

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	23 JUNE 2017
REPORT TITLE	STRATEGY
REPORT NUMBER	PC/JUN17/STRATEGY
DIRECTOR	HEAD OF FINANCE
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1. PURPOSE OF REPORT:-

- 1.1 To inform the Committee and provide recommendations to any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- i. Note the report
 - ii. Approve the change in staff resources as stated in 3.6.1

3. BACKGROUND/MAIN ISSUES

- 3.1 In line with the structural review of the Pension Fund, six specific areas have been identified which fully address the strategic management of the Fund;

- Investment
- Accounting
- Benefit Administration
- Technical
- Governance
- Employer Relations

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Funds strategy and recommendations. To support this report service updates covering the six strategic areas will also be available via the secure website and email.

Also available on the Pension Fund Website are all the Policy documents that govern the Pension Fund including its various strategies.

3.2 **INVESTMENT**

3.2.1 *Asset & Investment Manager Performance Report* *Investment Strategy Update Report*

Separate Reports, provided.

3.3 **ACCOUNTING**

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

Budget/Forecast and Actual Spend 2016/17 and Budget/Forecast 2017/18

Separate Reports, provided.

3.4 **BENEFIT ADMINISTRATION**

3.4.1 **Late Retirement Factors**

The retirement benefits which members receive from the Local Government Pension Scheme are increased if they retire later than their normal pension age which is now linked to state pension age (or age 65, whichever is later). These 'late retirement' factors are subject to periodic review by the Scottish Ministers.

New factors will come into effect from 24th June 2017.

These new factors are significantly different to the previous ones. To give members advance warning of the change, information was put on the NESPF website and on scheme documentation. In addition a letter was issued directly to all members approaching or over age 65 advising them of the change. Members considering retirement were directed to the online Member Self Service facility. Further information is available at <http://www.nespf.org.uk/QuickLinks/LateRetirement.aspx>.

3.4.2 **Parallel Running**

Aquila Heywood (the provider of the Altair system) is in the process of moving from Java to Cobol. This migration will take place in the background and we do not anticipate there being any issues. However it will be necessary to make sure all the Fund's bespoke pensions payroll items are still working accurately. To achieve this the benefit administration team will be carrying out double entry of all payroll items e.g. pensioner retirements, deaths etc, for both the June and July payroll. This will allow adequate checks to be carried out before the changes go live. Every pay run will need to be processed twice and the results compared to ensure accuracy.

3.4.3 **Overseas Payments through Western Union**

The Fund is in the process of streamlining its processes in relation to our overseas pensioner payments which are currently made through Western Union. By taking up access to Global Pay, which is the payment platform used by Western Union to process payments, it will allow us to directly upload monthly payment details, make

changes to member details and input new members. New procedures will be put in place to ensure data input is accurate.

This new process will enable the Fund to have a greater degree of control over its overseas payments.

3.4.4 **Severance Policy**

The Scottish Government has launched a consultation exercise on severance (exit payment) arrangements across the public sector, including capping exit payments which could take in early retirement costs/compensatory added years. The exercise will seek opinion on four different policy options; maintain the status quo, non-legislative change, replicate UK arrangements or a hybrid approach. The consultation closes on 23 June 2017, with the Government's response due to be published during summer 2017.

A copy of the consultation paper can be found at <http://www.gov.scot/Resource/0051/00516169.pdf>

3.5 **TECHNICAL**

3.5.1 Appendix I, Pensions Administration Strategy Update

3.6 **GOVERNANCE**

3.6.1 **Pension Fund Staff Appointments**

Following internal advertisement of the Pension Officer – Accounting post a candidate was successfully appointed and is settling into the role, during what is a particularly busy time for the Accounting Team preparing the Annual Report & Accounts.

Interviews took place in mid-May for the Trainee Pension Officer – Benefit Administration post and an appointment to the post is underway.

Pension Fund Staff Structure

Following the implementation of the restructure on 1 April 2016, officers have been monitoring and reviewing the structure that was put in place. In March 2017 approval was given to add two further Pension Officer posts, one within Investments and the other within the Employer Relationship team. These posts are awaiting advertisement.

Further to the above the Fund now seeks approval to remove a Pension Officer Technical post and add a further Trainee Pension Officer Benefits post.

