

ABERDEEN CITY COUNCIL

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COMMITTEE: PENSIONS COMMITTEE

DATE: 15 JUNE 2015

REPORT BY: HEAD OF FINANCE

TITLE OF REPORT: GOVERNANCE REPORT

REPORT NUMBER: PC/JUN15/GOV

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### 1. PURPOSE OF REPORT

To update members of the Pensions Panel, on the Fund's compliance with the Pension Fund's Governance Policies.

### 2. RECOMMENDATION(S)

- 5.2.5 Approve the Pensions Administration System tender, using the Northumberland County Council Framework.
- And to note the report.

### 3. FINANCIAL IMPLICATIONS

All costs will be met by the Pension Fund and identified in the annual and six monthly budget reviews made to the panel.

### 4. OTHER IMPLICATIONS

None

### 5. BACKGROUND/MAIN ISSUES

#### 5.1 Background

5.1.1 Good Governance is a crucial element of effective public services. It leads to good management, good performance and good stewardship of public money.

5.1.2 The commitment of the Pension Fund to good governance promotes accountability and gives reassurance to the stakeholders in the Pension Fund.

5.1.3 At the September 2012 meeting of the Pensions Panel it was agreed that reporting to the Panel be broken down into three reports, covering Administration and Technical & Communications, Governance and Investment and Accounting

This Governance report provides a quarterly updates on:

- Governance
- Funding Update
- Risk Management
- Recommendations from the JIAC
- Training
- Conferences

## 5.2 Governance

### 5.2.1 Employers

As a result of the valuation process **HomeStart Aberdeen** (Employer 00067) have confirmed that their admission agreement is closed to new entrants

**Middlefield Community Project** (00042) and **Aberlour Childcare Trust** (00010) have confirmed that their admission agreements remain open following discussions with the Employer Relationship Team.

**Sport Aberdeen** (00091) have requested that an addendum be made to their admission agreement to open them to new entrants from 1 April 2015. The addendum has been prepared and awaits signature from both parties.

The admission agreement for the new body **Citymoves Dance Agency** is currently being prepared by our solicitor. Delays have been experienced due to the introduction of the new scheme requirements from 2015.

**Aberdeen Greenspace** (00076) currently have no active members within the scheme. A termination valuation has been put on hold until they have completed their recruitment process and determined if there will be any new scheme entrants.

**Visit Scotland** (00056) have admitted a new member to the scheme to avoid termination. Clarification is currently being sought from the scheme actuary, the SPPA and other authorities to determine how a Scheduled body is to be treated upon termination from the Fund.

**Northern Community Justice Authority** (00106) have advised that they will cease to exist with effect from 2017. Illustrative termination values have been provided to the Justice Authority allow them to prepare for termination and possibly pre-fund.

**Robert Gordon University** (00015) have successfully gone 'live' on our automated system I-connect. Testing is also underway for both **Aberdeenshire Council** (00101) and **Moray Council** (00102) with a view to having all four of largest employers providing monthly submissions of information by June 2015. The result of this will be to ease the administrative burden within the pensions department and provide access to more up-to-date and accurate information.

The Fund continue to receive a lot of queries regarding potential TUPE transfers which may or may not result in requests for admission body status.

Following the completion of the 2014 valuation the Fund will now instruct Mercer to carry out a bond review for all those Admitted Bodies for whom we hold a bond or indemnity. This will ensure that the bonds in place are still reflective of the potential liabilities and offer full protection for the Fund.

Individual funding levels have been provided for each employer within the fund following the 2014 valuation. This will allow the Employer Relationship Team to fully implement the Employer Covenant Assessment Policy over the next two years prior to the 2017 valuation. The policy allows us to monitor the risk to the Fund posed by employers that may be unable to meet the liabilities held for them within the Fund.

### 5.2.2 Funding Update

Approximate post valuation update, as at 31 March 2015.

	NESPF	ACCTF
Assets		
Liabilities		
Deficit		
Funding Level		

## Actuarial Valuation, 31 March 2014

Please see separate report.

### 5.2.3 Annual Review of Scheme Documentation

The Fund undertakes an annual review of all major scheme policies and statements. Revisions as at 1 June 2015 have been made to the following policies.

- Governance Policy
- Governance Compliance Statement
- Risk Register
- Training Policy (Pension Committee)
- Communication Policy
- Investment Policy
- Corporate Governance Policy & Stewardship Code
- Employer Engagement Statement

A detail for the revisions to each policy is provided at appendix I. All of the above revised reports are available to view via the Pension Fund website at [www.nespf.org.uk](http://www.nespf.org.uk)

### 5.2.4 Training

Further to the training that was delivered during February and April to both the Pensions Committee and Pensions Board, a further full day of training will be arranged during September 2015, agenda to be confirmed in due course.

A days training had been arranged by the Investment Governance Group that all eleven Scottish Pensions Fund attend, unfortunately due to the potential rail strike and short notice members from the Committee and Board were unable to attend. Presentations from the day are now available and will be made available on the secure area of the Funds website.

### 5.2.5 Tender

Further to the retention of the Pension Administration system provider (Heywoods Ltd) following an EJOU tender during 2011, the contract was for five years and is due to come to an end in 2016.

Heywoods not only provide the main Altair Administration system for the Fund they also provide Payroll, Employer Services, iConnect and My Pension. The annual cost of these systems £250,000.00

With the continued pressure on Local Government Pension Scheme to reduce cost and work collaboratively with others the Fund in line with recent tenders wish to make use of the current Framework that is available to tender for such services.

Northumberland County Council has created a framework that all UK LGPS Funds can call upon at no additional charge.

The Pension Fund seek approval to go out to tender for the services of a Pensions Administration System, utilising the Northumberland County Council Framework.

## 6. IMPACT ON THE FUND

Good governance of the Fund at scheme level and governance of the underlying companies in which we investment is key to the long term performance of the Fund. Future governance reports will also focus on risk management as a tool of good governance.

## 7. BACKGROUND PAPERS

Risk Register (Appendix I)

## 8. REPORT AUTHOR DETAILS

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