

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	25 June 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/JUN21/STRAT
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Laura Colliss & Mairi Suttie
TERMS OF REFERENCE	1-5

1. PURPOSE OF REPORT

- 1.1 To inform the Committee and provide recommendations (if applicable) to changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

2. RECOMMENDATION

That the Committee: -

- 2.1 approve the updated NESPF Business Plan 2021/24 and the updated Statement of Investment Principles Policy as set out in item 3.9.4; and
- 2.2 approve the additional posts of 1 x Senior Pension Officer – Employer Relationship, 1 x Senior Pension Officer – Systems, 1 x Pension Officer – Training & Development and 3 x Trainee Pension Officer – Benefit Administration as set out in item 3.9.6.

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
 - Systems
 - 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>).

- 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 **GMP Indexation Update**

The Government has now published its response to the consultation on Guaranteed Minimum Pension (GMP) Indexation in Public Service Pension Schemes. The response concludes that the Government has decided to discount conversation as a long-term policy solution and make the interim solution a permanent solution for GMP indexation. This means that NESPF will be directed to provide full indexation to those members (including survivors) with a GMP (or inherited GMP in the case of a survivor), reaching State Pension Age (SPa) beyond 5 April 2021.

3.8 **SYSTEMS**

3.8.1 Performance reporting is provided on a quarterly basis.

Appendix I, Pensions Administration Strategy Update

3.9 **GOVERNANCE**

3.9.1 **Scheme Advisory Board**

Copies of the latest bulletins and meetings are available at <http://lgpsab.scot>

3.9.2 Breaches of Law

3.9.2.1 A breach of law occurs where a duty imposed by virtue of an enactment or rule of law; and relevant to the administration of the scheme, has not been, or is not being complied with. There were 26 new breaches of law recorded in the NESPF breaches register during 20/21. The majority were scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions.

3.9.2.2 The Pension Fund will continue to engage with scheme employers during 21/22 and build on the training and support already provided.

3.9.2.3 Following assessment none of the above breaches were deemed to be of ‘material significance’ to require reporting to the Pensions Regulator.

3.9.2.4 In line with UK Data Protection legislation certain personal data breaches must be reported to the Information Commissioners’ Office i.e. where there is likely to be a risk to the individual(s) rights and freedoms. There were no reports made to the ICO in 20/21.

3.9.3 Pensions Committee and Board Training

Separate report, provided

3.9.4 Document Update

The following documents have been updated and are available in the secure member of the trustee area of the NESPF website:

- NESPF Business Plan 2021/24
- Statement of Investment Principles

Appendix II, NESPF Business Plan 2021/24

3.9.5 Staff Training

3.9.5.1 The Fund had 2 Trainee Pensions Officers during the 20/21 year. On successful completion of the 2nd year exams, a TPO will progress to become a fully qualified Pensions Officer. Two further Trainee Pensions Officers were recruited and joined the training programme in April 2021 to fill existing vacancies within the Benefits Administration Team.

3.9.5.2 Pensions Staff continued to pursue individual training throughout the year as agreed as part of the new Continuous Review and Development (CR&D) process. All staff successfully completed their annual refresher training in relation to Information Governance.

3.9.6 Staffing Update

An update on current NESPF staffing resources and proposed changes to the structure.

Appendix III, Recruitment Update – June 2021 and Benefit Administration – Case for increasing resources.

3.10 EMPLOYER RELATIONSHIP

3.10.1 Aberdeen City Council Transport Fund (ACCTF)

3.10.2 Following on from transacting on the buy-in arrangement with Rothesay and the completion of the 2020 valuation process there are further steps to be undertaken within the maturing ACCTF to align the funding requirements, balance the risk profile and streamline the administration.

3.10.3 As part of the valuation process a considerable ‘real’ surplus has been identified within the Fund. This is as a result of the merge of the Strathclyde No.3 Fund into the ACCTF in 2019 and the removal of risk to the Fund via the buy-in arrangement. It is possible for the Fund to release some of the calculated surplus under the LGPS (Scotland) Regulations 2018 and pay this back to the participating employer as a refund. This can be achieved by collapsing one of the two admission agreements currently held within the Fund and paying the surplus as an exit credit. The team therefore intend to enter into discussions with the scheme actuary to determine a reasonable approach for calculating the potential surplus due whilst also ensuring that the long term liabilities can be met. Once we have a proposal for this approach we will be able to discuss this further with First Group and determine the next steps.

3.10.4 Following initial discussions with First Group a full report will be brought to Committee in September 2021 around the surplus refund which will be subject to Committee approval.

3.10.5 Long term intentions for the ACCTF would be to transfer the liabilities to the Main Fund to further reduce risk and reduce the administrative burden. This would fall in line with the approach taken by other Scottish administering authorities around their closed Funds.

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 a number of legal implications arising from implementation of the strategy which have been identified and addressed as set out in this report.

6. MANAGEMENT OF RISK

- 6.1 The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.

Appendix IV, Copy of Risk Register (May 2021)

7. OUTCOMES

- 7.1 The proposals in this report have no impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None

10. APPENDICES

Appendix I, PAS Update
Appendix II, NESPF Business Plan 2021/24
Appendix III, Recruitment Update – June 2021 and Benefit Administration – case for increasing resources
Appendix IV, Copy of Risk Register (May 2021)

11. REPORT AUTHOR CONTACT DETAILS

Name	Laura Colliss Mairi Suttie
Title	Pensions Manager Governance Manager
Email Address	LColliss@nespf.org.uk MSuttie@nepsf.org.uk
Tel	01224 264158 01224 264169