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To: Councillor Malik, Convener; Councillor Reynolds, Vice-Convener; Councillor Crockett, the Lord Provost; and Councillors Bell, Cooke, Delaney, Henrickson, MacGregor and Wheeler (Pensions Committee); and Mr N Stirling, Chairperson; Councillor McKelvie, Vice Chairperson; Councillors Allan and Cowe; Mr I Hodgson, Mrs M Lawrence and Mr A Walker (Pension Board).

Town House,
ABERDEEN, 9 December 2021

PENSIONS COMMITTEE AND PENSION BOARD

The Members of the **PENSIONS COMMITTEE AND PENSION BOARD** are requested to meet in **Council Chamber - Town House on FRIDAY, 17 DECEMBER 2021 at 10.30 am**. This is a hybrid meeting and Members may also attend remotely.

Members of the press and public are not permitted to enter the Town House at this time. The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

FRASER BELL
CHIEF OFFICER - GOVERNANCE

B U S I N E S S

NOTIFICATION OF URGENT BUSINESS

1.1. There are no items of urgent business at this time

DETERMINATION OF EXEMPT BUSINESS

2.1. Members are requested to determine that any exempt business be considered with the press and public excluded

DECLARATIONS OF INTEREST

3.1. Members are requested to intimate any declarations of interest

MINUTES OF PREVIOUS MEETINGS

- 4.1. Minute of Previous Meeting of 17 September 2021 (Pages 5 - 12)

COMMITTEE BUSINESS PLANNER

- 5.1. Business Planner (Pages 13 - 14)

NOTICES OF MOTION

- 6.1. There are currently no motions to the Pensions Committee

PERFORMANCE

- 7.1. Pensions Committee Annual Effectiveness Report 1 May 2020 to 31 October 2021 - COM/21/312 (Pages 15 - 30)

FINANCE AND RISK MANAGEMENT

- 8.1. Budget/Forecast & Projected Spend 2021/22 - PC/DEC21/BUD (Pages 31 - 38)
- 8.2. Investment Buckets - Risk Management - PC/DEC21/RISK (Pages 39 - 44)

SCRUTINY

- 9.1. Strategy - PC/DEC21/STRAT (Pages 45 - 148)

EXEMPT BUSINESS - NOT FOR PUBLICATION

FINANCE AND RISK MANAGEMENT

- 10.1. Investment Strategy Update - PC/DEC21/INVSTRAT (Pages 149 - 158)
- 10.2. Procurement - PC/DEC21/PRO (Pages 159 - 164)
- 10.3. Asset and Investment Manager Performance - PC/DEC21/AIMPR (Pages 165 - 198)

SCRUTINY

11.1. Deferred Debt Arrangement - PC/DEC21/DDA (Pages 199 - 204)

IIAs related to reports on this agenda can be viewed [here](#)

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PENSIONS COMMITTEE AND PENSION BOARD

ABERDEEN, 17 September 2021. Minute of Meeting of the PENSIONS COMMITTEE AND PENSION BOARD. Present:- Councillor Malik, Convener; Councillor Barney Crockett, the Lord Provost; and Councillors Allard (as substitute for Councillor Cooke), Bell, Delaney, Henrickson, MacGregor and Wheeler (Pensions Committee); and Mr N Stirling, Chairperson; Councillor McKelvie, Vice Chairperson; Councillors Allan and Cowe; Mr I Hodgson, Mr K Luke and Mr A Walker (Pension Board).

Also in attendance:- Jonathan Belford, Chief Officer – Finance; Laura Colliss, Pensions Manager; Gillian Woolman and Rachel Browne, Audit Scotland.

The agenda and reports associated with this minute can be found [here](#).

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

MEMBERSHIP

1. The Convener advised that Mr Liam Knox had now stepped down from his role on the Pension Board. He thanked Mr Knox for his attendance and valuable contributions at meetings and advised Members that details were awaited of Mr Knox's replacement.

DETERMINATION OF EXEMPT BUSINESS

2. The Committee was requested to determine that the following items of business which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973 be taken in private – item 11.1 (Investment Strategy) and item 11.2 (Asset and Investment Manager Performance Report).

The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above-mentioned item so as to avoid disclosure of exempt information of the class described in paragraph 6.

The Board resolved:-

to note the decision of the Committee.

DECLARATIONS OF INTEREST

3. There were no declarations of interest.

PENSIONS COMMITTEE AND PENSION BOARD
17 September 2021

MINUTE OF PREVIOUS MEETING OF 25 JUNE 2021

4. The Committee had before it the minute of its previous meeting of 25 June 2021 for approval.

The Committee resolved:-

to approve the minute as a correct record.

The Board resolved:-

to note the decision of the Committee.

BUSINESS PLANNER

5. The Committee had before it the committee business planner as prepared by the Chief Officer – Governance.

The Committee resolved:-

to note the planner.

The Board resolved:-

to note the decision of the Committee.

BUDGET / FORECAST 2021/2022 - PC/SEPT21/BUD

6. The Committee had before it a report by the Chief Officer – Finance which provided details of the Management Expenses Budget/Forecast 2021/22 for the North East Scotland Pension Fund (NESPF).

The report recommended:-

that the Committee approve the NESPF Management Expenses Budget/Forecast 2021/22, shown in Appendix I.

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

PENSIONS COMMITTEE AND PENSION BOARD
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EXTERNAL AUDIT ANNUAL AUDIT REPORT 2020/21

7. The Committee had before it a report by the External Auditor on the 2020/2021 Annual Audit of the North East Scotland Pension Fund. The report noted that auditors were required to report on specific matters arising from the audit of the financial statements to those charged with governance of a body, prior to the financial statements being approved and certified.

In the opinion of External Audit, the North East Scotland Pension Fund's financial statements gave a true and fair view in accordance with applicable law and the 2020/21 Code of the financial transactions of the funds during the year ended 31 March 2021 and of the amount of disposition at that date of their assets and liabilities; had been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

The key messages of the audit were as follows:-

- That the Fund had had a strong investment performance in 2020/21 and recovered from the significant impact of the Covid pandemic on investment values last year;
- That it had appropriate and effective financial management arrangements.
- That systems of internal control operated appropriately and effectively in 2020/21, with two areas for improvement: reconciliations and authorisation limits.
- That standards of conduct and arrangements for prevention and detection of fraud and error were appropriate.

The audit further noted that the triennial funding valuation as at March 2020 assessed both funds as fully funded and that the investment strategy had been reviewed and updated accordingly. The insurance buy-in contract for the Transport Fund reduced risk for the Fund and increased certainty around the funding of the liabilities insured. It was further noted that the Fund had appropriate and effective financial planning arrangements in place.

In terms of governance, it was considered that the governance arrangements introduced in response to the pandemic were appropriate and operated effectively, and that the Pension Fund demonstrated a commitment to openness and transparency. The Fund was actively considering environmental, social and corporate (ESG) governance matters.

The audit had noted that there were effective arrangements for complying with the Pensions Regulator Public Service Code but that Member attendance at pensions training was however not meeting the minimum expected level.

PENSIONS COMMITTEE AND PENSION BOARD

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The audit advised that the pension administration function's performance against targets had been affected by added pressures from the Covid-19 pandemic, but that performance in priority areas remained high. It was further noted that Fund investment performance in 2020/21 had exceeded all agreed benchmarks as markets recovered from the significantly reduced annual returns last year, and the Fund had effective arrangements in place for monitoring investment performance and scrutinising investment management.

The Committee heard in detail from Ms Woolman in respect of the report.

Members asked a number of questions of Ms Woolman and officers in relation to the training attendance and any recommendation as to how to maintain attendance levels, the consideration of ESG issues in comparison to other areas; the risk register; and private equity level 3 valuations; and sought reassurance from officers that the two areas highlighted for improvement (reconciliations and authorisation limits) had now been addressed.

The Committee resolved:-

to thank staff and External Audit for their work to enable the audited accounts and annual report to be presented to the September meeting.

The Board resolved:-

to note the decision of the Committee.

CONSIDERATION AND SIGNING OF AUDITED ANNUAL REPORT & ACCOUNTS - PC/SEPT21/ARA

8. The Committee had before it a report by the Director of Resources which presented the Audited Annual Report and Accounts for the North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) for consideration and signing.

Members heard from Mr Belford in respect of the report, who advised that he wished to thank the NESPF team and External Audit for their efforts in ensuring the accounts were presented to Committee, noting that External Audit had rearranged their resources to align with the Council's dates for reporting.

Members asked a number of questions in respect of the report, particularly in relation to attendance, and it was suggested that officers could review how attendance was recorded for future reports as it was considered by Members that reporting it in a percentage style made the attendance levels look lower than they had been. It was also noted that Members may have other training opportunities that they participated in which would not be logged in the annual report and so Mr Belford advised that officers could

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review this for the next report. Councillor Henrickson and Councillor Reynolds highlighted that they had been in attendance at the December 2020 meeting of the Committee, however Mr Belford advised that it would not be possible to amend the annual report at this stage. The Clerk advised that she could however record the attendance correction in the minute.

The report recommended:-

that Committee –

- (a) consider and approve the Audited Annual Report and Accounts for the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund; and
- (b) instruct the Chief Officer – Finance, as the Local Government (Scotland) Act 1973 – Section 95 Officer, to sign the accounts on behalf of the Funds.

The Committee resolved:-

- (i) to note that Councillors Henrickson and Reynolds had in fact been in attendance at the December 2020 meeting of the Committee;
- (ii) to note the points raised about reflecting any additional training and experience Members of the Committee and Board had outwith the scheduled training provided by the NESPF and that the Chief Officer-Finance had undertaken to review the recording of training for future reports;
- (iii) to note that officers were monitoring the situation in respect of the recent investigation into British American Tobacco and would advise Committee if any action required to be taken and to further note that the Convener would raise the matter at the Local Authority Pension Fund Forum;
- (iv) to thank officers and External Audit for their efforts in the production of the audited annual accounts; and
- (v) to approve the recommendations.

The Board resolved:-

to note the decision of the Committee.

STRATEGY - PC/SEPT21/STRAT

9. The Committee had before it a report by the Director of Resources which provided updates for the Committee and recommendations (if applicable) to any changes required to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

The report provided an update on the award of the investment management consultancy services contract to ISIO, the current provider; an update on the Scottish Government decision that underpin protection would apply to all LGPS members who met the revised qualifying criteria, noting that further information would follow in the published response to the consultation; a further update on the issuing of pension fund annual benefit statements; notification of the change to the Chair and Vice Chair of the Pension Board

PENSIONS COMMITTEE AND PENSION BOARD

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following the recent annual meeting; publication of documentation relating to the CIPFA Knowledge and Skills Framework in the trustee area of the website; and the year end processing of scheme employer data.

It was further noted that there had been minor amendments to the following documents which could be viewed on the NESPF website:-

- Communications Policy
- Investment Policy
- Corporate Governance & SRI Policy
- Employer Engagement Policy
- Record Keeping Policy
- Reporting Breaches of Law
- Data Protection Policy

There was some discussion around the training statistics included in the Pension Board annual report, and the Pension Fund Manager reiterated that officers would consider the comments made in respect of how additional training and qualifications could possibly be recorded in future reports.

The report recommended:-

that the Committee note the work undertaken to review and update the scheme policy documents to ensure continuing compliance with LGPS regulations (as per item 3.9.3).

The Committee resolved:-

to approve the recommendation.

The Board resolved:-

to note the decision of the Committee.

In accordance with the decision taken under article 2 of this minute, the following report was considered with the press and public excluded.

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INVESTMENT STRATEGY – PC/SEPT21/INVSTRAT

10. The Committee had before it a report by the Director of Resources which provided an update on the review of the investment re-balancing activity of the North East Scotland Pension Fund for the three month period ending 30th June 2021. The report also contained an update on the Under Armour class action.

Members heard from Ms Colliss in respect of the detail in the report.

The report recommended:-

that the Committee note the contents of the report for assurance.

The Committee resolved:-

to note the report.

The Board resolved:-

to note the decision of the Committee.

ASSET AND INVESTMENT MANAGER PERFORMANCE REPORT – PC/SEPT21/AIMPR

11. The Committee had before it a report by the Director of Resources which presented a review of the investment activity of both the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the three month period ending 30 June 2021.

Members heard from Ms Colliss in respect of the detail in the report.

The report recommended:-

that Committee note the contents of the report for assurance.

The Committee resolved:-

- (i) to request that officers consider how the detail of the environmental, social and governance work being undertaken could be shared with the public; and
- (ii) to note the report.

The Board resolved:-

to note the decision of the Committee.

- **COUNCILLOR M TAUQEER MALIK, Convener**

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	A	B	C	D	E	F	G	H	I
1	PENSIONS COMMITTEE BUSINESS PLANNER The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.								
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3	17 December 2021								
4	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.4		
5	Annual Effectiveness Report - Pensions Committee	To present the annual effectiveness report		Jonathan Belford	Finance	Resources	GD 8.5		
6	Procurement	To seek approval for procurement in respect of member data services and online learning		Mairi Suttie	Finance	Resources	1.2		
7	Deferred Debt Arrangements	To seek approval in respect of a proposed deferred debt arrangement		Claire Mullen	Finance	Resources	1.1 and 5.1		
8	Investment buckets – risk management	To seek approval around the intention to adopt 'investment buckets' as a risk strategy for managing liabilities at an employer level.		Claire Mullen	Finance	Resources	1.1		
9	Investment Strategy Update	To provide an update on the investment strategy of the NESPF		Graham Buntain / Laura Colliss	Finance	Resources	5.2		
10	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.2		
11	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
12	25 March 2022								
13	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.4		
14	Review of NESPF Compliance with PSPA 2013 and Pensions Regulator Requirements	To provide a review of compliance for 2021/22		Mairi Suttie	Finance	Resources	4.1 and 4.2		
15	External Audit Annual Plan 2022/23	To present the annual plan		Rachel Browne	External Audit	External Audit	2.1		
16	Statement of Accounts Action Plan	To provide Elected Members with high level information and key dates to the 2021/22 Statement of Accounts including linkages to the plans and timetables of the Council's External Auditors		Laura Colliss	Finance	Resources	3.1		
17	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.2		
18	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
19	24 June 2022								
20	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.4		
21	Training	To provide details of the training plan (2021/22) for the Pensions Committee and Pension Board of the North East Scotland Pension Fund.		Laura Colliss	Finance	Resources	4.1 and 4.2		
22	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.2		
23	Internal Audit Annual Report 2021/22	To present the Internal Audit Annual Report for 2021/22		Colin Harvey	Internal Audit	Internal Audit	2.1		
24	Internal Audit Annual Plan 2022/23	To present the Internal Audit Annual Plan for 2022/23		Colin Harvey	Internal Audit	Internal Audit	2.1		
25	Draft NESPF Annual Report & Accounts	To present the draft annual accounts		Laura Colliss	Finance	Resources	3.1		
26	16 September 2022								
27	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.4		
28	Investment Strategy Update	To provide an update on the investment strategy of the NESPF		Graham Buntain / Laura Colliss	Finance	Resources	5.2		
29	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.2		
30	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		
31	NESPF Annual Report & Accounts	To present the audited annual accounts and report on the NESPF		Laura Colliss	Finance	Resources	3.1		
32	External Audit Annual Audit Report 2020/21	To present the External Audit Annual Audit Report 2021/22		Rachel Browne	External Audit	External Audit	2.1		
33	16 December 2022								
34	Strategy	Regular update on any changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund strategies		Mairi Suttie	Finance	Resources	1.4		
35	Annual Effectiveness Report - Pensions Committee	To present the annual effectiveness report		Stephanie Dunsmuir	Governance	Commissioning	GD 8.5		
36	Investment Strategy Update	To provide an update on the investment strategy of the NESPF if required		Graham Buntain / Laura Colliss	Finance	Resources	5.2		
37	Asset and Investment Manager Performance Report	To provide a review of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund for the latest three month period		Graham Buntain	Finance	Resources	5.2		
38	Budget Forecast & Projected Spend	Update on budget and annual spend to date		Michael Scroggie	Finance	Resources	1.3		

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	17 December 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Committee Annual Effectiveness Report
REPORT NUMBER	COM/21/312
DIRECTOR	Gale Beattie, Director of Commissioning
CHIEF OFFICER	Fraser Bell, Chief Officer - Governance
REPORT AUTHOR	Steph Dunsmuir, Governance
TERMS OF REFERENCE	GD 8.5

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the annual report of the Pensions Committee to enable Members to provide comment on the data contained within.

2. RECOMMENDATION

That Committee:-

- 2.1 provide comments and observations on the data contained within the annual report; and
- 2.2 note the annual report of the Pensions Committee.

3. BACKGROUND

Annual Reports on Committee Terms of Reference

- 3.1 The annual committee effectiveness reports were introduced in 2018/19 following a recommendation from the Chartered Institute of Public Finance and Accountancy (CIPFA) as part of the Council's work towards securing that organisation's accreditation in governance excellence. The Terms of Reference set out that each Committee will review its own effectiveness against its Terms of Reference through the mechanism of the annual report.
- 3.2 The annual effectiveness reports were mentioned by CIPFA in their report which awarded the Mark of Excellence in Governance accreditation to Aberdeen City Council. CIPFA highlighted the implementation of the annual effectiveness reports as a matter of good practice in governance and were encouraged that, during consideration of the reports at Committee and Council, Members had made suggestions for improvements to the reports in future years.
- 3.3 As well as the CIPFA Accreditation, Committee Services also won SOLAR Administration Team of the Year in March 2020 in recognition of the introduction

of the annual committee effectiveness reports and the process which allows Committees to examine how they can improve the way they do business, while providing assurance that they are undertaking their role effectively.

- 3.4 Data from the annual effectiveness reports has been used to inform the review of the Scheme of Governance, ensuring that Committee Terms of Reference were correctly aligned, and identifying any areas of the Terms of Reference which had not been used throughout the year in order that they could be reviewed and revised if necessary. The information from the effectiveness reports will also be used to feed into the Annual Governance Statement.
- 3.5 The reports provide a mechanism for each committee to annually review its effectiveness, including data on attendance, any late reports, referrals to Council and the number of times officer recommendations were amended, and to ensure that it is following its Terms of Reference.
- 3.6 Similarly, recording the sections or stretch outcomes of the Local Outcome Improvement Plan (LOIP) which apply to each report allows Members to be aware of the direct impact of any proposals before them on the LOIP, and gives a general overview at the end of each year of the number of reports which have had an impact on the LOIP stretch outcomes. Officers also actively review the data gathered to ensure that it aligns to the Council's operating model and decisions taken by the Council throughout the year.
- 3.7 Any comments from Members on areas of data that should be considered would be welcomed to ensure that Members are presented with meaningful data.
- 3.8 The annual report for 2020/2021 is therefore appended for the Committee's consideration. It should be noted that the annual reporting period for 2020/21 is longer than previous years due to the Covid-19 pandemic which resulted in a number of committee meetings being cancelled in the first half of 2020/21. Following consideration by the Committee, the report will be submitted to Full Council in December for noting.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	N/A		
Compliance	Failure to submit this report would mean that the Council would not be complying with its instruction that all committees and Full Council receive such a report each year.	L	Council is given the opportunity to consider the reports and provide feedback on any amendments Members would wish to see in the content so that this can be taken on board for next year's Scheme of Governance review.
Operational	N/A		
Financial	N/A		
Reputational	N/A		
Environment / Climate	N/A		

7. OUTCOMES

7.1 There are no links to the Council Delivery Plan, however the committee effectiveness annual reports link to the Scheme of Governance, by ensuring that each committee is fulfilling its Terms of Reference.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Full impact assessment not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None.

10. APPENDICES

10.1 Pensions Committee Annual Effectiveness Report 1 May 2020 to 31 October 2021.

11. REPORT AUTHOR CONTACT DETAILS

Steph Dunsmuir, Committee Services Officer
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Pensions Committee

Annual Effectiveness Report 2020/2021



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1. INTRODUCTION

- 1.1 I am pleased to present the third annual effectiveness report for the Pensions Committee. The annual effectiveness report informs the annual review of the Council's Scheme of Governance and enables officers to identify if any changes are required, for example, to the Committee Terms of Reference, as well as being a helpful tool for good governance in terms of allowing the Committee to review how well its remit has been discharged throughout the year.
- 1.2 There were no changes made to the Terms of Reference for 2021. As usual however, these will continue to be monitored throughout the year and any comments made or issues raised throughout the year will be taken into consideration during next year's review.
- 1.3 The period of time covered in this year's report has obviously been particularly difficult as a result of the pandemic, and I would like to commend both my colleagues on the Committee and Board, and the officers who provide the Committee with such excellent support, for how everyone has adapted to the new ways of working. I thank all for their dedication and continued hard work over the reporting period.



Councillor M. Tauqeer Malik
Convener, Pensions Committee

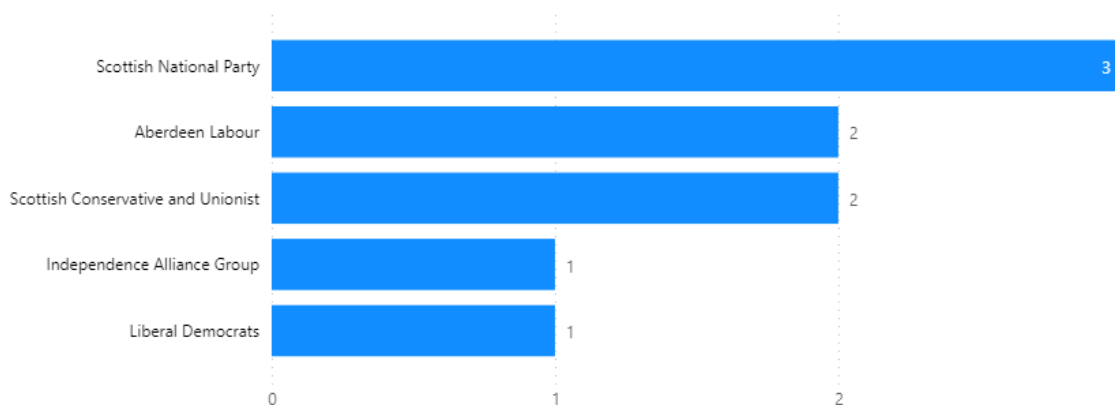
2. THE ROLE OF THE COMMITTEE

- 2.1** The Committee's role is to discharge all functions and responsibilities in respect of the Council's role as administering authority for the North East Scotland Pension Funds (NESPF). This includes managing the investment of the NESPF in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 and other relevant legislation. The Committee works alongside the Fund's Local Pension Board to consider any pension compliance matters raised.
- 2.2** The Terms of Reference for the Committee are appended to the report.

