

Pensions Committee Annual Effectiveness Report



Contents

1. Introduction
2. The role of the Committee
3. Membership of the Committee during 2018/2019
4. Membership changes
5. Member Attendance
6. Meeting Content
7. Training Requirements and Attendance
8. Code of Conduct – Declarations of Interest
9. Civic Engagement
10. Officer support to the Committee
11. Executive Lead's Comments
12. Next year's focus

1. INTRODUCTION

- 1.1 I am pleased to present the first annual effectiveness report for the Pensions Committee. As members will be aware, as part of their interim assessment of the Council's governance arrangements in 2016, CIPFA recommended that committees review the extent to which they have operated within their Terms of Reference, through an annual report. This has been an aspiration for some time, representing good practice in governance terms and evidencing the Council's progress towards achieving CIPFA accreditation and I am glad to see the first report for the Pensions Committee presented.
- 1.2 This first annual effectiveness report is a good mechanism for the Committee to support the Council's improvement journey by demonstrating the ways that the Committee supports the principles of the Target Operating Model; whilst also providing the opportunity to reflect on the business of the Committee over the past year and to look to the Committee's focus for the year ahead.
- 1.3 Throughout the first year, the Committee has worked collectively to ensure the governance arrangements for the Pension Fund are robust and continue to deliver a responsible and compliant scheme. Focusing on the Pensions Regulator, the continuation of moving to the strategic investment benchmark and embracing technology to improve the quality and efficiency of service delivery.



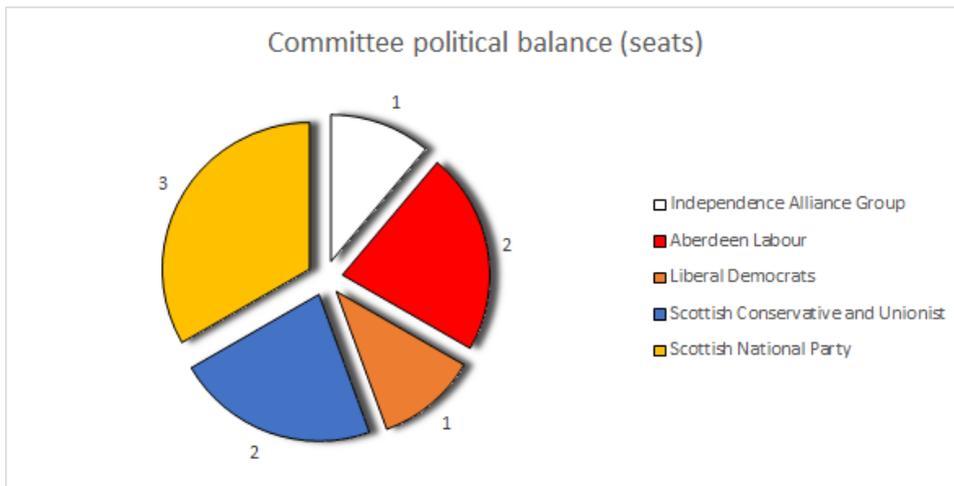
Councillor M. Tauqeer Malik
Convener, Pensions Committee

2. THE ROLE OF THE COMMITTEE

- 2.1 The role of the Committee is to discharge all functions and responsibilities relating to the Council's role as administering authority for the North East Scotland Pension Funds (NESPF).
- 2.2 The previous Terms of Reference for the Committee as approved by Council on 5 March 2018 are appended to the report.

3. MEMBERSHIP OF THE COMMITTEE DURING 2018/2019

- 3.1 The Pensions Committee has 9 members and the composition is presented below.



4. MEMBERSHIP CHANGES

- 4.1 There were no changes to the Pensions Committee membership during the 2018/19 reporting period.

