

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 16 March 2018. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Reynolds, Vice-Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Allard, Bell, Cooke, Delaney and MacGregor (Pensions Committee); and Mr A Walker, Chairperson; Councillors Cowe and McKelvie; and Mr S Clunes, Ms M Lawrence and Mr K Masson (Pension Board).

Also in attendance:- Laura Colliss, Pensions Manager; Graham Buntain, Investment Manager; Claire Mullen, Employee Relationship Team Manager; Mairi Suttie, Governance Manager; David Hughes, Chief Internal Auditor; and 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=6142&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 he had accepted the following item onto the agenda as a matter of urgency in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973:-
Procurement of Pension Administration Software

The Committee resolved:-

to agree with the Convener that the matter be considered as a matter of urgency.

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 16 (Asset and Investment Manager Performance Report) and 17 (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 16 and 17, so as to avoid disclosure of exempt information of the class described in paragraph 6.

The Board resolved:-

to note the decision of the Committee.

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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 1 December 2017.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

INTERNAL AUDIT PLAN 2018/19 - IA/18/005

5. The Committee had before it a report by Internal Audit which sought approval of the Internal Audit plan for 2018/19.

The Committee heard from Mr David Hughes, Internal Auditor, in respect of the report.

The report recommended that Committee approve the attached Internal Audit plan 2018/19.

The Committee resolved:-

to approve the report.

The Board resolved:-

to note the decision of the Committee.

NORTH EAST OF SCOTLAND PENSION FUND - ANNUAL AUDIT PLAN 2017/18

6. The Committee had before it a report by External Audit which set out the North East Scotland Pension Fund Annual Audit Plan 2017/18. The Committee heard from Ms Gillian Woolman, External Audit, on the main points from the report.

The report highlighted key audit risks and the planned audit work in respect of these, and set out the 2017/18 reporting arrangements to the Committee.

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The Committee resolved:-

- (i) to thank Ms Woolman for her informative presentation of the report; and
- (ii) to otherwise note the report.

The Board resolved:-

to note the decision of the Committee.

LOCAL GOVERNMENT PENSION FUND OVERVIEW

7. The Committee had before it a paper prepared by External Audit which provided an overview of the Local Government Pension Scheme in Scotland, based on the annual reports and accounts of the 11 pension funds administered by Councils in Scotland and the reports of their appointed auditors.

The Committee heard from Ms Woolman in respect of the paper.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

BUDGET FORECAST AND PROJECTED SPEND 2017-18 - PC/MAR18/BUD

8. With reference to Article 6 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).

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 the Pension Fund staff costs and staffing vacancies; and
- (c) note the update on the Actuarial Fees, Direct Property Expenses and Transaction Costs shown in Appendix 1.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

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UPDATE ON THE DRAFT FUNDING STRATEGY STATEMENT - PC/MAR18/FSS

9. The Committee received a presentation from Claire Mullen, Employer Relationship Team Manager, in respect of the following item. Members asked a number of questions of Ms Mullen.

The Committee also had before it a report by the Director of Resources which sought approval for the draft Funding Strategy Statements for both the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) to allow the scheme actuary to sign off the 2017 triennial valuation and set the employer contribution rate requirements by the deadline of 31 March 2018.

The report recommended:-

that Committee –

- (a) approve the draft NESPF Funding Strategy Statement, including the proposed assumptions that had been recommended by the scheme actuary;
- (b) approve the draft ACC Transport Fund Funding Strategy Statement including the proposed assumptions that had been recommended by the scheme actuary;
- (c) approve the proposal to disaggregate the 'Councils Group' and the 'Other Employers Group' from 1 April 2018; and
- (d) note the remainder of the report.

The Committee resolved:-

- (i) to thank Ms Mullen for the informative presentation; and
- (ii) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

STATEMENT OF ACCOUNTS 2017-18 ACTION PLAN - PC/MAR18/ACCOUNTS

10. The Committee had before it a report by the Director of Resources which provided information and key dates in relation to the approval and submission of the 2017/18 Statement of Accounts, including linkages to the plans and timetables of the Council's External Auditors.

The report recommended:-

That Committee note the contents of the report.

The Committee resolved:-

to approve the recommendation.

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The Board resolved:-

to note the decision of the Committee.

INVESTMENT STRATEGY REVIEW 2018 - PC/MAR18/REVIEW

11. The Committee had before it a report by the Director of Resources which detailed the outcome of the investment strategy review prepared by officers following the outcome of the 2017 Actuarial Valuation. The report set out the details of the Fund's current investment strategy and made a number of recommendations on how it was proposed to take the strategy forward over the next five to ten years.

