

North East Scotland **PENSION FUND**

The logo for North East Scotland Pension Fund. It features the text "North East Scotland" in a blue sans-serif font, with "PENSION FUND" in a larger, bold, blue sans-serif font below it. A blue graphic element, resembling a stylized bracket or a curved line, is positioned to the right of the text, starting from the top right of "PENSION FUND" and curving upwards and then downwards.

Pension Service Business Plan

June 2018

Contents

Introduction	3
Service Description.....	6
Summary of Performance	7
Service Assessment	10
Service Business Plan	15
Future Service Improvement/Transformation Plan	28
Organisation.....	29

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Introduction

Welcome to the Pension Fund Business Plan for 2018/21. This document sets out our plans to build on our strengths and internal capabilities to drive transformation through the service, involve our staff and customers in delivering a first-class service to Pension Fund stakeholders.

The Plan covers a three-year planning cycle from 2018/21 with a focus on 2018/19 and will be subject to regular reviews and updates in line with the development of the Local Government Pension Scheme and Aberdeen City Council as the administering authority for the Pension Fund.

The Pension Fund Business Plan builds on our objective:

To work together as an effective and flexible team that will deliver a high-quality service to scheme members, scheme employers, council tax payers and others with an interest in the management and administration of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

North East Scotland Pension Fund and Aberdeen City Council Transport Fund

The North East Scotland Pension Funds are administered by Aberdeen City Council within the Local Government Pension Scheme regulations.

There are two funds, the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF).

The scheme was established under the Superannuation Act 1972, it is a statutory scheme. The scheme is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers). Employees of admitted bodies can join the scheme subject to their individual admission criteria which are out with the control of Aberdeen City Council.

Employers within the North East Scotland Pension Fund include the administering authority, Aberdeenshire Council and Moray Council along with 8 further scheduled bodies and 45 other admitted bodies.

The Aberdeen City Council Transport Fund was created in October 1986 for employees of the former passenger Transport Undertaking who transferred to the limited company now known as First Aberdeen, which was created at that time.

Pension Fund Section

The Pension Fund section is responsible for the day to day management of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund, reporting to the Chief Officer - Finance and quarterly to the Pensions Committee and the Pension Board. Full details of the Pension Fund governance arrangements can be found in the Pension Fund '**Governance Statement**' which is reviewed annually by the Pensions Committee.

The Pension Fund section is divided into 6 teams:

The Investment Team is responsible for all aspects of the management of the Funds' investment business

- Delivery of an investment strategy, having due regard to risk and return within the Funds' objectives and liability requirements
- Corporate, social and economic governance
- Review and appointment of new investment managers
- Performance monitoring

The Accounting Team is responsible for recording and oversight of all financial transactions carried out by the Pension Fund

- Receipt of monies in respect of contributions, transfer values and investment income
- Provides funds to pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses
- Account for the funds' assets and all monies received and paid from the Fund
- Prepares the Fund's Annual Report and Accounts

The Benefit Administration Team is responsible for over 60,000 scheme members and the calculation of scheme benefits covering

- Retirement benefit calculations

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- Survivor/Dependant's benefit calculations
 - Transfer benefit calculations
 - Divorce calculations
 - Estimates for retirement calculations
 - Payment of pensions through Pensioner Payroll
 - Employee surgeries
 - One to one meetings with scheme members
 - Supporting system testing for system upgrades and regulation changes

The Employer Relationship Team is a dedicated team responsible for managing employer engagement

- Support employers from initial enquiry to join the Fund, through general administration to termination
- Work with Directors of Finance, Legal Advisors, HR and Payroll departments to answer queries
- Assess and monitor employer covenant risk
- Reconcile monthly data received from employers
- Provide face to face training for scheme employers
- Monitor employer PAS performance and engage with scheme employers

The Technical Team is responsible for maintenance and upgrade of the Altair Benefits Administration System

- Maintenance and upgrade of the Altair administration and payroll system
- Maintenance and upgrade of Member Self Service (MSS)
- Creation and maintenance of the Pension Fund website
- Scheme technical reporting
- Apply revaluation and pensions increase
- Production of annual benefit statements and pension saving statements

The Governance Team is responsible for governance matters in relation to the Fund

- Committee reporting
- Tendering
- Document control
- Staff training
- Freedom of Information requests
- Communication
- Preparation of the Pension Fund Annual Report

Service Description

What services do you provide, and to whom?