3. MEMBERSHIP OF THE COMMITTEE DURING 2020/2021

- 3.1** The Pensions Committee has 9 Elected Members and the composition is presented below.

Committee Political Balance (Seats)



4. MEMBERSHIP CHANGES

- 4.1** There were no changes to the Membership of the Committee during the reporting period.

5. MEMBER ATTENDANCE

Member	Total Anticipated Attendances	Total Attendances	Substitutions	Nominated Substitute
Councillors				
Philip Bell	5	4		
John Cooke	5	4	1	Christian Allard
Barney Crockett	5	5		
Steve Delaney	5	5		
Dell Henrickson	5	5		
Neil MacGregor	5	5		
M. Tauqeer Malik	5	5		
John Reynolds	5	4		
John Wheeler	5	4	1	Phillip Sellar

6. MEETING CONTENT

6.1 During the 2020/2021 reporting period (1 May 2020 to 31 October 2021) the Committee had 5 meetings and considered a total of 38 reports. One meeting in June 2020 was cancelled as a result of the pandemic, with all Committee meetings cancelled and only urgent matters of business being taken forward through meetings of the Urgent Business Committee. As a result, the NESPF unaudited annual report and accounts 2019/2020 were considered at the Urgent Business Committee of 30 June 2020 by Councillors who were either currently on the Pensions Committee or who had received the appropriate training.

6.2 Terms of Reference

Of the 38 reports received the following table details how the reports aligned to the Terms of Reference for the Committee.

Terms of Reference	Count of Terms of Reference
General Delegation 8.5	1
Remit 1.1	10
Remit 1.2	5
Remit 1.3	4
Remit 1.4	5
Remit 1.5	0
Remit 2.1	2
Remit 2.2	8
Remit 3.1	4
Remit 4.1	7
Remit 4.2	3
Remit 5.1	1
Remit 5.2	6

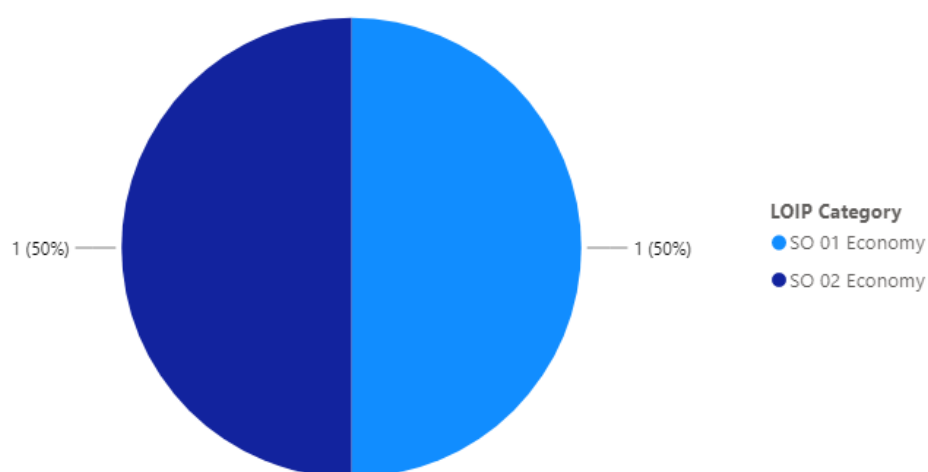
6.3 During the course of 2020/2021 all sections of the Committee's Terms of Reference were discharged throughout the course of the reporting period with the exception of 1.5 as there were no applications for admitted body

status. This would indicate that the Committee has discharged its role as determined by Council. There were also no changes proposed to the Pensions Committee Terms of Reference in the 2021 Scheme of Governance Review, with the exception of a numbering error which was corrected in the new version as it was not felt that any further refinement was required.

6.4 Local Outcome Improvement Plan

Due to the nature of the Pensions Committee remit, reports to the Committee are mainly for assurance and to allow the Members to scrutinise the operation and administration of the NESPF, therefore it is very unusual for any of the reports to be linked to the Local Outcome Improvement Plan stretch outcomes as can be seen from the chart below.

Reports with links to the LOIP



6.5 Reports and Committee Decisions

The following table details the outcome of the Committee’s consideration of the 38 reports presented to it throughout the year.

Reports	Total
Number which were Exempt/Confidential	8 reports (21% of total number). The exempt reports are mainly those which present the Asset and Investment Manager Performance and are therefore exempt for financial reasons.
Number of reports where the Committee has amended officer recommendations	None. While additional wording may have been added, for example to thank staff for their work, the officer recommendations have been approved in each case.

Reports	Total
Number of reports approved unanimously	37 reports out of 38 (97%). There was one division in relation to the Training report presented to Committee in June 2021.
Number of reports requested by members during the consideration of another report to provide additional assurance and not in business planner	None.
Number of Service Updates requested	None. Where information has been unavailable at meetings in response to questions raised, this has been circulated outwith the meeting by email thereafter.
Number of decisions delayed for further information	None.
Number of times the Convener has had to remind Members about acceptable behaviour and the ethical values of Public Life	None.
Number of late reports received by the Committee (i.e. reports not available for inspection by members of the public at least three clear days before a meeting)	None, however one late Appendix was circulated in relation to the Asset and Investment Manager Performance report, although the report itself was published on time in the main agenda.
Number of referrals to Council, or other Committees in terms of Standing Order 34.1	None.

6.6 Notices of Motion, Suspension of Standing Orders, Interface with the Public

Number of notices of motion	None
Number of times Standing Orders were suspended and the specific Standing Orders suspended	None
Standing order number (ref)	N/A
Number of deputations or other indicators of interface with the public, i.e. engagement and social media.	There were no requests for deputation during the reporting period.

7. TRAINING REQUIREMENTS

- 7.1** While Pensions Committee members are not legally obliged to undertake training, the Funds feel strongly that Committee members should receive training to ensure that they have the necessary levels of knowledge and understanding to exercise their functions. In addition, training is a requirement of the Council's Standing Orders. As per the Training Plan agreed by Committee, Committee members are expected to undertake

two days of training per year.

7.2 Typically the Funds deliver more than two training sessions per year, however due to COVID-19 the number of sessions able to proceed was significantly reduced. However, the Funds were able to deliver training sessions and meet the Training Plan requirements. The training needs analysis conducted in 2019 will continue to be used to direct training in the coming year as the Funds continue to seek out training opportunities to support members, and training will be provided as required following any changes to membership.

7.3 Training Topics during the reporting period:

LGC Investment Seminar - 22 – 23 October 2020 - A virtual seminar held over two days, this event covered a range of topics including:

- The impact of COVID-19 on investments
- Climate change and sustainability
- Infrastructure
- Collaboration between Funds

Scottish LGPS Conference 2020 - 1 October 2020 & 8 October 2020 - An online conference with a number of presentations and panels covering:

- Pension administration
 - Triennial valuations
 - Governance
 - Investment markets
-
- PLSA Annual Conference (18-19 May 2021)
 - PLSA ESG Conference (30 June – 2 July 2021)
 - Annual Accounts Training by Laura Colliss/Jonathan Belford (26 August 2021)
 - Scottish LGPS training - Governance & Investments (6 October 2021)
 - The LGC Investment Seminar Scotland 2021 (21-22 October 2021)
 - Scottish LGPS training – Administration (29 October 2021)

8. CODE OF CONDUCT – DECLARATIONS OF INTEREST

8.1 No declarations of interest were made by Councillors during the reporting period. Information in respect of declarations of interest is measured to evidence awareness of the requirements to adhere to the Councillors' Code of Conduct and the responsibility to ensure fair decision-making.

9. OFFICER SUPPORT TO THE COMMITTEE

Officer	Anticipated Attendance (by named officer or representative)	Attendances (by named officer or representative)
Chief Officer – Finance	5	5
Pensions Manager	5	5
Chief Officer – Governance	5	5

10. EXECUTIVE LEAD'S COMMENTS

- 10.1** In March 2021, Council approved new Terms of Reference and a further review will be undertaken in March 2022. Although no changes were made to the Pensions Committee Terms of Reference, we will continue to review them over the next year in line with the business submitted to the Committee and reflect on whether any areas require refinement moving forward to ensure the efficient operation of the Committee.
- 10.2** Generally, the Committee considers the same reports at each point in the year in line with its role to monitor the administration of the NESPF. A major piece of work each year is the presentation and approval of the NESPF Annual Report and Accounts, a task made more onerous due to the impact of COVID-19. The draft accounts were however presented on time to the Pensions Committee in June 2021 and the final audited accounts were presented to the Pensions Committee in September 2021.
- 10.3** Following Committee approval in September 2020 and a thorough procurement process, NESPF reappointed ISIO as the Fund's Investment Consultant as at 1 August 2021.
- 10.4** Another major area of work this year has been the Buy in of the Aberdeen City Council Transport Fund pensioner liabilities which included Aberdeen and the merged Strathclyde members. The move, at the request of First Group was a substantial project that involved close working partnerships to ensure a smooth transition, which was completed in November 2020.
- 10.5** The NESPF continues to source technological improvements and systems to push administration and communications online, while seeking additional opportunities across all areas of the Fund to improve service delivery.
- 10.6** NESPF completed the fit out of its new office in November 2020, and is looking forward to fully utilising the space when guidelines allow.
- 10.7** The 2020 Triennial Valuation was successfully signed off in March 2021, providing funding levels of 103% for NESPF and 114% for the Aberdeen City Council Transport Fund.

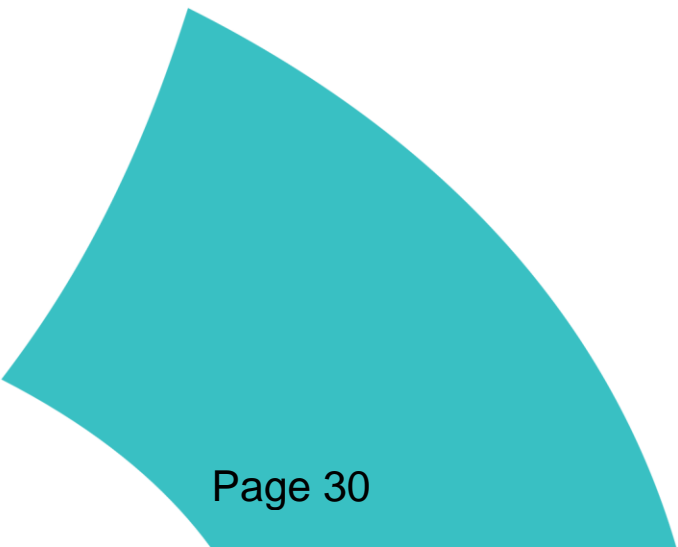
11. NEXT YEAR'S FOCUS

11.1 Work for the NESPF in 2021/22 includes the usual delivery of essential services in addition to a number of already planned projects, such as

- preparation for the 2023 triennial valuation
- robotics to deliver automation for standard repetitive processes
- reporting review
- ESG policy review; and
- communication review.

**PENSIONS COMMITTEE
TERMS OF REFERENCE**

1.	Finance and Risk Management
	The Committee will:-
1.1	approve the Funding Strategy Statement, produced in light of the Fund's assets and liabilities, and appoint or remove Fund Managers or new financial vehicles in furtherance of the strategy;
1.2	approve the budget and expenditure in connection with the administration of the Fund;
1.3	ensure that an effective system of internal financial control is maintained through scrutinising financial information presented to Committee;
1.4	ensure effective risk management of the Fund through monitoring of adherence to the Fund Risk Management Policy and regular scrutiny of the Fund risk register; and
1.5	determine applications for Admitted Body Status.
2.	Internal and External Audit
	The Committee will:-
2.1	approve the annual audit plans in relation to the Fund; and
2.2	consider all reports prepared by the Council's Internal and External Auditors in relation to the Fund.
3.	Annual Report and Accounts
	The Committee will:-
3.1	approve the Annual Report and Accounts, including the Annual Governance Statement.
4.	Legal Obligations
	The Committee will ensure:-
4.1	compliance with the Local Government Pension Scheme (Scotland) Regulations as amended and with all other legislation governing the administration of the Fund; and
4.2	adherence to the principles set out in the Pension Regulator's Code of Practice.
5.	Scrutiny
	The Committee will:-
5.1	monitor and approve the administration of the Local Government Pension Scheme (LGPS) in accordance with the LGPS (Scotland) Regulations 2018 and other relevant legislation; and
5.2	scrutinise the performance of Fund Managers, including in relation to environmental, social and governance (ESG) and voting matters, through regular performance reports to Committee.



ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	17 December 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Budget/Forecast & Projected Spend 2021/22
REPORT NUMBER	PC/SEP21/BUD
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Michael Scroggie
TERMS OF REFERENCE	1.3

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to give the Pensions Committee details of the Management Expenses Budget/Forecast and Projected Spend 2021/22 for the North East Scotland Pension Fund (NESPF).

2. RECOMMENDATION

- 2.1 That the Committee note the update on the NESPF Management Expenses Budget/Forecast and Projected Spend 2021/22, shown in Appendix I.

3. BACKGROUND/MAIN ISSUES

3.1 BUDGET/FORECAST AND PROJECTED SPEND 2021/22

- 3.1.1 Appendix I shows the NESPF Budget 2021/22. The budget includes a re-alignment of cost headings that follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for Pension Funds. Additional NESPF budget is added for costs outwith the Council's Budget and for those costs directly paid for by the Fund.
- 3.1.2 Administrative Expenses – all staff costs of the pension administration team are charged direct to the Fund quarterly. Associated management, accommodation and other overheads are apportioned to this activity and charged annually as expenses to the Fund.
- 3.1.3 Oversight and Governance Expenses – all staff costs associated with oversight and governance are charged direct to the Fund quarterly. Associated management costs are apportioned to this activity and charged annually as expenses to the Fund.
- 3.1.4 Investment Management Expenses – Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the market

value of these investments change. Fund Managers charge their fees quarterly in arrears. In addition, the Fund has negotiated performance related fees with a few of its investment managers. If applicable, performance fees are charged annually at the year end. The unpredictability of market forces for these elements makes forecasting extremely difficult with any degree of accuracy.

3.1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) has reviewed and revised their guidance to Pension Funds on Accounting for Scheme Management Costs. As a result, the Fund no longer accounts for indirect limited partnership fees.

3.1.6 Transaction Costs and Direct Property Expenses are included within the section 'Investment Management Expenses'. Other investment related expenses (e.g. investment advice and litigation, etc) are included within the section 'Oversight & Governance Expenses'.

3.2 GOVERNANCE

3.2.1 The Pension Fund projected costs for salaries and direct costs are included in monthly monitoring reports to the Service and Corporate Management Teams. The Chief Officer-Finance reports to the Pensions Committee on a quarterly basis.

4. FINANCIAL IMPLICATIONS

4.1 All Pension Fund costs are paid for by the Fund.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendation in this report.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	N/A	N/A	N/A
Compliance	N/A	N/A	N/A
Operational	N/A	N/A	N/A
Financial	Complacency and not ensuring value for money by making savings within the Scheme	L	Ongoing scrutiny and understanding of the costs of administering the Pension Fund with the exploration of opportunities for any savings.
Reputational	N/A	N/A	N/A
Environment / Climate	N/A	N/A	N/A

7. OUTCOMES

7.1 The proposals in this report have no impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

North East Scotland Pension Fund (NesPF) Annual Report & Accounts (2020/21) and Fund Governance Policy Statement

10. APPENDICES

Appendix I, Budget/Forecast and Projected Spend 2021/22

11. REPORT AUTHOR CONTACT DETAILS

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Appendix I – 2021/22 BUDGET/FORECAST AND PROJECTED SPEND

The Budget and Projected Spend for NESPF Administration Expenses are shown below:

	Notes	Full Year Budget 2021/22	Budget to 30/09/21	Actual Spend to 30/09/21	Accrual to 30/09/21	Amended Spend to 30/09/21	Over or (Under) to 30/09/21	Proj Annual Spend 2021/22	Proj Over or (Under) Spend 2021/22
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Administrative Staff Costs	1	1,615	808	302	327	629	(179)	1,347	(268)
Information Technology		516	258	398	16	414	156	500	(16)
Supplies & Services		151	75	41	58	99	24	157	6
Accommodation	2	385	193	82	160	242	49	405	20
Printing & Publications		20	10	9	0	9	(1)	20	0
Administration Expenses Total		2,687	1,344	832	561	1,393	49	2,429	(258)

Note (Spend Variance \pm 5%):

1. Under spend – Vacancies pending recruitment process and limited staff travel costs during lockdown.
2. Over spend – Extra Marischal Square Fit Out costs offset against a small saving re exit from Marischal College.

Appendix I – 2021/22 BUDGET/FORECAST AND PROJECTED SPEND (continued)

The Budget and Projected Spend for NESPF Oversight & Governance Expenses are shown below:

	Notes	Full Year Budget 2021/22	Budget to 30/09/21	Actual Spend to 30/09/21	Accrual to 30/09/21	Amended Spend to 30/09/21	Over or (Under) to 30/09/21	Proj Annual Spend 2021/22	Proj Over or (Under) Spend 2021/22
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Staff Costs	1	243	122	43	49	92	(30)	211	(32)
Pension Fund Committee	2	15	8	0	1	1	(7)	15	0
Pension Board	3	10	5	0	1	1	(4)	10	0
External Audit Fee		43	21	0	21	21	0	42	(1)
Internal Audit Fee		6	3	0	3	3	0	6	0
Actuarial Fees	4	300	150	77	26	103	(47)	207	(93)
General Expenses		180	90	42	0	42	(48)	182	2
Oversight & Governance Expenses Total		797	399	162	101	263	(136)	673	(124)

Note (Spend Variance \pm 5%):

1. Under spend – same as Admin Staff Costs note.
2. Neutral – Assumption based upon the annual training event held in London proceeding.
3. Neutral – Assumption based upon the annual training even held in London proceeding.
4. Under spend – Slowing down of costs associated with Project Dallas.

Appendix I – 2021/22 BUDGET/FORECAST AND PROJECTED SPEND (continued)

The Forecast and Projected Spend for NESPF Investment Management Expenses are shown below:

	Notes	Full Year Forecast 2021/22	Forecast to 30/09/21	Actual Spend to 30/09/21	Accrual to 30/09/21	Amended Spend to 30/09/21	Over or (Under) to 30/09/21	Proj Annual Spend 2021/22	Proj Over or (Under) Spend 2021/22
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment Management	1	12,679	6,340	1,267	4,741	6,008	(332)	12,017	(662)
Performance Fees		10,430	5,215	0	5,215	5,215	0	10,430	0
Direct Property Expenses	2	533	266	967	(516)	451	185	622	89
Transaction Costs	3	1,183	592	1,417	0	1,417	825	2,835	1,652
Custody Fees		146	73	60	12	72	(1)	145	(1)
Investment Management Expenses Total		24,971	12,486	3,711	9,452	13,163	677	26,049	1,078

Note (Spend ± 5%):

1. Investment Management costs as at the reporting date are projected for the remaining part of the year. However, costs associated with private equity are not calculated until the year end. Therefore, uncertainty in projecting these costs carries the risk of over/under stating the spend for the year. It is anticipated that there will be an under spend.
2. The Forecast for 2021/22 is based upon the Fund Manager's estimation for the year. It is anticipated that there will be an over spend, which is largely associated with an ad hoc write off for a former tenant who was responsible for the letting of student flats.

3. Transaction Costs are reported by the Custodian (HSBC) as at the reporting date then projected for the remaining part of the year. Albeit a useful guide, using past transaction activity as a basis for projecting costs carries the risk of over/under stating the spend for the year. If current transaction activity continues then it is anticipated that there will be an over spend.

3(a). Transaction Costs are reported by the Custodian (HSBC).

Analysis of Transaction Costs for the period 1 April 2021 to 30 September 2021:

	Commission (£)	Expenses (£)	Tax (£)	Total (£)
Equities	539,317.87	906.07	852,578.03	1,392,801.97
Pooled – Unit Trust	0.00	24,565.86	0.00	24,565.86
Grand Total (£)	539,317.87	25,471.93	852,578.03	1,417,367.83

Important to Note:

Appendix I is a forecast of costs for Investment Management Expenses rather than a traditional budget. This is due to the level of estimation involved and the extent of the unknown, especially given that Investment Management and Performance Fees are based upon an unpredictable Market Value. This terminology has been adopted following discussions with the CIPFA Pensions Network.

ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	17 December 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Investment Buckets – Risk Management
REPORT NUMBER	PC/DEC21/RISK
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Claire Mullen
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

- 1.1 To seek approval from Committee around the intention to adopt 'investment buckets' as a risk strategy for managing liabilities at an employer level.

2. RECOMMENDATIONS

That the Committee: -

- 2.1 approve that the Pension Fund Manager move forward with the policy on Investment Buckets and continue work around issuing a consultation on the amended Funding Strategy Statement; and
- 2.2 note that further information on the investment buckets, assumptions and implementation will be provided to Committee in the form of the draft Funding strategy Statement in June 2022.