5. MEMBER ATTENDANCE

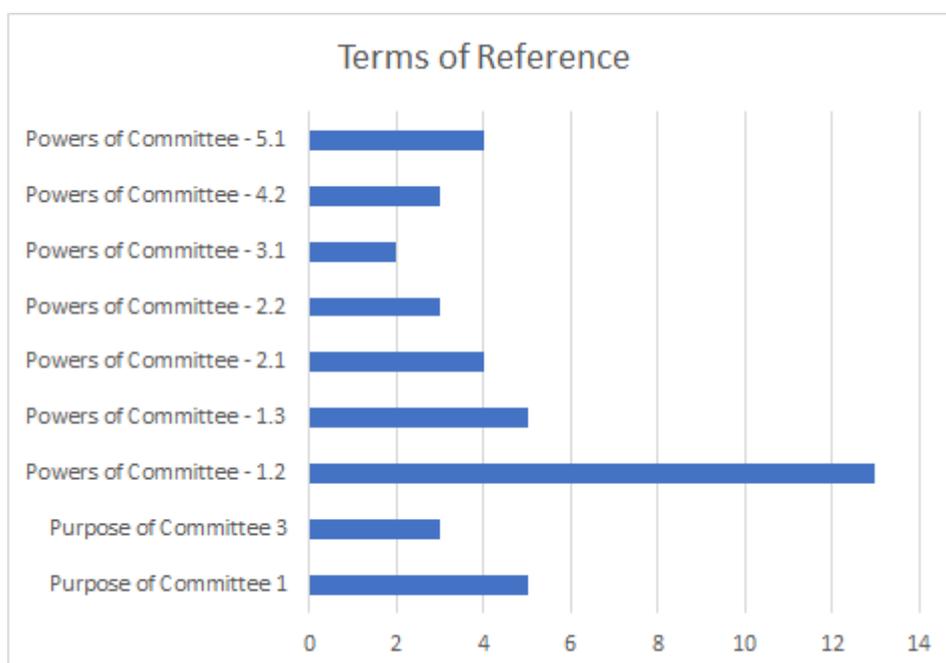
Member	Total Anticipated Attendances	Total Attendances	Nominated Substitute
Councillor Malik	5	5	
Councillor Reynolds	5	5	
Councillor Allard	5	4	
Councillor Bell	5	5	
Councillor Cooke	5	5	
Councillor Crockett	5	3	1 - Councillor Laing
Councillor Delaney	5	4	
Councillor Donnelly	5	4	
Councillor MacGregor	5	5	

6. MEETING CONTENT

- 6.1 During the 2018/2019 reporting period (6 March 2018 to 29 April 2019) the Committee had 5 meetings and considered a total of 38 reports.

6.2 Terms of Reference

Of the 38 reports received the following table details how the reports aligned to the Terms of Reference for the Committee.



- 6.3 The majority of reports have fallen under the Purpose of the Committee 1.2 (Managing the investment of the NESPF in accordance with the LGPS (Scotland) Regulations and other relevant legislation). This is to be expected in terms of the main part of the Committee's role in monitoring and overseeing the investment of the NESPF. There is a relatively even spread of reports across the other Terms of Reference (ToR).
- 6.4 There have not been any reports presented under the Purpose of the Committee 1.4 (Working alongside the Pension Board to consider any pension compliance matters raised) as there have been no compliance matters for consideration.
- 6.5 While there have not been any reports specifically listed under ToR 1.1 (Ensure effective risk management of the Fund), there is a risk register update provided to each Committee meeting as part of the Strategy report which falls under the other ToR.
- 6.6 Finally, there have not been any reports presented under ToR 5.2 (Determine applications for Admitted Body status) as there have been no requests for Admitted Body status during the reporting period for the annual effectiveness report.

6.7 **Local Outcome Improvement Plan**

None of the 38 reports had a link to the themes of the Local Outcome Improvement Plan. Due to the nature of the Pensions Committee remit, reports to the Committee link instead to the design principles of the Target Operating Model, such as Governance.

6.8 Reports and Committee Decisions

The following table details the outcome of the Committee's consideration of the 38 reports presented to it throughout the year.