Customer Relationships

Team	Internal	External
Accounting	Finance, Pension Fund, Audit	Audit, Fund Managers, Global Custodian
Benefit Administration	Pension Fund	Scheme Members, Scheme Employers
Employer Relationship	Pension Fund	Scheme Members, Scheme Employers, Regulatory Bodies, Actuary
Investment	Pension Fund	Service Providers, Regulatory Bodies, Scheme Members
Governance	Pension Fund, Finance, Audit, Elected Members	Audit, Scheme Employers, Regulatory Bodies
Technical	Pension Fund	Scheme Employers, Regulatory Bodies, Actuary

The Pension Fund section has an important role in supporting the Council priorities, being responsive to the retirement benefit provision of Council staff, Elected Members and employees of both Aberdeen City Council and a range of external organisations.

Our objective is to deliver best value. We do this through improving service delivery, meeting changing customer requirements and contributing to the savings target of both Aberdeen City Council and our external bodies.

Challenges ahead

The pace of change and challenges that the Local Government Pension Scheme is facing are unprecedented, it is therefore becoming even more essential that effective financial and administration management underpins the Pension Fund plans, operations and transformation as we face the challenges ahead.

The detailed improvement plans, and actions are introduced later in the document, however, it is recognised that in addition to the tasks themselves, new approaches and measures are required to make their implementation successful.

Examples of these measures include:

- Restructuring the Pension Fund section to meet the changes in the technology and engagement with scheme employer
- Investment in measures to deliver training, support and technology to improve our services

- The creation of working groups within the Fund to deliver specific projects such as Guaranteed Minimum Pension (GMP), the General Data Protection Regulation (GDPR) and LGPS (Scotland) 2018
- Enhanced communication tools

Improving our efficiency

Our approach to our improvement plans will be in accordance with the following principles:

- Pro-active involvement of staff to identify improvements and drive change
- Close consultation with staff on any service changes
- Applying opportunities to work across the Pension Fund section to strengthen skills and integrate processes
- Use of targeted external support to complement the skills of our staff
- Phasing initiatives appropriately for the most effective delivery

Our approach is relevant for all staff working in the Pension Fund section. A particularly important aspect is to strengthen our team work and effectiveness; many of our new initiatives and the way we plan tasks are being designed to support this way of working to improve our resilience, quality of service and to deliver improvements more successfully.

To fulfil this approach, we will:






- Make best use of the staffing resources available to us, delivering improvement in our service priorities in the most cost-effective manner;
- Develop a flexible, skilled and motivated workforce;
- Listen to, and be responsive to, our customers, shaping our services around their needs and focusing our resources where they are most needed; and
- Work closely with our partners, including elected members of both the Pensions Committee and the Pension Board, scheme employers and scheme advisors

Summary of Performance

Key achievements against the 2014 – 2017 plan

The 2014 – 2017 Business Plan identified the following priorities for the Fund:

Business Priorities	Achievement	Evidence
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Introduction of the new Local Government Pension Scheme 2015		Scheme fully implemented, with first new member benefit statements issued August 2016
Engagement with scheme employers		New Employer Relationship Team fully operational, regular employer site visits, positive feedback on employer forums 97% member data updates received
Implementing an Investment Strategy to achieve the Funding Objective of 100% funded		New Investment Strategy implemented
Enhancing our governance arrangements		New Governance Team in place document control centralised,
Involving Staff		Creation of 6 specialist service teams, regular team meetings, individual staff training plans

Achievements in 2016/17 – 2017/18

2016/17

The past 12 months have proved challenging but ultimately rewarding as many of the internal and procedural changes that have been made begin to take effect.

The Funds' long term move to digital information exchange for both employers and members has seen data quality and overall administration improve. As the Funds continue to roll out monthly online returns for employers, information and errors can be identified far in advance of the year end process.

As a result, the Funds:

- further reduced the time taken to complete year end from 220 days to just 63
- successfully issued 99.6% of benefit statements before the 31st August deadline
- processed 558,844 system updates automatically
- Completed an interim valuation with praise received regarding the high quality of our data

In June 2016, the Funds also went live with the new online Member Self Service (MSS) facility. This service was redesigned with improved functionality.

The success of these online technologies has been recognised across the industry with the Funds holding several conference calls, meetings and demonstrations for other fund administrations while being nominated for 7 national awards – winning the LGC Investment Award's Quality of Service Award.

Despite a turbulent market in 2016/17, the Funds continued to grow in value as they maintained their long-term investment strategy, which includes the diversification of assets and therefore risk. This has

helped the Funds maintain and increase their overall value. Furthermore, the Funds moved to a new Global Custodian, which was finalised in December 2016.

2017/18

During 2017/18, the Fund continued to build on technological advances with the implementation of a new online system. This facility was an extension of a system our larger employers use but was amended to cater towards the needs and capabilities of our smaller employers. With online solutions available for all employers, the Fund made monthly online submissions of data a mandatory requirement for employers from 1st April 2017.

