

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	22 JUNE 2018
REPORT TITLE	STRATEGY
REPORT NUMBER	PC/JUN18/STRAT
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TERMS OF REFERENCE	1.2

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.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Review and approve the Scheme policy document updates (as set out in item 3.9.1)

3. BACKGROUND

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

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

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

- 3.3 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.

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

3.5 **INVESTMENT**

- 3.5.1 *Asset & Investment Manager Performance Report*

Separate Report, provided

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

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

3.6 **ACCOUNTING**

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

Separate Report, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 **Enhanced Admin to Payroll**

- 3.7.2 The pensions section currently operates the pensioner payroll through Aquila Heywood software Altair Payroll. An additional module is available, Enhanced Administration to Payroll, that provides a more streamlined and secure process of passing pensioner data from the administration to payroll system.

- 3.7.3 Currently, a lot of changes need to be made after an individual has been put onto the payroll system and all authorisation checks are done manually. This new module will reduce the risk, for example, of putting a pension into payment before it is due or with incorrect figures. All the payroll data can be checked before the interface is processed and the record will only pass onto payroll when the start date is in the correct pay period. Once the figures are on the interface they are protected and cannot be changed without recalculating the benefits.

- 3.7.4 It will save time as multiple records can be processed onto the payroll in one transaction, saving each being processed individually. The calculation will also work out the adjustments due to the pension providing a double check for the first payment which is not currently present. The system can also hold details of regularly used Third Party payment details, saving input time for Officers.

- 3.7.5 Productivity should be increased as the interface will automatically generate a new payroll number when the payroll record is created, reducing the need for

manual input and avoiding the chance of a duplicate number being used. All the relevant calculations are performed by the bulk calculations and therefore do not need to be input manually after the details have been authorised and passed onto payroll.

3.7.6 The system will not allow payment details to be passed across to payroll until they have been authorised and it will not allow the same person to perform the calculations and authorise the payments. This enhanced functionality will allow the Fund to address a key risk (item 2.4.8) identified in the Internal Audit Report-Pensions System.

3.7.7 There will be no additional licence or support and maintenance fees associated with securing the Enhanced Admin to Pay module. However, there will be an initial implementation cost of approximately £8,100 (based on implementation effort of 6 days).

3.7.8 **2018 LGPS Regulations**

3.7.9 The Local Government Pension Scheme (Scotland) Regulations 2018 were laid before the Scottish Parliament on 2 May 2018 for further scrutiny. The Regulations are expected to come into force from 1 June 2018. The Fund will communicate the main changes to members which include the ability for active members to now retire from age 55 without requiring employers consent (subject to actuarial reductions).

3.8 **TECHNICAL**

3.8.1 *Appendix I*, Pensions Administration Strategy Update

3.9 **GOVERNANCE**

3.9.1 **Scheme Policy Updates**

3.9.2 Revisions as at May 2018 have been made to the following Scheme policies:

- Governance Policy
- Communication Policy
- Myners Compliance Statement
- Training Policy
- Reporting Breaches of Law Policy
- Record Keeping Requirements Policy
- Data Protection Policy (**new**)

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

3.9.4 Scheme Advisory Board

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

3.9.5 LGPS Structure Review Update

The consultation on the future structure options is expected to run mid-June to late summer. A seminar 'Options for the Future Structure of the LGPS in Scotland' is also being planned for June.

3.9.6 Breaches of Law

3.9.6.1 There were 39 separate breaches of law recorded in the Breaches Register during 2017/18. The majority of these were down to Scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions, not providing the Fund with a copy of their discretions policy or submitting a late year end return.

3.9.6.2 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 action taken to rectify or prevent future reoccurrence.

3.9.6.3 The Pension Fund will continue to engage with employers throughout 2018/19. We will continue to monitor breaches and where patterns are identified through the Register, the Employer Relationship Team will work with employers to provide additional training or support.

3.9.7 Pension Board Annual Report

Appendix III, Pension Board Annual Report 2017/18

3.9.8 Pensions Committee & Board Training Plan

Separate report, provided

3.9.9 Pension Fund Staff Training

Staff training has continued throughout 2017/18 covering topics such as accounting and data protection. Individual staff training plans have all been updated for 18/19.

The Trainee Pensions Officers are progressing well through the Fund's internal training programme, with exams scheduled for July.

3.9.10 NESPF Business Plan

Separate report, provided

3.10 **EMPLOYER RELATIONSHIP**

3.10.1 **Annual Administration Forum**

The Pension Fund will be hosting its 2018 Administration Forum on Wednesday 4 July 2018 at the Beach Ballroom, Aberdeen. The event is aimed at Scheme employers and will consist of several workshops covering different aspects of pensions administration.

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. The costs in relation to the Enhanced Admin to Payroll module (item 3.7.1) will be met by the Pension Fund.

5. **LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations in 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 IV, Copy of Risk Register (May 2018)

7. **OUTCOMES**

Design Principles of Target Operating Model	
	Impact of Report
Governance	This report links to the 'governance' design principle by ensuring transparency and by providing the necessary information to allow informed decisions to be made and implemented, including performance and improvement measures.
Workforce	This report links to the 'workforce' design principle as the report details the six separate areas of the Fund, each with clear roles and responsibilities, ensuring accountability across the Fund. The Fund structure is kept under review to ensure we can continue to meet immediate obligations as well as being able to anticipate and meet longer terms needs.
Technology	This report links to the 'technology' design principle by seeking a new enhanced functionality in our

	payroll process to improve overall efficiency and productivity.
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8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None

10. APPENDICES (if applicable)

Appendix I, Pension Administration Strategy Update
Appendix II, Document Review
Appendix III, Pension Board Annual Report 2017/18
Appendix IV, Copy of Risk Register

11. REPORT AUTHOR CONTACT DETAILS

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