

ABERDEEN CITY COUNCIL

COMMITTEE	PENSIONS COMMITTEE
DATE	14 JUNE 2019
EXEMPT	NO
CONFIDENTIAL	NO
REPORT TITLE	STRATEGY
REPORT NUMBER	PC/JUN19/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 Review and approve the updates to the Scheme Policy documents (item 3.9.2)

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.lapfforum.org>

3.6 **ACCOUNTING**

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

Separate Report, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 **LGPS Scheme Advisory Board (Scotland) Structural Review**

The consultation responses from employers and employee bodies are available to view at <https://lgpsab.scot/consultation-responses/>

The Scottish Scheme Advisory Board have advised the resulting report will be made available in April 2019.

3.7.2 Revised Government Actuary's Department (GAD) factors

Updated factors for non-club transfers in and out, pensioner Cash Equivalent Transfer Value (CETV) on divorce, pension credits, reductions to pension debits on early retirement, early retirement, trivial commutation, club transfer factors, added pension factors and an updated Critical Retirement Age (CRA) conversion table were made available in the second half of March 2019. Unfortunately, the delay in receiving these revised factors did impact on the Fund's Pensions Administration Strategy (PAS) statistics for the quarter as certain calculations had to be put on hold. To meet our disclosure requirements, notification was given to those affected members.

3.7.3 New Guidance

A new guide for UK administering authorities entitled 'Administration in the LGPS' has been developed by AON and CIPFA. The guide highlights the importance of effective management and monitoring of administration matters. A copy is available at <https://www.cipfa.org/policy-and-guidance/reports/administration-in-the-lgps>.

3.8 TECHNICAL

3.8.1 *Appendix I*, Pensions Administration Strategy Update

3.9 GOVERNANCE

3.9.1 Scheme Advisory Board

3.9.1 Copies of the latest bulletins and meetings available at <http://lgpsab.scot>. The SAB's Annual Report 2017/18 was published in early March and is also available online.

3.9.2 Document Updates

3.9.2.1 The following documents have been introduced or updated and are available to view in the secure members area of the website at <http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx>

- Investment Policy
- Statement of Investment Principles
- Data Protection Policy
- Governance Policy
- Communication Policy
- Reporting Breaches of Law
- Record Keeping Policy
- Training Policy
- Compliance with the Myners Principles

3.9.2.2 Details of the changes to the above documents can be found in *Appendix II*.

3.9.3 Breaches of Law

3.9.3.1 There were 33 breaches of law recorded in the NESPF Breaches Register during 2018/19. The majority of which were Scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions.

3.9.3.2 The Pension Fund will continue to engage with Scheme employers during 2019/20 and build on the training and support already provided.

3.9.3.3 Following assessment, none of the above breaches were deemed to be of 'material significance' to require further reporting to the Pensions Regulator.

3.9.3.4 Following changes to data protection laws in 2018, certain personal data breaches must now be reported to the Information Commissioners' Office i.e. where there is likely to be a risk to people's rights and freedoms. The Fund made no reports to the ICO during 2018/19.

3.9.4 Pension Fund Staff Training 2018/19

3.9.4.1 Each staff member had a dedicated training plan, agreed with their line manager during the annual PR&D process, to complete over the course of 2018/19. In addition, internal training was made available to all staff on the General Data Protection Regulation and Annual Allowance. New starters during the year also received introductory training from the Investments, Admin, ERT and Governance teams.

3.9.4.2 The Fund had 4 Trainee Pensions Officers over the course of 2018/19:

- 2 successfully passed their 2nd year exams to become fully qualified and highly trained Pensions Officers in June 2018;
- 1 successfully passed their 1st year internal exam in June 2018 and moved into 2nd year of training; and
- 1 commenced the 2-year internal training programme in late 2018

3.9.5 Staffing and Accommodation update

Separate report, provided

3.9.6 Pension Board Annual Report

Appendix III, Pension Board Annual Report 2018/19

3.10 EMPLOYER RELATIONSHIP

3.10.1 Firstbus Proposal

Separate report, provided

3.10.2 Financial Forum

The Fund hosted its annual financial forum on 24 April 2019 in the Hilton Doubletree, Aberdeen. The event was aimed at the financial decision makers from participating employers. In total 32 attendees from across 24 employers attended, along with a contingent of Pensions Committee and Board members, to take in presentations from the Scheme Actuary, Aberdeen Standard, HSBC and NESPF staff.

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 (May 2019)

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.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. BACKGROUND PAPERS

None

10. APPENDICES

Appendix I, PAS Update Quarter 4 Report 2018/19
Appendix II, Document Review
Appendix III, Pension Board Annual Report 2018/19
Appendix IV, Copy of Risk Register (May 2019)

11. REPORT AUTHOR CONTACT DETAILS

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