With training and guidance provided on the new system, uptake and implementation was highly successful with 96% of employers providing information online. As such year-end processing is expected to further reduce from 63 days to 40 with the number of automatic system updates expected to greatly surpass the levels achieved in 2016/17.

The Fund conducted its Triennial Valuation in 2017/18 to overwhelming success. The results showed a strong improvement in the NESPF's funding position with an increase from 94% (2014) to 107%. The Transport Fund also saw a small increase with the funding position rising to 94% from 93% in 2014.

Finally, the Fund was nominated for 8 national awards, winning "Public Sector Scheme of the Year" at the Professional Pensions Pension Scheme Awards. The Fund was judged against several criteria including investment management, communications, governance, innovation and administration and the win recognises the achievements made in improving our service to members and employers.

KPI performance

NESPF performance measurements are reported as part of the Pension Administration Strategy (PAS) introduced in July 2013 in accordance with Regulation 60A of the LGPS (Administration) (Scotland) Regulations 2008¹.

In 2015/16 the total number of cases processed (5282) increased by more than 1000. The overall percentage achieved increased by 3% and was the highest ever recorded despite it being the first year of the new scheme. This was particularly pleasing given some manual processing was required through the first part of the year and there was a significant increase in estimate, deferred, refund and retirement processing.

¹ Amended to Regulation 57B of the LGPS (Administration) (Scotland) Regulations 2014

In 2016/17 the total number of cases processed (5818) increased by more than 500. Death, estimate, retirement and transfer percentages all improved however for deferred and refunds it reduced significantly and lowered the overall percentage achieved. To address this a move towards specialisation and group working was introduced.

In 2017/18 the total amount of cases processed (5756) was consistent with the previous year. The percentage achieved for retirements remained at 97% despite having to process 200+ more than ever before. Transfer out processing significantly increased because of “freedom and choice” but again this did not affect performance. The measures introduced for deferred and refund processing were successful with both percentages back above 90% and the overall percentage achieved higher than the previous best in 2015/16.

NESPF key performance measurements	Target	2015/16	2016/17	Amount	Achieved	2017/18
Letter notifying death in service to dependent	5 days	78.4%	84.4%	40	33	82.5%
Letter notifying retirement estimate	10 days	92.8%	98.4%	915	895	97.8%
Letter notifying actual retirement benefits	10 days	95.2%	97.4%	1596	1550	97.1%
Letter notifying deferred benefits	10 days	95.4%	79.3%	1174	1094	93.2%
Letter notifying amount of refund	10 days	97.5%	79.3%	1427	1323	92.7%
Letter detailing transfer in quotes	10 days	87.5%	90.6%	133	118	88.7%
Letter detailing transfer out quotes	10 days	90.9%	96.9%	471	459	97.5%
Overall percentage achieved		94.6%	87.7%			95.1%

Service Assessment

PESTLE analysis (*External factors that will/may impact on the service*)

Political	Economic
<ul style="list-style-type: none"> National and international geopolitical outlook International political outlook COSLA Policy changes affecting scheme employers impacting on financial pressures Local political impact and reputational factors 	<ul style="list-style-type: none"> Global economic outlook Market Volatility Currency Risk Interest Rate Risk Inflation Risk Regional economic strategies Aberdeen locality – impact on recruitment

<ul style="list-style-type: none"> • SAB scheme review • Brexit 	<ul style="list-style-type: none"> • EU relations/funding for scheme employers
<p>Social</p> <ul style="list-style-type: none"> • Responding to demographic change 	<p>Technological</p> <ul style="list-style-type: none"> • New technological developments • Social media • Digital strategy • Mobile/flexible working • Upgrades to our existing software products and standards
<p>Legal</p> <ul style="list-style-type: none"> • Legislative change • Council restructuring – national/local • New standards of governance, stakeholder expectation • Admission Agreements • Fund Manager Contracts • Procurement • Internal/External Legal Requirements 	<p>Environmental</p> <ul style="list-style-type: none"> • Environmental Social and Governance agenda • Best practice and development of standards on a wider scale • Benchmarking and sharing of services

Summary of critical issues from the PESTLE analysis that will influence the plan

The key overriding issue which will impact all aspect of the PESTLE is the uncertainty surrounding Brexit. Noted below are some of the areas to be monitored over the period of the service plan:

- Political impact – review of the nature of the scheme, impact on scheme employers and their funding
- Economic – global outlook, market volatility, currency risk, interest rate risk and inflation risk
- Legal – domicile of scheme managers and the global custodian, their legal and regulatory obligations, impact on procurement rules

Political

The Fund recognises the changes in global and national politics will impact on the Fund; much of this will be incorporated in the work of the Scheme Advisory Board (SAB). The Fund will support and work with, the SAB to promote the future welfare of the LGPS Scotland.

