

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 30 November 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 (to article 9); Councillor Alan Donnelly, the Depute Provost; and Councillors Allard, Bell, Cooke, Delaney and MacGregor (Pensions Committee); and Councillor McKelvie, Chairperson; Councillors Allan and Cowe; and 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 Rachel Browne, Senior Audit Manager, 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.

The Convener intimated that in terms of Section 50(B)(4)(b) of the Local Government (Scotland) Act 1973, he considered that the following item be taken as a matter of urgency to enable the Pensions Committee to receive a report back to its meeting in March 2019, in line with a decision taken in respect of the matter at the City Growth and Resources Committee earlier in the week.

URGENT MOTION

1. The Convener moved as an urgent motion, seconded by Councillor Donnelly:-

That Committee:-

- (a) agree to note the position adopted by the City Growth and Resources Committee on 27 November 2018, with specific reference to the strategic infrastructure priorities identified in the Regional Economic Strategy, City Region Deal and City Centre Masterplan, being an instruction to the Chief Executive to explore how Scottish local government pension funds could invest locally; and
- (b) instruct the Chief Officer – Finance to explore how the North East of Scotland Pension Fund could invest locally in the North East, including, but not confined to, the strategic infrastructure priorities identified in the Regional Economic Strategy, City Region Deal and City Centre Masterplan, with a report back to the Pensions Committee of 15 March 2019.

The Committee resolved:-

to agree the motion.

The Board resolved:-

to note the decision of the Committee.

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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 10 (Procurement of New NESPF Website), 11 (Asset and Investment Manager Performance Report) and 12 (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 10 to 12, so as to avoid disclosure of exempt information of the class described in paragraphs 8 and 10 (item 10) and 6 (items 11 and 12).

The Board resolved:-

to note the decision of the Committee.

DECLARATIONS OF INTEREST

3. There were no declarations of interest.

MINUTE OF PREVIOUS MEETING OF 14 SEPTEMBER 2018

4. The Committee had before it the minute of its previous meeting of 14 September 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:-

to note the planner.

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The Board resolved:-

to note the decision of the Committee.

BUDGET FORECAST AND ANNUAL SPEND

6. With reference to article 8 of the minute of its meeting of 14 September 2018, the Committee had before it a report by the Director of Resources which provided detail of the Management Expenses Budget / Forecast and Projects Spend 2018/19 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 2018/19;
- (b) note the update on Pension Fund staff costs and staffing vacancies; and
- (c) note the update on the ongoing work with the NESPF Accounting team and the Global Custodian and its impact upon the reporting of Investment Management Expenses.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

UPDATE ON ANNUAL BENEFIT STATEMENTS

7. The Committee had before it a report by the Director of Resources which provided an update on the provision of Annual Benefit Statements to the Funds' active and deferred members. The report advised that 99.81% of active statements had been issued for 2017/18, just below the target of 100%. Some issues had been identified in the remaining members' records which prevented a benefit statement being generated and officers would address these issues in preparation for the 2018/19 statements.

As the target of 100% had not been achieved, this would be recorded as a breach in the Register in terms of the NESPF Breaches of Law Policy, however as the breach was not considered to be of material significance, it would not be reported to the Pensions Regulator.

The report recommended:-

that the Committee note the contents of the report.

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The Committee resolved:-

- (i) to note that officers would continue to provide updates to the Committee and Board in respect of the ongoing work trace the 1,317 deferred members who had been marked as 'gone away' on the Altair system; and
- (ii) to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

LOCAL GOVERNMENT IN SCOTLAND: FINANCIAL OVERVIEW 2017/18

8. The Committee heard from Ms Rachel Browne, External Audit, who advised that she had intended to present key messages from the Local Government in Scotland: Financial Overview 2017/18, however due to the late publication of the overview and the Local Government Pension Funds Supplement, she proposed to bring the item to the March 2019 meeting of the Committee and Board instead, noting that she could circulate the documents electronically prior to that meeting if Members would find this helpful.

