



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting December 2023

1. Background

1.1 Quarterly Report to December 2023

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 fully 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 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.lapfforum.org>.

3. Accounting

3.1 Budget/Forecast and Projected Spend 23/24 Report

Separate report, provided

4. Benefit Administration

4.1 Pension Fund Annual Benefit Statements

Following on from the update to Committee in September (PC/SEPT23/STRAT), the annual benefit statement project has now been successfully completed.

Active benefit statements were issued electronically to members through My Pension (MSS+) by the statutory deadline of 31 August. Letters and emails were issued in advance to active members advising them that their statements were available to be viewed online and activation keys were issued to those members not already registered for MSS.

Following the successful completion of the move to the new *My Pension+*, a soft launch and then further promotion was made to members.

The Fund recorded **99.78%** compliance for all benefit statements in 22/23 (active, deferred and councillors). This is an increase from the reported figure of 98.31% in 21/22. In terms of calculating the final percentage for reporting:

- 100% of all deferred ABS were issued;
- 100% of ABS were issued for Councillors (both active and deferred); and
- 99.62% of active ABS were issued;

By the 31 August deadline.

For the active members 100 errors were reported for members who joined the scheme before 1 April 2023 but had not paid any pension contributions, i.e. joined mid March but didn't receive their first salary payment until the April payroll, therefore no CARE pay was held on the Altair system. There was 1 further error identified which was caused by a late aggregation (i.e. joining of multiple records).

In line with our Breaches Policy, the ABS result will be recorded on the Breaches Register but not reported to the Pensions Regulator as we do not deem the breach to be of material significance. Officers have already investigated the member records which did not generate an annual benefit statement as per the above summary.

At present 742 (-28 from 21/22) active and 657 (-31 from 21/22) deferred members have opted in to receive traditional paper statements and letters will still be sent to members not registered for *My Pension+*. The cost of each ABS letter is approximately 73p compared to an email notification which costs only 5p. Overall the move to online benefit statements has delivered a cost saving for the Fund, we anticipate costs to continue to reduce as the process is streamlined and more members register for *My Pension+*.

With the move to the new online platform, the Fund requires all members currently registered to MSS to complete a migration process in order to access their account on the new site. This is due to enhanced security measures and ensures user details meet new safety standards in regards to password requirements and two factor authentication. As of 1 November, 15,636 active members were registered, with 5,786 (37%) migrated to *My Pension+* and 9,837 deferred members registered, with 2,782 (28%) successfully migrating.

A full review of the ABS project will be carried out in the coming months to guide future improvements.

4.2 McCloud Remedy

When the Government reformed public service pension schemes in 2014 and 2015, they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the judges' and firefighters' pension schemes had been discriminated against because the protections did not apply to them. This ruling is known as the McCloud Judgement. As a result of the ruling, all public service pension schemes that provided protection, including the Local Government Pension Scheme, have been changed to remove the age discrimination found in McCloud. These changes are known as the McCloud Remedy.

On 1 October 2023 the McCloud Remedy became law through The Local Government Pension Scheme (Remediable Service)(Scotland) Regulations 2023. To remove the McCloud age discrimination, qualifying younger members will now receive underpin protection too.

The Scottish Public Pensions Agency (SPPA) have agreed a protocol with the Department for Levelling-up, Housing and Communities and the Department for Communities, Northern Ireland on how cases affected by the McCloud Remedy should be prioritised (available at [Priorisation.pdf \(lgpslibrary.org\)](#)). Fund Officers have been working on this and updates are provided through the PAS reporting. Communications will be issued in due course to members to ensure the Fund meets its Disclosure requirements.

5. Systems

5.1 Performance Reporting

The quarterly update covering the period to September 2023 is attached to this report.

6. Governance

6.1 Scheme Advisory Board

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

6.2 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 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 Committee.

Advisory Committees are officer led and by invitation/request only, managers seek to appoint officers from their clients that have significant experience with 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 with this asset class, this type of forum strengthens the governance arrangements for the Fund together with the Fund Manager.

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

1. Partners Group, March – Miami, US
2. HarbourVest, May – Boston, US
3. Robbins Geller, June – Baltimore, US
4. Unigestion, June – Lucerne, Switzerland
5. RCP, October – Chicago, US
6. IFM, October – US
7. HarbourVest, December – Boston, US
8. Blackrock, Date and Location TBC
9. Capital Dynamics, Date and Location TBC

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.

6.3 Hymans Knowledge Progress Assessment

The Hymans Knowledge Progress Assessment (KPA) ran from 23 October for two weeks. The online assessment covered the eight topics of the CIPFA (Chartered Institute of Public Finance and Accountancy) knowledge and skills framework and was designed to complement Hymans' LGPS Online Learning Academy (LOLA). Following the end of the assessment, an analysis and results report will be produced for the Pension Fund Officers. This will help guide and shape future training for Committee and Board members.

The results will be shared with Committee and Board members in due course in the secure Trustees Area of the NESPF website at <https://www.nespf.org.uk/about/committee-board-login/>.

6.4 Document Update

The following document has been updated and is available in the secure trustee area of the NESPF website or from the Governance Team on request:

- Cash Management Policy (Update to processes and minor tidy up)
- Pension Service Business Plan (updated for 23/26) (see Appendix III)

7. Employer Relationship

7.1 Employer Updates

- **Aberdeen Cyrenians** terminated their admission agreement with the North East Scotland Pension Fund with effect from 31 October 2023 as a result of their last two active members being offered alternative pension arrangements. In accordance with the regulations and the NESPF Termination Policy, the scheme actuary will carry out their calculations as at the exit date to determine the value of the liabilities held. Following the settlement of any deficit or exit credit due a termination certificate will be issued to finalise the exit from the scheme.

- **FirstBus**

Separate report, provided

7.3 Valuation Outcome and Funding Strategy Statement

Separate report, provided