Economic

Brexit, - the global economic outlook and its impact on market volatility, presents challenges to the Fund in meeting its long-term funding plan. The Fund also recognises the potential impact of Brexit on all scheme employers funding and will work with them to manage their membership of the LGPS.

Social

The Fund continues to monitor the impact of longevity on the liability profile of the Fund, taking appropriate steps to mitigate risk through increasing bond exposure.

Technological

Technology continues to be a key factor in the Fund delivering an efficient and cost-effective administration solution to all scheme employers.

Internally the Fund continues to work to enhance the use of 'workflow' to ensure that the Fund meets and seeks to exceed its performance targets.

All Pension Fund section staff now have a personal training plan which recognises the need for ongoing training and development of technology skills.

Legal

Document Review – the introduction of the Pension Fund Governance Team will allow for the review of the scheme documentations ensuring that all contracts are fit for purpose.

Procurement – the Pension Fund recognises the key role service providers play in the administration of the Pension Fund and its assets. Effective procurement and review of contract arrangements on a regular basis are essential to the cost-effective management of the Pension Fund.

Environmental

Good corporate governance and good social and environmental practice can have a favorable effect on financial performance and improve investment returns to shareholders as well as society at large. Conversely, companies that fail to adequately manage good governance and social and environmental risks may become vulnerable to higher operating costs, (including fines, lawsuits, damage to reputation) and subsequent loss of confidence to the detriment of all shareholders.

Therefore, to protect and enhance the value of its investments, the NESPF seeks to encourage the companies in which it invests to operate to the highest standards of corporate governance, corporate social responsibility and environmental practices. As a major long-term shareholder, the main tools open to the NESPF to use its influence is, by the responsible exercise of its voting power and engagement on social and environmental factors with the companies in which it invests.

SWOT analysis (Strengths, Weaknesses, Opportunities & Threats for the service)

<p>Strengths</p> <ul style="list-style-type: none"> • Audit record of strong financial management • Successful history of delivering critical legislative tasks • Successful improvements implemented and responsiveness to change/approachability, high customer satisfaction • Strong succession plan and staff development programme • Networks to national and international bodies • Successful collaboration with the LGPS across the UK • Status in Scottish LGPS community 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Finance processes, training and systems could be enhanced • Need to continue to embed staff development and engagement programmes within Pensions • Managing changing priorities and resources is effective but needs more evidence • Connectivity of systems and teams within Pensions and our wider stakeholders • Evidence based decision making could be strengthened
<p>Opportunities</p> <ul style="list-style-type: none"> • Further collaboration • Staff empowerment • Outcomes approach • Growing service building on strengths • Longer term planning 	<p>Threats</p> <ul style="list-style-type: none"> • Economy and austerity • Market Volatility • Recruitment and staff turnover • Reputational risk due to high focus in the city from press • Political change leading to short termism • Transformation failing and impacting on Pension service

Evidence of strengths:

- Consistent record of unqualified accounts
- Collaboration with other Scottish LGPS's
- Successful introduction of new LGPS 2015
- Introduction of new workflow system to enhance service delivery

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- Implementing new Pension Fund staffing structure to focus of the key delivery areas Governance, Employer Relationships, Benefit Administration, Technical, Accounting and Investment
 - Setting a long-term investment strategy focused on meeting the fund's long-term liabilities at minimum risk
 - Maintaining employer contribution rates as nearly constant as possible, setting a rate that is a reasonable cost to the taxpayers, scheduled and admitted bodies

Identified Weaknesses

- The new Governance Team will work with all other teams within the Pension Fund section to enhance financial processes and ensure that the Fund's new training plans are implemented across all staff
- The new Pension Fund management team will be responsible for actively engaging with all team members to deliver improvement in our service priorities in the most cost-effective manner and develop a flexible, skilled and motivated workforce;
- Enhanced communication with our stakeholders will be led by the Governance Team
- The Pension Fund management team will focus on evidencing performance achievements and key tasks

Summary of critical success factors emerging from the SWOT

Critical success factors emerging from the SWOT drive directly the key priorities and action plans around organisational culture.

Customer experience – we need to be proactive in building on strengths, marketing our services and building our reputation to minimise threats. This includes exploring joint arrangements and reviewing those in place, strengthening our approach to benchmarking and links to other organisations and ensuring consistent customer standards.

