

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	16 MARCH 2018
REPORT TITLE	STRATEGY
REPORT NUMBER	PC/MAR18/STRATEGY
DIRECTOR	DIRECTOR OF RESOURCES
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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. Approve the Pension Fund Signatory List as noted in Appendix II (for implementation as at 1 April 2018. (item 3.6.1)
 - ii. Review and approve the policy document changes (item 3.6.2).
 - iii. Note the remainder of the report

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 (<http://www.nespf.org.uk/TheFund/Governance/Committee.aspx>) 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* *Investment Strategy Review 2018 Report*

Separate Reports, provided.

3.2.2 **Local Authority Pension Fund Forum (LAPFF)**

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at <http://www.lapfforum.org/>

3.3 **ACCOUNTING**

Budget/Forecast Report

Statement of Accounts 2017/18 – Action Plan

Separate Reports, provided.

3.4 **BENEFIT ADMINISTRATION**

3.4.1 **LGPS (Scotland) Regulations 2018**

Officers submitted a response on the draft regulations on 11th January 2018 prior to the end of the consultation period which was extended to 15th January 2018. The draft regulations propose a number of key changes around AVCs and 'Freedom & Choice' as well as greater flexibilities to assist fund authorities and employers to address funding liabilities when a body ceases to be a scheme employer.

3.4.2 **GMP Equalisation & Indexation Update**

The Government has published a response to its consultation on the indexation and equalisation of Guaranteed Minimum Pension (GMP) which ran between 28th November and 20th February 2017. The consultation was

about how the Government should continue to meet its obligations to index (price protect) and equalize (make equal payments to men and women) the pension entitlements of Scheme members with a GMP element to their pension.

The Government has been implementing an 'interim solution' since April 2016 and has decided to further extend this solution for an additional two years and four months, covering members who reach State Pension Age before 6th April 2021. In the interim period, the Government plans to continue to investigate an alternative long-term solution, with 'conversion' (converting GMP into scheme benefit; equating £1 of GMP to £1 of scheme benefit) seeming the favoured option at present.

3.5 **TECHNICAL**

3.5.1 Appendix I, Pensions Administration Strategy Update

3.5.2 **Testing Working Party**

NESPF signed up to the Altair 8.1 Testing Working Party with officers attending an introductory day in Manchester on 5th December 2017. The testing period ran from 8th January to the beginning of February 2018, with officers from across Pensions assisting in testing a number of improvements and changes to the administration system e.g. legislative updates, calculations, reporting etc. The testing went well with only minor issues identified and these were resolved quickly.

3.6 **GOVERNANCE**

3.6.1 **Signatory List**

A revised signatory list is attached at Appendix II for approval, to take effect from 1 April 2018.

The signatory list has been updated to include current team leaders and officers within both Legal & Democratic Services and Commercial & Procurement Services.

3.6.2 **Document Review**

The Fund undertakes an annual review of all major Scheme policies and statements. Revisions as at February 2018 have been made to the following policies:

- Employer Engagement Policy
- Governance Compliance Statement

- Statement of Investment Principles

Details of the revisions to each policy are provided in Appendix III. Copies of the revised policies are available on request from the Governance Team or can be accessed in the secure area of the NESPF website (www.nespf.org.uk).

3.6.3 **Scheme Advisory Board**

Copies of the latest bulletins and meeting minutes available at <http://lgpsab.scot>

3.6.4 **Annual Governance Review**

Review of NESPF Compliance with the Public Service Pensions Act 2013 and Pension Regulator Requirements

Separate report, provided

3.6.6 **Fraud, Whistleblowing & Breaches of Bribery Act**

There have been no cases during the year 2017/18.

3.6.7 **Internal & External Audit**

NESPF Annual Audit Plan 2017/18 Draft
Internal Audit Plan 2018/19

Separate reports, provided

3.7 **EMPLOYER RELATIONSHIP**

3.7.1 **Funding Update**

Update on the Draft Funding Strategy Statement & presentation

Separate report, provided

3.7.2 **Appendix IV, Report on Valuation Data Quality for the Main Fund**

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 X, Copy of Risk Register (February 2018)

7. IMPACT SECTION

- 7.1 The Pensions 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 Update
Appendix II, Signatory List
Appendix III, Document Review
Appendix IV, Report on Valuation Data Quality for the Main Fund
Appendix X, Copy of Risk Register

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