

Pensions Committee Annual Effectiveness Report



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1. INTRODUCTION

- 1.1 I am pleased to present the second 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 had operated within their Terms of Reference, through an annual report. This had been an aspiration for some time, representing good practice in governance terms. I am delighted that this year, the Council was the first in Scotland to be awarded the CIPFA Mark of Excellence in Governance, and that the annual effectiveness report was highlighted by CIPFA as an example of good governance. The annual effectiveness report also informs the annual review of the Council's Scheme of Governance and enables officers to identify if any changes are required, for example, to the Committee Terms of Reference.
- 1.2 As part of the 2020 review, minor changes were made to the Pensions Committee Terms of Reference to provide greater clarity and those will be monitored throughout the year and taken into consideration during next year's review and the preparation of the third annual committee effectiveness report.
- 1.3 The annual report is a good mechanism for the Committee to support the Council's improvement journey 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.
- 1.4 Throughout the year, the Committee has worked collectively alongside the Pension Board to ensure the governance arrangements for the Pension Fund are robust and continue to deliver a responsible and compliant scheme.



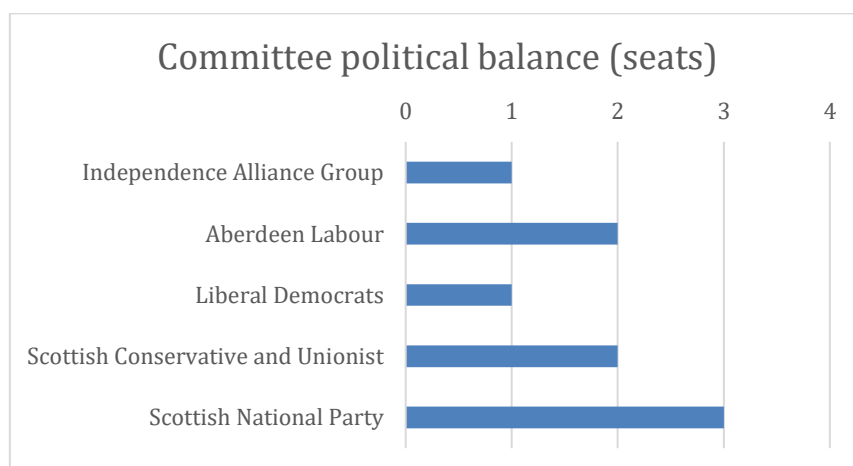
Councillor M. Tauqeer Malik
Convener, Pensions Committee

2. THE ROLE OF THE COMMITTEE

- 2.1 The role of the Committee is to discharge all functions and responsibilities in respect of the Council's role as administering authority for the North East Scotland Pension Funds (NESPF). This includes managing the investment of the NESPF in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and other relevant legislation.
- 2.2 The previous Terms of Reference for the Committee as approved by Council in March 2019 are appended to the report.

3. MEMBERSHIP OF THE COMMITTEE DURING 2019/2020

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



4. MEMBERSHIP CHANGES

- 4.1 Councillors Flynn, Henrickson and Wheeler all joined the Committee during the reporting period. Councillor Flynn then resigned from the Committee during the year following his election as an MP.

5. MEMBER ATTENDANCE

Member	Total Anticipated Attendances	Total Attendances
Councillor Bell	4	4
Councillor Cooke	4	4
Councillor Crockett	4	4
Councillor Delaney	4	4
Councillor Donnelly	3	2
Councillor Flynn	3	2

Councillor Henrickson	1	1
Councillor MacGregor	4	3
Councillor Malik	4	3
Councillor Reynolds	4	3
Councillor Wheeler	1	1

6. MEETING CONTENT

6.1 During the 2019/2020 reporting period (29 April 2019 to 30 April 2020), the Committee had 4 meetings and considered a total of 29 reports.

6.2 Terms of Reference

Of the 29 reports received the following table details how the reports aligned to the Terms of Reference for the Committee.

