

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	16 MARCH 2018
REPORT TITLE	REVIEW OF NESPF COMPLIANCE WITH THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND PENSION REGULATOR REQUIREMENTS
REPORT NUMBER	PC/MAR18/GOV
DIRECTOR	DIRECTOR OF RESOURCES
REPORT AUTHOR	MAIRI SUTTIE

1. PURPOSE OF REPORT:-

- 1.1 To provide members with a review of the North East Scotland Pension Fund's (the 'Fund') compliance with the Public Service Pensions Act 2013 and the Pension Regulator ('tPR') requirements relating to the Fund during the financial year 2017/18.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- i. Note the report

3. BACKGROUND/MAIN ISSUES

3.1 GOVERNANCE FRAMEWORK REVIEW

- 3.1.1 A review of the Fund's governance framework is conducted on an annual basis. The purpose of the review is to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.
- 3.1.2 In terms of Scheme compliance with legislation such as the Local Government Pension Scheme (Scotland) Regulations and the PSPA 2013 and tPR requirements (as set out in *Code of Practice 14 Governance and Administration of Public Sector Pension Schemes*) a review is carried out on a six monthly basis by Fund officers with annual reporting to the Committee.

3.1.3 To assist public service pension schemes in reviewing their Scheme, a self-assessment tool has been developed by tPR. The Fund has utilized this tool to assist in reviewing our current governance, risk and administration practices.

3.2 Pension Board

3.2.1 The NESPF Pension Board is made up of equal numbers of trade union (4) and employer representatives (4) as follows:

- *1 x Aberdeen City Council*
- *1 x Aberdeenshire Council*
- *1 x The Moray Council*
- *1 x Scheduled/Admitted bodies*
- *1 x Unison*
- *1 x Unite*
- *1 x GMB*
- *1 x UCATT*

3.2.2 The role of the local pension board is to assist the administering authority (Aberdeen City Council) to:

- ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS), and
- ensure compliance with LGPS scheme regulations and other relevant legislation together with any requirements imposed by tPR.

3.2.3 The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision making body. In so doing, the Pension Board is helping to manage the reputational risk of the Fund, and of the administering authority, which responds to the Pension Regulator's expanded regulatory role.

3.2.4 Meeting Attendance for 2017/18

During 2017/18 the Pension Board met formally (and concurrently with the Pensions Committee) on:

12 June 2017 (Pension Board only)
23 June 2017
15 September 2017
1 December 2017
16 March 2018

3.2.5 During 2017/18 there was a 90% (up to December 2017) turnout of Pension Board members at meetings. Active participation during meetings and a

willingness to undertake training, indicate the strong commitment of Board members to the continuing effectiveness of the NESPF Pension Board.

The table below details meeting attendance during 2017/18 to date.

Name	12 June '17	23 June '17	15 Sept 17	1 Dec '17
Cllr Alan Donnelly *			✓	X
Cllr Freddie John*	✓	✓		
Cllr Alistair McKelvie	✓	✓	✓	✓
Cllr John Cowe	✓	✓	✓	✓
Marie Hart	✓	✓	✓	X
Morag Lawrence	✓	✓	✓	✓
Alan Walker	✓	✓	✓	✓
Kevin Masson	✓	✓	✓	✓

* Councillor Donnelly replaced Councillor John on the Pension Board from September 2017

3.2.6 Pension Board costs of operation 2017/18

The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The costs are principally travel related expenses to attend meetings and training events. The Pension Board carries out its role in a cost effective manner, mindful of delivering value for money.

The table below details costs of operation for 2017/18 to date.

Travel Costs/Expenses	2418.32
Catering	£567.10
Training Room	£500.00
Total	£3485.42

3.2.7 Pension Board Training Attendance for 2017/18

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 that members of Pensions Board have 'knowledge and understanding' of pensions law and be 'conversant' with Scheme regulations and Fund documents. The issue of training is approached carefully by both the administering authority and individual Board members.