Staff experience – to meet the organisations goals, we need to focus strongly on developing our most critical and significant resource – our staff. Stronger staff engagement can enable us to maximise our opportunities and build on our strengths. We need to continue to strengthen PR&D, staff development and change management. The newly developed 6 teams will support this. We need to continue to develop our approaches to succession planning and performance management.

Use of resources – the significant Use of Resources programme that impacts Council wide will work in tandem with the Pension Fund section to improve stewardship and enable transformation of the way we manage our money, assets, staff and technology.

Service Business Plan

Service Vision

The mission for the Pension Fund section is: **To be the best in the eyes of our customers, staff and stakeholders.**

We will achieve this through aiming towards our vision that:

- Our stakeholders have confidence in the Fund’s financial integrity
- There is a clear framework of leadership, accountability, systems and controls supported by external scrutiny
- Fund policies reinforce scheme sustainability and support strategic decision making and performance management
- Fund strategies support a culture of innovation and improvement, balancing control and flexibility
- Our income collection maximises the effectiveness of the capability of the organisation
- Our Pension Fund administration provides our members and employers with a high degree of confidence

As part of our planning process we have thought carefully about how we add value to the Fund Stakeholders. We have developed our Fundamentals to find a way of expressing how we do this in a way that is clear and simple to understand whilst recognising the complexity and diversity of the team. They form a set of standards which give us focus and a clear framework we will use across the different areas in the Pension Fund section and with all our stakeholders.

Financial Leadership	Strengthen the Fund, develop strategy, Build for the future
Insight and Solutions	Scheme focused, Innovative Solutions, Customer focused
Customer Engagement	Proactively engaging, Assertive and confident, Customer focused
High Quality Reporting, Planning and Analysis	Quality financial information
Strong Financial Controls and Accurate transaction processing	Efficient processes, Right first time, Continuous improvement

Pension Fund Fundamental standards are important both for staff to aspire to and consider in their daily tasks and how that feeds through to the overall Council objectives.

HOW WE DO BUSINESS:

For the Pension Fund, this means changing how we do business, recognising the challenging landscape within which we operate, of increasing service demand, a reducing financial envelope.

We will need to **modernise** the ways in which we deliver our services, embracing new technology and changing our processes to improve our service quality and operational efficiency.

We will need to become more **innovative**, seeking better and new ways to serve our customers, both external and internal. A programme of continuous improvement through doing things better, and a more transformational approach looking at doing better things will demand different thinking and learning from best practice elsewhere.

Putting these new ideas into practice is effectively how we **transform** the organisation, which will demand courage in decision making, diligence in our assessment and management of risk, and a focus upon rigorous implementation of our plans.

ORGANISATIONAL CULTURE:

How we go about this is guided by the culture we wish to evolve and nurture within the Pension Fund section – a culture based upon an avid commitment to add value to our stakeholders, on improving the work environment and opportunities for our staff and through managing the resources of the Fund in a more efficient and effective way.

Improving the Staff Experience recognises that the employees of the Pension Fund are the core “product” of service and that the quality of the services that we provide is entirely dependent upon a motivated and empowered staff, whose behaviors, relationships and ways of working form the culture of the Pension Fund section. A positive culture depends on a staff who understand our vision and direction, share our values and ambitions and have the drive and desire to play their part, and on managers who take on a lead role in this and understand how to engage and empower their teams. The Pension Fund aims to be an employer of choice within and without the Council, attracting, recruiting and retaining staff whose values are aligned to the Pension Fund section, who share the Council’s vision and goals and who have the drive and ambition to make a difference.

Improving our Use of Resources recognises that the Pension Fund faces a challenging environment whereby costs are to be reduced, service demand and customer expectations are increasing, and we have an ambitious agenda and vision for the Pension Fund. We therefore, must become much more efficient at delivering the core services through continuous improvement, to create the headroom to transform the organisation and invest in our future priorities for the Fund.

Improving the Customer Experience starts with an organisation that embeds “customer centricity” within everything we do, from the staff we employ to the processes and systems we adopt to manage the organisation effectively. This also recognises that everyone in the

Pension Fund section has a contribution to make, and that our customers may be external or internal, but the focus upon delivering an improved experience to those customers is paramount. We will transform the ways in which customers are able to access our services, and the services themselves as we continuously review what we do against a backdrop of changing customer demands and increasing financial constraints. We will recognise that one size does not fit all and build in tailored solutions where appropriate that recognise the diversity of our customer base and their individual needs and expectations.

RESOURCES MANAGEMENT:

As recognised above the Pension Fund section continues to need to respond to constant changing demands from all our stakeholders. Many of those changes are set out in this improvement plan

- The need for more value-added analysis to enable the business to respond to the challenges of austerity, commercialisation, demographic and political change
- Increasing customer demands for quality of service, improved technology, transparency, information and delegated decision making
- A changing Pension Fund landscape requiring collaboration with other Scottish LGPS Funds

How will the Fund meet those needs?