The Structure is constantly under review, reacting to continual change and pressure on resources, the Fund is experiencing an increase in Benefit activity and this post will provide support to the existing team and assist in succession planning.

The above changes have no impact on the current budget due to both posts being of equal pay grades (Appendix II, Staff Structure Chart (May 2017)).

3.6.2 Pension Fund Staff Training

Internal training sessions for Pension Fund staff have been taking place over recent months covering a range of topics to provide staff with a better overview of all areas within pensions, including;

- Benefit Administration (IT & record keeping)
- Governance (legislation, Scheme governance, regulatory bodies, communication, risk and customer service)
- Investment (governance, performance & risk management)
- Employer Relationships and Actuarial Services

Further training sessions are planned for later in the year to cover corporate governance and accounting.

Staff training plans have been implemented for Pension Fund staff, with training being monitored going forward and reported to Committee on an annual basis.

3.6.3 Breaches of Law

There were 32 separate breaches of law recorded in the Breaches Register during 2016/17. The majority of these were due to Scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions or not providing the Fund with a copy of their discretions policy.

There were no reports made to the Pensions Regulator as these breaches were not deemed to be of material significance i.e. the cause of the breach was identified and steps put in place to rectify or prevent future reoccurrence.

The Pension Fund will continue to engage with employers throughout 2017/18. We will continue to monitor breaches and where patterns are identified through the Register, work with employers to provide additional training or support. Minor issues will be communicated through our quarterly employer email bulletins.

3.6.4 Scheme Advisory Board

Scheme Advisory Board website available at <http://lgpsab.scot>

Appendix III, Latest SAB Update

3.6.5 Governance Review

In their role as pensions policy advisers to the Scottish Government, the Scottish Public Pensions Agency (SPPA) was charged with the design and delivery of the new governance arrangements introduced under the Public Service Pensions Act 2013, which included undertaking a review within the first two years of operation. KPMG, on behalf of SPPA, recently published their Governance Review report. Overall the findings of the review were very positive, with the consensus being that the new arrangements were working well despite having only being in operation for a short period of time. The SAB will now give further consideration to the relevant recommendations of the report.

3.6.6 Pension Board

Appendix IV, Pension Board Annual Report 2016/17

3.6.7 Pension Committee & Board Training Plan

Separate report, provided

3.6.8 Document Updates

The following documents have been updated:

- Compliance with the Myners Principles (available at www.nespf.org.uk)
- Cash Management Manual (see Appendix V)

A Complaint Handling Policy has also been put together for internal use by Pension Fund staff, which should ensure all staff are responding in a consistent and professional manner when dealing with customer complaints. A copy of the policy is attached at Appendix VI.

3.7 EMPLOYER RELATIONSHIP

3.7.1 Employer Update

Following the liquidation of Moray Anchor Project at the end of 2016 and the initial meeting of the creditors in January 2017, there have been no further updates from the appointed liquidator.

Recent months have also seen a number of terminations from the Scheme;

- Northern Community Justice Authority ceased to exist on 31 March 2017. The termination fee will be paid by the Scottish Government and is currently being calculated by the Actuary.
- Manor Project ceased trading on 31 March 2017. Aberdeen City Council acts as guarantor for Manor Project. The termination fee is still to be calculated by the Actuary.
- Visit Aberdeenshire's only member left on 29 April 2017 triggering the termination process. Aberdeenshire Council acts as guarantor for Visit Aberdeenshire. The termination fee is currently being calculated by the Actuary.

4. FINANCIAL IMPLICATIONS

- 4.1 The performance of the Fund over the long term can impact on the Fund's funding level and therefore the ability to meet its long term liabilities.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The Pension Fund regularly updates its Risk Register in line with change and is reported quarterly to the Pensions Committee.

Appendix VII, Copy of Risk Register (updated May'17)

7. IMPACT SECTION

- 7.1 The Pension Committee has a fiduciary duty to monitor the Pension Fund Strategies across all areas and timelines to deliver a timely, accurate and compliant service to all stakeholders.

8. BACKGROUND PAPERS

- 8.1 None

9. APPENDICES

- 9.1 Appendix I, Pension Administration Strategy
Appendix II, Staff Structure Chart
Appendix III, SAB Latest Update
Appendix IV, Pension Board Annual Report 2016/17
Appendix V, Cash Management Manual
Appendix VI, Complaints Handling Policy
Appendix VII, NESPF Risk Register

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