	Total	% Total Reports
Number of confidential reports	0	0.0%
Number of exempt reports	7	18.4%
Number of reports where the Committee has amended officer recommendations	0	0.0%
Number and percentage of reports approved unanimously	38	100.0%
Number of reports requested by members during the consideration of another report to provide additional assurance and not in forward planner	0	
Number of service updates requested by members during the consideration of another report to provide additional assurance and not in forward planner	0	
Number of decisions delayed for further information	0	0.0%
Number of times the Convener has had to remind Members about acceptable behaviour and the ethical values of Public Life	0	
Number of late reports received by the Committee	0	0.0%
Number of referrals to Council, or other Committees in terms of Standing Order 33.1	0	0.0%

6.9 Notices of Motion, Suspension of Standing Orders, Interface with the Public

	Total
Number of Notices of Motion	1 (Urgent Notice of Motion)
Number of times Standing Orders were suspended	0
The specific Standing Orders suspended	N/A
Number of deputations or other indicators of interface with the public, i.e. engagement and social media.	0
Number of petitions considered	0
Number of Members attending meetings of the committee as observers	0
Number of Meetings held by the Convener with other Conveners, relevant parties, to discuss joint working and key issues being raised at other Committee meetings	There is less scope for the Pensions Committee to link with other Committees, however the Convener meets with Chief Officers on a monthly basis in respect of any key issues at other Committee meetings.

7. TRAINING REQUIREMENTS AND ATTENDANCE

7.1 The following specific Scheme of Governance training which is related to the operation of all Committees was provided to Members:-

- Effective Decision Making on 23, 27 and 28 March 2018
- Financial and Procurement Regulations on 23 and 29 March 2018

7.2 Training on the Councillors' Code of Conduct was provided to Elected Members in January and February 2018.

7.3 Throughout the course of 2018-2019 there have been training sessions on:

14 September 2018, following the Pensions Committee meeting, presentations from Pensions & Investment Research Consultants Ltd (PIRC) and State Street Global Advisors (SSGA) covering corporate governance and Environmental, Social Governance (ESG).

23/24 October 2018, members were invited to attend the annual LGC Seminar covering:-

- a progress report on the consultation on the structural review of the LGPS
- the infrastructure and housing challenge, learning from the experience of pooling in England and Wales
- impact of responsible investment on a Scheme's direct investment portfolio
- investment strategy – how to ensure it is fit for purpose and future proofed; and

- the changing landscape of the LGPS in Scotland.

10/11 January 2019, training consisted of presentations from a range of fund managers: SSGA, Baillie Gifford, Blackrock, HarbourVest, Aberdeen Standard, Aviva, Hayfin, Alcenta and Hermes.

- 7.4 The above opportunities provide valuable insights into relevant business areas to aid scrutiny of Committee business. Further development opportunities will be developed for 2019 – 2020 based on Committee business and officer proposals; and Member feedback.

8. CODE OF CONDUCT – DECLARATIONS OF INTEREST

- 8.1 No declarations of interest were made by Councillors during the reporting period. Information in respect of declarations is measured to evidence awareness of the requirements to adhere to the Councillors' Code of Conduct and the responsibility to ensure fair decision-making.

9. CIVIC ENGAGEMENT

- 9.1 The Committee's focus, by its very nature, has largely been in respect of its responsibilities relating to the Council's role as administrating authority for the NESPF. It has undertaken this in close partnership with the external organisations represented on the Pension Board, as well as other schedule and admitted body employers of the Pension Fund via Forums held by the Fund and training sessions with Fund Managers appointed by the Fund.
- 9.2 Throughout the course of the year, consideration will be given to enhancing civic engagement in the discharge of the Committee's remit.

10. OFFICER SUPPORT TO THE COMMITTEE

Officer	Total Anticipated Attendances	Total Attendances	Substitute Attendances
Director of Resources	3	2	0
Chief Officer – Finance	3	3	0
Pensions Manager	5	4	0
Investment Manager	5	3	0

11. EXECUTIVE LEAD'S COMMENTS

- 11.1 One of the Council's transformation projects is to deliver the CIPFA Mark of Excellence in Good Governance. As part of this project, CIPFA recommended that each Committee should annually review its effectiveness, including its information reporting needs, to help ensure that each Committee was following its Terms of Reference; operating effectively; and would assist in identifying any training needs or improvements to the Council's decision-making structures.
- 11.2 It can be seen from the statistics in the annual report that no decisions required to be delayed and that all business was approved or noted unanimously. With the exception of the regular Asset and Investment Manager Performance and Investment Strategy reports, which by their nature contain exempt financial information, it has been possible for the rest of the Committee's business to be taken in public to ensure that there is transparency in the democratic process.
- 11.3 Only minor changes were made to the Committee's Terms of Reference when they were presented to Council in March 2019, which suggests that the current Terms of Reference are operating effectively.

