



North East Scotland Pension Fund

nespf

Compliance with Myners Principles

April 2019

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Introduction

This statement sets out the extent to which Aberdeen City Council as the administering authority of the North East Scotland Pension Fund (NESPF) complies with the six CIPFA principles of investment practice.

This statement links with and is supported by the Fund's Investment Strategy, Statement of Investment Principles (SIP), the Funding Strategy Statement (FSS) and the Governance Compliance Statement.

Principle 1: Effective Decision Making

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation, and
- Those persons or organisations should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Demonstrating compliance:

Aberdeen City Council, as the administering authority, has delegated responsibility for the administration of the NESPF to the Pensions Committee. As per the requirements of the Local Government Pension Scheme (Scotland) (Governance) Regulations 2015, the NESPF Pension Board is in place to assist the Pensions Committee in securing compliance with the relevant regulations.

The Fund's Training Policy details the training agenda for elected members of the Pensions Committee and representatives on the local Pension Board. It has been drawn up to meet their needs (comprising training of at least two formal training days per year, with ongoing training opportunities throughout the year); to provide the knowledge to enable them to evaluate and challenge the advice they receive and to facilitate effective, informed decision making by the Pensions Committee.

The Chief Officer - Finance is responsible for the provision of the Training Policy for the Pensions Committee and Board. Annual review of the Policy will fall to the Committee.

The Chief Officer - Finance and the Pensions Team are responsible for day to day management of the benefit and investment administration of the Fund. The Team includes personnel with suitable professional qualifications and experience to provide the necessary skills, knowledge, advice and resources to support the Pensions Committee and Board.

In addition, support is provided by a range of external advisors such as the scheme actuary, investment consultants, auditors and other appropriately qualified individuals as required.

Conflicts of interest are actively managed. At each Committee meeting, elected members are asked to declare any conflicts of interest. The ACC Code of Conduct applies to members of the Pensions Committee. The Fund also has its own Conflicts of Interest Policy for Pension Board members and issues a declaration of interest form on appointment (with ongoing annual review throughout the appointment term).



The Fund considers itself compliant with this Principle.

Principle 2: Clear Objectives

Overall investment objectives should be set out for the Fund that take account of the scheme's liabilities, the potential impact on local council tax payers, the strength of the covenant of the participating employers, and the attitude to risk of both the administering authority and the scheme employers, and these should be clearly communicated to advisers and investment managers.

Demonstrating compliance:

The Statement of Investment Principles (SIP) and the Funding Strategy Statement (FSS) define the Fund's primary funding objectives.

Asset-liability modelling is undertaken with the help of external advisers to aid the setting of investment strategy in order to understand risks. The Funds (Main and Transport (ACCTF)) have scheme-specific investment strategies.

The attitude to risk of employers and the administering authority is specifically taken into account when setting the investment strategy.

Reviews of investment strategy focus on the split between broad asset classes (equities, bonds and alternative investments).

Each Investment Management Agreement sets clear benchmarks and risk parameters, and includes the requirement to comply with the Fund's Statement of Investment Principles.

The setting of the funding strategy includes specific consideration of the covenants of the Fund's participating employers and the need to maintain stability in employer contribution rates.

Appointments of advisers are reviewed regularly.



The Fund considers itself compliant with this Principle.

Principle 3: Risks and Liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for council tax payers; the strength of the covenant of participating authorities; the risk of their default, and longevity risk.

Demonstrating compliance:

The Fund takes advice from the scheme's actuary regarding the nature of its liabilities. Asset-liability modelling is undertaken periodically to aid the setting of investment strategy, and these exercises specifically take account of covenant strength and longevity risk.

The funding objectives are expressed in relation to the solvency and employer contribution rates of the Pension Fund and are detailed in the Funding Strategy Statement (FSS).

The Chief Officer - Finance is responsible for ensuring appropriate controls of the Pension Funds. Controls are subject to internal audit and reported to the Aberdeen City Council Audit, Risk and Scrutiny Committee.

The Fund has in place a policy on scheme employer engagement with regard to covenant risk (within the Funding Strategy Statement). Reporting to the Pensions Committee identifies issues which arise relating to the covenant of both schedule and admitted bodies.

The Pension Fund maintains a risk register. The register is reviewed and reported to the Pensions Committee on a quarterly basis.

The Pension Fund takes a full and constructive part in national discussions relating to the risks and liabilities of the LGPS as a whole.

The Fund's annual report includes a statement on overall risk management of all activities.



The Fund considers itself compliant with this Principle.

Principle 4: Performance Assessment

Arrangements should be in place for the formal measurement of the performance of the investments, investment managers and advisers.

Administering authorities should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Demonstrating compliance:

The Fund's investment performance is measured by an independent external provider.

Investment performance is reviewed quarterly by the investment team and reported to the Pensions Committee.

The Pensions Committee assesses its own performance on an annual basis. A formal report will be prepared annually.

Training and attendance of members of the Pensions Committee and the Pension Board are monitored and reported on an annual basis.



The Fund considers itself compliant with this Principle.

Principle 5: Responsible Ownership

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents;
- include a statement of the authorities policy on responsible ownership in their Statement of Investment Principles (SIP), and
- report periodically to members on the discharge of such responsibilities.

Demonstrating compliance:

The Fund takes voting recommendations from PIRC and is a member of the Local Authority Pension Fund Forum (LAPFF). The voting policies of both organisations are in-line with the Institutional Shareholders' Committee Statement of Principles. Where the Fund cannot vote directly it ensures that the Fund Investment Manager adopts the ISC Statement of Principles.

The Fund's policy on responsible ownership is contained in the Fund's Corporate Governance Statement and included in the Statement of Investment Principles.

The Fund's Annual Review includes:

- *details of the Fund's voting activity, and*
- *a summary of the Fund's approach to responsible investment*

The full report is available on the Fund's website (www.nespf.org.uk) and is sent to members on request.



The Fund considers itself compliant with this Principle.

Principle 6: Transparency and Reporting

Administering authorities should:

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and
- provide regular communication to members in the form they consider most appropriate.

Demonstrating compliance:

Aberdeen City Council has delegated strategic responsibility for the administration of the Pension Fund to the Pensions Committee. The Councils Standing Orders govern the actions of the Committee and its Officers.

The Pensions Committee and the Pension Board meet quarterly, at the same time and place, and consider the same agenda. As a standing Committee of the Council the meeting is open to the public and a copy of the agenda and non-confidential papers are available in advance through the ACC website. Copies of meeting minutes are available on the NESPF website (www.nespf.org.uk).

The Pension Fund produces an Annual Review report and quarterly briefings for Scheme employers. The Fund's website is updated regularly.

The following Fund policy statements are available on the Funds website and are reviewed by the Pensions Committee at least annually:

- *Governance Policy Statement*
- *Governance Compliance Statement*
- *Corporate Governance & SRI Policy*
- *Investment Policy*
- *Statement of Investment Principles*
- *Funding Strategy Statement*
- *Training Policy, and*
- *Communication Policy.*

The local Pension Board is a formal part of the NESPF governance framework and includes member and employer representatives.

The Fund has published a Pension Administration Strategy (PAS) which details employer and Fund responsibilities, service standards, levels of performance and policies required to deliver statutory and Regulator requirements. The Pensions Committee receives performance update reports on a quarterly basis.



The Fund considers itself compliant with this Principle.

Further Information

If you have any questions relating to this Statement please contact the **Governance Team:**

NESPF
Level 1, 2MSq
Marischal Square
Broad Street
Aberdeen
AB10 1BL

Email: governance@nespf.org.uk
Web: www.nespf.org.uk