The Committee resolved:-

to note the update.

The Board resolved:-

to note the decision of the Committee.

STRATEGY

9. With reference to article 9 of the minute of its previous meeting, the Committee had before it a report which provided an update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

Further to the discussion at the previous meeting in respect of the formal response to the Scheme Advisory Board consultation, officers had prepared a response which was appended to the report for Committee approval.

The report also provided an update on the Pension Fund staffing, noting that the Senior Pensions Officer – Training and Development and Pensions Officer – Employer Relationship posts had been filled, with interviews to be held to recruit two Assistant Pensions Officers and a Trainee Pensions Officer – Benefit Administration.

The report also outlined the request for approval of travel to Advisory Committees in Singapore, Chicago and Boston in 2019 to ensure due diligence and scrutiny of the Fund's investments in Harbourvest, RCP and the Partners Group.

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The report further advised of a change following the introduction of the Local Government Pension Scheme (Scotland) Regulations from 1 June 2018, which allowed for a payment of a calculated surplus to employers exiting the Fund upon a termination event, and the resulting consultation on a new Funding Strategy Statement (FSS) which had been carried out with participating employers. As a result of the consultation, no changes had been recommended to the FSS.

Finally, the report advised of a new draft Business Continuity Plan which was available to view on the members' area of the website.

The report recommended:-

that Committee –

- (a) approve the submission of the response to the Scheme Advisory Board formal consultation on the LGPS (Scotland) Structure Review, as set out in Appendix II to the report (section 3.9.2 refers);
- (b) approve the travel for one appointed Advisory Committee Officer to attend the following (section 3.9.4 refers):-
 - Partners Group, Singapore, March 2019
 - RCP, Chicago, June 2019
 - Harbourvest, Boston, December 2019; and
- (c) approve the changes to the NESPF Funding Strategy Statement, incorporating how the Fund will deal with any potential surplus amounts upon termination, following the introduction of the Local Government Pensions Scheme (Scotland) Regulations 2018 (section 3.10 refers).

The Committee resolved:-

to approve the recommendations.

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.

PROCUREMENT OF NEW NESPF WEBSITE

10. The Committee had before it a report by the Director of Resources which sought approval for the proposed development of a new website for the North East Scotland Pension Fund which would address a number of issues which were leading to a poor experience for users, as although there had been updates made, the functionality of the website had remained unchanged since its introduction in 2009.

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The report recommended:-

that Committee approve the Fund's development of a new Pension Fund website, with procurement subject to approval of the estimated expenditure by the Strategic Commissioning Committee.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT

11. With reference to article 10 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 both the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 September 2018.

Appended to the report was information in respect of the NESPF and environmental, social and governance (ESG) matters and responsible investment. The Committee and Board heard from Mr Graham Buntain in respect of the detail contained within the report. Mr Buntain provided a verbal update in respect of the performance of the North East Scotland Pension Fund against benchmarks, noting that the figures had not been available on this occasion prior to publication of the agenda. He advised that he could circulate the figures electronically to Members if required.

The report recommended:-

that the Committee note the contents of the report.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

INVESTMENT STRATEGY UPDATE

12. The Committee had before it a report by the Director of Resources which proposed recommendations in respect of changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies.

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The report recommended:-

that Committee –

- (a) approve the use of Headroom Limits (as detailed at section 3.1 of the report), to approve an increase to Headroom Limits to 15% (of the total Fund) in accordance with regulation 14(3) and item 3 of Part 1 of Schedule 1 of the regulations; and
- (b) approve in principle the proposal set out in section 3.2 of the report.

The Committee resolved:-

- (i) to approve recommendation (a); and
- (ii) to instruct officers to continue dialogue in respect of the proposal set out in section 3.2 of the report, and report back to the Committee on 15 March 2019.

The Board resolved:-

to note the decision of the Committee.

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