3. BACKGROUND

3.1 2020 Consultation

- 3.1.1 As part of the consultation to all participating employers on the NESPF Funding Strategy Statement 2020 the Fund introduced the idea of adopting different investment strategies as a method of managing risk at an employer level.
- 3.1.2 Adopting different investment strategies enables some employers to move into lower risk strategies. This would create more certainty around investment returns where they want to protect any funding gains or are looking to exit the scheme in the short or medium term.
- 3.1.3 Investment buckets also provide another tool for the Fund to manage high risk employers and protect the participating employers in relation to orphaned liabilities.

3.1.4 The consultation responses from employers welcomed this proposal on the understanding that more information would be provided and the impact of these different strategies on funding levels and contribution rate requirements were clearly understood by all employers.

3.2 Investment Buckets

3.2.1 Mercer, the scheme actuary, was asked to consider this proposal further to understand the approach that the Fund could take and how to implement it.

3.2.2 Mercer have identified the potential to introduce three 'investment buckets' that would be appropriate for the employer profile within the NESPF. Each bucket would have a clear investment strategy with different funding assumptions around assets returns being applied at the triennial valuation.

3.2.3 The buckets would be as follows:

Higher Risk

3.2.4 This bucket would hold the vast majority of the liabilities within the Fund (c90%-95%) and represents the current investment strategy and asset allocation. This balanced portfolio holds a combination of return seeking assets and lower risk alternatives along with corporate bonds and cash held.

3.2.5 The employers within this bucket would include all scheduled bodies and employers with a stable liability profile. These employers would benefit fully from any positive return on assets but would also be fully exposed to any investment lows (as per the current strategy.) The employers have the potential to achieve higher returns over the long term but the certainty that the actuary can put on achieving this is reduced.

Medium Risk

3.2.6 This bucket is similar to the higher risk bucket however the allocation of equities to this strategy would be reduced, therefore reducing the risk and increasing the certainty around investment returns.

3.2.7 From a valuation perspective, given the lesser reliance on equities, this bucket would have a lower discount rate (asset returns expectation) applied for valuation purposes. The greater certainty around achieving these returns would mean that there would be less volatility and assuming that this is done whilst funding is positive, it may not result in an increase in employer contribution requirement.

3.2.8 Employers may wish to move into this bucket if they are looking to close the scheme to new entrants or are anticipating an exit from the scheme in the foreseeable future due to a maturing membership profile. They may also want to move into this bucket if they wish to lock down and protect the assets currently held given the current very positive funding position.

Low Risk

- 3.2.9 This bucket would be used by employers and the Fund to manage both orphaned liabilities and any employers that potentially wish to exit or are looking to fund for termination.
- 3.2.10 This bucket would have no exposure to return seeking assets and would rely solely on very low risk assets such as corporate bonds, gilts and cash. The Fund and employers give up the ability to seek high asset returns for the certainty around how the pension liabilities are calculated and the impact on the funding level.
- 3.2.11 This level of certainty gives the Fund comfort in the ability to meet future liabilities but also allows employers certainty around the cost of exiting the scheme. As a result of introducing this bucket it would allow the Fund to take a less prudent approach around termination calculations and stop employers from being trapped within the scheme due to the high cost of exit.
- 3.2.12 As with the medium bucket, different actuarial assumptions would be applied to liabilities held in this bucket as part of the triennial valuation. Specifically, this bucket would attract a much lower discount rate and would increase the contribution requirements for any active employers within this tranche.
- 3.2.13 The actual asset allocations and associated assumptions for each bucket are still under review. These will be outlined with the amended Funding Strategy Statement once determined.

3.3 Implementation

- 3.3.1 Due to the size of the NESPF and the potential amount of liabilities that will be held in each bucket the investment strategies will be done as a notional strategy. By taking a notional approach this will reduce both the cost and the administrative burden around the investment assets.
- 3.3.2 By taking a notional approach this proposal becomes an actuarial proposition. Mercer will be required to identify the liabilities held within each bucket and apply the appropriate asset return figures to each bucket depending on the returns for each asset class.
- 3.3.3 Although employers will have three buckets in which they can choose to invest, there is no change to the Fund's investment strategy and its current holding of assets.
- 3.3.4 The Fund will only offer the investment strategies available through these three buckets. No individual funding strategies will be implemented for any one employer due to the complexity and cost of administering a request of this nature.
- 3.3.5 This strategy is intended to be another tool for the NESPF to manage risk at an employer level. There will be no requirement for participating employers to move to an alternative investment strategy should they not wish to do so.

3.4 Consultation 2022

- 3.4.1 As a result of the adoption of the new strategies, amendments will be required to the NESPF Funding Strategy Statement and Termination Policy (embedded with the Funding Strategy Statement). As per the Local Government Pension Scheme (Scotland) Regulations a full consultation, subject to Committee approval, with all participating employers will be required on the changes made.
- 3.4.2 Following further conversations with the scheme actuary, the Fund intend to implement this policy in Summer 2022 with the consultation taking place in March or April to incorporate this policy and the changes to be made around Deferred Debt Arrangements.
- 3.4.3 Employers will be provided with further details on the policy to ensure that there is an understanding of the benefit implications of managing liabilities and risk in this manner. This will be delivered through employer communications and the 2022 financial forum.
- 3.4.4 The draft Funding Strategy Statement will be taken to Pensions Committee in 2022 prior to implementation of the plan.

4. **FINANCIAL IMPLICATIONS**

- 4.1 Actuarial costs will increase as a result of the implementation of the buckets due to the amount of work that will need to be carried out for the triennial valuation and inter-valuation review. Risk management is an essential requirement for the Fund and its participating employers.
- 4.2 Mis-management of this policy could result in the Fund not being able to meet the cost of future liabilities which places a burden on the participating employers and the taxpayer.

5. **LEGAL IMPLICATIONS**

- 5.1 As outlined above the Local Government Pension Scheme (Scotland) Regulations provide that consultation is required with all appropriate stakeholders prior to any changes being made to the Funding Strategy Statement. Any movement to a lower risk investment strategy by an active employer will require a formal agreement to ensure that the decision is documented.

6. **MANAGEMENT OF RISK**

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	N/A	N/A	N/A
Compliance	Consultation with participating employers on the	L	Consultation planned for early 2022.

	changes is required under the LGPS (Scotland) Regulations.		
Operational	Further monitoring and administration required in addition to extra reliance on actuarial services.	L	Undertaken as part of the employer monitoring and risk management requirements.
Financial	Additional actuarial and legal costs will be incurred as a result of implementing the policy. Inability of employer to meet exit debts.	M	Careful monitoring of the agreement, employer covenant and reassessment requirements. This plan and additional monitoring required will reduce the extremely high cost of exit going forward.
Reputational	Poor management of this policy may result in reputational risk.	L	Working closely with the scheme actuary and reviewing the policy regularly.
Environment / Climate	N/A	N/A	N/A

7. OUTCOMES

7.1 This report does not impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not Required

9. BACKGROUND PAPERS

None

10. APPENDICES

None

11. REPORT AUTHOR CONTACT DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE	Pensions Committee
DATE	17 December 2021
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Strategy
REPORT NUMBER	PC/DEC21/STRAT
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Laura Colliss & Mairi Suttie
TERMS OF REFERENCE	1, 4-5

1. PURPOSE OF REPORT

- 1.1 To inform the Committee and provide recommendations (if applicable) to changes to the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

2. RECOMMENDATION

That the Committee: -

- 2.1 note the final outcome of the annual benefit statement project, which was completed successfully despite challenges of covid and homeworking, for assurance (3.9.2 of the report refers);
- 2.2 note the updates to the Fund Policy documents as set out in 3.9.3; and
- 2.3 approve the travel for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced Officer substitute) to attend the following Advisory Committees (as per item 3.9.6):
- Partners Group, Denver, March 2022
 - Harbourvest, Boston, May 2022 (TBC)
 - Harbourvest, Boston, December 2022 (TBC)
 - Blackrock, Europe, 2022 (TBC)

3. BACKGROUND

- 3.1 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

3.2 The roles and responsibilities within these areas have been very clearly defined to ensure accountability across the Pension Fund.

3.3 The Pensions Committee will be comprehensively informed via this report as to the current position and any variances to the Funds strategy and recommendations. To support this report service updates covering the six strategic areas will also be available via the secure website (<http://www.nespf.org.uk/TheFund/Governance/fundgovernance.aspx>).

3.4 Also available on the Pension Fund website are all the policy documents that govern the Pension Fund including its various strategies.

3.5 **INVESTMENT**

3.5.1 *Asset & Investment Manager Performance Report*

Investment Strategy Update Report

Separate Reports, provided

3.5.2 **Local Authority Pension Fund Forum (LAPFF)**

Copies of the latest e-bulletins, quarterly engagement and annual reports are available at <http://www.lapfforum.org>

3.6 **ACCOUNTING**

3.6.1 *Budget/Forecast and Projected Spend 2021/22 Report*

Separate Report, provided

3.7 **BENEFIT ADMINISTRATION**

3.7.1 **Regulatory Updates**

Pension Schemes Act 2021

3.7.2 This is the most significant piece of UK pensions legislation since the Pensions Act 2004. It significantly broadens the powers of the Pensions Regulator, introducing criminal offences that are drafted in a very broad manner. It will be supplemented by a range of Codes of Practice, guidance and regulations to flesh out the details. Along with the increased powers for tPR, the Act introduces powers to make regulations in relation to climate change risk and also requires Fund's including the Local Government Pension Scheme to supply data for the pensions dashboard, with onboarding expected around October 2023.

A guide to the Pensions Schemes Act is available at <https://cms.law/en/gbr/publication/pension-schemes-act-2021>

The Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021

- 3.7.3 These regulations introduce further legal restrictions to a member's statutory right to transfer and come into effect from 30 November 2021. The regulations give administering authorities tools to act where suspicions about the circumstances that have prompted the transfer request are identified. It will no longer be the case that a member can insist on a statutory transfer taking place in such circumstances.

3.8 **SYSTEMS**

- 3.8.1 Performance reporting is provided on a quarterly basis.

Appendix I, Pensions Administration Strategy Update

3.9 **GOVERNANCE**

3.9.1 **Scheme Advisory Board**

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

3.9.2 **Pension Fund Annual Benefit Statements Final Update**

- 3.9.2.1 Following on from the update to Committee in September (PC/SEPT21/STRAT), the annual benefit statement project has now been successfully completed.

- 3.9.2.2 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.

- 3.9.2.3 The Fund recorded 99.64% compliance for all benefit statements in 2020/21 (Active, Deferred and Councillors). This is a slight decrease from the reported figure of 99.74% in 19/20. Despite the ongoing Covid-19 and home working challenges, the hard work of both NESPF staff and our employers has ensured another very successful outcome from the ABS project.

- 3.9.2.4 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. 155 errors were identified on active records out of the total 43,030 records processed. 2 of these errors were rectified and the members received their statements by the 31 August deadline. Of the remaining errors, 79 members were not issued statements as they had not paid any pension contributions during the year 20/21 i.e. they were employees taken onto the payroll in February or March and had not received any pay by 31 March.

3.9.2.5 However 74 errors occurred on records where the member should have received a statement. These were casual members who had not paid pension contributions in 19/20 and for whom the administration system did not correctly record them as "C" for casual. Having identified the errors, statements were generated manually and issued but after the 31 August deadline. A project has been undertaken to ensure all casual employees are now correctly recorded on the system, this will ensure a statement is automatically generated without any further issue from next year.

3.9.2.6 Costs for the ABS project this year were down from 2020 due to reduced mailing costs with less letters being mailed, and reduced printing costs due to email broadcasts. For example, the cost of each ABS letter is approximately 53p compared to an email notification which only costs 18p. 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 MSS.

3.9.2.7 At present 651 (-18 from 19/20) active and 448 (+33 from 19/20) deferred members have opted in to receive traditional paper statements and letters will still be sent to members not registered for MSS.

3.9.2.8 In terms of online usage following the mailing, we saw respectively an increase of 3.3% in deferred members registering for MSS and a 6.7% increase for active members. In addition to viewing benefit statements, MSS is a useful tool for members to view up to date pensions data, keep the Fund informed of changes to personal data and help plan for their retirement using the online calculator. Officers continue to participate in the MSS working group to help future developments.

3.9.3 Document Update

The following documents have been updated and are available in the secure member of the trustee area of the NESPF website:

- Governance Compliance Statement (updated from partial to full compliance to reflect changes agreed as part of Annual Report and Accounts)
- Training Policy (updated to reflect revised CIPFA Knowledge and Skills Framework)

3.9.4 The Pensions Regulator New Code of Practice

The Pensions Regulator has published an interim response to their consultation on the new single Code of Practice. TPR have issued their interim response to allow further time to consider the responses they received and to incorporate code content arising from the Pension Schemes Act 2021 into the new code. They expect to lay the new Code in Parliament in Spring 2022, with an effective date from Summer 2022. Officers are already considering the new draft Code and what actions need to be taken to ensure the Fund remains fully compliant.

3.9.5 Procurement

Separate report, *provided*

3.9.6 Overseas Travel

- 3.9.6.1 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.
- 3.9.6.2 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.
- 3.9.6.3 As stated due to the 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 Committees.
- 3.9.6.4 Advisory Committees are Officer led and by invitation/request only, managers seek to appoint Officers from their clients that have significant experience within the industry to ensure meaningful scrutiny and challenge.
- 3.9.6.5 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.
- 3.9.6.6 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 within this asset class this type of forum strengthens the governance arrangements for the Fund together with the fund manager.
- 3.9.6.7 Officers recommend the approval for overseas travel to the following Advisory Committees:
- 1. Partners Group, Denver, March 2022**
 - 2. Harbourvest, Boston, May 2022 (TBC)**
 - 3. Harbourvest, Boston, December 2022 (TBC)**
 - 4. Blackrock, Europe 2022 (TBC)**
- 3.9.6.8 Approval is requested for one appointed Advisory Committee Officer (Pension Fund Manager or suitable experienced Officer Substitute) to attend.

3.9.6.9 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.

3.10 **EMPLOYER RELATIONSHIP**

3.10.1 **Data Quality**

Updated Data Quality Improvement Plan and quarterly scheme reports from Insights.

*Appendix II and III, NESPF Scheme Reports
Appendix IV, Data Quality Improvement Plan*

3.10.2 **Deferred Debt Arrangements**

Separate report, provided

3.10.3 **Investment Buckets – Risk Management**

Separate report, provided

4. **FINANCIAL IMPLICATIONS**

4.1 The performance of the Fund over the long term can impact on the Fund’s funding level and therefore the ability to meet its long-term liabilities.

5. **LEGAL IMPLICATIONS**

5.1 There are a number of legal implications arising from implementation of the strategy which have been identified and addressed as set out in this report.

6. **MANAGEMENT OF RISK**

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	Lack of effective risk controls in relation to the Fund Strategy.	L	The Pension Fund maintains its own Risk Management Policy and regularly updates its Risk Register in line with change. This is reported quarterly to the Pensions Committee.
Compliance	N/A	N/A	N/A
Operational	N/A	N/A	N/A
Financial	N/A	N/A	N/A
Reputational	N/A	N/A	N/A

Environment / Climate	N/A	N/A	N/A
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Appendix V, Copy of Risk Register (November 2021)

7. OUTCOMES

7.1 The proposals in this report have no impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None

10. APPENDICES

Appendix I, PAS Update
Appendix II and III NESPF Scheme Reports
Appendix IV, Data Quality Improvement Plan
Appendix V, Copy of Risk Register (November 2021)

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North East Scotland Pension Fund
nespf

Pension Administration Strategy

Quarterly Reporting September 2021

1. NESPF performance from 1st April to 30th September

1.1 Key administration tasks

Measuring performance is essential to evidence the efforts made by both the Pension Fund and Scheme employers to comply with statutory requirements and deliver a high-quality pension administration service. The Pension Fund aims to provide the information below within the agreed timescales shown.

Administration Task	Target	Completed cases during reporting period			Additional targets for completed cases during reporting period				Uncompleted cases during reporting period	
		Cases	Achieved	Percentage	+ 5 days	+ 10 days	+ 20 days	> + 20 days	Cases	Revised %
Notification of death in service	5 days	23	20	87.0%	100.0%					87.0%
Notification of retirement estimate	10 days	232	231	99.6%	100.0%				13	94.3%
Notification of retirement benefits	10 days	993	808	81.4%	92.7%	95.9%	97.5%	25	34	78.7%
Notification of deferred benefits	10 days	509	487	95.7%	97.8%	98.4%	99.0%	5	53	86.7%
Notification of refund	10 days	558	537	96.2%	97.8%	99.3%	99.5%	3	11	94.4%
Notification of transfer in value	10 days	16	12	75.0%	81.3%	81.3%	81.3%	3	13	41.4%
Notification of transfer out value	10 days	247	142	57.5%	50.0%	50.0%	52.3%	92	20	53.2%
		2578	2237	86.8%				128	144	82.2%

Completed cases during reporting period - reporting output is based on 5 and 10 day targets built into workflow cases for processing administration tasks as declared in the pension administration strategy:

- *The overall percentage continues to improve and the number of retirements processed has increased by more than 200 when compared with the same reporting period last year.*

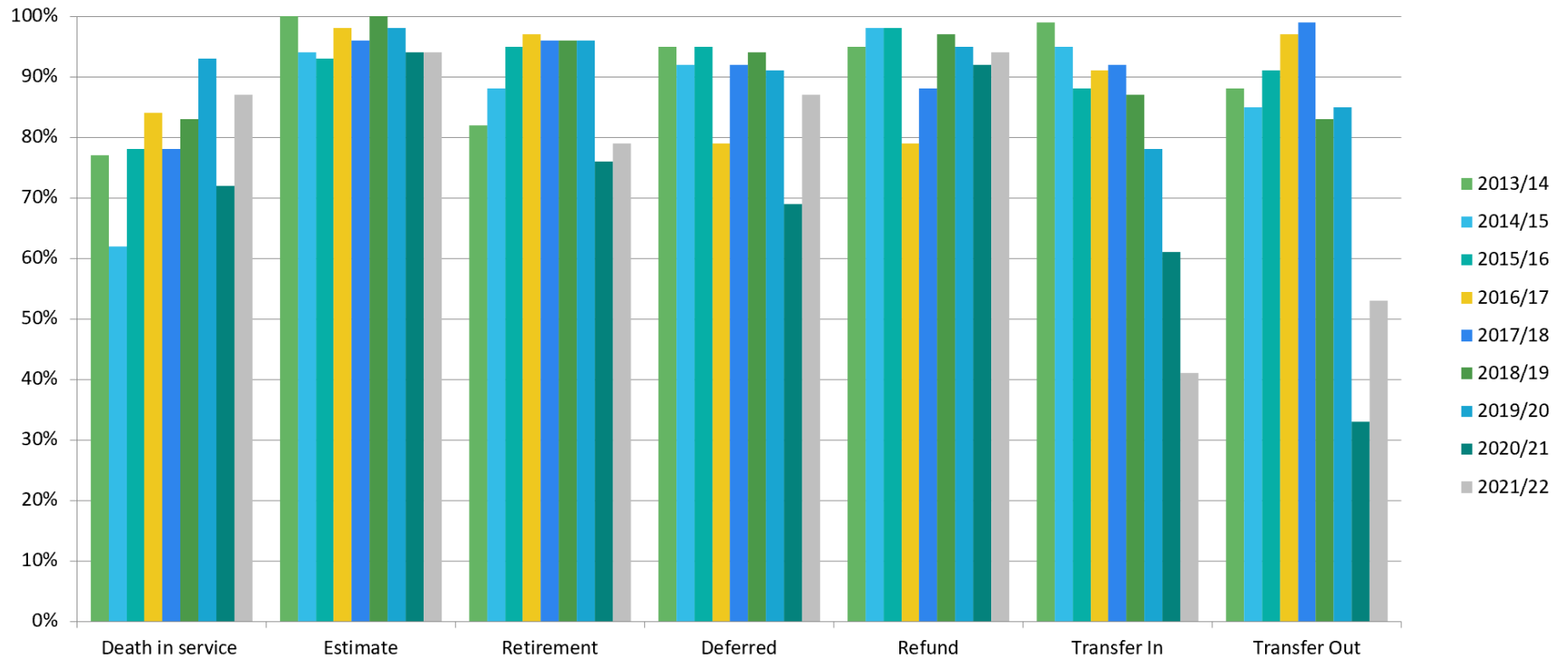
Additional targets for completed cases during reporting period - reporting output is based on adding 5/10/20 days to the 5 and 10 day targets built into workflow cases for processing administration tasks:

- *Priority remains processing death and retirements whilst majority of staff continue to work from home, performance will continue to improve when more staff can safely return to the office.*

Uncompleted cases during reporting period - cases identified that were due to be completed and do not have a Reply Due date set in advance of the end of the reporting period:

- Uncompleted cases have reduced by more than 250 when compared with the same reporting period last year.

1.2 Previous years comparison



2. Employer performance from 1st April to 30th September

2.1 Policy on discretions received (85%)

Each Scheme employer is required under regulation 58 of the Local Government Pension Scheme (Scotland) Regulations 2018 to prepare a written statement of its policy on how it will exercise various discretions provided by the Scheme. This 'discretions policy' must be kept under review by employers and revised as necessary.

