

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 15 September 2017. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Jennifer Stewart, Convener; Councillor Reynolds, Vice-Convener; and Councillors Allard, Bell, Delaney, MacGregor and Malik (Pensions Committee); and Mr A Walker, Chairperson; and Councillor Alan Donnelly, the Depute Provost (Pension Board).

Also in attendance:- Laura Colliss, Pensions Manager; Steve Whyte, Head of Finance; Graham Buntain, Investment Manager; Gillian Woolman, Assistant Director, Audit Scotland; and Colin Morrison, Senior Auditor, Audit Scotland.

The agenda and reports associated with this minute can be found at:-

<https://committees.aberdeencity.gov.uk/ieListDocuments.aspx?CId=506&MId=4355&Ver=4>

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

DETERMINATION OF URGENT BUSINESS

1. The Convener advised that there were no items of urgent business to be considered.

DETERMINATION OF EXEMPT BUSINESS

2. The Committee was requested to determine that the following items of business, which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973, be taken in private – items 10 (Asset and Investment Manager Performance Report) and 11 (Investment Strategy Update).

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of items 10 and 11, so as to avoid disclosure of exempt information of the class described in paragraph 6.

DECLARATIONS OF INTEREST

3. There were no declarations of interest.

MINUTE OF PREVIOUS MEETING

4. The Committee had before it the minute of its previous meeting of 23 June 2017.

PENSIONS COMMITTEE AND PENSION BOARD

15 September 2017

With reference to article 1, Ms Colliss advised that the NESPF had been successful at the awards in London in June, and had won the Public Sector Scheme of the Year award, the Fund's second award of the year. She added that the Fund was in contention for two further awards.

With reference to article 6 it was noted that the annual accounts which had been approved at the previous meeting were the unaudited accounts. This was highlighted in order to avoid any confusion with the audited annual accounts which were before Committee to approve at item 8.

The Committee resolved:-

- (i) to note that the previous meeting had considered the unaudited annual accounts;
- (ii) to congratulate the team on winning Public Sector Scheme of the Year; and
- (iii) to otherwise approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

NORTH EAST SCOTLAND PENSION FUND 2016/17 DRAFT ANNUAL AUDIT REPORT

5. The Committee had before it a report by the External Auditor on the 2016/17 Annual Audit of the North East Scotland Pension Fund. The report noted that auditors were required to report on specific matters arising from the audit of the financial statements to those charged with governance of a body, prior to the financial statements being approved and certified. The report presented the draft annual report on the 2016/17 audit.

The key messages from the audit were that the Fund had effective arrangements in place for financial management, including the comprehensive reporting of investment performance. Pension contributions for the Main Fund continued to exceed benefits payable. The report noted that the increase in pensioners in the Transport Fund's membership would make funding pension payments increasingly challenging with a greater reliance on selling investments, however the funding levels did not give any cause for concern in the short to medium term.

The audit had found that effective governance arrangements were in place to support scrutiny of decisions made by the Pensions Committee and decisions were transparent, with committee papers and detailed minutes available on the Aberdeen City Council website. The performance of the Fund was subject to regular review and scrutiny by the Committee.

PENSIONS COMMITTEE AND PENSION BOARD

15 September 2017

The report included an action plan containing a recommendation for improvement in respect of updating the Pensions Committee Orders of Reference by March 2018.

The Committee heard in detail from Ms Woolman and Mr Morrison in respect of the report following which Members asked a number of questions.

The Committee resolved:-

to note the audit report.

The Board resolved:-

to note the decision of the Committee.

BUDGET / FORECAST & PROJECTED SPEND 2017/18 - PC/SEPT17/BUD

6. With reference to article 8 of the minute of the previous meeting, the Committee had before it a report by the Head of Finance which provided details of the Management Expenses Budget/Forecast and Projected Spend 2017/18 for the North East Scotland Pension Fund (NESPF).

It was noted that there was currently an underspend in respect of staff costs due to the restrictions in place around recruitment. Mr Whyte explained that he was in discussions with HR in respect of this.

The report recommended:-

that Committee –

- (a) note the update on the NESPF Management Expenses Budget / Forecast and Projected Spend for 2017/18;
- (b) note the update on Pension Fund staff costs and staffing vacancies; and
- (c) note the update on Direct Property Expenses and Transaction Costs shown in Appendix 1 to the report.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

CONSIDERATION AND SIGNING OF AUDITED ANNUAL REPORT & ACCOUNTS - PC/SEPT17/ACC

7. With reference to article 5 of the minute of this meeting, the Committee had before it a report by the Head of Finance which set out the audited Annual Report and

PENSIONS COMMITTEE AND PENSION BOARD

15 September 2017

Accounts for the North East Scotland Pensions Fund and the Aberdeen City Council Transport Fund for consideration and signing.

The report recommended:-

that Committee consider and sign the Audited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for consideration and signing.

Mr Whyte added that he wished to thank staff and the auditors for their work throughout the process.

The Committee resolved:-

- (i) to approve the recommendation; and
- (ii) to thank all the staff involved for their hard work in respect of the preparation of the annual accounts, and involvement in the successful audit.

The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/SEPT17/STRATEGY

8. With reference to article 9 of the minute of its previous meeting, the Committee had before it a report by the Pensions Manager which provided an update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

The report contained information and updates on the review of Additional Voluntary Contributions, and the 'soft closure' of a small number of underperforming funds and addition of three new funds; an Local Government Pension Scheme Regulation update; parallel running; the proposed increase to the state pension age; an update on the Pension Fund staffing levels; an update on the percentage of annual benefit statements issued to members; an update on the EU General Data Protection Regulation and the implications for the Pension Fund; and an update on the year end / valuation process.

The report recommended:-

that the Committee note the report.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

PENSIONS COMMITTEE AND PENSION BOARD
15 September 2017

In accordance with the decision recorded under article 2 of this minute, the following items were considered with the press and public excluded.

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT - PC/SEPT17/AIMPR

9. With reference to article 11 of the minute of its previous meeting, the Committee had before it a report by the Head of Finance which provided a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 June 2017.

The Committee heard from Mr Graham Buntain in respect of the detail contained in the report.

The report recommended:-
that the Committee note the report.

The Committee resolved:-
to approve the recommendation.

The Board resolved:-
to note the decision of the Committee.

INVESTMENT STRATEGY UPDATE REPORT - PC/SEPT17/INVSTRAT

10. The Committee had before it a report by the Head of Finance which provided an update on the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

The Committee heard from Mr Buntain in respect of the detail outlined in the report.

The report recommended:-
that Committee –

- (a) approve new investment of £100 million in the Aviva Investors Infrastructure Income fund;
- (b) approve £50 million of further investment to the existing mandated Blackrock Dynamic Diversified Growth fund;
- (c) in respect of the Markets in Financial Instruments Directive 2014/65 (MiFIDII), note the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018;

PENSIONS COMMITTEE AND PENSION BOARD

15 September 2017

- (d) agree the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure the continued implementation of an effective investment strategy;
- (e) agree to forego the protections available to retail clients specified in Appendix 1 of the report; and
- (f) approve the granting of delegated powers to the Investment Manager and Governance Manager for the purpose of completing the applications and determining the basis of application as either full or single service, to enable the Fund to be registered as a professional client ahead of the deadline of 3 January 2018.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

- **COUNCILLOR JENNIFER STEWART, Convener**

PENSIONS COMMITTEE AND PENSION BOARD
15 September 2017

DRAFT