Terms of Reference	Count of Terms of Reference
Purpose of Committee 1.1	5
Purpose of Committee 1.2	3
Purpose of Committee 1.3	3
Purpose of Committee 1.4	1
Remit of Committee 1.1	4
Remit of Committee 1.2	2
Remit of Committee 1.3	3
Remit of Committee 2.1	3
Remit of Committee 2.2	5
Remit of Committee 3.1	4
Remit of Committee 4.1	9
Remit of Committee 4.2	3
Remit of Committee 5.1	8
Remit of Committee 5.2	1

6.3 During the course of 2019/2020 all sections of the Committee's Terms of Reference were discharged throughout the course of the reporting period. This would indicate that the Committee has discharged its role as determined by Council. As a result, only minor changes were made to the Terms of Reference as part of the March 2020 Scheme of Governance review.

6.4 Most of the reports considered related to Purpose 4.1 – Compliance with Local Government Pension Scheme (Scotland) Regulations and Purpose 5.1 – Monitoring the performance of Fund Managers, which is to be expected given the role of the Committee in relation to the NESPF.

6.5 Local Outcome Improvement Plan

None of the 29 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 and are before Members for assurance and monitoring purposes.

6.6 Reports and Committee Decisions

The following table details the outcome of the Committee's consideration of the 29 reports presented to it throughout the year.

	Total	% Total Reports
Confidential	0	0%
Exempt	9	31%
Number of reports where the Committee has amended officer recommendations	0	0%
Number and percentage of reports approved unanimously	29	100%
Number of reports or service updates requested by members during the consideration of another report to provide additional assurance and not in forward planner	0	0%
Service update requested	0	0%
Number of decisions delayed for further information	0	0%
Number of times the Convener has had to remind Members about acceptable behaviour and the ethical values of Public Life	0	0%
Number of late reports received by the Committee (i.e. reports not available for inspection by members of the public at least three clear days before a meeting)	2	7%
Number of referrals to Council, or other Committees in terms of Standing Order 33.1	0	0%

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

Number of notices of motion	0
Number of times Standing Orders were suspended and the specific Standing Orders suspended	0
Standing order number (ref)	-
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	1
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

7.1 The NESPF training plan is subject to regular review and an annual training report is presented to the Pensions Committee. A revised Training Policy was approved by the Pensions Committee in June 2019, to incorporate changes requested by internal audit around minimum training requirements.

7.2 The NESPF is committed to supporting members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance; training is provided in line with the NESPF Training Policy and covers the following areas:

- Scheme Governance
- Investment Strategy
- Support Services
- Scheme Documentation

7.3 Members were asked to carry out a personal assessment in late 2019 to assess their overall knowledge and understanding levels based on CIPFA's current Code of Practice and supporting framework. The results of the responses have been evaluated and will be used to direct future training.

7.4 Training Content

The first event of the year was the NESPF Finance Forum on 24 April 2019 (outwith the reporting period) in Aberdeen. There were a number of presentations and panels on the day covering:

- Investment Overview
- Introduction to Environmental Social Governance (ESG): Strategy &

Implementation in Real Estate

- Fund Review
- Brexit and Regulatory Insights
- Actuarial Considerations for 2020

Training on 3 September took place at COSLA's office in Edinburgh and covered the following:

- Valuations/Cost Cap/Section 13
- ESG
- Structure Review
- Annual Report and Accounts
- Pensions Admin
- Cost Transparency
- Investments

Training on 13 September took place in Aberdeen following the Pensions Committee/Board meeting on the same day and covered actuarial valuation calculations and liability assessment.

An LGC Seminar was held on 24 and 25 October in Edinburgh. Topical areas covered during the 2 days of training included:

- Update on the SPLGS structural review consultation
- The infrastructure and housing challenge
- ESG
- How aligned is your scheme's approach to climate change, to your council's policy
- What is keeping the investment managers awake at night?
- Investment Strategy and the challenge of being an overfunded fund
- Investing in renewable energy: the opportunities and pitfalls
- Early reflections on the LGPS and looking to the future

Extended training was held from 7 to 10 January 2020 in the Aberdeen Standard offices down in London covering various topics from the fund managers.

