

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 14 September 2018. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Reynolds, Vice-Convener; Councillor Alan Donnelly, the Depute Provost; and Councillors Bell, Cooke, Delaney and MacGregor (Pensions Committee); and Councillor Alistair McKelvie, Chairperson; Ms M Lawrence, Vice Chairperson; Councillors Allan and Cowe; and Mr I Black, Mr L Knox and Mr A Walker (Pension Board).

Also in attendance:- Jonathan Belford, Chief Officer – Finance; Laura Colliss, Pensions Manager; Graham Buntain, Investment Manager; 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 [here](#)

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.

WELCOME

1. The Convener welcomed Mr Liam Knox, the new UCATT member on the Pension Board and Mr Jonathan Belford, who had recently taken up post as the new Chief Officer – Finance.

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 – item 10 (Asset and Investment Manager Performance Report).

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 item 10, 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.

DECLARATIONS OF INTEREST

3. There were no declarations of interest.

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MINUTE OF PREVIOUS MEETING

4. The Committee had before it the minute of its previous meeting of 22 June 2018.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

COMMITTEE BUSINESS PLANNER

5. The Committee had before it the committee business planner, as prepared by the Chief Officer – Governance.

The Committee resolved:-

- (i) to note that there would be an additional report on the November agenda in respect of the Procurement of a new NESPF website; and
- (ii) to otherwise note the planner.

The Board resolved:-

to note the decision of the Committee.

EXTERNAL AUDIT ANNUAL AUDIT REPORT 2017/2018 - REPORT BY EXTERNAL AUDIT

6. The Committee had before it a report by the External Auditor on the 2017/18 Annual Audit of the North East Scotland Pension Fund. The report noted that auditors were required to report on specific matters arising from the audit of the financial statements to those charged with governance of a body, prior to the financial statements being approved and certified. The report presented the draft annual report on the 2017/18 audit.

The key messages from the audit were that in the opinion of External Audit, the North East Scotland Pension Fund's financial statements gave a true and fair view and were properly prepared. The management commentary, annual governance statement and governance compliance statement were all consistent with the financial statements and had been properly prepared. The Fund had effective arrangements in place for financial management, including the comprehensive reporting of investment performance. The report advised that the fund's investment return performance in comparison to other Scottish Local Government Pension Scheme funds had improved

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in 2017/18 compared to the previous year, with a move from second lowest to second highest performer.

The 2017 triennial funding valuation had assessed the Main Fund as 107% funded, which was an increase of 13% from the 2014 valuation. Council employer contribution rates were maintained for 2018-2021 at 2017/18 levels. Other employer contributions rates ranged from 11% to 33.8%.

The 2017 triennial funding valuation assessed the Transport Fund as 94% funded, an increase of 1% from the 2014 valuation. Employer contributions were to remain at the current level for 2018-2021, but with an additional £1.5 million payment per annum to reduce the deficit. Pension contributions for the Main Fund continued to exceed benefits payable, however the report noted that this was likely to change in the coming years.

The audit had found that effective governance arrangements were in place to support scrutiny of decisions made by the Pensions Committee and decisions were transparent, with committee papers and detailed minutes available on the Aberdeen City Council website. The performance of the Fund was subject to regular review and scrutiny by the Committee.

The Fund did not have any recommendations for improvement.

The Committee heard in detail from Ms Woolman in respect of the report following which Members asked a number of questions. In respect of a query relating to the figures for investment performance and the potential difference with the figure in a later report, it was clarified that the five year figure was an annualised figure, and officers advised that they could make this clearer in future reports.

The Committee resolved:-

- (i) to thank Ms Woolman and her team for the clear and informative presentation and report; and
- (ii) to note the audit report.

The Board resolved:-

to note the decision of the Committee.

CONSIDERATION AND SIGNING OF AUDITED ANNUAL REPORT AND ACCOUNTS - PC/SEPT18/ACC

7. With reference to article 7 of the minute of its previous meeting, the Committee had before it the Audited Annual Report and Accounts for the North East Scotland

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Pension Fund and the Aberdeen City Council Transport Fund for consideration and signing.

The report recommended:-

that Committee –

- (a) consider and approve the Audited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund; and
- (b) instruct the Chief Officer – Finance as the Local Government (Scotland) Act 1973 Section 95 Officer to sign the accounts on behalf of the Funds.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

BUDGET FORECAST AND ANNUAL SPEND - PC/SEPT18/BUD

8. With reference to article 8 of the minute of its meeting of 16 March 2018, the Committee had before it a report by the Director of Resources which provided details of the Management Expenses Budget / Forecast and Projected Spend 2018/19 for the North East Scotland Pension Fund (NESPF).

The report recommended:-

that Committee approve the NESPF Management Expenses Budget / Forecast 2018/19, as set out in Appendix 1 to the report.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/SEPT18/STRAT

9. With reference to article 8 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources 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 in respect of an update to the Local Government Pension Scheme Regulations; the issuing of the annual benefit statements; an update

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on the Pension Fund staffing situation; information on the annual administration forum event held on 4 July 2018; and the year end/valuation process update.

The report also provided detail on the consultation in respect of the Scottish Local Government Pension Scheme structure review; set out the four possible options that had been included in the consultation; and sought agreement from the Committee on a response to be submitted in respect of the consultation.

Members heard from Ms Colliss who talked through the various consultation options and spoke of the merits or otherwise of the options. She explained that at a meeting earlier that week with the other Local Authority Pension Funds in Scotland, 10 of the Funds had been agreement that the preference was to remain as 11 separate Funds, noting that collaboration between the Funds would still be undertaken wherever possible. It was noted that the pooling in England and Wales had incurred higher costs and the process was also taking longer than anticipated. Ms Colliss advised that the Pensions Team would prepare a draft response to the consultation based on the feedback from Members and this would be presented to the Committee and Board in November, prior to being submitted.

The report recommended:-

that Committee 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 in the report refers).

The Committee resolved:-

to instruct officers to prepare a draft response to the consultation in respect of the Scottish Local Government Pension Scheme Structure Review which set out the preference for keeping the status quo (11 separate Funds).

The Board resolved:-

to note the decision of the Committee.

**ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT -
PC/SEPT18/AIMPR**

10. With reference to article 11 of the minute of its previous meeting, the Committee had before it a report by the Director of Resources which provided a review of the investment activity of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 June 2018.

Further to the discussion at previous meetings in respect of environmental, social and governance (ESG) matters and responsible investment, the report contained

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information on both the Local Authority Pension Fund Forum and ESG. Members heard from Mr Buntain in respect of the report.

The report recommended that the Committee note the report.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

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