

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	14 SEPTEMBER 2018
REPORT TITLE	STRATEGY
REPORT NUMBER	PC/SEPT18/STRAT
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TERMS OF REFERENCE	PENSIONS COMMITTEE 1-5

1. PURPOSE OF REPORT

- 1.1 To inform the Committee and provide recommendations to changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

2. RECOMMENDATION

That the Committee: -

- 2.1 Note the four proposed options in respect of the Scottish Local Government Pension Scheme Structure Review and agree a response to be submitted by the Chief Officer - Finance on behalf of the Fund and stakeholders (item 3.9.7).

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/fundgovernance.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.lapffforum.org>

3.6 **ACCOUNTING**

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

Budget/Forecast 2018/19 Report

Separate Reports, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 **LGPS Regulations Update**

The LGPS (Scotland) Regulations 2018 came into force on 1 June 2018 and in doing so, revoked the 2014 Regulations. However concerns were raised by Scottish Funds around inconsistencies and potential issues with the new Regulations. The main concern being that the Regulations, by revoking the 2014 Regulations, have the unintended effect of revoking rights and liabilities accrued under the 2014 Regulations i.e. for members who left prior to 1 June 2018, which then impacts on the Fund's ability to carry out its administrative functions such as processing retirement benefits. Amendment Regulations are due to be issued as a matter of urgency but in the meantime a Letter of Comfort has been provided by Scottish Ministers to allow normal business to continue.

3.8 **TECHNICAL**

3.8.1 *Appendix I, Pensions Administration Strategy Update*

3.9 **GOVERNANCE**

3.9.1 **Scheme Advisory Board**

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

3.9.2 **Annual Benefit Statements**

3.9.3 The North East Scotland Pension Fund has a statutory requirement to issue all active and deferred members with annual benefit statement information by 31 August each year. The Fund reported 99.76% compliance in terms of the 2016/17 active benefit statements and 93.06% in respect of deferred benefit statements.

3.9.4 Deferred annual benefit statements for 2017/18 were issued to members online through the Fund's secure Member Self Service (MSS) facility, with an option for members to 'opt in' to continue receiving paper statements.

3.9.5 Active benefit statements are on schedule to be issued week commencing 20 August 2018, with a planned move to online statements from 2018/19. A final outcome report will be taken to the next Committee meeting.

3.9.6 **Pension Fund Staffing Update**

Two posts within the Pensions Section, Senior Pensions Officer-Training & Development and Pensions Officer-Employer Relationship, have been advertised internally within the Council and interviews are scheduled to take place shortly. Recruitment of an additional Pensions Officer on the ER team was approved by the Committee in March 2017 to help meet the ever increasing workload demands on the team. Recruitment to the SPO-Training & Development post will fill a vacancy left by the retirement of the previous post holder.

3.9.7 **Scheme Structure Review Update**

3.9.8 A consultation was launched on the Scottish LGPS structure review in June, to invite employers and employee representative groups to give their views on how the SLGPS should best be structured to service its members and sponsors going forward. The consultation will close on 7 December 2018.

3.9.10 The consultation sets out 4 possible options:

- Keep the status quo (11 separate Funds)
- Promote cooperation in investing and administration between the 11 Funds
- Pool investments between the 11 Funds
- Merge the 11 Funds into one or more new Funds

3.9.11 Responses to the consultation will be evaluated by the Scottish Scheme Advisory Board and presented to Scottish Government Ministers in 2019 before a final decision is made.

3.9.12 Further information on the proposed options and background reports are available at <https://lgpsab.scot>

Appendix II, Consultation Report

Appendix III, Consultation Response Form

3.10 **EMPLOYER RELATIONSHIP**

3.10.1 **Annual Administration Forum**

The annual administration forum was held at the Beach Ballroom on 4 July 2018. Feedback from the event was extremely positive, with both the workshops and presentations being well received. In total 22 of the Fund's participating employers attended. Topics covered included retirement, data protection, pensionable pay and communications.

3.10.2 **Year End/Valuation Process Update**

All Scheme employers are required to submit an annual year-end data return by 30 April and this deadline was met again this year (with the exception of just 1 employer). The year-end process for 2017/18 was completed in just 32 days (down from 55 in 2016/17 and 63 in 2015/16). The Fund continues to expand its online data exchange services, with all employers required to submit electronic monthly submissions which helps improve data quality and reduce year-end processes for both individual employers and the Fund.

The Employer Relationship Team processes and reconciles each year-end data return. Approximately 25,000 active member records were updated, between April and July 2018, with employee and employer contributions as well as salary information and CARE pay for the year.

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 recommendation 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 (August 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 term needs.

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

Appendix I, PAS Update Quarter 1 Report 2018/19
Appendix II, Consultation Report
Appendix III, Consultation Response Form

11. REPORT AUTHOR CONTACT DETAILS

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