- The Pension Fund cannot match the private sector in pay levels for qualified and experienced Pension Fund. This challenge can be somewhat balanced by offering flexible terms and conditions, job satisfaction and training opportunities, further the Fund will,
- Recognise and develop the talents of existing Pension Fund staff
- Support succession planning throughout the Pension Fund section
- Maximise the use of technology to allow the effective use of staff resources
- Identify areas of weakness within the knowledge basis and either provide staff training or employ external service providers to meet the knowledge requirements
- Respond to needs teams through role redesign, restructuring and collaboration.
- Seek skills development and knowledge sharing opportunities e.g. CIPFA conference feedback

Risk management

At the heart of the Pension Fund improvement plan is the need to manage within a risk framework. Our approach to risk management is linked to the overall review of risk at a Corporate level. The Pension Fund section reviews risk on a quarterly basis considering:

- Accounting Risk - finance administration, effective financial control
- Benefit Administration Risk – maintaining service levels to meet KPI's
- Employer Relationship Risk– external stakeholders, assessment of employer covenants
- Investment Risk – asset management, impact on funding strategy
- Governance Risk – high level oversight of the Fund
- Technology Risk – systems availability, reviews and upgrades

The Pension Fund Risk Register has been summarised and broken down into the six teams of the Fund and at Fund level, detailing their specific risks while providing increased accountability.

Service Business Plan

Pension Fund Service Goals – overarching goals that link to strategic priorities

	Goal – description	Lead Officer
1	Day to day management of the benefits function, ensuring full compliance of financial and legislative requirements. Ensure timeous and correct payment of pensions benefits	Benefit Administration Manager
2	Efficient and effective management of all matters relating to scheme employers within the NESPF's	Employer Relationship Manager
3	Development and management of the Fund's Investment Strategy and Fund Management Appointments. Management of the Global Custodian. Incorporate ESG oversight, Taxation, and cash management	Investment Manager
4	Responsible for preparation and delivery of the Pension Accounting Function including production of annual statement of accounts	Accounting Manager
5	Management of the governance arrangements of the Pension Fund, ensuring that the Pension Fund meets its regulatory obligations, reporting and communication requirements to the Pensions Committee, Pension Board, Pensions Regulator and all those with an interest in the administration of the North East Scotland Pension Funds. Internal training arrangements for Benefit and Technical staff within the Pension Fund section.	Governance Manager
6	Management and development of the Pension Fund IT systems in support of the Pension Fund provision of benefit administration to scheme members and scheme employers	Technical Manager

Pension Fund Level - Key Priorities

Objective	Activity	Outcome	Timetable	Lead Officer
Improve customer experience	<ol style="list-style-type: none"> 1. Review all communication and develop new website. 2. Continue to utilise technology to improve service delivery. 	Improved customer service impacts positively on customer outcomes and experience.	Ongoing	Pension Fund Manager
Improve staff experience	<ol style="list-style-type: none"> 1. Continue to implement workforce and succession planning. 2. Continue to roll out and update individual training plans. 	Improved staff development leads to better trained staff and impacts positively on customer outcomes and experience.	Ongoing	Pension Fund Manager
Improve our Use of resources	<ol style="list-style-type: none"> 1. Improve work planning and business support. 2. Develop management reporting across the Fund. 3. Risk review. 	Improved use of resources impacts positively on all Pension Fund KPI's and reduces risk across the Fund.	Ongoing	Pension Fund Manager

Pension Fund Level – Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Lack of effective Risk Management	Failure to identify and respond to risks will impact on service delivery capabilities	Pension Fund Risk Register reviewed and updated quarterly	8	Ongoing
2	Poor Governance	Failure to have suitable policies and procedures in place could create a regulatory compliant issue	Fund has in place an annual review of its governance statement and supporting policies and procedures, ensuring both regulatory and Council objectives compliance	4	Ongoing – Annual review reported to Committee
3	Lack of Performance Measurement	Failure to monitor performance across the Fund will provide a lack of transparency on delivering an efficient and effective service	The Fund has in place both statutory and local KPI's	8	The Fund participates in national benchmarking exercises and has internal measures which are reported to the Committee
4	Annual review of the Pension Committee and Board	Failure to ensure effective joint working of Committee and Board will result in not complying with regulatory requirements	Annual review of Committee and Board, in consultation with both	6	Annual Report to Committee and Board on effectiveness and training.
5	Unable to access the workplace	Loss of service delivery, staff downtime	Disaster recovery plan in place, incorporated into ACC	8	Review to take place, Pension Fund team to be made fully aware
6	Failure to recruit and develop staff	Service delivery and succession planning at risk	Ongoing review following 2016 restructure	12	Several vacant posts
7	Interest & Inflation rates	Potential increase in liabilities	Quarterly funding updates	6	Ongoing

