



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting March 2024

1. Background

1.1 Quarterly Report to March 2024

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](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 Statement of Accounts 2023-24 Action Plan

Separate report, provided

Please note the Budget/Forecast and Projected Spend 23/24 Report is currently under review and a revised report is expected to be taken to the June 2024 meeting.

4. Benefit Administration

4.1 Modern Apprentice Update

One of our Modern Apprentices gave a fantastic presentation at the ABZ Works Supporting Our Future Workforce Session for Employers at the Beach Ballroom on the 29th November 2023. The presentation covered their experience of doing a Foundation Apprenticeship which led them to their current role as a Modern Apprentice with the Pension Fund.

Both Modern Apprentices, who started in May 2023, completed the education element of their apprenticeship to a high standard in January/February 2024. Having received training throughout the apprenticeships they have both indicated a desire to obtain permanent employment within the Pension Fund. We will be working with each of them to find suitable posts within existing vacant posts.

Our first trial of Modern Apprenticeships has been very successful from a Fund perspective and adds another tool to our belts in terms of recruitment and retention of staff. We will continue to consider taking on young staff through this programme for future recruitment needs.

4.2 Pensions Increase/Inflation

The Government confirmed that Local Government Pension Scheme (LGPS) pensions and CARE pots will increase by 6.7% from April 2024 (based on the Consumer Price Index (CPI) to September 2023).

5. Systems

5.1 Performance Reporting

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

Appendix II, Pension Administration Strategy Report

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 2023/24.

All staff once again completed the mandatory annual Information Governance refresher training. Focus then turned to completion of a range of other “mandatory” Aberdeen City Council online learning courses, with the aim of having all these completed by the December 2023 deadline agreed with the audit team in report IA/AC2309. With the exception of 1 staff member, all other members of staff had successfully completed or were booked onto the required courses by the deadline.

The Fund currently has 6 Trainee Pension Officers (TPO’s) – Benefit Administration navigating through its internally developed modular training programme under the guidance of the Training & Development Team. Due to increasing work pressures on the Benefit Administration Team, the training programme was re-vamped at the end of 2022 to ensure TPO’s were able to help the existing fully trained Pensions Officers to target high pressure areas. This new way of training is now having the desired impact, reducing pressure while also freeing up fully qualified Pensions Officers to focus on other areas and address backlogs. This can be seen in more detail through the PAS Reporting.

6.3 Annual Governance Review

Review of NESPF Compliance with the Public Service Pensions Act 2013 and the Pensions Regulator Code of Practice 14.

Separate report, provided

6.4 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. Aberdeen City Council’s updated Whistleblowing Policy was approved by the Staff

Governance Committee in November 2023. The new Policy and accompanying procedure has been circulated to all NESPF staff.

There was a case of attempted fraud in July 2023 following a data breach. Swift action taken by both NESPF and ACC staff ensured that the situation was dealt with effectively following internal procedures, thereby preventing any serious consequences. Post incident training was provided to staff as part of “lessons learned” and improvements implemented to strengthen existing protections.

6.5 Document Updates

- Local Contingency Plan (minor corrections for clarity, removal of data centre naming)
- Cyber Security Policy (minor corrections for clarity, removal of names of some 3rd party external providers due to contractual changes)
- Governance Policy (minor corrections for clarity, number of Committee members reduced from 13 to 9 following recent Council decision)
- Breaches of Law Policy (updated to remove reference to Transport Fund)

Copies of the above documents can be found on the NESPF website.

6.6 The Pensions Regulator’s New General Code

The Pensions Regulator’s new and long awaited general code was laid in parliament on 10 January 2024. The new code brings together and updates 10 existing codes of practice into one set of clear, consistent expectations on scheme governance and administration. This includes Code of Practice 14. TPR’s research on governance and administration shows that the LGPS already has high standards of governance in place. Most of the expectations of the General Code are not new, however the new format makes it easier for governing bodies to review current practices to identify whether they are indeed meeting these expectations.

The laying period in parliament will last for 40 days, 21 further days will be needed to repeal existing codes, with the new General Code expected to come into force on 27 March 2024. TPR will take a pragmatic approach to bedding in of the new Code, with Funds being given around 6 months to demonstrate they are working towards compliance. Most of the requirements for LGPS funds are carried over from Code 14 with a few new noticeable additions around Pension Scams and Cyber Security. The Governance Team are reviewing compliance with the new General Code and training sessions will be provided in due course for Pensions Staff as well as Committee and Board members. Further support for authorities will be provided by the Scheme Advisory Board (SAB).

6.7 Procurement

Separate report, provided

7. Employer Relationship

7.1 Tracing Exercise

As part of the NESPF Data Quality Improvement Plan the Fund entered into a contract with Target Professional Services (UK) Ltd to carry out an exercise to attempt to trace 2027 “gone away” members where we did not hold up to date addresses. The exercise consisted of a mortality trace, to identify deceased members, followed by a digital trace of all remaining members.

As a result of the digital trace 3 members were identified as deceased, 113 members living as stated, with 1301 new addresses identified. Following on from the digital trace to comply with General Data Protection Regulation (GDPR) requirements, the Fund requested Target carry out a verification exercise to ensure that the new addresses were correct and the individuals traced were indeed the members being searched for. Of the original 2027 gone aways, 610 members could not be traced digitally, therefore due to the additional cost, we identified 393 deferred and pensioner members that required to be manually traced.

To date we have updated the addresses of 1007 (49%) members who have been traced and verified. We have been provided with a further 704 (35%) addresses for members that did not respond to the verification process. A further in-house exercise will be undertaken to verify this information before updating records. The remaining members will continue to be held as “gone away” as we were unable to trace up to date addresses for them.

Tracing “gone away” members is a continuous process and, with the requirement for onboarding to the national Pensions Dashboards on the horizon, this continues to be a priority for the Fund. We are currently looking at different methods of tracing members on an ongoing basis with our pensions database provider and other organisations with suitable products.

7.2 Regulation Updates

On 8 February 2024, the Scottish Public Pensions Agency (SPPA) published amendments to the Local Government Pension Scheme (Scotland) Regulations 2018. The changes covered three areas: the CARE annual revaluation date, triennial actuarial valuations and employer cessation valuations. These new regulations will come into force on 31 March 2024, and be backdated to 31 March 2023.

Under the amended Regulations:

- the revaluation date for pension benefits in the LGPS is moved to 6 April each year, aligning it with the HMRC annual allowance assessment period.
- the whole fund valuation will only be required on an ongoing basis, with the cessation basis removed. The requirement to specify the amount of an employer’s liabilities in the Rates and Adjustments Certificate (on any basis) has also been removed.

- An employer proposing to exit the scheme may request an indicative cessation valuation as at a specific date, which should the employer exit the scheme within the subsequent 90 days, be used in substitution for a valuation as at the employer's actual exit date. The amended Regulations also require that administering authorities provide an indicative cessation valuation on request, unless an employer has made a new request for an indicative cessation valuation within the previous 12 months.