Employers			
Aberdeen City Council	Aberdeen Cyrenians	Aberdeen Endowments Trust	Aberdeen Foyer
Aberdeen Heat and Power	Aberdeen Performing Arts	Aberdeen Sports Village	AIYF
Aberdeenshire Council	Aberlour	Archway	Bon Accord Care
Bon Accord Support	Outdoor Access Trust for Scotland	Fersands and Fountain	First Aberdeen
Forth & Oban (City)	Fraserburgh Harbour	Grampian Valuation Joint Board	Home Start Aberdeen
Inspire	Mental Health Aberdeen	Moray College	NESTRANS
North East Scotland College	North East Sensory Services	Osprey Housing	Pathways
Peterhead Port Authority	Printfield Community Project	Robert Gordons College	Robert Gordon University
Sanctuary Scotland	Scottish Fire and Rescue	Scotland's Lighthouse Museum	Scottish Police Authority
Scottish Water	Sport Aberdeen	St Machar Parent Support Project	Station House Media Unit
The Moray Council	Visit Scotland	Xerox	

2.2 Signed PLO statements received (46%)

Following the revision of the NESPF Pension Administration Strategy in April 2018 each Scheme employer must designate a named individual to act as a Pension Liaison Officer, the main contact regarding any aspect of administering the Local Government Pension Scheme (LGPS).

Pension Liaison Officers			
Aberdeen City Council	Aberdeen Cyrenians	Aberdeen Endowments Trust	Aberdeen Foyer
Aberdeen Heat and Power	Aberlour Childcare Trust	Alcohol & Drugs Action	Archway
Bon Accord Care	Bon Accord Support	Outdoor Access Trust for Scotland	Fraserburgh Harbour
Moray College	North East Scotland College	North East Sensory Services	Pathways
Peterhead Port Authority	Printfield Community Project	Robert Gordons College	Scottish Fire and Rescue
Scottish Water	Sport Aberdeen	St Machar Parent Support Project	Visit Aberdeenshire
Xerox			

2.3 Quantity of data received (489,787)

All Scheme employers are now required to provide monthly data using I-Connect, by way of a monthly file extracted from the payroll system or by completing electronic forms for individual members.

I-Connect events processed	Total
Starters (new start and opt in)	2,790
Amendments (address, personal details, hours and absence)	11,450
Leavers (exit and opt out)	2,179
Contributions (employee, employer and additional)	159,333
Salary	158,157
Cumulative CARE Pay	152,827
Works Address	3,051

2.4 Quality of data received

The quality of data received from Scheme employers is assessed and checked by the Employer Relationship Team (ERT). Red, Amber and Green flags will be used to assess the quality of the data. The Pension Fund will seek, at the earliest opportunity, to work closely with Scheme employers in identifying areas of unsatisfactory performance and provide the necessary training and development for improvement.

Since the introduction of the requirement to provide monthly information in this format the quality of the data received through i-Connect has been of a very high standard. This allows the Fund to provide accurate and up to date information to members, meet the requirements of The Pension Regulator and improved the accuracy of the financial information held for the valuation of the Fund.

Green	I-Connect events processed and validated by ERT
Amber	I-Connect events processed however missing or incorrect data identified by ERT
Red	I-Connect events not processed
Blank	Data not provided (as at 2021)

* Employer has terminated from the fund

Employer	Submission	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Aberdeen City Council	Extract File												
Aberdeenshire Council	Extract File												
Bon Accord Care	Extract File												
Bon Accord Support	Extract File												
Grampian Valuation Joint Board	Extract File												
Moray Council	Extract File												
NESTRANS	Extract File												
Police Scotland	Extract File												
Robert Gordon University	Extract File												
Moray College	Extract File												
North East Scotland College	Extract File												
Scottish Water	Extract File												
Scottish Fire and Rescue Service	Extract File												
Sport Aberdeen	Extract File												
Aberdeen Endowments Trust	Online Return												
Aberdeen Cyrenians	Online Return												
Aberdeen Foyer	Online Return												
Aberdeen Heat and Power	Online Return												

Aberdeen Performing Arts	Online Return																		
Aberdeen Sports Village	Online Return																		
Aberlour Child Care Trust	Online Return																		
Archway	Online Return				*	*	*												
City Moves Dance Agency	Online Return			*	*	*	*												
Alcohol & Drugs Action	Online Return																		
Fersands and Fountain	Online Return																		
First Aberdeen	Online Return																		
Forth and Oban (City)	Online Return																		
Forth and Oban (Shire)	Online Return																		
Fraserburgh Harbour	Online Return																		
Homestart Aberdeen	Online Return																		
Homestart NEA	Online Return																		
ID Verde	Online Return																		
Inspire	Online Return																		
Mental Health Aberdeen	Online Return																		
North East Sensory Services	Online Return																		
Osprey Housing	Online Return																		
Outdoor Access Trust Scotland	Online Return																		
Pathways	Online Return																		
Peterhead Port Authority	Online Return																		
Printfield Community Project	Online Return																		
Robert Gordon College	Online Return																		
Robertson FM City	Extract File																		
Robertson FM Shire	Extract File																		
Sanctuary Scotland	Online Return																		
SCARF	Online Return																		
Scotlands Lighthouse Museum	Online Return																		
St Machar Parent Support Project	Online Return																		
Station House Media Unit	Online Return																		
Xerox	Online Return																		

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Aquila Heywood

Local Government Pension Scheme Common Data Quality Report North East Scotland Pension Fund



September 2021

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data.

To assist customers in undertaking a practical assessment of their common data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with North East Scotland Pension Fund (NESPF), Aquila Heywood has completed a review of NESPF's common pension data in line with the guidance notes set down by TPR. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The service incorporates data items tested against the data conditions agreed with NESPF. To provide focus on the key areas of common data to be addressed, each data category is measured against an agreed benchmark.

In 2019, a set of "core" tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix B.

1.3 Benchmark

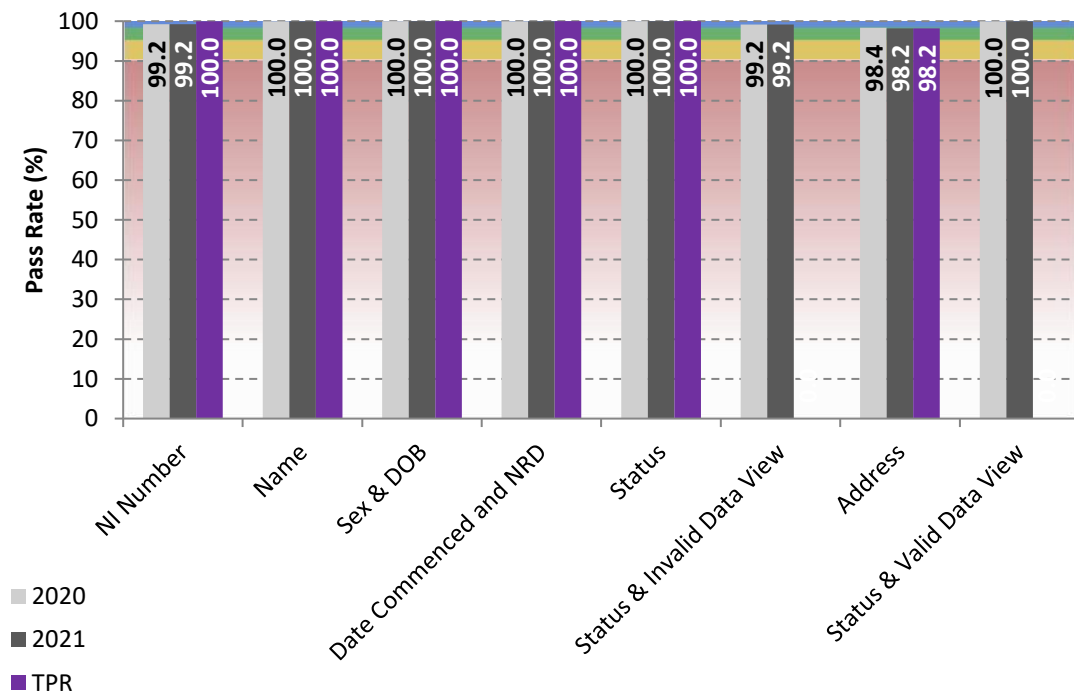
The benchmarks applied to the results presented in this report were agreed between NESPF and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmarks are illustrated in the background of the results graphs. TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand. The Aquila Heywood data quality service measures data as a whole as updates for many members are continuous and alter the last updated date on the system.

1.4 Summary of Common Data Results

The graph below indicates NESPF’s performance for each data category against the agreed scheme benchmarks together with the results from the 2020 tests. The results presented herein are generated from data extracted from NESPF’s Live Altair service on 3rd September 2021 for all tests. The 2020 tests were generated from data extracted on 23rd June 2020. The overall percentage of tests passed for NESPF’s common data is **99.6%** which is the same as the 2020 score. The 2021 tests were conducted on 128,931 member records, an increase of 4,251 on 2020.

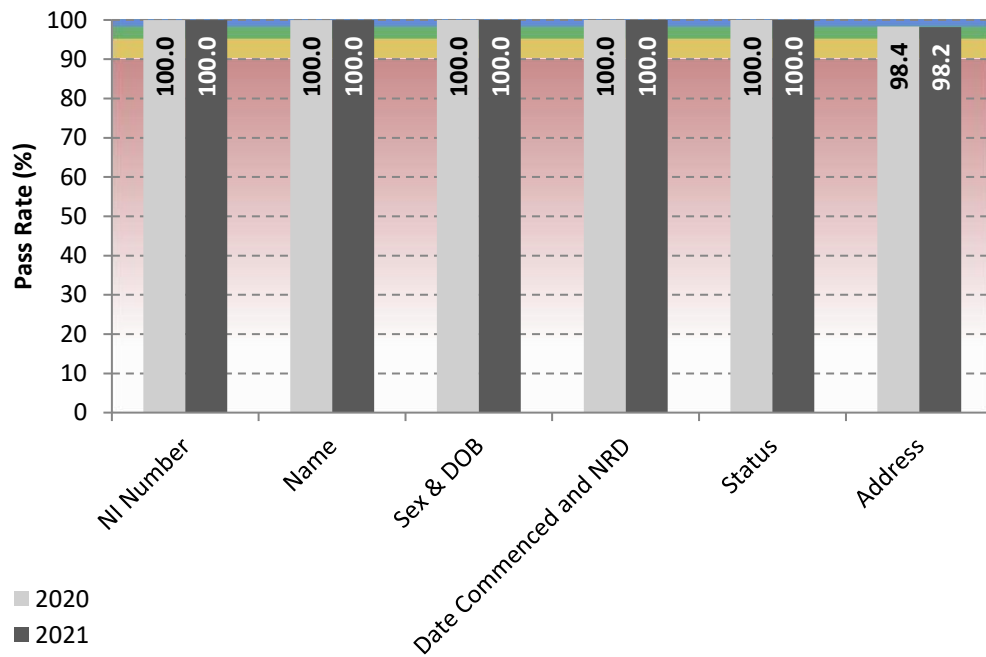


All eight categories met the highest benchmark of greater than 98% with two categories not recording a single failure. A further three categories have been rounded to 100% with a score of over 99.95%. The lowest scoring category concerned member **Address** that achieved a score of **98.2%** which represents a decrease of 0.2% on the 2020 score of **98.4%**. The general quality of the common data tested at NESPF is of a high standard. There is some work required to trace members recorded as “gone away” to bring this category into the highest benchmark.

The percentage of member records without a single common data failure is **96.6%**. This represents a decrease of 0.2% on the 2020 score of 96.8%.

1.5 TPR Common Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **98.1%**, this represents a decrease of 0.2% over the 2020 score of 98.3%. This is the figure to be quoted on the scheme return to TPR. The core test scores for each category are shown below.



Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (Change)		
Name <u>Eligible for Testing:</u> All members	128931 (+4251)	128928 (+4251)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 3 Fail C: 3	3 members have a missing forename and initials, the same as in 2020. This test counts towards the core TPR results.
Sex and Date of Birth <u>Eligible for Testing:</u> All members (Leavers and deaths excluded from test D)	128931 (+4251)	128931 (+4251)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All member records have a valid sex and date of birth recorded for the third consecutive year.
Date commenced and NRD <u>Eligible for Testing:</u> All members	128931 (+4251)	128930 (+4252)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 1	2 members failed a test in this condition in 2020. 1 leaver now has an invalid date joined fund. This test does not count towards the core TPR results.
Status <u>Eligible for Testing:</u> All members	128931 (+4251)	128931 (+4251)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All member records have a valid and consistent status recorded for the third consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (Change)		
<p>Status and invalid data view</p> <p><u>Eligible for Testing:</u></p> <p>All members</p>	128931 (+4251)	127886 (+4261)	99.2% (+0.04%)	N/A	Fail A: 472 Fail B: 139 Fail C: 343 Fail D: 96	<p>There are 10 fewer members failing a test since 2020 resulting in a 0.04% increase in the pass rate. This category is excluded from the TPR core results.</p> <p>472 members have an 'Exit' data view which is not in line with their status history. 139 members have an unexpected 'deferred' data view having never been deferred on their status history. 343 members have an unexpected 'pensions' data view and 96 members have a 'dependants' data view which is not in line with their status history.</p> <p>1045 members have data views that are not expected for their status history:</p> <ul style="list-style-type: none"> - 13 leavers and 409 deceased, that may be dealt with as a lower priority; - 164 are active members; - 58 are undecided leavers; - 119 are deferred pensioners; - 256 are pensioners; - 18 are for aggregated records; - 8 are for optants out who would not be expected to have any data of this kind. <p>5 members have more than 1 unexpected data views. Fails in this category should be investigated to ensure correct benefits are calculated as a priority.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (Change)		
Address <u>Eligible for Testing:</u> All members except leavers and deaths (status 3 and 7)	128931 (+4251)	126583 (+3938)	98.2% (-0.19%)	98.2% (-0.19%)	Fail A: 5 Fail B: 0 Fail C: 2336 Fail D: 16 Fail E: 0	<p>The number of members failing a test has increased by 313 to 2348 since 2020, resulting in a 0.19% decrease in the pass rate and the reason for this should be investigated.</p> <p>5 members have no address recorded. 2336 members are recorded as “gone away” and 16 members have no Postcode recorded. All these tests count towards the core TPR results.</p> <p>Of the 16 members missing a postcode, 9 are also recorded as “gone away”. Some of the remaining members may be overseas without having the overseas indicator set.</p> <p>Of the 2336 members recorded as gone away:</p> <ul style="list-style-type: none"> - 3 are active members; - 39 are undecided leavers; - 1645 are deferred pensioners; - 70 are pensioners; - 25 are dependants; - 530 are frozen refund; - 24 are for optants out

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (Change)		
Status and valid data view <u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7, 9 and T)	128931 (+4251)	128898 (+4250)	100% (0%)	N/A	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 24 Fail E: 5 Fail F: 4	<p>The number of members failing tests has increased by 1 to 33 since 2020. This category is excluded from the TPR core results.</p> <p>24 deceased cases from active or deferred status are missing exit details where death grant details are recorded. 3 of these were active members and 21 were deferred pensioners.</p> <p>5 deceased members who were pensioners do not have a date recorded for when the pension ceased. Similarly, 4 deceased dependents are missing a cease date.</p>

3 Data Correction Plan

The table below provides NESPF with suggestions for resolving the issues identified. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. This table represents a summary of the recommended actions outlined in Section 2.

Data Category	Recommendation	Suggested Priority
NI Number	<ul style="list-style-type: none"> Obtain correct NI numbers for the members with temporary numbers or those in the incorrect format 	<ul style="list-style-type: none"> Low
Name	<ul style="list-style-type: none"> Obtain the forenames or initials for the 3 deceased members with them missing 	<ul style="list-style-type: none"> Low
Sex and Date of Birth	<ul style="list-style-type: none"> No issues found 	
Date commenced and NRD	<ul style="list-style-type: none"> Obtain correct commencement date for the leaver 	<ul style="list-style-type: none"> Low
Status	<ul style="list-style-type: none"> No issues found 	
Status and invalid data view	<ul style="list-style-type: none"> Invalid data should be removed where necessary or the member status history corrected where appropriate. These cases should be treated as a high priority where the member is not a leaver or deceased as the presence of the data may affect benefits 	<ul style="list-style-type: none"> High
Address	<ul style="list-style-type: none"> Current addresses should be sought and uploaded for the members that failed this category 	<ul style="list-style-type: none"> Medium
Status and valid data view	<ul style="list-style-type: none"> The 24 deaths from active and deferred status may be missing death grant data and should be investigated The 5 pensioner and 4 dependant deaths with missing cease dates should be investigated and corrected 	<ul style="list-style-type: none"> Low Low

4 Appendices

4.1 Appendix A – TPR Guidance

Data Field	TPR Comment
National Insurance Number	'TN' formats should be regarded as missing data. The final character of NI numbers is not essential.
Surname	Check that surname is present.
Forename(s) or initials	Forenames are preferable but initials are an acceptable alternative.
Sex	Check that sex is present.
Date of birth	Check that date of birth is present and consistent (earlier than date joined scheme, retirement, date of leaving). False dates should be classed as missing data.
Date pensionable service started/policy start date/first contribution date	For trust-based schemes this will be date pensionable service started. For contract-based schemes this will effective start date of the policy or the first contribution date, depending on the provider's requirements.
Expected retirement/maturity date (target retirement age)	This field may be derived or explicit; for most DB schemes it will probably be derived as the scheme's normal retirement date. Need to check that it is populated if that is a scheme/system requirement, that it is consistent with scheme rules and statutory requirements, and is later than date of birth and pensionable service date/first contribution date.
Membership status	Check that a current valid status is recorded for each member. This may be a dual status, eg active or deferred member with partial retirement. For contract-based schemes this may be 'active' or 'inactive'.
Last status event	Check that benefits taken are consistent with status, and, if status history is recorded, that the latest status is the same as the explicitly recorded current status.

Data Field	TPR Comment
Address	An address should be present for all members of all schemes. Because of DPA requirements an exception is permissible for active members of those trust-based schemes in which communication with members is normally sent via the employer. 'Gone away', 'unknown' or similar should be treated as missing data.
Postcode	Check that a postcode is present if address is not identifiable as being overseas. Will assist with valuations for actives, for whom storing full address may breach DPA principles.

4.2 Appendix B – Common Data and Fail Criteria

Common Data

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>NI Number</p> <p><u>Eligible for Testing:</u></p> <p>All members</p>	NI Number (NI-NUMBER) is blank	<p>NI number is temporary (commences TN) and is not a child pension (DEPND-TYPE = 'C')</p> <p>Leavers (3) and deaths (7) are excluded from the TPR results</p>	<p>NI number does not adhere to standard (Neither of the first two letters can be D, F, I, Q, U or V. The second letter cannot be O. Prefixes BG, GB, KN, NK, NT, TN (checked in fail B) and ZZ are not used. Suffix must be A, B, C or D. Characters 3-8 must be numbers)</p> <p>Test is excluded from the TPR results</p>			
Tested: 128931	Failed: 0	Failed: 926	Failed: 42			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Name <u>Eligible for Testing:</u> All members	Surname (SURNAME) is blank	Forenames (FORENAMES) is blank	Initials (INITIALS) is blank Test is excluded from the TPR results			
Tested: 128931	Failed: 0	Failed: 3	Failed: 3			
Sex and Date of Birth <u>Eligible for Testing:</u> All members *	Sex (SEX) is blank	Sex is not Male or Female	Date of Birth (DOB) is blank	Date of Birth is earlier than or equal to 01/01/1900 (* Leavers and deaths excluded from this test) (Status 3 and 7)		
Tested: 128931	Failed: 0	Failed: 0	Failed: 0	Failed: 0		
Date commenced and NRD <u>Eligible for Testing:</u> All members	Date Joined fund (DJF) is blank	Date Joined Fund is earlier than Date of Birth plus 15 years Test is excluded from the TPR results	NRD checks are not required as these are always calculated			
Tested: 128931	Failed: 0	Failed: 1				

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Status <u>Eligible for Testing:</u> All members	Status (STATUSKEYF) is blank	Status is not 1-9, T or O	Status on member summary (STATUSKEYF) does not match that on basic details (STATUS[1]) Test is excluded from the TPR results			
Tested: 128931	Failed: 0	Failed: 0	Failed: 0			
Status and invalid data view <u>Eligible for Testing:</u> All members Category is excluded from the TPR results	Exit details should not be present unless status is 3, 7 or 9 or a previous status is 9 and the current status is 1, 2, 4, 5 or T	Deferred details should not be present unless status is 4 or a previous status is 4 and the current status is 1, 2, 3, 5, 7 or T	Pension details should not be present unless status is 5 or T or a previous status is 5 or T and the current status is 1, 2, 3, 4 or 7	Dependant details should not be present unless status is 6 or a previous status is 6 and the current status is 3 or 7		
Tested: 128931	Failed: 472	Failed: 139	Failed: 343	Failed: 96		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Address</p> <p><u>Eligible for Testing:</u></p> <p>All members except leavers and deaths (status 3 and 7)</p>	Address record does not exist	Address record exists, but line 1 (ADD-LINE-1) is blank	Gone Away (ADD-GONAWY) indicator is set	If the address is not overseas, the Postcode (POSTCODE) is blank	<p>If the address is not overseas, the Postcode is not the correct format (1st letter =Q, V or X, 2nd letter is I, J or Z, 3rd, 4th or 5th character is not a space)</p> <p>Test is excluded from the TPR results</p>	
Tested: 128931	Failed: 5	Failed: 0	Failed: 2336	Failed: 16	Failed: 0	
<p>Status and valid data view</p> <p><u>Eligible for Testing:</u></p> <p>Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7, 9 and T)</p> <p>Category is excluded from the TPR results</p>	Status 4 does not have deferred details	Status 5 or T do not have pension details	Status 6 does not have dependant details	Status 7 or 9, with a previous status of 1 or 4 do not have exit details	Status 7 with a previous status of 5 should have a relevant date pension ceased	Status 7 with a previous status of 6 should have a relevant date pension ceased
Tested: 128931	Failed: 0	Failed: 0	Failed: 0	Failed: 24	Failed: 5	Failed: 4



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Aquila Heywood

Local Government Pension Scheme Scheme-specific Data Quality Report North East Scotland Pension Fund



September 2021

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data. TPR also outlined 'scheme-specific' data but did not set prescriptive targets as the data is deemed to be scheme-specific. The guidance did target Pension Scheme Trustees to ensure that 'reasonable endeavours' were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets.