The Committee then heard from Laura Colliss, Pensions Manager, who explained that the proposed strategy was designed to de-risk by reducing the growth asset allocation and increasing the income / protection allocation.

The report recommended:-

That Committee approve the proposed investment strategy as set out in section 3.5 and Appendix 1 to the report.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

REVIEW OF NESPF COMPLIANCE WITH THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND PENSION REGULATOR REQUIREMENTS

12. The Committee had before it a report by the Director of Resources which provided a review of the North East Scotland Pension Fund compliance with the Public Service Pensions Act 2013 and the Pension Regulator requirements relating to the Fund during financial year 2017/18. Appended to the report were the KPMG recommendations from the Scottish Public Service Pensions Governance Review.

The report recommended:-

that Committee note the report.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

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The Convener intimated that he had directed in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, that the following item be considered as a matter of urgency to enable the Council to consider the matter prior to the end of the current contract arrangements.

**PROCUREMENT OF PENSION ADMINISTRATION SOFTWARE - UPDATE -
PC/MAR18/ADMIN**

13. With reference to article 11 of the minute of the previous meeting, the Committee had before it a report by the Director of Resources which advised on the potential future running costs of a new contract with Aquila Heywood for the provision of pension administration software. The report noted that the Committee had previously approved expenditure to award the new contract to Heywood, however in line with an audit recommendation, officers had now brought a further report to Committee to highlight that under the proposed contract terms, the supplier had the option to increase the initial support and maintenance costs by RPI (Retail Prices Index) plus 5%.

The report noted that the option existed under the current contract terms with Heywood and throughout the term of the existing contract which was entered into, the annual increases applied by Heywood had run slightly below RPI, and they had not exercised the option to increase by the maximum. The report indicated that there was therefore no evidence to suggest that they would choose to do so during the new contract term.

The report recommended:-

that Committee confirm the award of a new contract to Heywood as the supplier of pensions administration software, using the Northumberland County Council Framework, for a 10 year term (or such shorter term as may be deemed appropriate by the Chief Officer - Finance following consultation with the Chief Officer - Commercial and Procurement Services) and approve the potential expenditure as detailed in 3.2 and 3.3.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

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STRATEGY - PC/MAR18/STRATEGY

14. With reference to article 8 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 officer response to the draft Local Government Pension Scheme (Scotland) Regulations 2018; the Government response to its consultation on the indexation and equalisation of Guaranteed Minimum Pensions; the Altair 8.1 Testing Working Party in relation to improvements and changes to the administration system; an update on the draft Funding Strategy Statement; and any adjustments to the Scheme policies and statements. Appended to the report was a revised signatory list to reflect staffing changes in Legal and Democratic Services and Commercial and Procurement Services.

The report recommended:-

that Committee –

- (a) approve the Pension Fund Signatory List as noted in Appendix II, for implementation as at 1 April 2018;
- (b) review and approve the policy document changes as detailed in the report; and
- (c) note the remainder of the report

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

2018/19 MEETING DATES

15. The Committee had before it the meeting dates for April 2018 to April 2019 which had been approved at the meeting of Full Council on 5 March 2018, namely:-

10.30am, Friday 22 June 2018
10.30am, Friday 14 September 2018
10.30am, Friday 30 November 2018
10.30am, Friday 15 March 2019

The Clerk advised that electronic appointments would be sent to Members.

The Committee resolved:-

to note the dates.

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The Board resolved:-

to note the decision of the Committee.

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/MAR18/AIMPR**

16. With reference to article 12 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 31 December 2017.

The Committee heard from Mr Graham Buntain, Investment Manager, in respect of the detail contained in the report and Members then asked questions of Mr Buntain. With reference to the discussion at the previous meeting about the Corporate Social Responsibility Policy and the responsibilities around good social and environmental practice, Mr Buntain advised that officers were looking to bring information before Committee during the next quarter.

The report recommended:-

that Committee note the report.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

INVESTMENT STRATEGY UPDATE - PC/MAR18/INVSTRAT

17. With reference to Article 13 of the minute of the previous meeting, 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. Mr Buntain also gave an update on the Global Custodian move, noting that work was on track for the deadline to be met.

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The report recommended:-

that Committee –

- (a) approve the commitment of £100 million investment in the Hermes Infrastructure Fund II proposal; and
- (b) note the verbal update on the HSBC Global Custody move.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

- **COUNCILLOR M.TAUQEER MALIK, Convener**