



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting March 2022

1. Background

1.1 Quarterly Report to March 2022

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Funds strategy and recommendations.

In line with the structural review of the Pension Fund, six specific areas were identified to full address the strategic management of the Fund;

- Investment
- Accounting
- Benefit Administration
- Systems
- Governance
- Employer Relations

The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

To support this support services updates covering the six strategic areas will also be available via the secure website at <http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx>.

Also available on the Pension Fund website are all the policy documents that govern the Pension Fund including its various strategies.

2. Investment

2.1 Asset & Investment Manager Performance Report

Separate report, provided

2.2 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. Accounting

3.1 Budget/Forecast and Projected Spend 2021/22

Separate report, provided

3.2 Statement of Accounts 2021/22 - Action Plan

Separate report, provided

4. Benefit Administration

4.1 LGPS Consultation

The consultation on the Local Government Pension Scheme (Scotland)(Amendment) Regulations 2021 closed on 21 January 2022. Fund Officers submitted a brief response on the proposed changes which we mainly found to be consistent with Policy intent. The outcome to the consultation will be reported in due course.

Appendix II, NESPF Consultation Response

5. Systems

5.1 Performance Reporting

Quarterly update covering the period to 31 December 2021.

Appendix III, Pensions Administration Strategy Update

6. Governance

6.1 Scheme Advisory Board

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

6.2 Staff Training Update

Individual staff training and development continued during 2021/22. Due to the continuing Covid-19 pandemic the majority of learning took place online through webinars and training

sessions, although there was a return to some in person training events during the second half of the year.

All staff once again completed the mandatory annual Information Governance refresher training.

The Fund currently has 4 Trainee Pensions Officers – Benefit Administration navigating through its internally developed training programme under the guidance of the Training & Development team. With recruitment underway to fill a 3 further Trainee positions, the team will have a challenging year ahead but they are adequately resourced to ensure each Trainee gets the dedicated training they need to produce highly qualified Pensions Officers at the end of the 2 year Training Programme.

6.3 Document Update

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

- Statement of Investment Principles (update to Voting Section)
- NESPF Privacy Notice (update to include reference to data sharing with Hymans)

6.4 Annual Governance Review

Review of NESPF compliance with the Public Service Pensions Act 2013 and the Pensions Regulator Code of Practice no. 14.

Separate report, provided

6.5 Fraud, Whistleblowing and Breaches of the Bribery Act

There have been no cases during the year. All NESPF staff are required to familiarise themselves with the Whistleblowing Policy and compliance is monitored by the Governance Team.

6.6 Overseas Travel

With the Pension Fund's increasing allocation to alternatives which usually come in the form of Funds/Fund of Funds there is a requirement for greater due diligence and scrutiny given the nature of these investments being privately owned. Following the Funds continued commitment to the likes of Harbourvest and Blackrock, overseas travel has been previously authorised and will be required going forward as these companies continue to be global investors, globally headquartered and have global clients.

The vast majority of private investment funds have limited partner advisory committees, these committees are composed of representatives of the limited partners, usually significant

institutional limited partners/clients, dealing with a number of issues regarding conflicts, investment restrictions, general oversight and using the committee as a sounding board for other matters.

As stated due to the increased allocation from the Pension Fund to alternatives, depending on the level of commitment the Fund will request or be invited to accept a position on the Advisory Committees.

Advisory Committees are Officer led and by invitation/request only, managers seek to appoint Officers from their clients that have significant experience within the industry to ensure meaningful scrutiny and challenge.

Officers and elected members have clear statutory responsibilities for the management and investment of the Pension Fund, part of those responsibilities is to monitor and review external managers' performance. This is usually achieved by means of regular reporting, presentations to Officers/Members and attending client conferences.

The Advisory Committee is additional to the above and provides the Pension Fund with greater access to the Manager and the management of those investments and access to the General Partners (underlying assets). Given the increased value of commitments within this asset class this type of forum strengthens the governance arrangements for the Fund together with the fund manager.

Officers recommend further approval for overseas travel to the following Advisory Committees:

- 1. Unigestion, Geneva, June 2022**
- 2. IFM, Toronto, September/October 2022**

Approval is requested for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced Officer Substitute) to attend.

Most travel costs are covered by the individual fund managers, these Committees are perceived to be of great value by the fund managers providing additional governance and transparency, some are also rotated to the UK to deliver a balance to all global clients.

7. Employer Relationship

7.1 McCloud Judgement

The impact of the McCloud age discrimination judgement is still not fully known, with regulation changes on the underpin remedy imminent. However, the NESPF have established a project team to engage with employers and our software provider in order to deliver a remedy that will comply with the expected final regulations.

We have established that more than 16,000 members qualify for the expected revised protections. As part of the remedy requirements we will be required to evidence that all eligible members have had their benefits checked and recalculated. Accurate assessment will only be possible after the 2022 revaluation and pensions increase have been applied and year end reconciliation is completed by our Employer Relationship team.

Progress on this essential project will be reported quarterly to committee using template contained in our quarterly PAS report and on completion of the exercise each employer will receive their own schedule providing details of the cost of additional current and future benefits arising from the judgement. The potential additional cost of the judgement was considered by the scheme actuary as part of the 2020 valuation. On completion of the exercise the actual cost of the judgement will be available for future assessment of liabilities.

Following completion officers will provide committee with the cost of implementing the McCloud remedy which will be split by software development and the internal resource required to deliver.