To assist customers in undertaking a practical assessment of their scheme-specific data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with North East Scotland Pension Fund (NESPF), Aquila Heywood has completed a review of NESPF's scheme-specific pension data in line with the guidance notes set down by TPR detailed in appendix A. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The following terms should be understood to aid understanding of the conditions used and the results obtained:

- **Data condition** – identified TPR condition, for example check that an active member does not have a date of leaving
- **Data category** – grouping of relevant data conditions, for example **Member Benefits** (see section 1.4 below)
- **Data item** – item of data which forms part of a data condition for example 'date of leaving'

The service incorporates in the order of 100 individual tests against the data conditions agreed with NESPF. To provide focus on the key areas of scheme-specific data to be addressed, each data category is measured against an agreed benchmark.

In 2019, a set of “core” tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix C.

1.3 Benchmark

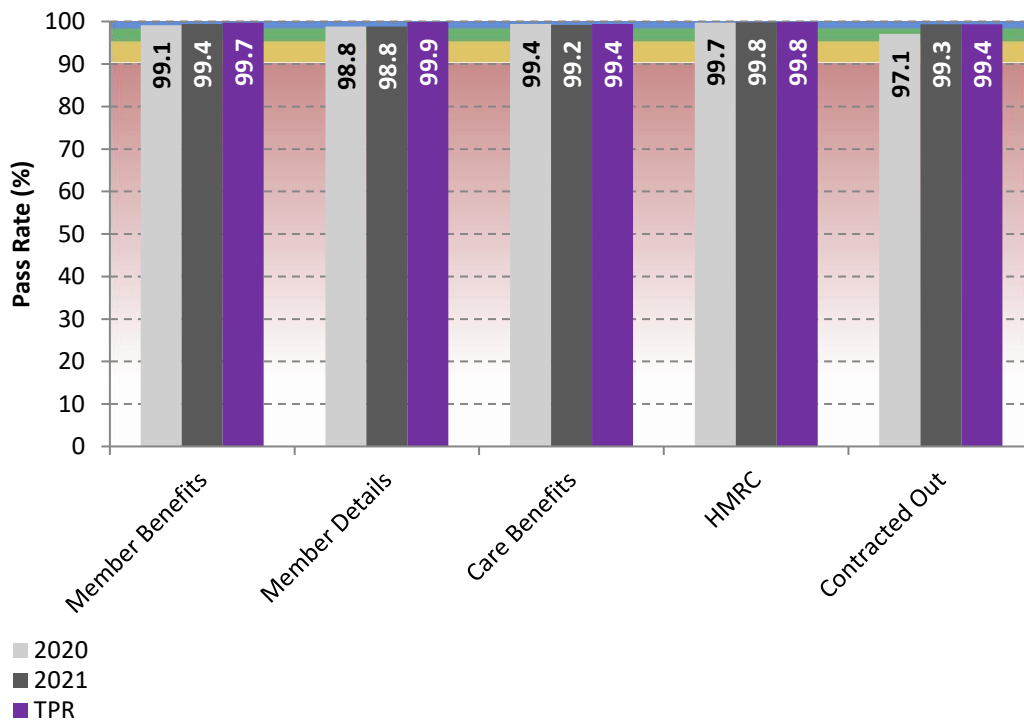
The benchmarks applied to the results presented in this report were agreed between NESPF and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmark ranges are illustrated in the background of subsequent results graphs.

1.4 Summary of Scheme-specific Data Results

The graph below indicates NESPF’s performance for each data category against the agreed scheme benchmarks together with the results from the 2020 tests. Also below is an explanation as to the data conditions relevant to each data category. The results presented herein are generated from data extracted from NESPF’s Live Altair service on 3rd September 2021 for all tests. The 2020 tests were generated from data extracted on 23rd June 2020. The overall percentage of tests passed for NESPF’s scheme-specific data is **99.1%**, an improvement of 0.3% over the 2020 score of 98.8%. The percentage of member records without a single scheme-specific data failure is **95.0%** which represents an increase of 0.4% over the 2020 score of 94.6%.



The total number of member records tested is 128,931, an increase of 4,251 records from the number tested in 2020.

1.4.1 Member Benefits Data

This category includes those data conditions for members that directly relate to the details of benefits in payment or to the calculation of benefits yet to be paid.

A total number of 53,394 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 822 on 2020. NESPF set a minimum 90% benchmark target and achieved a **99.4%** pass rate, placing it in the highest blue benchmark. This pass rate is a **0.3%** improvement on 2020. The detailed analysis of each condition is in Section 2.1, but 9 of the 10 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest scoring condition was **Transfer In Details 1**, where **96%** of members tested passed. This represents a **4.4%** improvement on 2020. Although many of the cases that failed this condition do not directly affect benefits being paid to members, these cases should be investigated to ensure service credits are correctly recorded.

1.4.2 Other Member Data

This category includes those data items that may be used in the calculation of member benefits.

A total number of 69,945 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 2,061 on 2020. NESPF set a minimum 90% benchmark target and achieved a **98.8%** pass rate, placing the category in the highest blue category, the same score as in 2020. The detailed analysis of each condition is in Section 2.2 with 6 of the 7 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest score was on the **Contributions** condition, where **93.3%** of members passed, a 0.3% decrease on the 2020 score.

1.4.3 CARE Benefits

This category includes those data items required to calculate Career Average Revalued Earning (CARE) benefits.

A total number of 39,427 members qualified for the checks as part of the in-scope conditions under this category, an increase of 1,986 on 2019. NESPF set a 90% minimum benchmark target and achieved a **99.2%** pass rate, placing CARE benefits in the highest blue benchmark. This pass rate represents a **0.2%** decrease on 2020. Failures in this category require investigation as CARE data directly affects member benefits.

As CARE revaluation is calculated for each member from a single factor table, the table itself is checked for a complete list of factors and was given a 100% pass. The detailed analysis of the conditions is in Section 2.3. Fails in this category directly affect the calculation of member benefits and so should be resolved as a priority.

1.4.4 HMRC

This category includes those values recorded as a result of the Finance Act 2004 as well as Pre A-Day limits.

A total number of 59,556 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 1,648 on 2020. The conditions within this category have been expanded for clarity and are detailed in Appendix B.

NESPF set a 90% minimum benchmark target and achieved a **99.8%** pass rate placing the category in the highest blue category. This pass rate is a **0.1%** improvement on 2020. The detailed analysis of each condition is in Section 2.4. The highest benchmark was achieved in 6 of the 7 categories. The **BCE 7 (Death Benefits)** condition attaining a pass rate of **86.1%** placing the condition in the red benchmark. This pass rate is a **0.3%** improvement on 2020. The bulk of cases did not have a death grant recorded where one was expected.

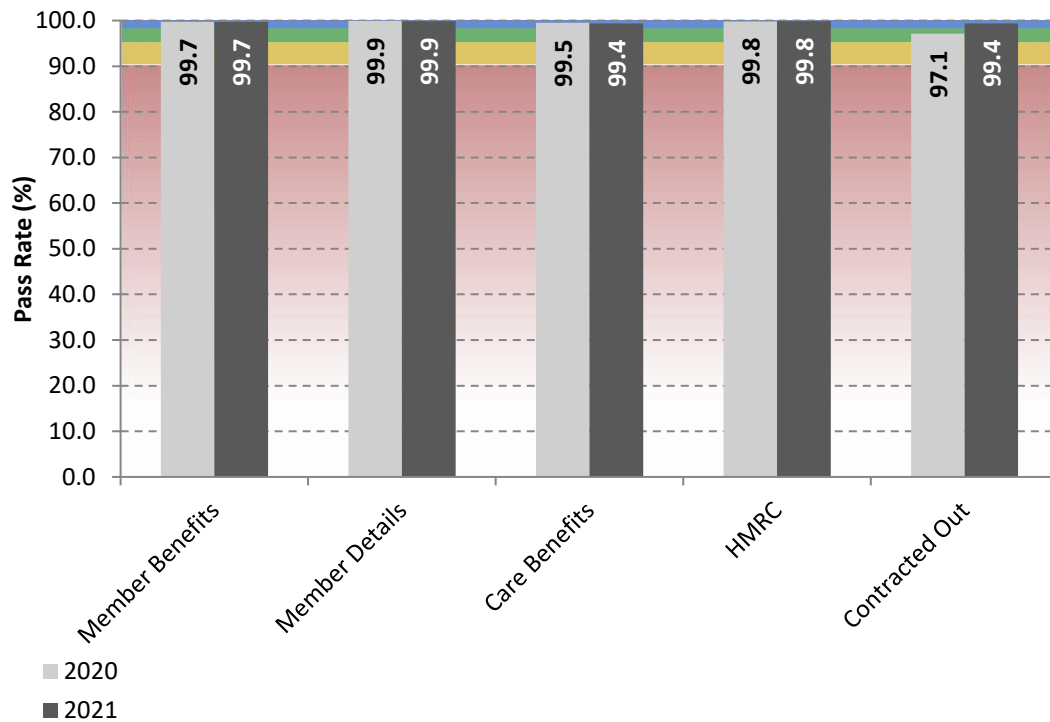
1.4.5 Contracting Out

This category includes those data items required to meet scheme contracting out conditions.

A total number of 66,219 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 1,192 on 2020. NESPF set a 90% minimum benchmark target and achieved a **99.3%** pass rate, placing Contracting in the highest blue benchmark. This pass rate is **2.2%** higher than in 2020. The detailed analysis of each condition is in Section 2.5 but the highest individual score was achieved in the condition **Date Contracted Out**, where **99.9%** of members passed. The remaining three categories in Contracting Out scored between **97.6%** and **99.2%** with all three are showing an improvement of between 5.1% and 8.7% on 2020. Fails in this category are likely to have an impact on GMP Reconciliation and Equalisation and so should be resolved either in advance, or as part of the GMP Reconciliation process.

1.5 TPR Scheme-specific Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **98.8%**. This is the figure to be quoted on the scheme return to TPR. This score shows a **0.5%** improvement over the 2020 score of 98.3% The results for each qualifying category are shown below:



1.6 Other Information

The remainder of this report is split into the following sections:

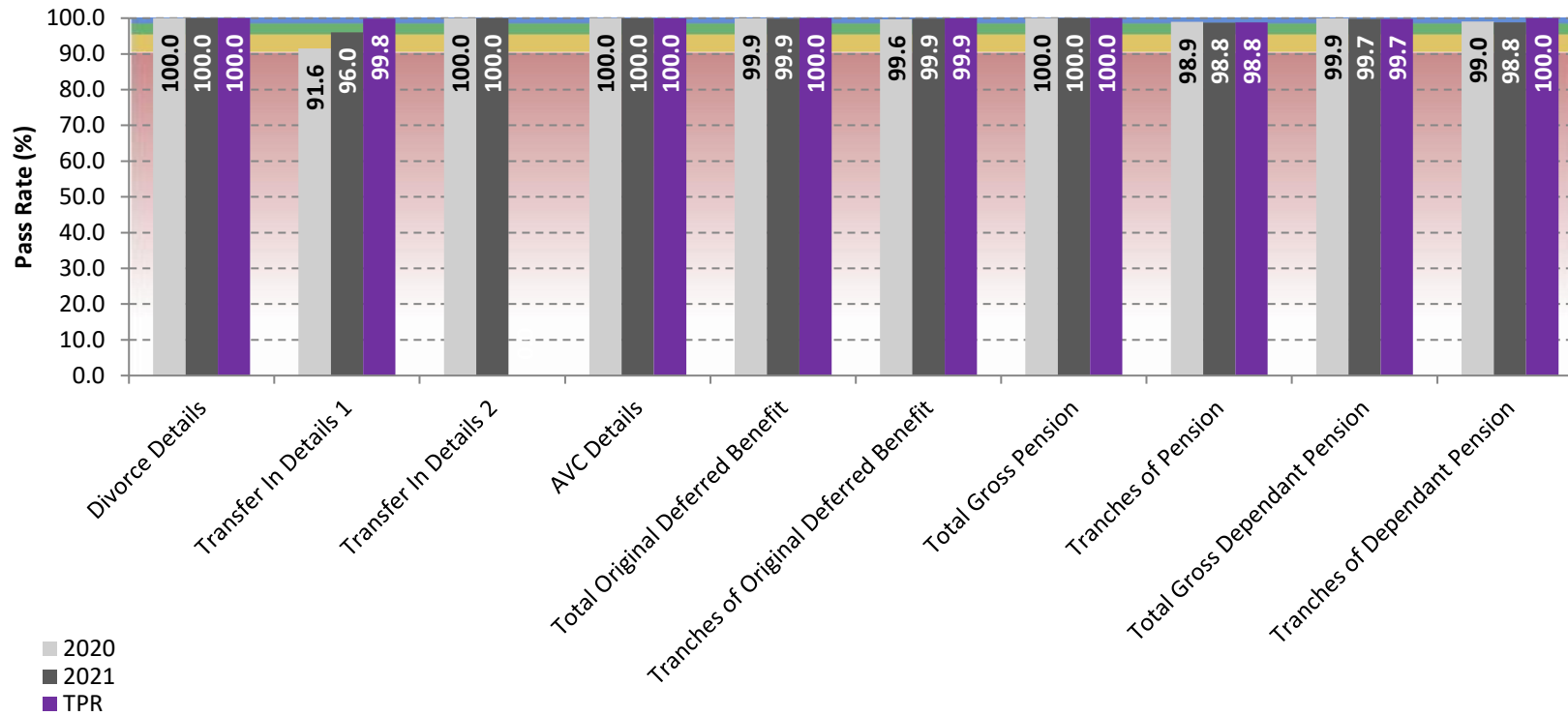
- **Scheme-specific Data Results** – results of each in-scope condition per category along with the number of members tested, main failures and suggested risks and actions
- **Appendices** – details to qualify failures against each condition, along with a list of TPR’s guidance relating to the Local Government Pension Scheme

Where possible, Aquila Heywood has provided advice and suggested next actions to work with NESPF in implementing a solution to any data anomalies. This document is the start point for NESPF data management policy and Aquila Heywood will agree with NESPF the appropriate frequency to repeat these conditions and demonstrate progress in scheme-specific data cleansing.

2 Scheme-specific Data Results

2.1 Member Benefits Data Category

2.1.1 Results



2.1.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Divorce Details	70	70	100%	100%	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	All members tested have passed test in this condition for the third consecutive year.
<u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	(-5)	(-5)	(0%)	(0%)		

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	6629 (-70)	6367 (+234)	96% (+4.5%)	99.8% (+0.31%)	Fail A: 56 Fail B: 7 Fail C: 28 Fail D: 112 Fail E: 69 Fail F: 76	<p>The pass rate has improved by 4.5% following the correction of 304 members.</p> <p>56 transfers are missing the date of transfer and 7 are missing a transfer value. Of the 63 members failing these two tests, 13 of them are either active or deferred and count towards the TPR core tests.</p> <p>There are also 28 failures where there is no service credit or pension credit recorded from the transfer that will require investigation. Providing service was recorded correctly on the service history, member benefits will be correct.</p> <p>A common fail with 112 instances are where there is a service credit, but no corresponding service dates on the service history that should be investigated urgently.</p> <p>69 instances concerned invalid transfer types that do not match those calculations write-back. Most of these are incorrectly recorded interfund cases. There are some records with no transfer type selected. This fault may lead to incorrect reporting but will not affect benefits for these members.</p> <p>Additionally, there were 76 cases where the transfer date was prior to the date of commencement.</p>

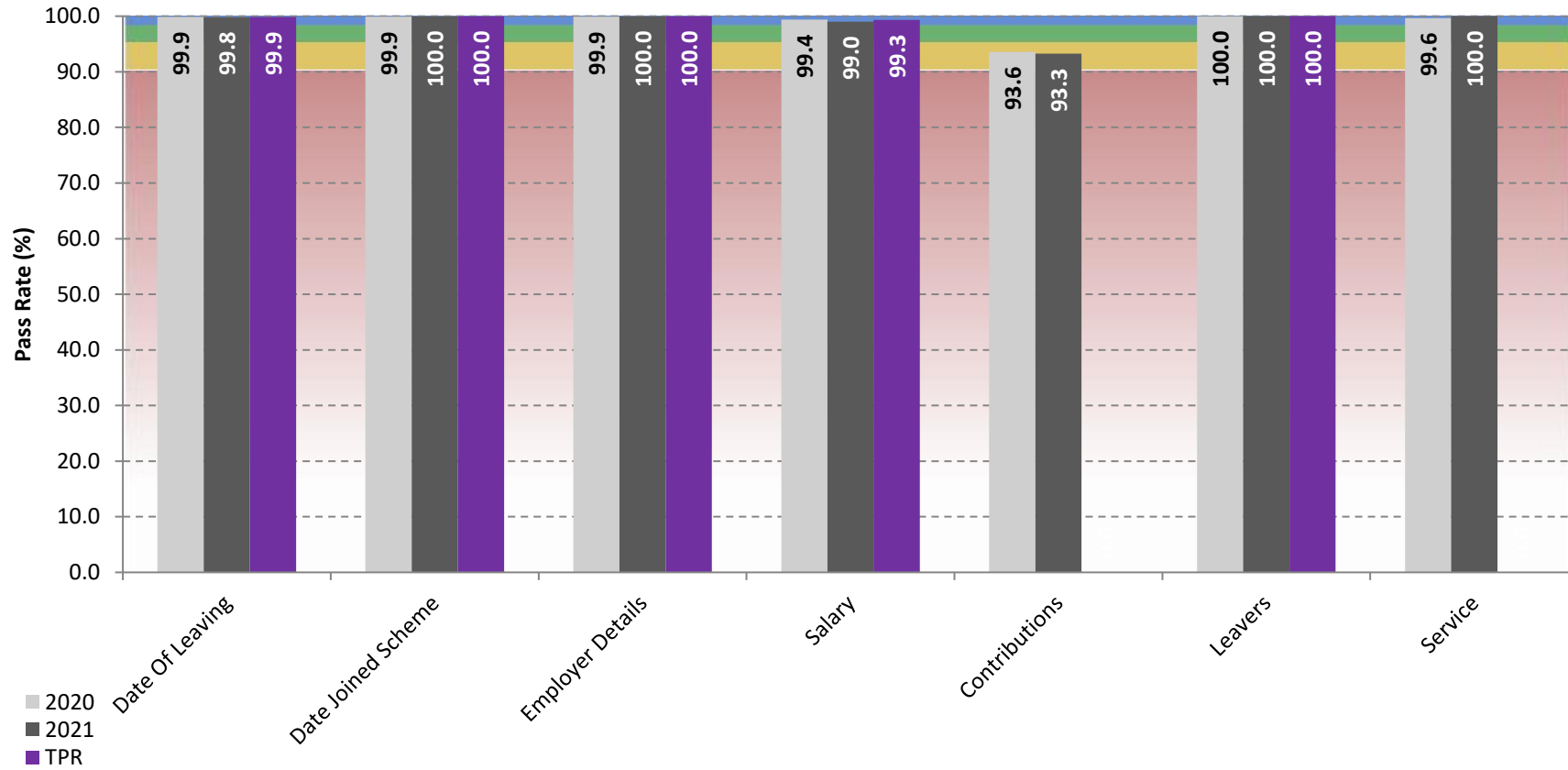
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	6629 (-70)	6629 (-70)	100% (0%)	N/A	Fail A: 0	All members tested have passed the test in this condition.
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	5503 (-66)	5501 (-67)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 2	2 members have failed a test in this condition, there was 1 fail in 2020. 2 active members with an additional pension contract is missing an amount of pension being purchased. This test counts towards the TPR core results.
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	18009 (+445)	17984 (+437)	99.9% (-0.04%)	100% (0%)	Fail A: 4 Fail B: 0 Fail C: 4 Fail D: 0 Fail E: 1 Fail F: 24	The number of members failing tests in this condition has increased by 8 since 2020 translating to a small decrease of 0.04% in the pass rate. 4 members are missing both an initial and current total pension. 1 member has a PI effective date that that is either missing or earlier than date joined fund. These tests are included in the TPR core results. 24 members have a latest PI date earlier than the latest PI date processed. These cases should be investigated ahead of producing deferred ABS.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	18009 (+445)	17984 (+484)	99.9% (+0.23%)	99.9% (+0.12%)	Fail A: 0 Fail B: 5 Fail C: 10 Fail D: 2 Fail E: 0 Fail F: 10	<p>The number of members failing tests in this condition has been reduced by 39 leading to a 0.23% improvement in the pass rate.</p> <p>5 members had a total initial pension that did not equal the total of the protected and unprotected pensions. 10 members with membership between 2009 and 2015 are missing or have a small 60ths pension component and 2 members with post 2015 membership are missing or have a small CARE component. These tests are included in the TPR core results.</p> <p>10 members with pre-2009 service did not have a scheme lump sum recorded.</p> <p>These cases should be investigated ahead of producing deferred ABS.</p>
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	20008 (+473)	20007 (+476)	100% (+0.02%)	100% (+0.01%)	Fail A: 1 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0	<p>1 member failed tests in this condition, 3 members have been corrected since 2020.</p> <p>1 member has no initial pension. This test is included in the TPR core results.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Tranches of Pension <u>Eligible for Testing:</u> Status 5& T	20008 (+473)	19758 (+430)	98.8% (-0.19%)	98.8% (-0.21%)	Fail A: 0 Fail B: 0 Fail C: 1 Fail D: 0 Fail E: 239 Fail F: 11	<p>The number of members failing tests in this condition has increased by 43 leading to a small reduction of 0.19% in the pass rate.</p> <p>1 member with post-2015 service has a missing or small CARE component and 239 members have a latest PI date earlier than the latest processed. These tests are included in the TPR core results.</p> <p>11 members do not have PEN or GMP as the first component.</p> <p>These cases should be investigated as a high priority.</p>
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	3175 (+45)	3167 (+40)	99.7% (-0.16%)	99.7% (-0.19%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 8	<p>The number of members failing tests in this condition has been increased by 5 leading to a small decrease of 0.16% in the pass rate.</p> <p>8 members are missing or have an invalid Pensions Increase effective date, an increase of 7. This test counts towards the TPR core results.</p>
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	3175 (+45)	3137 (+37)	98.8% (-0.24%)	100% (+0.03%)	Fail A: 0 Fail B: 38	<p>The number of members failing tests in this condition has increased by 8 leading to a decrease of 0.24% in the pass rate.</p> <p>38 members have a last PI date earlier than the latest date processed by NESPF and should be investigated as a high priority to ensure correct benefits are in payment. This test does not count towards the TPR core results.</p>

2.2 Other Member Data Category

2.2.1 Data Results



2.2.2 Analysis of Results

Pension Credit members are excluded from tests in this category.