Accounting – Key Priorities

Area	Objective	Action Point	Timetable	Lead Officer
Performance measurement	Improving customer experience	Develop quarterly reporting	2019/20	Accounting Manager
Financial Management	Improving use of resources	Introduction of new accounting procedures following Global Custodian appointment	2018/19	Accounting Manager
Staff	Improving staff experience	Continuation of staff training	Ongoing	Accounting Manager
Financial Management	Improving use of resources	Simplify coding structure	2019/20	Accounting Manager

Accounting – Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Poor financial reporting	Qualified Accounts	Comprehensive policies and procedures	6	Ongoing – reviewed annually
2	Annual review of Code of Practice and any other overriding regulations	Qualified Accounts	Review of Code, attending CIPFA meetings/reviews	6	Ongoing – reviewed annually

Benefit Administration – Key Priorities

Area	Objective	Action Point	Timetable	Lead Officer
Systems	Improving customer experience	Ensure that all procedures are reviewed and relevant to assist with the administration of pension benefits and best utilise the workflow system	Ongoing	Benefit Administration Manager
Administration	Improving use of resources	Monitor the level of outstanding workload and allocate resources to ensure targets are met	Ongoing	Benefit Administration Manager
Staff	Improving staff experience	Continuation of staff training	Ongoing	Benefit Administration Manager
Performance Measurement	Improving customer experience	Develop quarterly reporting	Ongoing	Benefit Administration Manager

Benefit Administration – Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Overpayment of pension benefits	Audit, Legal challenge, reputational risk	All payments signed off by senior pension officer – segregation of duties	4	Ongoing
2	Fraud/Negligence	Overpayment, unauthorised payments, system corruption, Audit, reputational risk	All payments signed off by senior pension officer – segregation of duties	6	Ongoing – regular reporting in place to Committee
3	GMP Reconciliation	Audit, financial loss	Project set up to deliver GMP	6	Ongoing, report due to September 18 Committee

Employer Relationship – Key Priorities

Area	Objective	Action Point	Timetable	Lead Officer
Performance measurement	Improving customer experience	Develop quarterly reporting	2019/20	Employer Relationship Manager
Financial Management	Improving customer experience	Continued implementation and maintenance of the Covenant Policy	Ongoing	Employer Relationship Manager
Staff	Improving staff experience	Continuation of staff training	Ongoing	Employer Relationship Manager
Administration	Improving customer experience	Ensure the continued provision of monthly data and employer compliance (discretions)	Ongoing	Employer Relationship Manager

Employer Relationship – Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Failure to maintain member records and comply with regulations	Incorrect pension payments and assessment of liabilities	All employers required to submit monthly data, which is checked	4	PAS reporting quarterly Committee
2	Longevity	Increase in employer contributions	Triennial valuation and specific analysis undertaken	6	Ongoing – revised strategy to March 18 Committee
3	Employers leaving scheme/closing to new members	Orphaned liabilities falling to remaining employers	Continue to implement the Covenant Policy	12	Ongoing
4	Failure to recover employer payments, contributions/strain	Orphaned liabilities falling to remaining employers	Accounting will report payment issues to ER team to be recorded and escalated to TPR if they persist	8	Ongoing
5	Employer early retirement strategies	affordability	ERT to manage through covenant policy and employer discretions	9	Ongoing
6	Failure to monitor employer covenants	Orphaned liabilities falling to remaining employers	Continued implementation of employer covenant policy	12	Ongoing

Investment - Key Priorities

Area	Objective	Action Point	Timetable	Lead Officer
Performance measurement	Improving customer experience	Develop quarterly reporting	2019/20	Investment Manager
Financial Management	Improving use of resources	Implementation of strategic benchmark allocation of assets, including ESG Policy	2019/20	Investment Manager
Staff	Improving staff experience	Continuation of staff training	Ongoing	Investment Manager
Financial Management	Improving use of resources	Performance monitoring of current fund managers and mandates	Ongoing	Investment Manager

