

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	PENSIONS COMMITTEE
<b>DATE</b>	15 MARCH 2019
<b>REPORT TITLE</b>	REVIEW OF NESPF COMPLIANCE WITH THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND PENSION REGULATOR REQUIREMENTS
<b>REPORT NUMBER</b>	PC/MAR19/GOV
<b>DIRECTOR</b>	STEVEN WHYTE
<b>CHIEF OFFICER</b>	JONATHAN BELFORD
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<b>TERMS OF REFERENCE</b>	4.1 and 4.2

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### 1. PURPOSE OF REPORT

- 1.1 To provide members with a review of the North East Scotland Pension Fund's (the 'Fund') compliance with the Public Service Pensions Act 2013 and the Pension Regulator ('tPR') requirements relating to the Fund during the financial year 2018/19.

### 2. RECOMMENDATION

- 2.1 That the Committee note the assurance provided in the report

### 3. BACKGROUND

#### **GOVERNANCE FRAMEWORK REVIEW**

- 3.1 A review of the Fund's governance framework review is conducted on an annual basis. The purpose of the review is to assess current practices and procedures; ensuring the Fund has in place a robust governance framework and complies with legislation and best practice guidance.
- 3.2 In terms of Scheme compliance with legislation such as the LGPS (Scotland) Regulations, the PSPA 2013 and tPR requirements (as set out in Code of Practice 14 Governance and Administration of Public Sector Pension Schemes) a review is carried out on a six monthly basis by Fund officers with annual reporting to the Pensions Committee.

#### **Pension Board**

- 3.3 The NESPF Pension Board is made up of equal numbers of member (4) and employer (4) representatives as follows:
- 1 x Aberdeen City Council
  - 1 x Aberdeenshire Council

- 1 x The Moray Council
- 1 x Scheduled/Admitted bodies
- 1 x Unison
- 1 x Unite
- 1 x GMB
- 1 x UCATT

- 3.4 The role of the local pension board is to assist the Scheme Manager to:
- Ensure effective and efficient governance and administration of the Local Government Pension Scheme (LGPS); and
  - Ensure compliance with LGPS Regulations and other relevant legislation, together with any requirements imposed by tPR

- 3.5 The Pension Board has a monitoring, assisting and reviewing purpose rather than being a decision making body. In so doing, the Pension Board is helping to manage the reputational risk of the Fund, and of the administering authority, which responds to the Pension Regulator's expanded regulatory role.

### **Meeting Attendance**

- 3.6 During 2018/19 the Pension Board met formally (and concurrently with the Pensions Committee) on:
- 15 June 2018 (Pension Board only)  
 22 June 2018  
 14 September 2018  
 30 November 2018  
 15 March 2019

- 3.7 During 2018/19 there was an overall 81% attendance rate at meetings (up to 30 November 2018). There continues to be active participation at meetings and a willingness to undertake training. Both demonstrate the strong commitment of Board members to the ongoing effectiveness of the NESPF Pension Board.

- 3.8 The table below details meeting attendance during 2018/19 to date:

	15/06/18	22/06/18	14/09/18	30/11/18	Individual
Cllr McKelvie	✓	✓	✓	✓	100%
Cllr Cowe			✓	✓	100%
Cllr Allan			✓	✓	100%
Morag Lawrence	✓		✓		50%
Alan Walker	✓	✓	✓	✓	100%
Kevin Masson	✓	✓			50%
Ian Black	✓		✓		50%
Stephen Clunes	✓	✓			
Liam Knox			✓	✓	100%

Notes:

\* Changes in the administration at The Moray Council during June 2018 meant that Councillor Cowe's position on the Pension Board was not re-confirmed until July 2018.

Councillor Allan was not appointed to her position on the Pension Board until full Council met in July 2018.

Steven Clunes stepped down from the Pension Board to be replaced by Liam Knox in September 2018.

**Costs of Operation 2018/19**

- 3.9 The costs and expenses of the Pension Board are met as part of the administration costs of the Fund. The costs are principally travel related expenses to attend meetings and training events. The Pension Board continues to carry out its role in a cost effective manner, mindful of delivering value for money.
- 3.10 The table below details costs of operation for 2018/19 (to date):

Travel Costs/Expenses*	£2,187.36
Catering	<u>£161.10</u>

**Total** **£2,348.46**

\*including loss of earnings

**Training Attendance 2018/19**

- 3.11 It is a statutory requirement under Schedule 4 of the PSPA 2013 that members of local pension boards have 'knowledge and understanding' of pensions law and are 'conversant' with Scheme regulations and Fund documents. The issue of training is approached carefully by both the administering authority and individual Board members.
- 3.12 The Board meets annually in June to review their annual report and agree a training plan for the forthcoming year. This provides an opportunity for any issues around attendance to be addressed or gaps in training knowledge to be discussed.
- 3.13 During 2018/19 Pension Board members have continued to demonstrate a commitment to developing their 'knowledge and understanding' by attending training events. Training events on offer during the year cover a range of key areas, with particular focus on investment strategy and Scheme governance.
- 3.14 Fund officers maintain a training register to allow attendance to be monitored on an ongoing basis.
- 3.15 The table below details training attendance for 2018/19 to date:

Name	10/09/2018	14/09/2018	23/10/2018	10/01/2019	Total
Cllr McKelvie		✓	✓		2
Cllr Cowe		✓	✓		2
Cllr Allan		✓			1
Morag Lawrence		✓	✓	✓	3
Alan Walker	✓	✓	✓	✓	4
Kevin Masson	✓				1
Ian Black		✓	✓		2
Steven Clunes		✓			
Liam Knox				✓	1

3.16 Under current arrangements Board members are expected to carry out an annual personal assessment of their knowledge and understanding.