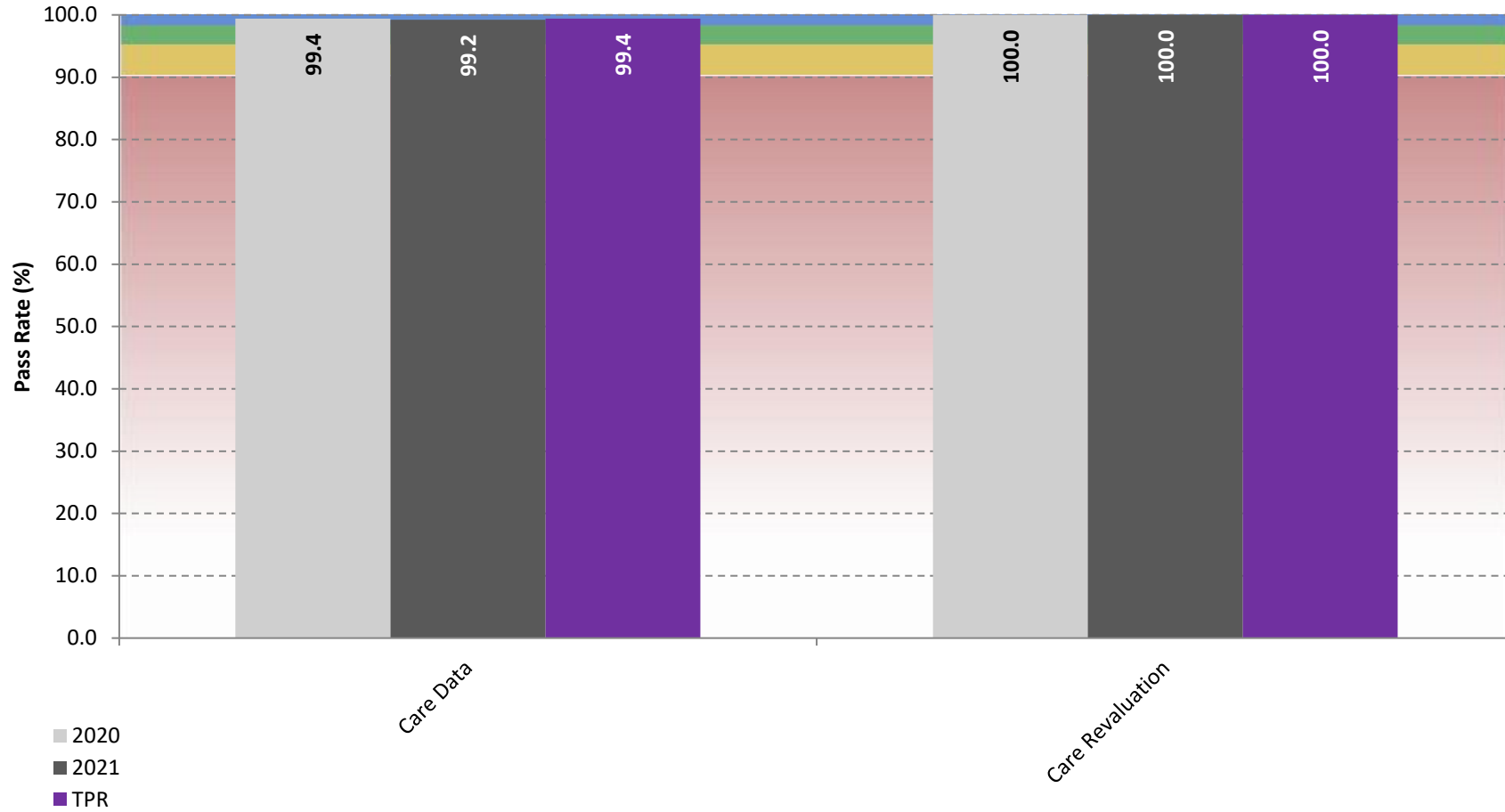
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	69945 (+2061)	69829 (+2024)	99.8% (-0.05%)	99.9% (-0.03%)	Fail A: 91 Fail B: 20 Fail C: 3 Fail D: 18	The number of members failing tests in this condition has increased by 37 since 2020 leading to a small decrease of 0.05% in the pass rate. 91 members have a blank or invalid data joined fund and this should be investigated as their benefits may be incorrect. 32 members failed this test last year. 20 members have a blank or invalid date joined fund. 3 members have a date of leaving earlier than their date joined fund. These tests are included in the TPR core results. 18 active members have a date of leaving present without a previous deferred or frozen leaver status.
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	69945 (+2061)	69924 (+2095)	100% (+0.05%)	100% (+0.05%)	Fail A: 21 Fail B: 0	The number of members failing tests in this condition has decreased by 34 since 2020, leading to a small 0.05% increase in the pass rate. 21 members are either missing a key membership date or has one earlier than 01/01/1900. This test is included in the TPR core results.
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	69945 (+2061)	69924 (+2095)	100% (+0.05%)	100% (+0.05%)	Fail A: 0 Fail B: 21 Fail C: 0 Fail D: 0	The number of members failing tests in this condition has decreased by 34 since 2020, leading to a small 0.05% increase in the pass rate. 21 members are either missing a date joined employer or have one earlier than 01/01/1900. This test is included in the TPR core results.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	64570 (+986)	63930 (+743)	99% (-0.37%)	99.3% (-0.33%)	Fail A: 522 Fail B: 0 Fail C: 0 Fail D: 4 Fail E: 7 Fail F: 457	<p>The number of failed tests in this condition has increased by 243 resulting in a 0.37% reduction in the pass rate.</p> <p>522 members, with pre-2015 membership, are missing a pensionable salary entry. This has increased by 245 since last year. This test counts towards the TPR core results.</p> <p>4 deferred members have a blank or small pensionable pay on their deferred details. Similarly, 7 pensioners have a blank or small entry in the pensionable pay field on the pension details.</p> <p>457 members had a latest salary recorded that was earlier than the latest bulk update by NESPF and should be investigated to determine if they are still active members. This has increased by 223 since last year</p> <p>Annual benefit statements cannot be processed for members with final salary service without a pay recorded and therefore investigation should be made to ensure no members are affected in this way.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	69945 (+2061)	65243 (+1703)	93.3% (-0.32%)	N/A	Fail A: 4270 Fail B: 441	<p>The number of failed tests in this condition has increased by 358 resulting in a 0.32% reduction in the pass rate.</p> <p>This condition is excluded from the TPR core results.</p> <p>4270 are missing the rolled-up contribution total. The bulk contribution totalling calculation will populate the rolled-up contribution total where contributions exist. 441 members did not have a contribution posting for the latest bulk update by NESPF and these should be investigated to determine if they are still active members.</p>
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	40851 (+950)	40851 (+954)	100% (+0.01%)	100% (+0.01%)	Fail A: 0 Fail B: 0 Fail C: 0	All members tested passed all tests in this condition. In 2020, 4 members failed a test.
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	69945 (+2061)	69942 (+2297)	100% (+0.35%)	N/A	Fail A: 3	<p>The number of members failing tests in this condition has reduced by 236 meaning an increase of 0.35% in the pass rate when compared to 2020. This condition is excluded from the TPR core results.</p> <p>3 members have dates on the basic details that suggest a service change since commencement, but do not have a service history to detail the change. Prioritise the 1 active member over the deferred and pensioner providing these members where checked when the calculation was performed.</p>

2.3 CARE Benefits

2.3.1 Data Results



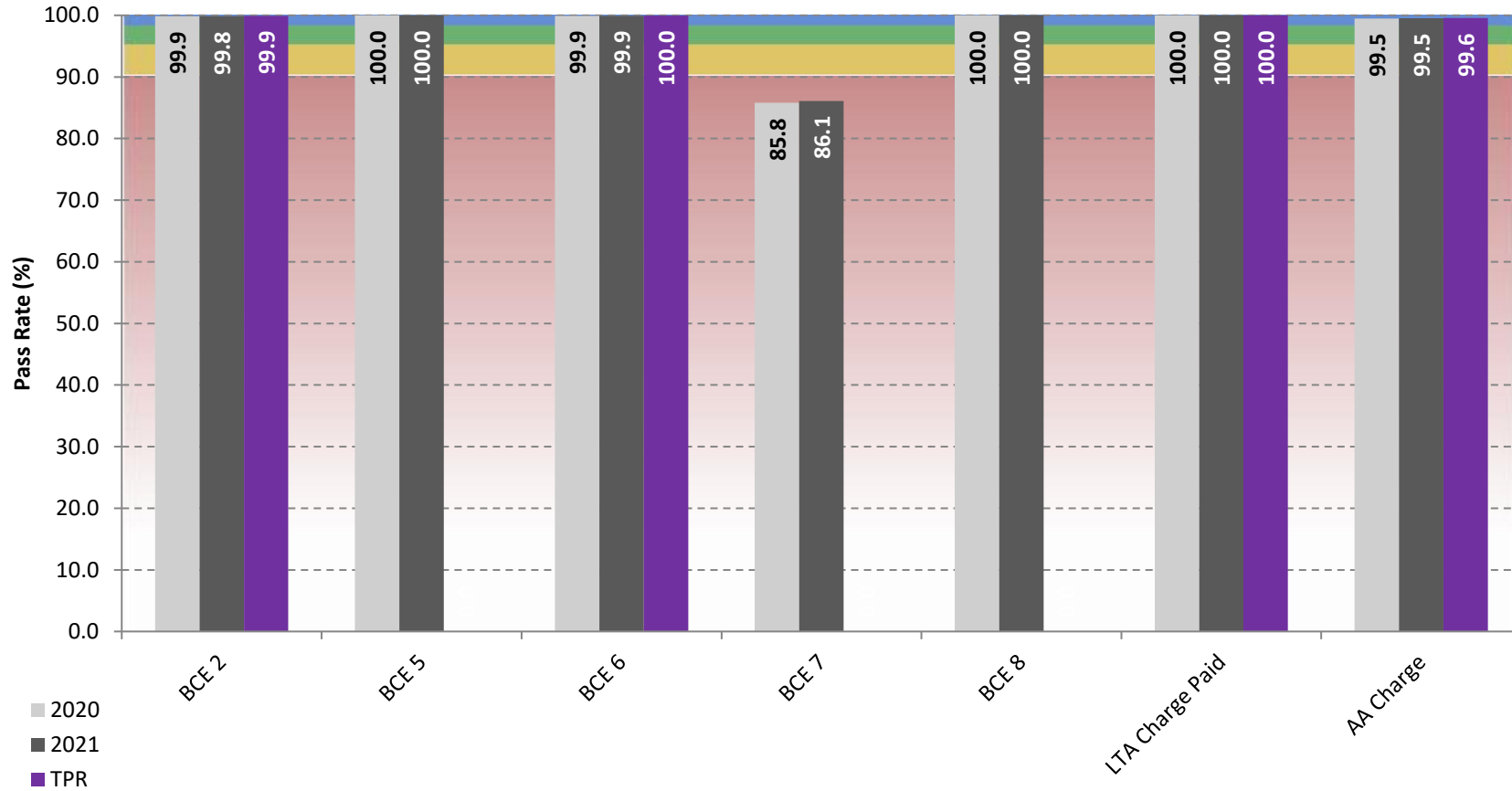
2.3.2 Analysis of Results

Pension Credit members are excluded from tests in this category.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
CARE data <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	39427 (+1986)	39119 (+1905)	99.2% (-0.17%)	99.4% (-0.14%)	Fail A: 55 Fail B: 179 Fail C: 67	The number of failed tests in this condition has increased from 227 to 308 translating to a 0.17% reduction in the pass rate. 179 members appear to be missing at least one year-end entry of CARE data. Some members failing this test joined the fund in March and may not have been received payment in the scheme year of entry so may be genuine exceptions. This test is included in the TPR core results. There are 55 members without CARE data where some is expected. 67 members have a contribution entry recorded for a year in which there are no CARE benefits recorded. This data is crucial to the calculation of member benefits and the employers with missing data should be reminded of the importance of providing this data as soon as possible. Annual Benefits Statements cannot be processed without this information.
CARE Revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	1	1	100% (0%)	100% (0%)	None	The revaluation table is present and correct.

2.4 HMRC

2.4.1 Data Results



2.4.2 Analysis of Results

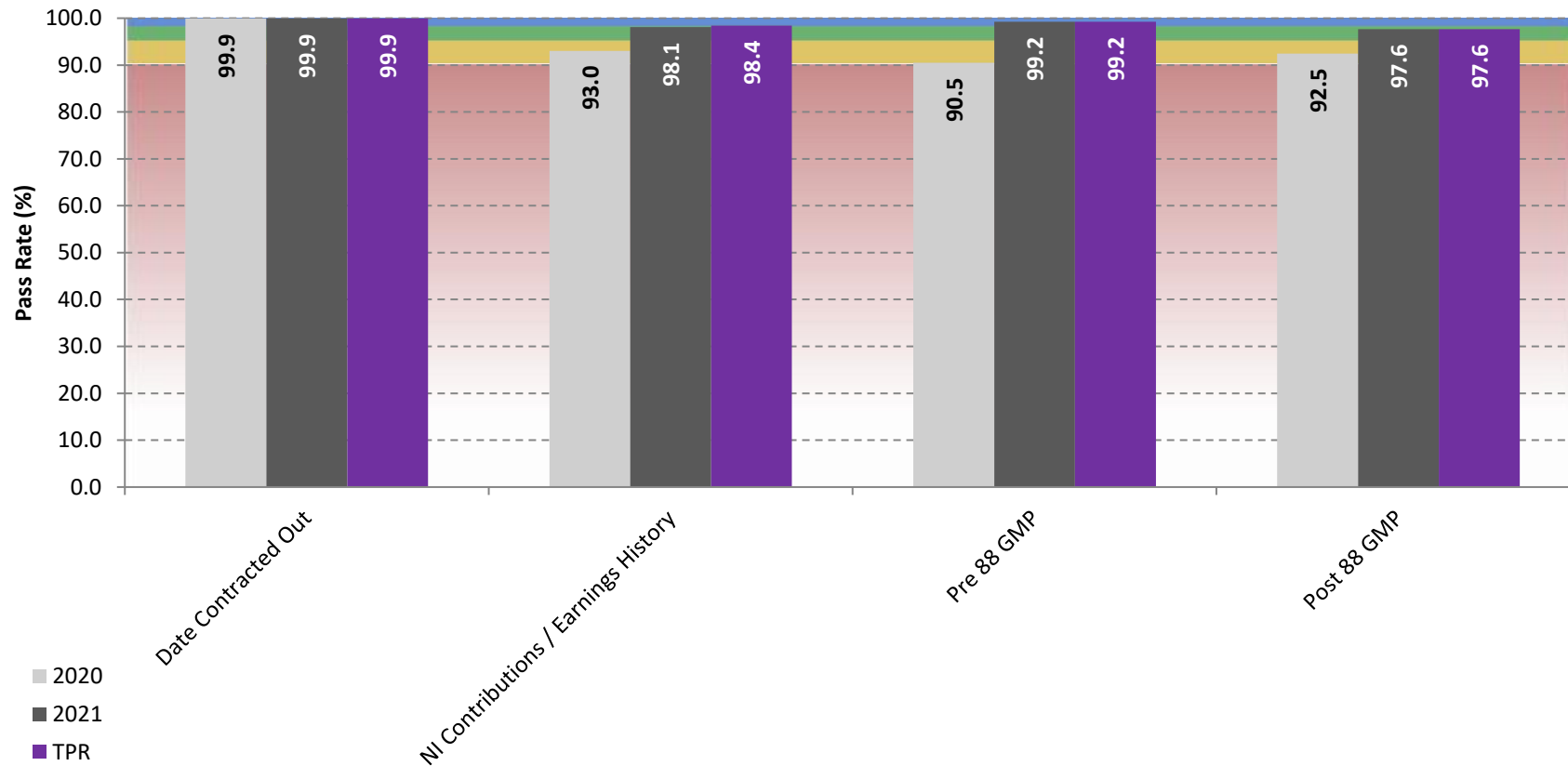
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
BCE 2 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006	14976 (+974)	14953 (+969)	99.8% (-0.03%)	99.9% (-0.03%)	Fail A: 12 Fail B: 0 Fail C: 11	The number of members failing these tests has increased by 5 meaning a slight decrease 0.03% in the pass rate. 12 members have a crystallisation date that is either invalid or earlier than the date of leaving. This test is included in the TPR core results. 11 members have a blank PLA%. This test is excluded from the TPR scores.
BCE 5 <u>Eligible for Testing:</u> Status 4 & T	18009 (+445)	18007 (+444)	100% (0%)	N/A	Fail A: 2	The number of members failing tests in this condition has increased by 1. This condition is excluded from the TPR core results. 2 members with deferred benefits is over the age of 75.
BCE 6 <u>Eligible for Testing:</u> Status 5 & T members where Date Retired > 6/4/2006 and Age at Date Retired < 75	14974 (+973)	14956 (+968)	99.9% (-0.03%)	100% (0%)	Fail A: 12 Fail B: 6 Fail C: 0	13 members failed tests in this condition in 2020. There are now 18 members failing tests resulting to a slight reduction in the pass rate. 6 members do not have a PCLS recorded despite having a lump sum on the pension details. This test is included in the TPR core results. 12 members have a crystallisation date that is either invalid or earlier than the date of leaving.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
BCE 7 <u>Eligible for Testing:</u> Status 7 members where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	374 (+22)	322 (+20)	86.1% (+0.3%)	N/A	Fail A: 46 Fail B: 6	The number of members failing a test has increased by 2 to 52 since 2020, however due to an increase in the number of members qualifying the pass rate has increased by 0.3%. This condition is excluded from the TPR core results. 46 members do not have a death grant recorded in the crystallisation details where one was expected. 6 members have a death grant recorded and is missing at least one of the crystallised value and percentage.
BCE 8 <u>Eligible for Testing:</u> Status 3 members where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	32 (+1)	32 (+1)	100% (0%)	N/A	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested passed all tests in this condition for the third consecutive year. This condition is excluded from the TPR core results.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Lifetime Allowance Charge Paid <u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)	14933 (+964)	14930 (+964)	100% (0%)	100% (0%)	Fail A: 3	3 members failed this test in this condition as they did in 2020. 3 members appear to have exceeded the Lifetime Allowance and do not have a tax charge recorded. This test is included in the TPR core results.
Annual Allowance <u>Eligible for Testing:</u> Status 1 members	26165 (+206)	26046 (+227)	99.5% (+0.08%)	99.6% (+0.08%)	Fail A: 117 Fail B: 2	140 members failed tests in this condition in 2020. This has now decreased by 21 to 119. The tests were checking for the PIP ending on 05/04/2020. There are 117 active members without the latest AA data recorded that was processed by NESPF. This test is included in the TPR core results. 2 members have inconsistent scheme pays data recorded and should be investigated as soon as possible.

2.5 Contracting Out

2.5.1 Data Results



2.5.2 Analysis of Results

Pension Credit members are excluded from tests in this category.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members	66219 (+1192)	66172 (+1193)	99.9% (0%)	99.9% (0%)	Fail A: 47 Fail B: 0 Fail C: 0	48 members failed tests in this condition in 2020. There are now 47 members failing tests. 47 members now have a blank Date Contracted Out and joined prior to 6/4/16. 32 are active/undecided leaver members and 3 are pensioners. The remaining 12 are deferred. This test is included in the TPR core results.
NI Contributions / Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	14479 (-1538)	14201 (-702)	98.1% (+5.04%)	98.4% (+5.07%)	Fail A: 0 Fail B: 55 Fail C: 0 Fail D: 0 Fail E: 230	The number of members failing tests in this condition has decreased by 836 to 278, resulting in an increase in the pass rate of 5.04%. The number of members qualifying for these tests has fallen by 1,538. 230 members have neither a full NI earnings history nor a GMP recorded (Failed both C and D simultaneously). This test is included in the TPR core results. 55 members do not have values that correspond with Period End Dates. If there are GMP details for these members, the data will not be required. This test is excluded from the TPR core results. This data is key for correct assessment and payment of benefits.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR (change)		
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/88	6877 (-1208)	6823 (-494)	99.2% (+8.71%)	99.2% (+8.71%)	Fail A: 54 Fail B: 0 Fail C: 0	The number of members failing tests in this condition has decreased by 714 to 54, resulting in an increase in the pass rate of 8.71%. The number of members qualifying for these tests has fallen by 1,208. 54 members that have left with pre 1988 service is missing a GMP at exit. This test is included in the TPR core results.
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	13717 (-1431)	13393 (-615)	97.6% (+5.16%)	97.6% (+5.16%)	Fail A: 246 Fail B: 324 Fail C: 0	The number of members failing tests in this condition has decreased by 816 to 324, resulting in an increase in the pass rate of 5.16%. 1,431 fewer members have qualified for the tests. 246 members in this category are missing a value for Total GMP and Post 88 GMP at exit. A further 78 members are just missing a Post 88 GMP at exit. These tests are included in the TPR core results.

