

PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 25 March 2022. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Cooke, Delaney, Henrickson, MacGregor and Wheeler (Pensions Committee); and Mr N Stirling, Chairperson; Councillors Allan and Cowe; Mr I Hodgson, Mr K Luke, Mr A Walker and Mr G Walters (Pension Board).

Also in attendance:- Jonathan Belford, Chief Officer – Finance; Laura Colliss, Pensions Manager; Graham Buntain, Investment Manager; Jamie Dale, Chief Internal Auditor; and Gillian Woolman, Audit Scotland.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

ANNOUNCEMENTS

1. The Convener welcomed Mr Gordon Walters to the meeting, noting that it was his first meeting since joining the Pension Board. He added that he hoped Mr Walters enjoyed his time on the Board.

The Convener advised Members that the NESPF had been highly commended in the DB Pension Scheme of the Year category at the Pension Age Awards 2022 and congratulated Ms Colliss and the team. He also referred to the seminar organised by the Lord Provost in relation to a Fair and Just Transition in Aberdeen at the Town House on 7 April 2022 and encouraged Members to attend.

Apologies were noted from Councillors Bell and Reynolds (Pensions Committee) and Councillor McKelvie (Pension Board).

DETERMINATION OF EXEMPT BUSINESS

2. The Committee was requested to determine that the following item of business which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973 be taken in private – item 10.1 (Asset and Investment Manager Performance Report).

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above-mentioned item so as to avoid disclosure of exempt information of the class described in paragraph 6.

PENSIONS COMMITTEE AND PENSION BOARD
25 March 2022

The Board resolved:-

to note the decision of the Committee.

DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

3. The following declaration of interest was noted:-

Mr Hodgson declared an interest in item 9.4 (Termination of Admission Agreement) by virtue of his employment with First Group and advised that the nature of his interest meant that he would withdraw from the meeting at that time and would not participate in the discussion on the item.

MINUTE OF PREVIOUS MEETING OF 17 DECEMBER 2021

4. The Committee had before it the minute of its previous meeting of 17 December 2021 for approval.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

BUSINESS PLANNER

5. The Committee had before it the committee business planner as prepared by the Chief Officer – Governance.

The Committee resolved:-

to note the planner.

The Board resolved:-

to note the decision of the Committee.

BUDGET/FORECAST & PROJECTED SPEND 2021/22 - PC/MAR22/BUD

6. The Committee had before it a report by the Chief Officer – Finance which provided details of the Management Expenses Budget/Forecast 2021/22 and projected spend 2021/22 for the North East Scotland Pension Fund (NESPF).

PENSIONS COMMITTEE AND PENSION BOARD

25 March 2022

The report recommended:-

that the Committee note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend 2021/22, shown in Appendix I.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

INTERNAL AUDIT PLAN 2022-2025 - IA/21/008

7. The Committee had before it a report by the Chief Internal Auditor which sought approval for the Internal Audit Plan 2022 – 2025. The report advised that while the previous single year plan had provided clarity over planned work during each financial year, a three-year plan allowed Committee to gain an understanding of the wider context and gave a clearer picture of the work and priorities of Internal Audit while providing flexibility in the timing of elements of that work, over an extended period.

Members heard from Mr Jamie Dale, Chief Internal Auditor, in relation to the report.

The report recommended:-

that Committee approve the attached Internal Audit Plan for 2022-25.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

EXTERNAL AUDIT ANNUAL PLAN 2022/2023

8. The Committee had before it a report by External Audit which set out the North East Scotland Pension Fund Annual Audit Plan 2021/22. The report highlighted key audit risks and the planned audit work in respect of these, and set out the 2021/22 reporting arrangements to the Committee.

The Committee heard from Ms Gillian Woolman, External Audit, on the main points from the report.

It was noted that the effects of COVID-19 were likely to be felt for some time into the future, and the Auditor General for Scotland, the Accounts Commission and Audit

PENSIONS COMMITTEE AND PENSION BOARD

25 March 2022

Scotland continued to assess the risks to public services and finances from COVID-19 across the full range of audit work, including annual audits and the programme of performance audits. It was therefore noted that changes in approach might be necessary, and where this impacted on annual audits, revisions to the Annual Audit Plan might be required.

The following risks were highlighted to be taken forward as part of the annual audit plan:-

- actuarial valuation of future retirement benefits. Actuarial valuation depended on a number of assumptions about the future. These included investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. As a result a 'review of the work of an expert' would be carried out in accordance with ISA 500, for the work of the actuary and review actuarial assumptions, and would consider the report by Audit Scotland's consulting actuary on the actuarial valuations;
- valuation of unquoted investments. There was a significant degree of subjectivity in the measurement and classification of certain investments. As a result a 'review of the work of an expert' would be carried out in accordance with ISA 500, and would confirm valuations to valuation reports and/ or other supporting documentation for significant unquoted investments; and
- actuarial valuation of the Transport Fund insurance buy-in contract. The valuation depended on a number of assumptions about the future. These include investment returns, contribution rates, commutation assumptions, pensioner mortality, discount rates and earning assumptions. There would therefore be a 'review of the work of an expert' undertaken in accordance with ISA 500, for the work of the actuary and review actuarial assumptions.

