



North East Scotland Pension Fund

**nespf**

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# Strategy Report

**Quarterly Reporting June 2025**

# 1. Background

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## 1.1 Quarterly Report to June 2025

The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Fund's 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

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### 2.1 Asset & Investment Manager Performance Report Investment Strategy Update 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>.

#### LAPFF Executive Nomination

*Separate report, provided*

## 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 IT Issues

#### Payslips

Each April the Pension Fund is required to send paper payslips to each pensioner to advise them of their new rate of pension for the year, following the annual pensions increase award.

On 8 April 2025 when files were sent to the printer, Officers were made aware of an ongoing issue which was causing ACC files to arrive corrupted. There were no issues with files from other clients and ACC IT were already investigating. This meant the Fund's payslips could not be printed and posted in advance of the pension payment on 15 April.

Officers chased this several times with ACC IT and on 28 April, were advised the issue had been resolved. ACC IT suspect the issue was caused by coding within the files, although this can not be confirmed. April payslips were successfully posted on 1 May 2025 and the May payslips have also subsequently been sent out without further issue.

This printing issue resulted in a delay in receiving payslips to around 26,000 pensioners. However pension payments were not impacted and communications were issued via the NESPF website, phone line and social media to advise members throughout.

#### Pension Payments

In February 2025 Officers were advised by Bottomline (software provider for the BACs payments) that the software used for sending the Fund's BACs payments would no longer work following an update at the end of April, without a change being made. ACC IT were advised and requests were made to allow the new software to be downloaded and installed.

Officers chased ACC IT in March and April in advance of the deadline with no success. On 28 April, Officers were advised that some users were unable to use the new software. At the date of writing (13 May), the issue has still not been resolved. However Bottomline have extended the deadline to 20 May which allowed May pension payments to be made.

This software issue poses a significant risk to the Fund's ability to make monthly pension payments going forward, therefore this has been reflected in the Risk Register (NESPFO08).

## 4.2 Regulation Updates

HM Treasury laid the Public Service Pension Schemes (Rectification of Unlawful Discrimination)(Tax) Regulations 2025 on 3 April 2025. These regulations came into force on 24 April 2025 and modify the existing rules to prevent adverse tax consequences when implementing the McCloud remedy e.g. around annual allowance, individual and fixed protection.

## 5. Systems

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### 5.1 Performance Reporting

Performance is reported using new business intelligence and analytics software (Insights).

In addition to quarterly performance, the new PAS 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

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### 6.1 Scheme Advisory Board

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

### 6.2 Document Updates

- Fire Safety (Local) Policy (*minor amendments for formatting/clarity, and addition of new Teams Channel*)
- Communications Policy (*new section added covering Social Media, amended frequency of Committee & Board bulletin to quarterly and re-inserted same for Employer bulletin, added other publications from website*)
- Corporate Governance & Corporate Social Responsibility Policy (*updated reference to latest fiduciary duty guidance, updated Fund value and reference to voting, both passive and active, being carried out in-house*)

- Compliance with Myners Principles (*expanded CIPFA acronym for clarity, added references to Appointment and Management of Advisers and Service Providers Policy, updated frequency of Employer Bulletin to quarterly, updated documents available on website*)
- Record Keeping Policy (*minor grammatical amendments, updated PAS version*)
- Data Protection Policy (*very minor amendments for clarification/grammar*)
- Training Policy (*very minor amendments for clarification on training requirements and grammar*)
- Overpayments Policy (*added in paragraph covering ex Strathclyde Firstbus members, minor corrections for clarification*)
- Systems Access Policy (*updated Altair password section and appendix*)
- Statement of Investment Principles (*minor updates to direct investment figure, voting paragraph and additional footnote to table*)

Copies of the draft policy documents can be found in the secure member area of the website ([www.nespf.org.uk](http://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.

### **6.3 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 13 breaches of law recorded in the NESPF Breaches Register during 2024/25. Four of the breaches were scheme employers failing to meet their statutory obligations e.g. late payment of pension contributions, and one related to the Annual Benefit Statements which is explained in more detail below. The remainder were personal data breaches resulting mostly from human error. These were reported to the ACC Data Protection Officer in line with our Breaches Policy and a lessons learned report produced.

The Pension Fund will continue to engage with scheme employers during 2025/26 and build on the training and support already provided. Officers complete mandatory information governance training annually and receive further training and reminders to reinforce this throughout the year.

One report was made to The Pensions Regulator during 2024/25, following guidance from the Scottish Public Pensions Agency (SPPA) in relation to the provision of McCloud underpin information within the Annual Benefit Statements. This breach was out with NESPF control as the amended Regulations which removed the requirement to provide this information were not in place prior to the 31 August ABS deadline. Although formally reported, no further action was taken by tPR.

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 2024/25.

## **6.4 Pensions Committee and Board Training**

*Separate report, provided*

## **7. Employer Relationship**

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### **7.1 AVC Review**

Under the Local Government Pension Scheme (LGPS) regulations, each LGPS Fund is required to provide access to an Additional Voluntary Contributions (AVC) arrangement where Fund members can elect to pay additional contributions to increase retirement savings.

The Pensions Regulator's Code of Practice states that Defined Contribution schemes, including AVC arrangements for Defined Benefit schemes such as the LGPS, should meet certain aims. They should be efficient, effective and give "value for members". These aims should be regularly evaluated to ensure this continues to be the case.

The market of AVC providers is limited and provision for the LGPS, which requires administrative functions to deal with large volumes of employers, is dominated by the Fund's current provider Prudential who were appointed in 1996. The Fund also has legacy arrangements with Standard Life.

With increased scrutiny of governance arrangements, pension dashboards on the horizon, changes to pension taxation limits and well documented service issues with some AVC providers, this is the ideal time for NESPF to review their existing AVC arrangements. A further update will be provided to Committee following completion of the review.

### **7.2 Termination Policy**

As a result of a change to the scheme regulations around exit credits and 90 day guarantees for indicative termination calculations the Fund have revised the NESPF Termination Policy (embedded within the NESPF Funding Strategy Statement).

In conjunction with the scheme actuary the Fund have outlined the suggested approach for both of the changes above to ensure that the risk to the Fund and the remaining participating employers is mitigated as best as possible.

In addition to consulting with the Pensions Committee and Pension Board, the Policy will be subject to a consultation with participating employers of the Fund.

The updated Termination Policy is attached at **Appendix III**.