



North East Scotland Pension Fund

**nespf**

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# Strategy Report

Quarterly Reporting June 2022

# 1. Background

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## 1.1 Quarterly Report to June 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

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### 2.1 Asset & Investment Manager Performance Report and Investment Strategy Report

*Separate reports, 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.lapffforum.org>.

## 3. Accounting

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### 3.1 Aberdeen City Council Pension Fund (known as the North East Scotland Pension Fund) Annual Report & Accounts (draft)

*Separate report, provided*

## 4. Benefit Administration

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### 4.1 Regulatory updates

#### The Local Government Pension Scheme (Scotland)(Miscellaneous Amendments) Regulations 2022

These regulations change the rules for calculating pre-April 2015 survivors pensions in response to two court cases: Walker v Innospec and Goodwin v Department for Education. The regulations place surviving same-sex civil partners, survivors of married same-sex couples and male survivors of female married members in a similar position to female survivors of male married members.

These regulations also amend The Local Government Pension Scheme (Scotland) Regulations 2018 to provide further flexibilities for fund authorities in dealing with employers and allow for amendments to an employers contribution rate in between tri-ennial valuations.

The cost cap figure is also amended from 15.5% to 15.2% in the regulations after the Government Actuary's Department identified an error in their original calculations.

The LGA have confirmed the changes to survivor benefits will count as a material alteration under the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, therefore the Fund will need to communicate these changes to members who are potentially impacted as soon as possible after, 1 June 2022 and no later than 31 August 2022.

#### "McCloud Remedy" Regulations

Scottish Ministers will publish the results of their consultation and intend to lay the "McCloud Remedy" regulations in October 2022, in The Local Government Pension Scheme Transitional Provisions and Savings)(Scotland) Regulations 2022.

These regulations will address the unintentional age discrimination that resulted from the transitional protection (through the "underpin") for members when the new LGPS scheme was introduced in 2015.

## 5. Systems

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### 5.1 Performance Reporting

Quarterly update covering the period to 31 March 2022. Pension Administration Strategy (PAS) reporting will change from September 2022 (Quarter 1 report) due to an exercise to review both the PAS and quarterly reporting to Committee.

**Appendix II**, Pensions Administration Strategy Update

## 6. Governance

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### 6.1 Scheme Advisory Board

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

### 6.2 Breaches of Law

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 23 breaches of law recorded in the NESPF breaches register during 21/22. The majority were scheme employers failing to meet their statutory obligations e.g. late payment of pensions contributions. The remainders were personal data breaches resulting mostly from human error.

The Pension Fund will continue to engage with scheme employers during 22/23 and build on the training and support already provided. The Employer Relationship Team are in the process of trialling a new Microsoft Teams channel with Aberdeenshire Council and will look to roll this out to other employers if successful.

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

In line with the UK Data Protection legislation certain 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 21/22.

### 6.3 Pensions Committee and Board Training

*Separate report, provided*

### 6.4 Document Update

The following documents have been updated and are available in the secure trustee area of the NESPF website or from the Governance Team on request:

- *Appointment Process for the Local Pensions Board* (update to include reference to Hymans Online Learning Academy)
- *Governance Policy* (amended from 9 to 13 Committee members)
- *Compliance with the Myners Principles* (minor corrections/design changes)
- *Overpayments Policy* (minor corrections/design changes)
- *Fire Safety (Local) Policy* **\*NEW\*** (covers fire safety procedures for MSq2)
- *Training Policy* (update to include reference to Hymans Online Learning Portal, clarification to wording on minimum training requirements)

## 6.5 Authorised Signatory List

An updated Authorised Signatory List is attached at Appendix III for approval, to take effect from 1 September 2022.

The current Authorised Signatory list was approved at a Pensions Committee meeting on 16 March 2018 and subsequently varied (updated) at a meeting on 13 September 2019.

The updated List at Appendix III takes account of changes in personnel across Aberdeen City Council. For the sake of efficiency, it is recommended that the Committee authorise the Chief Officer – Governance, following consultation with the Chief Officer – Finance, to make further updates and minor amendments to the List.

## 7. Employer Relationship

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### 7.1 Procurement Update

A report was taken to Committee in December (PC/Dec21/Pro) for approval to direct award to Hymans Robertson for 20 licences for their online learning portal and to approve entering into a call off contract with Target Professional Services under the LGPS Framework for member data services.

The Council at its meeting on 18<sup>th</sup> May 2022 voted to increase membership of Committees including the Pensions Committee from 9 to 13. Officers will now look to acquire 24 licences for the Hymans portal. Approval for the additional expenditure was granted by the Chief Officer-Finance under Delegated Powers.

Following approval by Committee, discussions were held with Target which provided officers with further insight into the additional services they could offer. Officers would like to expand the scope to include validation of addresses traced digitally and manual tracing of members

who have not been traced by digital means. By taking these additional steps the Fund will ensure the exercise is fully successful, the Fund is complying with its data protection requirements and there is an audit trail in relation to validation.

Further discussions will be held between procurement colleagues and the Chief Officer-Finance to approve the costs for these additional services.

## **7.2 Funding Strategy Statement (FSS)**

*Separate report, provided*