12 NEXT YEAR'S FOCUS

- 12.1 Council on 4 March 2019 approved new Terms of Reference and a further review will be reported to Council in March 2020. Throughout the next reporting year, we will review the Terms of Reference in line with the business submitted to the Committee and reflect on whether any areas require refinement moving forward to ensure the efficient operation of the Committee.
- 12.2 Areas of focus from the Business Planner – generally, the Committee considers the same reports at each point in the year in line with its role to monitor the administration of the NESPF. A major piece of work each year is the presentation and approval of the NESPF Annual Report and Accounts. There will also be a report presented later in the year on the exploration of the opportunities for a strategic partnership between the Council, other stakeholders and the North East Scotland Pension Fund for the purposes of supporting local infrastructure investment.
- 12.3 Budget considerations for the Committee during 2019/20 will focus on staffing and accommodation costs to ensure future service delivery. Work leading up to the 2020 actuarial valuation will also add to those pressures.
- 12.4 Priorities for the committee during 2019/20 include, delivery of the potential merger between Strathclyde No.3 Fund and the Aberdeen City Council Transport Fund, Actuarial Valuation, ensuring the Fund is sufficiently resources to continue service delivery to all stakeholders and the delivery of the investment strategy.

**Previous Version of Pensions Committee Terms of Reference
Approved by Council on 5 March 2018**

PENSIONS COMMITTEE

PURPOSE OF COMMITTEE

To discharge all the functions and responsibilities relating to the Council's role as administering authority for the North East Scotland Pension Funds (NESPF) including:-

1. overseeing the administration of the Local Government Pension Scheme (LGPS) in accordance with the LGPS (Scotland) Regulations 2014 and other relevant regulations,
2. managing the investment of the NESPF in accordance with the LGPS (Management and Investment of Funds) (Scotland) Regulations 2010 (as amended);
3. receiving regular training to enable the Committee members to make effective decisions under the LGPS Regulations, other relevant legislation and to make decisions in compliance with the Pensions Regulator Code of Practice; and
4. working alongside the Fund's Local Pension Board, considering any pension compliance matters raised.

Where reference is made to 'the Fund', this refers to the Main Fund (the North East Scotland Pension Fund) and the Transport Fund (the Aberdeen City Council Transport Fund).

POWERS OF COMMITTEE

1. Risk Management

The Committee will:

- 1.1 ensure effective risk management of the Fund;
- 1.2 set the investment objective and strategy in light of the Funds liabilities and appoint or remove Fund Managers or new vehicles in furtherance of the strategy; and
- 1.3 ensure that an effective system of internal financial control is maintained.

2. Internal and External Audit

The Committee will:

- 2.1 approve the annual audit plans; and
- 2.2 consider all reports prepared by the Council's Internal and External Auditors in relation to the Pension Fund.

3. Annual Report and Accounts

The Committee will:

- 3.1** review and approve the annual report and accounting statement.

4. Legal obligations

The Committee will ensure:

- 4.1** compliance with the Local Government Pension Scheme (Scotland) Regulations as amended and with all other legislation governing the administration of the Fund; and
- 4.2** adherence to the principles set out in the Pension Regulator's Code of Practice.

5. Scrutiny

The Committee will:

- 5.1** monitor the performance of Fund Managers; and
- 5.2** determine applications for Admitted Body status.

JOINT WORKING WITH OTHER COUNCIL COMMITTEES:

The Committee, through its lead officers, will regularly consider key issues arising through other committees, in particular the City Growth and Resources and Staff Governance Committees.

JOINT WORKING WITH NON COUNCIL BODIES:

The Committee, through its lead officers, will work jointly with the Fund's Investment Consultant and Actuary in the management of the Fund and with external contacts such as the provider of the pensions IT programme.

Executive Lead: Director of Resources

