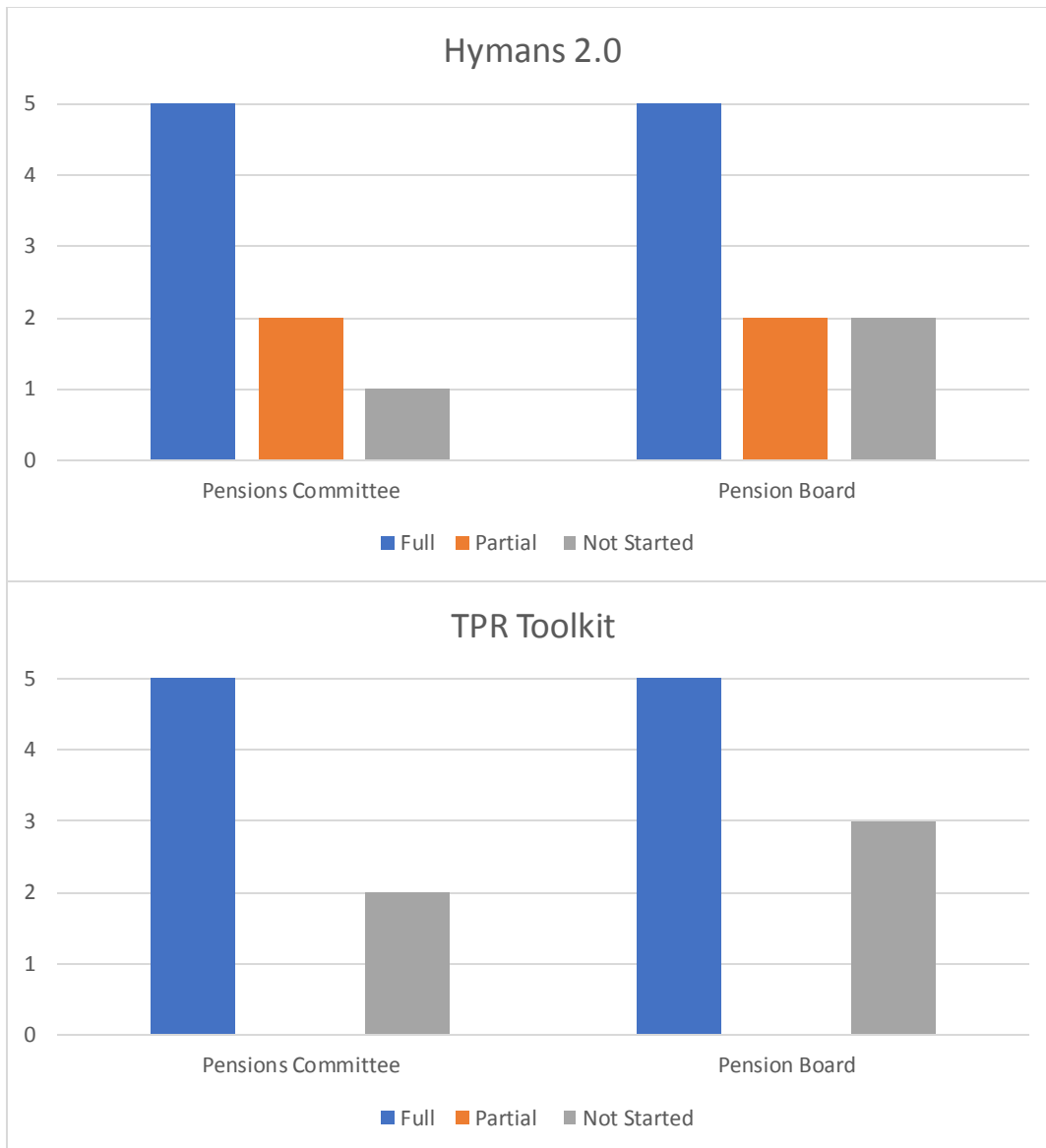
Approval is requested for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced officer substitute) to attend.

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.

## **6.4 Training Update**

At the September Pensions Committee and Board meeting, Audit Scotland presented their Annual Audit Report 2023/24 (IA/24/008). One of the Key Messages from this report was that "members' commitment to pensions training needs to be improved to support good scrutiny". Recommendation 2 of the Report stated "The programme of mandatory training should be refreshed and sanctions agreed and implemented where agreed training is not undertaken within reasonable timescales".

In terms of an update on mandatory training, the below summaries for both Hymans and tPR, chart the number of individuals who have fully completed the training, partially completed or are yet to start:



The below tables provide a further breakdown by individual member as at 12/11/2024:

Board Member	Hymans 2.0	TPR Public Service Toolkit
CLlr Jessica Mennie	✓	X
CLlr Stephen Smith	✓	✓
Morag Lawrence	<i>Partial</i>	✓
Alan Walker	✓	✓
Gordon Walters	<i>Partial</i>	X
Neil Stirling	✓	✓
CLlr David Gordon	✓	X
Kenny Luke (Sub)	X	✓
CLlr Neil Copland (Sub)	X	X

Committee Member	Hymans 2.0	TPR Public Service Toolkit
CLlr John Cooke	✓	✓

Cllr Neil MacGregor	✓	✓
Cllr Dell Henrickson	✓	✓
Cllr Duncan Massey	<i>Partial</i>	✓
Cllr Alison Alphonse	<i>Partial</i>	<b>X</b>
Cllr Kairin van Sweeden	✓	✓
Cllr Derek Davidson	<b>X</b>	<b>X</b>
Cllr David Cameron (Sub)	✓	<b>X</b>

Fund Officers regularly seek feedback from Committee and Board on both Hymans LOLA and the TPR Public Service Toolkit, in particular this feedback assists Officers in making decisions around mandatory training and during contract reviews.

A training session was organised and delivered by Fund Officers, following such feedback, on 18 November 2024 on a range of topics including cyber management, pension dashboards, data quality, member engagement and the Pensions Regulator's General Code.

## 7. Employer Relationship

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N/A