- 3.2.8 The Board meets annually in June to review their annual report and agree a training plan for the forthcoming year. This provides the opportunity for any issues around attendance to be addressed and gaps in training knowledge identified.
- 3.2.9 During 2017/18 Pension Board members have continued to demonstrate a commitment to developing their 'knowledge and understanding' by attending various training events covering investments, governance, stewardship and the valuation process. Fund Officers maintain a training log to allow attendance to be monitored on an ongoing basis.

The table below details training attendance for 2017/18 to date.

Name	11 Aug '17	31 Oct – 1 Nov '17	21 Nov '17	11-12 Jan '18
Cllr Alan Donnelly*	✓	X	✓	✓
Cllr Freddie John*	✓			
Cllr Alistair McKelvie	✓	X	X	X
Cllr John Cowe	✓	X	X	✓
Marie Hart	X	✓	✓	X
Morag Lawrence	✓	X	✓	✓
Alan Walker	✓	✓	✓	✓
Kevin Masson	X	X	X	X

3.3 COMPLIANCE REVIEW

- 3.3.1 A compliance review is carried out by the Fund on a six monthly basis, with annual reporting to the Pensions Committee.
- 3.3.2 Summary of main findings:
- 3.3.3 Overall the review found that the key controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively, with the latest compliance review taking place in December 2017. A review using the tPR Scheme Assessment Tool confirmed there were no areas of concern.
- 3.3.4 Work continues to take place within the Fund to ensure we are meeting our legislative and tPR requirements.
- 3.3.5 Officers are in the process of reviewing Pension Fund processes and policies in preparation for the introduction of the General Data Protection Regulation (GDPR) from May 2018. The GDPR requires Officers to be able to evidence compliance with its principles.
- 3.3.6 For example, one area in which we identified the need for improvement was in relation to subject access requests. It is anticipated that these will become

much more frequent once the GDPR comes into play (given the removal of the right to charge a fee) and therefore it is vital that Pension Fund staff are firstly able to identify such requests and secondly are familiar with handling procedures; otherwise there is an increased risk of non-compliance with the GDPR provisions covering subject access requests. The Governance Team have implemented and will maintain a register to record all incoming subject access requests. This will allow us to monitor the handling of such requests and ensure we are meeting our requirements under the GDPR i.e. responding within the shorter one month timeframe. In addition, a procedure manual is being finalised and will be circulated to assist staff, in addition to training by the Benefit Administration Manager.

- 3.3.6 Officers have recently carried out an interim tracing exercise, focusing on the 'gone away' members identified during the 16/17 benefit statement exercise (i.e. members we do not hold an up to date address for) to ensure we are complying with our record keeping requirements under tPR *Code of Practice no. 14* and under the Local Government Pension Scheme (Scotland) Regulations 2014.
- 3.3.7 The Fund is also monitoring progress on a new Norfolk LGPS Framework for Member Data Services (address tracing/mortality screening) which we plan to procure when it goes 'live' later this year. Use of this framework will assist us in meeting requirements under the GDPR in respect of the personal data we hold on our members.
- 3.3.8 Staff training has been scheduled for March/April to ensure all staff fully understand what their responsibilities are in regard to data protection under the GDPR and to explain new policies and procedures in advance of its introduction.

3.4 GOING FORWARD

- 3.4.1 The Governance Review commissioned by the Scottish Ministers was completed by KPMG in early 2017. There were 18 recommendations made based on the research carried out. The Scottish Ministers have agreed the recommendations subject to two caveats and further work will be needed to implement these recommendations during 2018/19 (see Appendix I).
- 3.4.2 The Pension Board will continue to assist and constructively challenge officers to deliver effective management and administration of the Fund.

4. **FINANCIAL IMPLICATIONS**

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

5. LEGAL IMPLICATIONS

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

6. MANAGEMENT OF RISK

- 6.1 There are no direct risk implications arising from the recommendations of this report.

7. IMPACT SECTION

- 7.1 The Fund will continue to review its governance arrangements, taking on board any recommendations issued from the Scheme Advisory Board following its review.

8. BACKGROUND PAPERS

- 8.1 Training Policy (for Committee and Board)
Terms of Reference – Pensions Committee
Terms of Reference – Pension Board

9. APPENDICES

- 9.1 **Appendix I**, SPPA Governance Review Implementation timetable

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