Investment - Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Fund's investments fail to deliver returns in line with expectations to meet funding requirements	Increase in employer contributions and investment risk	Quarterly assessment of investment performance, triennial valuation and quarterly funding updates	12	Ongoing
2	Failure of world stock markets	Increase in employer contributions	Diversification of scheme assets, investment strategy review following triennial valuation outcome	8	Ongoing – revised strategy to March 18 Committee
3	Failure of Global Custodian	Loss of assets and control of assets	Regular meetings and receipt of SAS70 report	4	Ongoing – due to transition to HSBC April 18
4	Failure to monitor investment managers and assets	Audit, legal challenge and reputational risk	Quarterly assessment of asset performance and regular meetings with investment managers	9	Ongoing
5	Negligence, fraud and default by investment managers	Loss of asset value, reputational risk	Investment manager monitoring SAS70 reports and IMA's	2	Ongoing

Governance – Key Priorities

Area	Objective	Action Point	Timetable	Lead Officer
Performance measurement	Improving customer experience	Develop quarterly reporting	2019/20	Governance Manager
Governance	Improving use of resources	Ongoing review of Funds' regulatory compliance	Ongoing	Governance Manager
Staff	Improving staff experience	Continuation of staff training, including review of internal training programs	Ongoing	Governance Manager
Communications	Improving customer experience	Review and update of all communication material and continue to promote the Fund	Ongoing	Governance Manager

Governance – Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Failure to comply with LGPS Regulations, Pensions Act, HMRC and other overriding regulations	Audit, Legal challenge, reputational risk, financial loss/penalties	Six monthly review of compliance	9	Ongoing – reported to Committee
2	Potential risks and conflicts of interest between ACC and NESPF	Audit, legal challenge and reputational risk	Regular discussions between Chief Officer – Finance and Pension Fund Manager. Areas of risk and conflicts reported Committee. Register in place to record and monitor	8	Ongoing
3	Failure to comply with FOI requests	Audit, legal challenge and reputational risk	Pension Fund Manager responsible for all FOI requests	4	Ongoing

Technical – Key Priorities

Area	Objective	Action Point	Timetable	Lead Officer
Performance measurement	Improving customer experience	Develop quarterly reporting	2019/20	Technical Manager
Systems	Improving use of resources	Develop Testing Strategy, to ensure standardized testing is utilized for testing working parties	2019/20	Technical Manager
Staff	Improving staff experience	Continuation of staff training	Ongoing	Technical Manager
Systems	Improving use of resources	Investigate technology lead service improvement opportunities across the Fund	Ongoing	Technical Manager

Technical – Risk Assessment

No	Description	Potential Consequence of Risk	Risk mitigation measures	Risk Score	Status
1	Pension Administration system failure	Loss of service delivery, staff downtime	System is hosted externally with back up in separate location	6	Report provided to Pension Fund Manager quarterly on hosted system errors and resolutions
2	Data Protection – failure to secure and manage personal data	Audit, legal challenge and reputational risk	Internal control and procedures for management of data, project group set up to implement GDPR and assess current processes	8	Ongoing – policies and processes implemented by May 2018
3	Failure to carry out effective member tracing	Incorrect pension payments and assessment of liabilities	Tracing service in place	6	Ongoing

Future Service Improvement/Transformation Plan

No	Section	Description	Outcome	Timetable
1	Accounting	Technology lead efficiencies	Interface between Global Custodian and the Funds financial system providing straight through processing	2019/20
2	Accounting	Financial System	Fund specific financial system, providing further efficiencies	2020/21
3	Benefit Administration	Benefit System	Ensuring full utilisation of existing system to drive service delivery (Altair)	Ongoing
	Benefit Administration	Payroll System	Enhanced administration to payroll interface to ensure segregation of duties and new elements to split payments made between final salary, main and 50/50 schemes for reporting to GAD.	2018/19
4	Employer Relationship	Technology lead efficiencies	Ensuring full utilisation of existing systems to drive service delivery (I connect and FSM. Ensuring data quality and accurate assessment of liabilities	Ongoing
5	Governance	Legal Tender	Efficient and independent advice	2019/20
6	Governance	Ltd Companies	To enhance recruitment and retention capabilities and In-house investment capabilities	2019/20
7	Governance	Accommodation	Delivery of a secure and efficient environment	2018/19
8	Investment	In-house investment	Improve In-house capabilities, driving costs down and improve returns	2019/20
9	Investment	Consolidation of banking requirements	Increased efficient management of cash providing improved governance and potential returns	2019/20
10	Investment	FX Opportunities	To drive efficiencies and increase returns	2019/20
11	Technical	Technical Support	Development of staff to deliver technology lead efficiencies	Ongoing

The above have been identified as leading the way to continue to improve service delivery to all stakeholders, focusing on technology driven opportunities to deliver efficiencies with in the service, improve potential asset returns and improve overriding governance of the Pension Fund.

Some are currently ongoing, and some will become major projects for the Fund and will require additional resources, the more complex will be brought to Committee for approval in due course.

Organisation