3 Data Correction Plan

The table below provides NESPF with suggestions for resolving the issues identified in Section 2 and a suggested priority. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. The milestones represent a summary of the recommended actions outlined in more detail in Section 2.

Data Category	Milestone	Suggested Priority
Member Benefits	<ul style="list-style-type: none"> • Investigate incomplete Transfer In data with a high priority as benefits may be incorrect • Correct the 2 members with incorrect AVC details at the highest priority as benefits may be incorrect • Correct the 50 issues with deferred benefit cases prior to running deferred annual benefit statements • Investigate the 251 defects in pension benefits • Investigate the 46 Dependant Pensioner cases • Investigate all cases where the latest PI does not appear to have been applied 	<ul style="list-style-type: none"> • High • VERY HIGH • High • High • High • VERY HIGH
Other Member Data	<ul style="list-style-type: none"> • Investigate the 116 cases with either an unexplained date of leaving present or a missing date of leaving • Investigate the 21 cases with an incorrect date for when they joined the Scheme • Investigate the 21 cases with missing employer details • Investigate the final salary pay issues prior to running annual benefit statements • Investigate cases with missing contributions prior to running annual benefit statements • Investigate the 3 cases that appear to have a service change not reflected on their service history. 	<ul style="list-style-type: none"> • Low • VERY HIGH • High • High • High • VERY HIGH

Data Category	Milestone	Suggested Priority
CARE Data	<ul style="list-style-type: none"> Investigate all data issues in this category by status prior to issuing annual benefit statements for that status and why the number has increased. Pensioners should be investigated as soon as possible to ensure correct benefits are in payment 	<ul style="list-style-type: none"> VERY HIGH
HMRC	<ul style="list-style-type: none"> Review criteria for testing HMRC data and ensure that current processes populate this data correctly in Altair Investigate the 12 incorrect Crystallisation Dates Investigate the 11 missing PLA percentages Investigate the 2 members with deferred benefits that is over the age of 75 Investigate the 6 missing PCLS amounts Investigate the 52 cases with missing death grant data Investigate the 3 members that have exceeded the LTA without a tax charge recorded Investigate the 119 cases with missing Annual Allowance data, particularly the 2 schemes pay cases 	<ul style="list-style-type: none"> Medium Medium Medium Medium Medium Low High High
Contracting Out	<ul style="list-style-type: none"> Investigate the 47 cases with incorrect Date Contracted Out data Investigate missing and incorrect data for NI contributions and earnings history Review and update GMP values in conjunction with the GMP Reconciliation process Obtain and upload GMP figures for the members with missing data as a high priority 	<ul style="list-style-type: none"> Medium Medium Medium High

4 Appendices

4.1 Appendix A – TPR Guidance (In-Scope Tests)

Member Benefits

Condition	Status Tested	TPR Guidance
Pension Sharing Details	Active, Deferred, Pensioner	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.
Transfer In Details	Active, Deferred, Pensioner	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non-protected rights and, if relevant, split between the amount received in respect of the member and employer contributions and AVCs), benefits secured, (if relevant) contracting out details.
AVC Details	Active, Deferred, Pensioner	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured
Total Original Deferred Benefit	Deferred	Check that total original deferred benefit is present (either derived or explicit).
Tranches of Original Deferred Benefit	Deferred	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin etc. Details of the date at that any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.
Total Gross Pension	Pensioner	Check that a total pension is present (either derived or explicit).

Condition	Status Tested	TPR Guidance
Tranches of Pension	Pensioner	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.

Other Member Data

Condition	Status Tested	TPR Guidance
Date of Leaving	Deferred, Pensioner	For trust-based schemes, check that member has a date of leaving that is after date joined
Date Joined Scheme	Active, Deferred	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data.
Date joined employing company	Active, Deferred	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data.
Salary	Active, Deferred	Check that there is at least one relevant salary within the last 12 months of membership.
Salary History	Active, Deferred	Check that a relevant salary exists for each of the last 5 renewal periods of membership and is greater than £0.50.
Contributions	Pensioner	For contributory schemes check that there is a contribution amount present for each year of active membership, or that a contribution total is present.
Date of leaving (date pensionable service ended)/ date last premium/contribution paid	Deferred, Pensioner	For trust-based schemes check that member has a date of leaving which is after date joined scheme, and that member status is not active if date of leaving is present.

CARE Data

Condition	Status Tested	TPR Guidance
Accrued benefit details	Active, Deferred, Pensioner	Check that accrued benefit details are present if they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.
Revaluation percentage	Global Table	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.

HMRC

Condition	Status Tested	TPR Guidance
Benefit Crystallisation Event Details	Active, Deferred, Pensioner	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.
Lifetime Allowance Charge Paid	Pensioner	Check that the date and amount of any lifetime allowance charge paid is present.

Contracting Out

Condition	Status Tested	TPR Guidance
Date Contracted Out	Active, Deferred, Pensioner	Check that this is present and not earlier than 06/04/1978.
N.I. History (Contracted Out earnings & contributions)	Active, Deferred, Pensioner	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced rate females.
Pre 88 GMP	Deferred, Pensioner	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.
Post 88 GMP	Deferred, Pensioner	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. Can be derived or explicit.

4.2 Appendix B – Benefit Crystallisation Events (In-Scope)

Benefit Crystallisation Event	Description
BCE2	Where a member becomes entitled to a scheme pension, whether from a defined benefits arrangement or a money purchase arrangement.
BCE5	Test the level of entitlements not taken by a member at age 75 under a defined benefits arrangement, by measure of the level of benefits that would come into payment at that time, if drawn.
BCE6	<p>A lifetime allowance test is triggered through BCE6 whenever a member becomes entitled under a registered pension scheme to:</p> <ul style="list-style-type: none"> • A pension commencement lump sum paid before age 75, when uncrystallised benefits are drawn under an arrangement • A serious ill health lump sum paid before age 75, where the individual falls into serious ill health • A lifetime allowance excess lump sum where a chargeable amount has been identified because the individual’s lifetime allowance has been fully used up.
BCE7	Where a relevant lump sum death benefit is paid on the death of the member.
BCE8	Where a member’s benefits or rights are transferred to a qualifying recognised overseas pension scheme.

4.3 Appendix C – Conditions and Fail Criteria

Member Benefits

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Divorce Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	Value is missing in total pension debit (DVC-TOTINI)	Value prior to 01/12/2000 is present in calculation date (DVC-CALDTE)	Value prior to 01/12/2000 is present in Payment Date (DVC-PAYDTE)	CETV (DVC-TVAMT) is blank or 0	Pension debit (DVC-CONAMT) is blank or 0	Percentage split (DVC-PCSPLT) is blank, 0 or over 100
Tested: 70	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Date received (ADD-TV-DT) is blank or 0 Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	Transfer Value is blank or 0 (ADD-TV) and transfer is not a pre-01/04/2008 (09 S&NI) INTERFND crediting less than 183 days. Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	Service (ADD-BD-CR) and transferred pension (ADD-RETP) are both blank or 0 Test is excluded from the TPR results	If service (ADD-BS-CR) > 0, service history must be present. There must be a service history line that starts (HIST-START) on the same date as previous scheme from ADD-FROM) Test is excluded from the TPR results	Type (ADD-TYPE) is not valid ie CLUB, INTERFND, NON- CLUB, PERSONAL, RESTITUTIO or some have INTRAFND Test is excluded from the TPR results	Date TV Received is invalid or < date joined fund (DJF) Test is excluded from the TPR results
Tested: 6629	Failed: 56	Failed: 7	Failed: 28	Failed: 112	Failed: 69	Failed: 76
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Previous scheme name (ADD-PR-SCH) or employer reference (ADD-PR-EMP) must be present Test is excluded from the TPR results					
Tested: 6629	Failed: 0					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	If AVC Details present, then start date (AVC-START) must be present Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	If AVC Details present, then contract end date (AVC-TE-DUE) must be present and equal to or later than AVC-START Test is excluded from the TPR results	If AVC Details present and type (AVC-TYPE) is A, B, G, L, P, R, S then added years (AVC-ADDY) must be greater than 0 Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results	If AVC Details present and type (AVC-TYPE) is H, M then pension (AVC-P75T) must be greater than 0 and less than or equal to the scheme maximum Only Actives (1), undecided leavers (2) and deferred (4) are counted for the TPR results		
Tested: 5503	Failed: 0	Failed: 0	Failed: 0	Failed: 2		
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	No value in Initial Pension (DEF-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEF-TOT-CP)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEF-INC-DT) must be present and later than date joined fund (DJF)	Last PI date (DEF-PI-DT[1]) is earlier than last PI date processed by customer Test is excluded from the TPR results
Tested: 18009	Failed: 4	Failed: 0	Failed: 4	Failed: 0	Failed: 1	Failed: 24
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	Member has no 'PEN' tranche (DEF-TYPE) or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer. (including negative values)	'PEN' + 'UPEN' + 'TAPE' does not equal Total Initial Pension Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with pre 01/04/2008 (09 S&NI) service has no 'RA' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results
Tested: 18009	Failed: 0	Failed: 5	Failed: 10	Failed: 2	Failed: 0	Failed: 10

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	No value in Initial Pension (PEN-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (PEN-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (PEN-INC-DT) must be present and later than DJF	
Tested: 20008	Failed: 1	Failed: 0	Failed: 0	Failed: 0	Failed: 0	
Tranches of Pension <u>Eligible for Testing:</u> Status 5 & T	'PEN' tranche (PEN-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (PEN-PI-DT[1]) is earlier than last PI date processed by customer	The first pension component on the list must be either 'PEN' or 'GMP' Test is excluded from the TPR results
Tested: 20008	Failed: 0	Failed: 0	Failed: 1	Failed: 0	Failed: 239	Failed: 11
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	No value in Initial Pension (DEP-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEP-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEP-INC-DT) must be present	
Tested: 3175	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 8	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	'PEN' tranche (DEP-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (DEP-PI-DT) is earlier than last PI date processed by customer Test is excluded from the TPR results				
Tested: 3175	Failed: 0	Failed: 38				

Other Member Details

Pension Credit members are excluded from tests in this category.

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	A non-Status 1 member has a blank entry or an invalid date in Date Left (DATE-LEFT)	Date Joined Fund (DJF) is either blank or earlier than or equal to 1/1/1900	Date Joined Fund is later than or equal to Date Left if Date Left present	Date left is present for a status 1 member who does not have a previous status of 4 or 9 Test is excluded from the TPR results		
Tested: 69945	Failed: 91	Failed: 20	Failed: 3	Failed: 18		
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Any of Date Joined Scheme (DJF), Date of Birth (DOB) and/or Date commenced current service (DCCPS) Joined Fund are either blank or earlier than or equal to 1/1/1900	Date Joined Fund (DJF) is earlier or equal to Date of Birth (DOB) plus 15 years Test is excluded from the TPR results				
Tested: 69945	Failed: 21	Failed: 0				
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Location (LOCATION) is blank	Date Joined employer (DT-JOIN-EM) is either blank or earlier than or equal to 1/1/1900	Date Joined employer must be earlier than date of birth (DOB) plus 15 years Test is excluded from the TPR results	Employment type (CLASS) is blank Test is excluded from the TPR results		
Tested: 69945	Failed: 0	Failed: 21	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	A member with pre-01/04/2014 (2015 in S&NI) service has an invalid or blank date in the latest instance of Pensionable remuneration (PEN-REM)	For non-status 1 or 2 members, the latest instance of Pensionable remuneration does not equal the member's DATE-LEFT Test is excluded from the TPR results	The latest instance of Pensionable remuneration contains a valid date (PEN-REM-DT) but there is no corresponding amount Test is excluded from the TPR results	Status 4 member does not have a value in DEF-PENREM or a value less than a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Status 5 or T member does not have a value in PEN-PS-REM or a value less than a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	For status 1 members the latest pensionable remuneration date must be equal to or later than the customer's last posting date Test is excluded from the TPR results
Tested: 64570	Failed: 522	Failed: 0	Failed: 0	Failed: 4	Failed: 7	Failed: 457
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Total Paid Including Interest (TCI-TOTAL) is blank or less than a small figure (default of £1.00) agreed with customer. Test is excluded from the TPR results	For status 1 members the latest date must be equal to or later than the customer's last posting date and have a corresponding figure Test is excluded from the TPR results				
Tested: 69945	Failed: 4270	Failed: 441				
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	Date Left (DATE-LEFT) is either blank or is earlier than or equal to 1/1/1900	Date Joined Scheme (DJF) is either blank or is earlier than or equal to 1/1/1900				
Tested: 40851	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	If DCCPS > DJF, and DJF < 01/04/2014(15 S&NI)), service history must be present Test is excluded from the TPR results					
Tested: 69945	Failed: 3					

CARE Benefits

Pension Credit members are excluded from tests in this category.

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
CARE data <u>Eligible for Testing:</u> All status 1 and status 2, 4, 5, 9 & T where Date Left is after 31/03/14 (31/03/15 in S&NI)	If member has post-31/03/2014 (2015 in S&NI) service, then at least one of LGPSMAIN or LGPS5050 must be present if the member joined before the start of the current scheme year Test is excluded from the TPR results	Every 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date must be present as an end date on at least one of LGPSMAIN, LGPS5050, TVINLGMN or TVINLG50	If contributions at any 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date are > 0, there must be an entry on at least one of LGPSMAIN or LGPS5050 for the same date with a pay figure > 0 Test is excluded from the TPR results			
Tested: 39427	Failed: 55	Failed: 243	Failed: 67			
CARE revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	Every 31/03 from 2015 (2016 in S&NI) to date must be present on factor table 000/B/00/684/2014/0101 2012	The rates on the table do not match the record of HM treasury rates Test is excluded from the TPR results				
	Failed: 0	Failed: 0				

HMRC

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
BCE 2 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006	Crystallisation Date (CRYS-CRYSYD) is not a valid date or is earlier than date left	PLA Value (CRYS-PLA) is blank	PLA% (CRYS-PLAPC) is blank Test is excluded from the TPR results			
Tested: 14976	Failed: 12	Failed: 0	Failed: 11			
BCE 5 <u>Eligible for Testing:</u> Status 4 & T	Any member of these deferred statuses where the member is over the age of 75 Test is excluded from the TPR results					
Tested: 18009	Failed: 2					
BCE 6 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006 and Age at Date Retired < 75	Crystallisation Date is not a valid date (CRYS-PPD) or is earlier than date left Test is excluded from the TPR results as they are included in BCE2	PCLS amount (CRYS-PPA) is blank if PEN-TOT-AL is > zero	There is a date in Serious Ill Health Lump Sum Payment (CRYS-ILLD) but no corresponding amount (CRYS-ILLA) OR There is an amount in Serious Ill Health Lump Payment but no corresponding date Test is excluded from the TPR results			
Tested: 14974	Failed: 12	Failed: 6	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
BCE 7 <u>Eligible for Testing:</u> Status 7 where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	Total death grant (CDTC-TOTLS) is blank (To be checked in first run and removed if deemed not relevant.) Test is excluded from the TPR results	There is a value >0 in Total death grant but one or more of the following fields is blank or 0: Crystallised Value at Date of Death (CDTC-CVAL) Crystallised % Value at Date of Death (CDTV-CVALP) Test is excluded from the TPR results				
Tested: 374	Failed: 46	Failed: 6				
BCE 8 <u>Eligible for Testing:</u> Status 3 where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	QROPS Transfer Date (CRYS-TFRD) is not a valid date or is earlier than date left Test is excluded from the TPR results	QROPS Transfer Amount (CRYS-TFRA) is blank Test is excluded from the TPR results				
Tested: 32	Failed: 0	Failed: 0	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Lifetime Allowance Charge paid <u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)	Value in Used PLA% (CRYS-TPPC) is greater than 100% and there is no value in any of LTA Charge (CRYS-LTACH), 25% LTA Charge (CRYS-LTA25) or 55% LTA Charge (CRYS-LTA55)					
Tested: 14933	Failed: 3					
Annual Allowance <u>Eligible for Testing:</u> Status 1	Latest annual allowance PIP end date is earlier than the latest run by the customer					
Tested: 26165	Failed: 117	Failed: 2				

Contracting Out

Pension Credit members are excluded from tests in this category.

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	Contract-Out SSPA75 is blank and DJF is prior to 6/4/16	Contract-Out SSPA75 is prior to 6/4/78	The date in Contract-Out SSPA75 is later than 5/4/16					
Tested: 66219	Failed: 47	Failed: 0	Failed: 0					
NI Contributions/Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	A Status 4 member is missing Date Left Active Service, or a Status 5 member is missing both Date Left Active Service and Date of Retirement	For one or more of the Period End Dates, there is not a corresponding value in Amount <i>Test is excluded from the TPR results</i>	There is not a separate entry in Period End Date (NI) for each April 5th between Date Contracted Out and 5/4/97 (or Date Left/Date Ret if earlier for Status 4 & 5 respectively) (non-reportable – see fail E)				GMP is not present on the NI details for status 1 and 2 and on GMP details for status 4, 5 & T (non-reportable – see fail E)	Fail C and Fail D both occurred
Tested: 14479	Failed: 0	Failed: 55	Failed: 0				Failed: 0	Failed: 230
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/88	There is no value provided for total GMP at exit	Deducting Post 88 GMP at Exit from Total GMP at Exit results in a negative number	The result of deducting Post 88 GMP at Exit from Total GMP at Exit is not divisible by 52.					
Tested: 6877	Failed: 54	Failed: 0	Failed: 0					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	There is no value provided for total GMP at exit	There is no value provided for Post 88 GMP at Exit	Post 88 GMP at Exit is not divisible by 52			
Tested: 13717	Failed: 246	Failed: 324	Failed: 0			



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Data Quality Improvement Plan 2021/22

1. Introduction

The quality of data held by the North East Scotland Pension Fund (NESPF) on the benefits database impacts directly on its members, participating employers, administration and Funding. It is therefore essential that measuring and improving the accuracy of the information held is an administrative priority of the Fund.

In addition, the Pensions Regulator (tPR) is responsible for ensuring that Funds meet their legal requirements around maintaining data quality. Within the public sector environment, tPR have focused on this issue over the last few years, ensuring that Funds are compliant with Code of Practice 14 which requires Funds to carry out a review of their data regularly. The Code of Practice dictates that Funds are to review data at least annually to assess and measure their data for both accuracy and completeness.

Holding incorrect or incomplete data may not only have a financial impact on the Fund and its stakeholders but will also run the risk of the Fund not being able to meet its legal obligations.

The NESPF collect data in respect of active members from employers on a monthly basis through our secure online facility i-Connect. This system, which is currently being used by all participating employers, ensures that member data is received in a timely manner and is provided in a valid and accurate format. Collecting data in this way has had a huge impact on the quality of the data held by the Fund and will ensure it remains a high quality into the future.

The high quality of data held by the Fund had a direct impact on the triennial valuation carried out as at 31 March 2020. The valuation was carried out well within the agreed timelines and with very few queries received from the actuary on the data provided. The data held by the Fund will enable both the Pension Fund and the actuarial team to have confidence in not only being able to deliver the exercise in a timely manner, but also in the accuracy of the results received.

The arrival of the COVID-19 pandemic in early 2020 meant a shift in priorities for staff, with productivity negatively impacted during this volatile period by lockdowns and homeworking. The team shifted focus to the main obligations of processing and payment of pension benefits as well as ensuring that the Fund actuarial valuation remained on course. As a consequence, data quality improvement has not taken precedence over this period. However, following a return to the office for the Employer Relationship Team, focus in the last quarter of 2021 and onwards, will shift to rectifying any identified data errors.

New regulations are imminent in relation to extending protections to all members who were active in the scheme before 2015 as a result of the McCloud judgement. In order to comply with the new requirements the Fund will have to identify all affected members and carry out checks to determine whether their benefits need to be recalculated. In order to allow this to happen the Fund needs to understand the information or data that will be required to carry out this large scale exercise. Missing data, which was not required to apply the previous protections will need to be gathered from employers to ensure that the Fund can meet the strict deadlines required to implement these new changes.

To meet the requirements of tPR and to meet the objectives of the NESPF going forward, the following data improvement plan is to be implemented to address any issues identified during the measurement of the quality of held data.

2. NESPF Objectives

1. To maintain the accuracy of members records to ensure that benefits held and paid are correct
2. To meet the regulatory requirements of pension administration including the Pension Regulator Code of Practice 14
3. To provide comfort to the administering authority and participating employers in the accuracy of the actuarial results based on the quality of the data provided
4. To ease the administrative burden of incomplete or inaccurate records.

3. Data Types

Data held by a Fund can be split into two different categories for measurement of quality:

1. **Common Data:** These data items are prescribed by tPR guidance and are the identifying fields for members
2. **Scheme Specific Data (Conditional Data):** These fields are relevant to the calculation of member benefits and there is currently no prescribed list of scheme specific data fields for the Local Government Pension Scheme (LGPS).

