

ABERDEEN CITY COUNCIL

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COMMITTEE: Council  
DATE: 16<sup>th</sup> May 2012  
DIRECTOR: Stewart Carruth  
TITLE OF REPORT: Pensions Panel  
REPORT NUMBER:

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1. PURPOSE OF REPORT

The purpose of this Report is to invite the Council to appoint Members to sit on the Pensions Panel and Joint Investment Advisory Committee

2. RECOMMENDATION(S)

It is recommended that the Council:-

- (a) appoints a Pensions Panel, comprising 4 Members of the Council; and
- (b) appoints the Members of the Pensions Panel as its representatives to the Joint Investment Advisory Committee

3. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this Report, however the Pensions Panel is responsible for the management of the North East Scotland Pensions Fund (NESPF).

4. SERVICE & COMMUNITY IMPACT

As the Pensions Panel is an internal body, there are no direct links to the Community Plan.

5. OTHER IMPLICATIONS

None

6. REPORT

The function of the Pensions Panel is the management of the Pension Fund. This is a significant function as the Panel has duties analogous to those of trustees in relation to the management of funds valued in the region of £1.1 billion. Whilst it acts on the advice of suitably qualified professionals, the Committee is, in a real sense, responsible for matters such as the strategy for

managing the Fund and the appointment, performance monitoring and review of investment managers.

To secure the proper governance of the investment management function, it is important that there is effective supervision at elected member level. It should be borne in mind that under-performance in this area can have significant financial consequences well beyond the boundaries of the City, as the Fund covers the whole of the former Grampian Region area and is, in effect, “balanced” by the contributions paid by the participating employers. Accordingly, accountability at the highest level is vital.

On the other hand, the Pension Fund does not exist in isolation. It exists to pay the benefits and other costs arising out of the administration of the Local Government Pension Scheme in the former Grampian area. All of the functions associated with the Scheme, whilst they are this Council’s responsibility under statute, are exercised on behalf of a wider constituency and have more to do with the wider scheme than with the rest of the Council’s discrete functions. It is therefore appropriate that benefits and other aspects of Scheme administration are governed, along with the management of the Fund, in a stand-alone Committee.

Since its creation in 2003, the Pensions Panel has operated with a compliment of four Elected Members. Given the training demands arising out of the nature of the Panel’s responsibilities, the call for interaction with representatives of fund managers and the need, on occasion, to convene at relatively short notice, a reasonably small number of members is been practical. It may also be prudent to bear in mind that political considerations should never be to the fore in relation to a Panel or Committee such as this.

In addition to the Pensions Panel, the Council, along with other authorities participating in the NESPF, appoints representatives to sit on the Joint Investment Advisory Committee. The purpose of the Joint Investment Advisory Committee is to advise and make recommendations to the Pensions Panel regarding the investment management and performance of the Fund or Funds, having regard to the requirements of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 1998 (as amended) and to suitable professional advice, relevant statutory and other guidance and good industry practice. It has been the practice of the Council to appoint the Members of the Pensions Panel to sit on the Joint Investment Advisory Committee.

Given the role and responsibility of the Pensions Panel, comprehensive induction training is provided to Members.

## 7. REPORT AUTHOR DETAILS

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## 8. BACKGROUND PAPERS

None.