



North East Scotland Pension Fund

nespf

Strategy Report

Quarterly Reporting September 2024

1. Background

1.1 Quarterly Report to September 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 Aberdeen City Council Pension Fund (known as the North East Scotland Pension Fund) Audited Annual Report & Accounts

Separate report, provided

4. Benefit Administration

4.1 Pension Fund Annual Benefit Statements

The North East Scotland Pension Fund has a statutory requirement to issue all active and deferred members with annual benefit statement information by 31st August each year.

In line with our continual progression towards improved digital communication, both active and deferred statements were, once again, issued online in 2023/24. 2023 saw the launch of the new Member Self Service (My Pension+) platform for members, an upgrade on the previous version and a large undertaking for NESPF staff.

Statements are no longer posted out to members unless they contact the Fund and “opt in” to continue to receive them in paper form. To meet disclosure requirements, letters are sent out to members to provide “activation keys” where a member is not already registered with My Pension+. Registered members receive an email notification advising them that their annual statement is available to view online.

This year, Deferred Benefit Statements were issued via My Pension+ and accessed on the new Annual Benefit Statement page, which included a personalised AI video explaining their benefits. Letters were issued to those not yet registered on My Pension+ on 8th July, with emails for those registered issued on 30th July.

The Pensions Committee approved a Data Quality Improvement Plan in March 2019 (PC/MAR19/STRAT) which included address tracing. In line with the plan, a bulk tracing exercise for all “gone away” members i.e. those whom we do not hold a current address for is carried out every three years using an external tracing provider. The Fund utilise the services of Target as approved by the Pensions Committee in December 2021 (PC/DEC21/PRO) for member tracing.

In addition, a mortality check is carried out against “gone away’s” annually using the National Fraud Initiative and ATMOS Data Services on alternative years to identify any deceased members. For “gone away” deferred members reaching age 55, an individual trace will be carried out through the DWP Tracing Service.

A final update on the active member statements will be provided to the next meeting. Letters were posted for unregistered members on 6th August and email notifications are scheduled to be issued on 27th August for those already registered. Paper statements for those who have requested them will be issued on 18th August.

4.2 LGPS Frameworks

The National LGPS Framework for Additional Voluntary Contribution (AVC) services launched recently. The framework is split into two lots:

- AVC services
- Consultancy services associated with AVCs

Fund Officers will review the new Framework before deciding whether to proceed with a review of our current AVC services.

5. Systems

5.1 Performance Reporting

Following the review of the NESPF Pension Administration Strategy (PAS) in early 2023, the PAS report to Committee has now been revised to provide greater transparency around the service standards achieved by the Fund on a quarterly basis.

The Fund consistently reviews processes to reduce administrative complexities by introducing new workflows designed to simplify reporting requirements. Deferred processing has been revised to include additional measurements and statutory requirements, which will be more reflective of the actual member experience.

Performance will now be reported using new business intelligence and analytics software (Insights) which is fully integrated with the pension administration system. Insights displays performance in real time through dashboards created by the Fund. Dashboard information can be downloaded into Excel and this removes the requirement to run numerous reports and manually manipulate data.

In addition to quarterly performance, this new reporting also includes comparison against the previous quarter, information on data quality and progress on large scale exercises required by regulations e.g. McCloud and Pension Dashboards.

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 Document Updates

Copies of the draft policy documents can be found in the secure member area of the website (www.nespf.org.uk) or copies can be requested from the Governance Team. Any significantly revised or new documents will be included as appendices to this report.

- *Governance Compliance Statement* (update to Pensions Committee number from 13 to 9, minor amendments to reflect changes to operations e.g. employer bulletin, admin forum frequency etc.)
- *Employer Engagement* (minor grammatical amendments, update admin forum frequency to bi-ennial)
- *Conflicts of Interest* (amended references from Code of Practice 14 to General Code and other minor grammatical corrections)
- *Appointment and Management of Advisers and Service Providers* (**NEW**, collates and formalises procurement process from initial considerations, appointment and subsequent contract management to meet tPR General Code requirements – see **Appendix III**)

6.3 Pension Board Annual Report

The Pension Board Annual Report 2023/24 was agreed by the Pension Board members at their meeting on 21st June 2024. As part of the process, members were required to nominate and appoint a new Chair and Vice Chair for 2024/25. These posts need to be rotated annually under the regulations. Councillor Stephen Smith (Employer) was appointed as Chair with Gordon Walters (Trade Union) as Vice Chair.

Appendix IV, Pension Board Annual Report 2023/24

7. Employer Relationship

7.1 Scottish Fire and Rescue

The Scottish Fire and Rescue Service have decided to consolidate their liabilities within the Local Government Pension Scheme (LGPS) by transferring all member records and assets to Strathclyde Pension Fund (SPF). This “lift and shift” of pensions to the new administering

authority will be carried out following signing of a ministerial direction by the Scottish Ministers.

This large scale project, involving seven ceding Funds with SPF as the receiving Fund, is being managed by Hymans and the NESPF falls within Tranche 1 of the exercise. Tranche 1 aims to complete the transfer of all administrative responsibilities to SPF on 31st October 2024, with members data and assets having been moved to SPF as part of a detailed project plan. SPF will be responsible for all aspects of administration after the transfer date including payment of pensions for retired members.

The Employer Relationship Manager and the Benefits Administration Manager within the NESPF will be responsible for delivering the project in line with the Project Plan and ensuring that the member experience is not negatively affected by the ongoing works.

7.2 Employer Exits

Two participating employers have exited from the Fund since the start of the 2024/25 financial year.

Xerox exited the Scheme from 1st April 2024 following completion of their contract to provide services with one of our local authorities. The assets and liabilities held in respect of the employer are currently being assessed and any exit credit will be calculated and paid in line with the NESPF Termination Policy. As there is a guarantor in place for the admission agreement with Xerox, all assets and liabilities will be subsumed by that Scheme employer going forward.

Following a review of their pension liabilities and an employee consultation, SCARF exited the Fund with effect from 30th June 2024. No guarantor was held for this employer, therefore, in line with the NESPF Termination Policy a more prudent approach was applied when calculating the value of the liabilities upon exit. An exit credit in respect of the calculated surplus was paid to SCARF on 1st July 2024 and a termination certificate was issued to confirm that the liabilities had been discharged. All members were issued with a deferred benefits statement to confirm the value of their benefits as at the exit date.

7.3 National Pensions Dashboards

The deadline for all LGPS schemes to connect to the dashboard environment has been confirmed as 31st October 2025 and this is a statutory requirement for the NESPF. With this deadline in mind, the NESPF have secured a September 2024 slot for delivery of the Integrated Service Solution from Heywood (our benefit administration system provider), subject to the legal contract being in place by the end of August.