Day 1 sessions covered:

Aberdeen Standard	Property and residential
Hermes	Investment
Aviva	Investment
Invesco	DGF

Day 2 sessions covered:

Blackrock	DGF
	Equities
Baillie Gifford	Global Equities
SSGA	Passive equities and bonds
	Dynamic Strategic Hedge

Day 3 sessions covered:

Insight	Buy and maintain credit
Russell	Multi-asset credit
Aberdeen Standard	Private equity
HarbourVest	Private equity
Unigestion	Private equity

Day 4 sessions covered:

Aberdeen Standard	ESG landscape
HSBC	ESG data quality
Hermes	Engagement
NESPF	ESG Policy

Finally, at the June 2019 meeting the Pensions Committee and Pension Board agreed to undertake the online E-Learning Public Service Toolkit produced by the Pensions Regulator and provide evidence of completion to the Pension Fund's governance manager.

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 of interest 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. OFFICER SUPPORT TO THE COMMITTEE

Officer	Total Anticipated Attendances	Total Attendances	Substitute Attendances
Chief Officer - Finance	4	3	1
Pensions Manager	4	4	
Investment Manager	4	4	

10. EXECUTIVE LEAD'S COMMENTS

- 10.1 In March 2020, Council approved new Terms of Reference and a further review will be undertaken in March 2021. Although very minor tweaks were made to the Pensions Committee Terms of Reference, we will review them over the next year 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.
- 10.2 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, a task made more onerous this year due to the impact of COVID-19. The draft accounts were however presented on time

to the Urgent Business Committee in June 2020 and the final accounts are on track to be presented in September as usual.

- 10.3** Following Committee approval in November 2018 and a thorough procurement process, the new NESPF website has been delivered with updated branding including a new logo and brand guidelines to ensure a consistent and memorable look and feel to all Fund communication materials.
- 10.4** Another major area of work this year has been the merger of the Aberdeen City Council Transport Fund with the Strathclyde No. 3 Fund which was successfully completed in 2019. The move, at the request of First Group was a substantial project that involved close working partnerships to ensure a smooth transition of financial assets and data from Strathclyde to the NESPF, whilst ensuring No. 3 Fund members were fully informed and engaged throughout the process.
- 10.5** The NESPF has continued to make use of technological improvements and systems to push administration and communications online. For the first time, all annual benefit statements for active and deferred members were issued via the self-service portal, My Pension. A record number of retirement cases and system updates were processed this year, with the Funds' data quality improvement plan maintaining the high quality and accuracy of data.

11. NEXT YEAR'S FOCUS

11.1 The following areas will be looked at by the Committee & Board in the next 12 months (subject to review):

- Training Plan
- Risk Management & Risk Register
- Pension Fund Annual Report
- Annual review of scheme policy documents
- Compliance Review
- Internal/External Audit Plan and updates
- Conflicts of Interest declarations
- Breaches of Law
- Pension Service Business Plan

11.2 Work for the NESPF in 2020/21 includes the usual delivery of essential services in addition to a number of already planned projects, such as the triennial valuation; the move to a new office; and the completion of a buy-in process for the Aberdeen City Council Transport Fund.

**Previous Pensions Committee Terms of Reference
Approved by Council on 4 March 2019**

PURPOSE OF COMMITTEE

1. 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:-
 - 1.1 approving and monitoring the administration of the Local Government Pension Scheme (LGPS) in accordance with the LGPS (Scotland) Regulations 2018 and other relevant legislation;
 - 1.2 managing the investment of the NESPF in accordance with the LGPS (Management and Investment of Funds) (Scotland) Regulations 2010 and other legislation;
 - 1.3 receiving regular training to enable the Committee members to make effective decisions under the LGPS Regulations and other relevant legislation and to make decisions in compliance with the Pensions Regulator's Code of Practice; and
 - 1.4 working alongside the Fund's Local Pension Board, considering any pension compliance matters raised.

2. 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).

REMIT 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 Fund's 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: Chief Officer - Finance

