

SCOTTISH BORDERS COUNCIL PENSION BOARD

MINUTE of Meeting of the PENSION BOARD held in Council Chamber, Council Headquarters, Newtown St Boswells on Thursday, 8 March 2018 at 11.40 am

Present:- Councillors S Aitchison (Chairman), Mr E Barclay (Vice-Chairman),
Mr M Drysdale, Ms K M Hughes, Mr P Smith, Ms C Stewart and Ms L Ross.
In Attendance:- Capital & Investments Manager, Democratic Services Officer (J Turnbull)

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 4 December 2017.

DECISION

NOTED for signature by the Chairman.

2. **JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD**

The Board reviewed the joint meeting and, in particular, referred to KPMG's overview on Environmental, Social, Governance (ESG). Board members highlighted that UBS's UK Passive Equity Fund included holdings in tobacco, carbons and alcohol and questioned this in terms of the Pension Fund's ESG considerations. Mrs Robb explained that the UBS Fund was the only passive Fund within the Pension Fund's equity portfolio and as a passive Fund, UBS were required to track an agreed index. The index listed the investments and these included the mining and energy sector. There was a range of different market indices that could be tracked, including those with higher ESG scores. However, any changes could alter the Fund's performance. The Board considered the issue and discussed Trade Union policy and whether employees would pay higher contribution rates to enable the Pension Fund to become more active in ethical investment. Mrs Robb added that she did occasionally receive communication from individual members, particularly with regard to the Pension Fund's investments in carbon fuels. Following consideration, the Board agreed that ultimately, their fiduciary duty was to prioritise the needs of Pension Fund beneficiaries. Mrs Robb advised that the Board could ensure that Investment Managers were monitored robustly and followed ESG considerations. She referred to KPMG's quarterly investment reports, which included details on Investment Managers' voting behaviours and gave reasons for opposing votes. The Pension Fund Investment Performance Sub-Committee also received regular presentations from Investment Managers and this included updates on ESG performance. At these meetings, officers and members were also able to question Investment Managers if they were concerned or required clarification on any aspect of their portfolios. The Board then expressed concern at the lack of information from the Scheme Advisory Board relating to the structure review and would await the response to the Committee Chairman's letter. Mrs Robb advised that she would circulate any information received when available.

DECISION

NOTED.

3. **DATE OF NEXT MEETING**

The next meeting of the Pension Board was scheduled to take place on Thursday, 8 June 2018.

DECISION

NOTED.

The meeting concluded at 11.55 am.