4. Measuring Data Quality

In order to receive more accurate data scores the Fund has contracted with our system provider, Heywoods, to use their Data Quality Analysis Tool for the last three years. This tool carries out a suite of tests against both the common data and scheme specific data held on our member database, Altair. The resulting reports, which are provided following the assessment, provide the overall data scores in line with tPR requirements, identify the records that have failed the tests and outlines the level of importance attached to investigating or fixing these errors. These results allow for direct comparison against other Fund's within the LGPS and help the Fund identify where improvements are required.

From September 2021, an assessment of data quality is available through Altair Insights. Insights is a new system, purchased by Fund, which provides facilities that report against the information held on the Altair database. In addition to the many benefits that Insights provides, a recent addition is a suite of reports and tests that can be run in house in respect of the assessment of both Common and Scheme Specific data. Very similar to the Data Quality Assessment Tool, these new reports provide data scores and identify failures. As they can be run on a regular basis the team will use Insights as their method of assessing and improving data going forward.

5. Data measured by NESPF

Common Data	Scheme Specific Data
NI Number (includes TN numbers which are classed as missing data)	Active members with zero actual pay
Surname	Active members with missing or invalid member contribution rate
Forenames/initials	Active members with inconsistency between member status and exit data
Sex	Deferred members with no date of leaving
Date of birth	Deferred members with zero pension
Date started pensionable service	Deferred members with inconsistency between member status and exit data
Retirement date	Deferred members with GMP expected based on service
Membership status	Undecided leavers with zero pension
Last status event	Undecided leavers with inconsistency between member status and exit data
Address (includes Gone Away which are classed as missing data)	Pensioner members with no retirement date
Postcode	Pensioner members with zero pension
	Pensioner members with GMP expected based on service
	Dependant members with zero pension

6. Data Score

From 2018 both Common and Scheme Specific Data scores were required to be included in the Pensions Regulator’s annual scheme return. The scores declared by the NESPF for the last few years are as follows:

Data Type	2019	2020	2021	Target
Common Data	98.3%	98.3%	98.1%	100%
Scheme Specific Data	97.1%	98.3%	98.8%	100%

The results for 2021 show a reduction in the common data score of 0.2%. This relates directly to the number of ‘gone away’ members that are held within the administration database. Due to the pandemic and resource issues the team have been unable to undertake a tracing exercise in accordance with the Data Quality Improvement Plan (Version 1.2). This exercise will be carried out in early 2022 following appointment of a tracing service provider through the National LGPS Framework.

The increase in the Scheme Specific Data in 2021 follows a change to the parameters on one of the tests for Guaranteed Minimum Pension (GMP) and National Insurance (NI) earnings. The test has been amended to be more accurate and now ~~to~~ takes account of members that paid reduced NI contributions during their membership (small stamp) which has reduced the fails from 1067 to 230.

The Employer Relationship Team will seek to improve the scores further in the forthcoming year by investigating and fixing the errors identified in the Heywoods Data Quality Report.

DATA QUALITY IMPROVEMENT PLAN

Objective	Data Type	Action	Timetable	Financial & Resource Implications
Address Tracing for gone away deferred, pensioner and frozen leaver members	Common	Around 2500 members are held on the system as ‘gone away.’ These members consist of deferred, pensioner and frozen refund members (no active members should be held as ‘gone away’.) The Fund will look to directly award a contract to a tracing organisation through the National Framework.	First Trace April 2022 (3 year contract)	Financial - Estimated cost of tracing exercise £4,000 (for first year) Resource – Administration staff to be utilised

Monthly Information from Employers	Common & Scheme Specific	Continue to use i-Connect as the method of employers providing data. Work with employers to improve their understanding of the data required and improve reconciliation processes to ensure data is of the highest quality	Ongoing	Financial – None (part of existing contract) Resource – ERT
General Data Cleanse and Quality Measurement	Common and Scheme Specific	Altair Insights reporting tool will be used to provide scores for the Annual Scheme Return from 2022. It provides detailed reports on the errors found. A monthly data cleanse can be carried out using the reports generated and will be particularly effective for historical data errors.	November 2021 ongoing monthly	Financial – Insights is used for many purposes of Fund administration. Resource – Benefits, ERT and admin staff to be utilised. Aspects of the cleanse being prioritised ahead of the valuation or the effect on members
NI Database Exercise – This project is to identify where members within the Fund may hold other benefits within LGPS (Scotland.)	Scheme specific	Using the NI database the Fund need to identify where members benefits need to be transferred or received as a result of having pension records with other administering authorities within Scotland. This will be a considerable project in the first instance with an ongoing requirement to monitor this going forward. The introduction of the NI database allows all Scottish Funds to undertake an exercise of this nature	November 2021 – ongoing	Financial – None Resource – administration and benefits team

Undecided Leavers – review of how status 2 members are managed and processed to reduce numbers on the system below 1000	Scheme Specific	Exercise to identify, monitor and prioritise undecided leavers who have not been processed in a reasonable time frame. Concerted effort to reduce the number of members prior to valuation (as at 31 March 2020.) Controls to be put in place for future i.e. deadlines, etc Undecided leaver exercise was undertaken in 2019/20 but was halted by the pandemic. Further work to be undertaken in conjunction with the tracing exercise and the NI database exercise.	April 2022- March 2023	Financial – Unknown – project currently under consideration by senior management Resource – Benefits staff to be utilised
GMP Reconciliation - following the cessation of 'contracting out' there is a requirement for all Funds to carry out a GMP reconciliation for Active, Deferred and Pensioner members	Scheme Specific	Exercise undertaken in-house by NESPF	Full reconciliation nearing completion	Financial - None Resource – Benefits & Systems Staff
McCloud Project – change of regulations require that all members who were active in 2015 are now protected by an 'underpin' which compares the benefits that would have been due under the old 'final salary' scheme. Assessment of the information required to undertake this large scale project will be required.	Scheme Specific	Missing data in respect of hours worked will be identified and requested from employers to allow the benefits team to recalculate and rectify members benefits where the underpin applies. The timescales of this exercise are currently unknown and we await final regulation changes.	Ongoing – project and dates to be determined	Financial – currently unknown Resource – currently unknown (may be outsourced)
AVC Reconciliation	Scheme Specific	Reconcile AVC contracts held on the administration system Altair with information held by Prudential and Standard Life	Annual Reconciliation in line with year end	Financial – none Resources – ERT

Claire Mullen – Employer Relationship Manager – September 2021 – Version 1.3

Risk Register



Pensions Dashboard

In line with best practice and the Pensions Regulator (tPR) Code of Practice, NESPF maintains a risk register to ensure the risks the Fund faces are properly understood, and risk mitigation actions are in place.

This Risk Register is reviewed and updated quarterly, with reporting to the Pensions Committee.

The Pensions Committee is responsible for receiving assurance on the effectiveness of NESPF risk management arrangements as per their Terms of Refence.

Risk Scoring Process

In order to apply an assessment rating (score) to a risk, NESPF implements a 4 x 6 matrix. The 4 scale represents the impact of a risk and the 6 scale represents likelihood of a risk event occurring.

4	Very Serious	4	8	12	16	20	24
3	Serious	3	6	9	12	15	18
2	Marginal	2	4	6	8	10	12
1	Negligible	1	2	3	4	5	6
Impact		1	2	3	4	5	6
	Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

Current Heat Map (where risks NESPF001 through 029 fall)

4	Very Serious	●●	●●●	●	●		
3	Serious	●	●●●	●●●	●		
2	Marginal	●	●●●	●●●	●●●	●	●
1	Negligible						
Impact		1	2	3	4	5	6
	Likelihood	Almost Impossible	Very Low	Low	Significant	High	Very High

Red = High Priority (urgent action required)

Orange = Medium Priority (assess adequacy of current controls, consider further action required to mitigate risk)

Green = Low Priority (no immediate action subject to exceptions, continue to review)

Code	Risk Description	Mitigating Controls	Current Risk				Approach	Additional Actions/Latest Notes	Owner & Timescale
			Impact	Likelihood	Score	Movement			
Pension Fund Level									
NESPFO01	Risk: COVID-19	<ul style="list-style-type: none"> Government and regulator guidance NESPF risk policy and register Updates/Communication between CO-Finance and Pension Manager Business Continuity plans in place Homeworking for Pensions Staff & rollout of vaccination programme PAS performance reporting Internal/External audits Regular staff comms and training 	4	4	16	↔	TREAT	Risk score remains high; vaccination rollout has been very successful but cases are still high. Full return to office has not been possible.	Laura Colliss, ongoing
	Causes: Global virus pandemic								
	Potential Impact: Failure to pay pensions, loss of staff due to illness, time lost due to connectivity issues while homeworking, ability to meet regulatory requirements, financial impact on investment returns, covenant risk for employers								
NESPFO02	Risk: Lack of effective risk controls	<ul style="list-style-type: none"> NESPF risk register is reviewed and updated quarterly by senior management team Consideration by Pensions Committee & Board at quarterly meetings NESPF specific Risk Management Policy in place 	4	1	4	↔	TREAT		Ongoing
	Causes: Failure to implement risk management framework								
	Potential Impact: Operational, financial and reputational issues								
NESPFO03	Risk: Poor Governance		2	2	4	↔	TREAT		Ongoing

	<p>Causes: Lack of robust and effective governance framework and supporting policies and procedures</p> <p>Potential Impact: Regulatory compliance issues, inability to determine policies and make effective decisions leading to poor service delivery and reputational risk</p>	<ul style="list-style-type: none"> • Annual review of Funds Governance Compliance Statement and supporting policies and procedures • Adherence to Council's Scheme of Governance • Committee Effectiveness Report to support good governance 						<p>Committee Effectiveness Report will be taken to December 2021 meeting.</p> <p>Normal governance arrangements currently operating. ACC Scheme of Governance annual review completed in April 2021.</p>	
NESPF004	<p>Risk: Lack of performance measures</p> <p>Causes: Failure to develop performance reporting framework</p> <p>Potential Impact: Lack of transparency, poor performance could go unaddressed</p>	<ul style="list-style-type: none"> • Statutory and local KPI's • Pension Administration Strategy published quarterly • Investment performance (against benchmark) reported to Committee quarterly 	2	3	6	↔	TREAT		Ongoing
NESPF005	<p>Risk: Failure of Pensions Committee and Pension Board to operate effectively</p> <p>Causes: Poor attendance/commitment to role, high turnover of members, lack of training</p> <p>Potential Impact: Non-compliance with regulatory requirements, inability to</p>	<ul style="list-style-type: none"> • Publication of Pension Board Annual Report • Training Policy reviewed annually and training register in place • Nomination & Appointment procedure • Annual Committee Effectiveness Report 	3	2	6	↔	TREAT	<p>Normal Governance arrangements currently operating. Pension Board report agreed in June 2021.</p>	Ongoing

	make decisions or policies, reputational risk								
NESPF006	<p>Risk: Operational Disaster; unable to access the workplace</p> <p>Causes: Major incident, natural disaster</p> <p>Potential Impact: Loss of service delivery, staff downtime</p>	<ul style="list-style-type: none"> ACC Disaster Recovery policy in place NESPF Business Continuity Plan to address loss/disruption to benefit administration system 	2	2	4	↔	TOLERATE		Ongoing
NESPF007	<p>Risk: Failure to recruit, retain and develop staff</p> <p>Causes: Limited pool of resources/competition with private sector, lack of training/development opportunities, resource drain from wider priorities</p> <p>Potential Impact: Loss of service delivery, risk to succession planning</p>	<ul style="list-style-type: none"> All staff have individual development plans which are reviewed regularly through CR&D Training register to monitor 2 full time training & development staff Internal 2 year training programme for benefit admin staff Future-focused staffing structure, subject to ongoing review 	4	2	8		TREAT	Business cases signed off and recruitment underway for a number of posts including additional PO in Training & Development.	Laura Colliss, December 2021
NESPF008	<p>Risk: Pay and price inflation valuation assumptions either higher or lower</p> <p>Causes: Economic factors</p> <p>Potential Impact: Potential increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> Quarterly funding updates to Committee (using FSM) Tri-ennial valuation Individual employer contribution rates 	2	4	8	↔	TOLERATE	Tri-ennial valuation 2020 is now complete. Inflation risk and pay inflation continue to be a concern.	Ongoing

Governance									
NESPF009	Risk: Failure to adhere to relevant pensions legislation and guidance	<ul style="list-style-type: none"> • Six monthly compliance review, with annual reporting to Pensions Committee and Board • Active participation at LGPS events, Testing Working Party for administration software updates • Established processes for staff training • Regular benefit admin team meetings to share knowledge 	3	3	9	↔	TREAT	Six monthly compliance review completed in July, no issues.	Ongoing
	Causes: Political and legislative changes, increased administrative complexity, staff training issue								
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial loss and tPR action								
NESPF010	Risk: Failure to comply with FOI or SAR requests	<ul style="list-style-type: none"> • Internal written procedures in place • FOI/SAR log to record & monitor • Online process through GovServices 	3	1	3	↔	TREAT		Ongoing
	Causes: Missed statutory deadlines due to training or resource issues								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPF011	Risk: Conflicts of Interest	<ul style="list-style-type: none"> • Regular discussions between CO-Finance and Pension Fund Manager • Standing agenda item at meetings • Conflicts policy & register in place, with conflicts declarations issued annually 	2	4	8	↔	TREAT		Ongoing
	Causes: Competing professional and personal interests of staff, Committee and Board members								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
Benefit Administration									

NESPFO12	Risk: Requirement to complete GMP reconciliation	<ul style="list-style-type: none"> • Dedicated GMP project team reporting to Operations Manager • Regular updates to Committee and Board 	2	2	4	↔	TREAT	IPE regulations with effect 1 March 2020. Final file received from HMRC in June 2020, further work is required to complete the project.	Gary Gray, ongoing
	Causes: End of contracting out due to reforms of state pension								
	Potential Impact: Failure to calculate future benefits correctly, audit criticism, financial loss								
NESPFO13	Risk: Fraud/Negligence	<ul style="list-style-type: none"> • Segregation of duties for benefits staff authorising/submitted lump sum payments • Pension payments signed off by benefits senior • Participation in National Fraud Initiative exercise • Overseas pensioner existence checking • Breaches Policy & register • Internal Audit control reviews 	2	3	6	↔	TREAT	Enhanced Admin to Pay module to provide secondary calculation checks as system requirement implemented into Live system in October 2020.	Ongoing
	Causes: Dishonesty or human error by staff, scheme members								
	Potential Impact: Overpayment/unauthorised payments, system corruption, audit criticism, legal challenge, reputational risk								
Investments									
NESPFO14	Risk: Insufficient assets to meet the Funds long term liabilities	<ul style="list-style-type: none"> • Quarterly assessment of investment performance and funding updates • Tri-ennial valuation and investment strategy review • Diversification of assets • Due diligence of fund managers 	4	3	12	↔	TREAT	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021.	Ongoing
	Causes: Failure of investment strategy or fund managers to produce expected returns								
	Potential Impact: Increase in employer contribution								

	rates, investment risk, audit criticism, financial loss	<ul style="list-style-type: none"> External advisor for specialist guidance on strategy 						Investment Management Consultancy Services appointed in August 2021.	
NESPF015	Risk: Failure to monitor investment managers and assets	<ul style="list-style-type: none"> Quarterly assessment and reporting of asset performance Regular meetings with investment managers 	3	3	9	↔	TREAT		Ongoing
	Causes: Lack of internal procedures								
	Potential Impact: Audit criticism, legal challenge, reputational risk								
NESPF016	Risk: Failure of world stock markets	<ul style="list-style-type: none"> Diversification of Scheme assets Tri-ennial valuation and investment strategy review 	4	2	8	↔	TOLERATE	Tri-ennial valuation and investment strategy review completed and approved by Committee in March 2021.	Ongoing
	Causes: Systemic								
	Potential Impact: Increase in employer contribution rates, financial loss								
NESPF017	Risk: Negligence/Fraud/Default	<ul style="list-style-type: none"> Due diligence on appointment and appropriate clause in legal agreements Fund management monitoring SAS 70 reports 	2	1	2	↔	TOLERATE		Ongoing
	Causes: Dishonesty by fund managers, lack of care or human error								
	Potential Impact: Financial loss, reputational damage								
NESPF018	Risk: Failure of Global Custodian	<ul style="list-style-type: none"> Regular meeting with custodian Receipt of SAS 70 reports and monitoring 	4	1	4	↔	TOLERATE		Ongoing
	Causes: Financial market crisis, regulatory/political								
	Potential Impact: Loss of assets or control of assets								

NESPFO19	Risk: Failure to implement ESG policy	<ul style="list-style-type: none"> • Member training on roles and fiduciary duties • Policy incorporated within SIP • PRI membership, annual signatory assessment 	2	3	6	↔	TREAT		Ongoing	
	Causes: Lack of skills/knowledge, lack of transparency on practices or clear policy									
	Potential Impact: Reputational damage									
Accounting										
NESPFO20	Risk: Poor financial reporting	<ul style="list-style-type: none"> • Comprehensive policies and procedures in place and review of <i>the Code</i> • Attending CIPFA meeting and reviews • Regular reconciliations e.g. fund managers, custodian • Internal/External Audits 	3	2	6	↔	TREAT	Annual Report and Accounts signed off September 2021	Ongoing	
	Causes: Lack of internal policies and procedures, failure to keep up to date with changes in the Code of Practice and other overriding changes, training issues									
	Potential Impact: Qualified accounts									
Systems										
NESPFO21	Risk: Failure to secure and manage personal data in line with data protection requirements	<ul style="list-style-type: none"> • Annual information governance training for staff • Policies and procedures in place and reviewed regularly (Breaches, Data Protection, Systems Access and Retention Schedule) • Secure physical storage measures • Admin system providers implement range of 	4	2	8	↔	TREAT	1 further personal data breach this quarter, risk rating left at same level due to ongoing COVID-19 and homeworking situation.	Ongoing	
	Causes: Cyber-attack, human processing error									
	Potential Impact: Audit criticism, legal challenge, reputational risk, financial penalties									

		protections against cyber threats including encryption, firewalls, annual 3 rd party penetration testing etc							
NESPF022	Risk: Failure of the Fund's administration system	<ul style="list-style-type: none"> Administration system is hosted externally with back up in separate location Regular software updates Business continuity and disaster recovery plans in place 	3	2	6	↔	TOLERATE		Ongoing
	Causes: Outages, hardware and software failures and cyber attacks								
	Potential Impact: Staff downtime, loss of service delivery								
NESPF023	Risk: Failure to track member status and trace information	<ul style="list-style-type: none"> Tracing service in place (ATMOS) Use of 'Tell Us Once' service Data quality improvement plan including measures to trace Existence checking 	2	3	6	↔	TREAT		Ongoing
	Causes: Poor record keeping								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, tPR action								
Employer Relationship									
NESPF024	Risk: Failure to monitor employer covenant	<ul style="list-style-type: none"> Continued implementation of Covenant Assessment and Monitoring Policy (within FSS) 	3	4	12	↔	TREAT	Online liability monitor now has ability to track funding levels and liabilities for each individual employer.	Ongoing
	Causes: Failure of internal procedures								
	Potential Impact: Orphaned liabilities could fall on remaining employers								
NESPF025	Risk: Changes in early retirement strategies by employers	<ul style="list-style-type: none"> Management through Covenant Assessment 	3	3	9	↔	TREAT		Ongoing

	<p>Causes: Public service cuts to funding</p> <p>Potential Impact: Pressure on cash flows</p>	and Monitoring Policy (within FSS)							
NESPF026	<p>Risk: Employers leaving Scheme or closing to new members</p> <p>Causes: Public service cuts to funding, increased pension contribution costs</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<ul style="list-style-type: none"> • Management through Covenant Assessment and Monitoring Policy (within FSS) • Cost Cap mechanism introduced in LGPS regulations 	2	6	12	↔	TREAT	Expected changes to Regulations to allow greater flexibilities to exiting employers which may reduce risk of orphaned liabilities. Risk level remains unchanged due to ongoing uncertainty from COVID-19.	Ongoing
NESPF027	<p>Risk: Longevity</p> <p>Causes: Increasing life expectancy rates</p> <p>Potential Impact: Increase in employer contribution rates and liabilities</p>	<ul style="list-style-type: none"> • Tri-ennial valuation undertakes scheme specific analysis including review of life expectancy/mortality assumptions which are set with some allowance for increases 	2	2	4	↔	TOLERATE	Tri-ennial valuation completed.	Ongoing
NESPF028	<p>Risk: Employer contributions not received, collected or recorded accurately</p> <p>Causes: Lack of staff resources, training issues</p> <p>Potential Impact: Orphaned liabilities could fall to remaining employers</p>	<ul style="list-style-type: none"> • Internal escalation procedures • Breaches policy and register • Monthly data submission reconciled by ERT • Quarterly PAS reporting to Committee & Board • Ongoing training provided by dedicated 	2	4	8	↔	TREAT		Ongoing

		ERT to scheme employers • Employer Briefings							
NESPF029	Risk: Failure to maintain member records; data incomplete or inaccurate	<ul style="list-style-type: none"> • Monthly data from employers which is reconciled by ERT • Quarterly PAS reporting to Committee & Board • Data quality improvement plan implemented 	2	2	4	↔	TREAT		Ongoing
	Causes: Lack of staff resources, training issues								
	Potential Impact: Incorrect pension payments, incorrect assessment of actuarial liabilities, reputational damage, tPR action								
NESPF030	Risk: The Fund is unable to adequately comply with required administrative processes owing to McCloud judgement	<ul style="list-style-type: none"> • SAB and other industry guidance • Early and ongoing communication with employers • McCloud project team created 	2	3	6	↔	TREAT		Ongoing
	Causes: Not having the required historic data, adequate resources, sufficient guidance								
	Potential Impact: Breaches and potential action by tPR, increase in liabilities, incorrect pension entitlements, damage to Fund reputation								

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