### 3.2 COMPLIANCE REVIEW

3.2.1 A compliance review is carried out by the Fund on a six monthly basis, with annual reporting to the Pensions Committee.

#### Summary of the main findings:

3.2.2 Again the review found that the key internal controls for monitoring the ongoing compliance with legislation and tPR requirements are in place and working effectively, with the latest compliance review taking place in December 2018. A review using the tPR Scheme Assessment Tool confirms there are no areas for concern.

3.2.3 Work continues to take place within the Fund to ensure it meets legislative and tPR requirements.

#### Data Protection Review

3.2.4 The new General Data Protection Regulation and Data Protection Act 2018 were implemented in early 2018. A project team was put together to review existing policies and practices. This resulted in the following improvements during the year:

- Creation of a new Data Protection Policy
- Creation of a new Systems Access Policy
- Creation of a new internal procedure for staff covering personal data breaches
- Changes to Member Self Service including a consent box and increased functionality in terms of document publishing
- Amendments to member forms and internal practices e.g. secure email
- Update to the Website Privacy Notice

Compliance with the key principles of the GDPR and individual rights will form part of our ongoing compliance review process.

#### Scheme Data/Member Tracing

- 3.2.5 Record keeping is a vital part of running the Fund and failure to maintain complete and accurate records places it at risk of failing to meet legal obligations. As such, Fund officers are committed to continuing to maintain, and improve upon, the high-quality member data we hold. A Data Improvement Plan will be finalised and taken to Committee in March 2019 to ensure we are able to continue to adhere to legislative and tPR record keeping requirements.

#### Elected Member and Board Knowledge and Understanding

- 3.2.6 In the summer of 2018 Hymans Robertson conducted the first ever LGPS Confidence Assessment. The results affirmed that committee and local pension board members do feel largely confident in their knowledge and understanding on all topics assessed. However, one clear take away from the survey was that respondents were noticeably more confident on topics which have traditionally been given more time on committee agendas e.g. investments. Although not surprising, members should be aiming for the same level of confidence on all areas under their responsibility.
- 3.2.7 At present Elected and Board members are expected to undertake an annual self-assessment of their knowledge and skills. In addition, the Scheme encourages completion of the Pensions Regulators Toolkit as part of the training package on offer.
- 3.2.8 Fund Officers have identified this as an area for potential improvement. As part of the annual Training Policy review, we intend to conduct a review of current knowledge and skill levels, which will allow us to address any training deficits going forward and ensure we continue to evidence sufficient knowledge and skills in line with the CIPFA framework.
- 3.2.9 In addition, the Training Policy sets out an expectation that Committee and Board members commit to at least 2 days training per year. We currently record, monitor and report attendance at meetings and training events, but the Policy will be revised to allow the Fund to address poor attendance levels in a consistent and fair manner. We propose to take a revised Training Policy to the Committee in June 2019 for approval.
- 3.2.10 Lastly the procurement and development of a new NESPF website with vastly improved functionality over the existing site, will give Fund Officers the opportunity to seek improvements to the online training materials and tools on offer to Committee and Board members.

## **GOING FORWARD**

### **Scheme structure review outcome**

3.2.11 With the outcome of the SAB LGPS structure review currently unknown following the end of the consultation period in December 2018, there is a potential for significant changes to Scheme governance going forward, especially if the Scottish Government decide to opt for one of the more radical options i.e. pooling or merging the Funds.

3.2.12 Elected Members remain committed to delivering a well run and well governed Scheme. The Pension Board will continue to assist and constructively challenge Officers to deliver effective management and administration within their existing remit.

#### **4. FINANCIAL IMPLICATIONS**

4.1 Good governance is a crucial element of effective public services. It leads to good management, good performance and good stewardship of public money.

#### **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.

#### **7. OUTCOMES**

<b>Design Principles of Target Operating Model</b>	
	<b>Impact of Report</b>
<b>Governance</b>	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.

#### **8. IMPACT ASSESSMENTS**

<b>Assessment</b>	<b>Outcome</b>
<b>Equality &amp; Human Rights Impact Assessment</b>	Not required
<b>Data Protection Impact Assessment</b>	Not required
<b>Duty of Due Regard / Fairer Scotland Duty</b>	Not applicable

**9. BACKGROUND PAPERS**

None

**10. APPENDICES**

Training Policy (for Committee & Board)

Terms of Reference – Pensions Committee (revised March 2018)

Terms of Reference – Pension Board

**11. REPORT AUTHOR CONTACT DETAILS**

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