The report further advised that there was a risk around possible changes to the composition of the Pension Committee and the Pension Board as a result of the local government elections in May 2022, and new members not having the necessary experience and understanding of their role and responsibilities in such areas as governance, scrutiny and decision making in respect of the Pension Fund. This was to be mitigated with training for Members in June, ahead of the first meeting of the Pensions Committee and Board, and the report advised that the Council's arrangements for developing members and preparations for inducting newly elected members would be monitored.

The Committee resolved:-

- (i) to thank Ms Woolman for her presentation of the report; and
- (ii) to note the annual audit plan.

The Board resolved:-

to note the decision of the Committee.

PENSIONS COMMITTEE AND PENSION BOARD

25 March 2022

STRATEGY - PC/MAR22/STRAT

9. The Committee had before it a report by the Director of Resources which provided an update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

The report provided an update on staff training; noted that there had been no whistleblowing cases throughout the year; and summarised the latest position in relation to the work being undertaken by the NESPF project team to engage with employers and the software provider in order to deliver a remedy that would comply with the expected final regulations in relation to the McCloud age discrimination judgement. The report advised that progress on the essential project would be reported quarterly to Committee using the template contained in the quarterly Pension Administration Strategy report.

It was further noted that there had been minor amendments to the following documents which could be viewed on the NESPF website:-

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

Finally, the report set out an additional request for the approval of overseas travel to allow attendance at upcoming partner advisory committees.

Members asked whether the risk register required to be amended to reflect an additional risk in respect of the situation in Ukraine, and whether it was still necessary at this stage to retain a COVID related risk on the register. Ms Colliss advised that officers continued to monitor the requirement for a separate risk around the war in Ukraine and that at this time, it was intended to retain the COVID risk due to the differing rules which currently existed in Scotland, although that would also continue to be reviewed.

The report recommended:-

that Committee approve the travel for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced Officer substitute) to attend the following Advisory Committees:

- Unigestion, Geneva, June 2022
- IFM, Toronto, September/October 2022

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

PENSIONS COMMITTEE AND PENSION BOARD

25 March 2022

STATEMENT OF ACCOUNTS 2021-2022 ACTION PLAN - PC/MAR22/ACCOUNTS

10. The Committee had before it a report by the Director of Resources which provided high level information and key dates in relation to the 2021/22 Statement of Accounts, including linkages to the plans and timetables of the Council's External Auditors as follows:-

31 March 2022	End of Financial Year 2021/22
17 June 2022	Deadline for giving notice to the public of the right to inspect and object to Accounts
24 June 2022	Pensions Committee
30 June 2022	Statutory deadline for submission of Draft Statement of Accounts to the Controller of Audit
July 2022	Advertising and Inspection of Accounts
31 July 2022	Deadline for submission of the Whole of Government Accounts (WGA) to the Scottish Government
16 September 2022	Pensions Committee
30 September 2022	Deadline for submission of Audited Statement of Accounts to the Controller of Audit
31 October 2022	Deadline for submission of the Audited WGA to the Scottish Government
16 December 2022	Pensions Committee

The report recommended:-

that the Committee note the report for assurance.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

REVIEW OF NESPF COMPLIANCE WITH THE PUBLIC SERVICE PENSIONS ACT 2013 (PSPA 2013) AND PENSION REGULATOR REQUIREMENTS - PC/MAR22/GOV

11. The Committee had before it a report by the Director of Resources which provided a review of the North East Scotland Pension Fund's compliance with the Public Service Pensions Act 2013 and the Pensions Regulator's requirements during the financial year 2021/22.

PENSIONS COMMITTEE AND PENSION BOARD

25 March 2022

The report recommended:-

that the Committee note the report for assurance.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

In accordance with his declaration of interest made at article 3, Mr Ian Hodgson left the meeting at this juncture and took no part in the Committee and Board's deliberation of the following item.

TERMINATION OF ADMISSION AGREEMENT - PC/MAR22/TERM

12. The Committee had before it a report by the Director of Resources which sought approval for the payment of the calculated surplus refund to First Glasgow as a result of exiting from the Aberdeen City Council Transport Fund (ACCTF) as a participating employer.

Members heard from Ms Colliss in relation to the report and asked a number of questions.

The report recommended:-

that the Committee –

- (a) approve the recommendation to pay First Glasgow a surplus refund of £11.8m following the termination of the admission agreement between Aberdeen City Council (as administering authority of the ACCTF) and First Glasgow; and
- (b) instruct the Chief Officer-Finance to merge the ACCTF into the main Fund in the financial year 2022/23.

The Committee resolved:-

to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

In accordance with the decision taken under article 2, the following item was considered with the press and public excluded.

PENSIONS COMMITTEE AND PENSION BOARD
25 March 2022

**ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT -
PC/MAR22/AIMPR**

13. The Committee had before it a report by the Director of Resources which presented a review of the investment activity of both the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 31 December 2021.

Members heard from Mr Buntain in respect of the detail in the report.

The report recommended:-

that Committee note the contents of the report for assurance.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

VALEDICTORY

14. The Convener referred to the fact it was the last meeting of the Committee and Board prior to the May 2022 local government elections and stated that he wished to thank all who had supported the Board and Committee, particularly Mr Belford, Ms Colliss, Mr Buntain and their team, as well as the Committee Clerk for the support provided to him both during and outwith meetings. He added that it had been a pleasure to work with Members and officers during his time as Convener and finished by paying tribute to Councillors Allan and Reynolds who had indicated that they would not be standing again in the May elections.

- **COUNCILLOR M. TAUQEER MALIK, Convener**