

SCOTTISH BORDERS COUNCIL
EXECUTIVE
PENSION FUND SUB-COMMITTEE

Item No. 4

MINUTE of MEETING of the PENSION FUND
SUB-COMMITTEE held in the Council
Chamber, Council Headquarters, Newtown St.
Boswells on 13 September 2012 at 3.00 p.m.

Present:- Councillors B. White (Chairman) G. Edgar, G. Logan, J. Mitchell, S. Mountford.
Apologies:- Councillors W. Archibald, M. Cook.
In Attendance:- Chief Financial Officer, Treasury and Capital Manager, Mr Kenneth Ettles – AON
Hewitt Consulting, Mr Alexander Barclay, Unite The Union, Committee and
Elections Officer (V. MacMillan).

MINUTE

1. There had been circulated copies of the Minute of the Meeting of 13 June 2012.

DECISION

NOTED for the signature of the Chairman, subject to the above amendment.

RISK REGISTER UPDATE

2. With reference to paragraph 4 of the Minute of 6 March 2012, there had been circulated copies of a report by the Chief Financial Officer providing the Sub-Committee with the opportunity to review the Risk Register and update members on progress made. On 7 December 2011 the Sub-Committee reviewed and agreed the Risk Register for the Pension Fund. At the meeting of 6 March 2012 the Sub-Committee reviewed and agreed the proposed approach to the high risk items in the Risk Register. A copy of the full risk register was included in Appendix 1 to the report. As a result of the election of a new Sub-Committee a review of the Red risk progress was not brought to the June meeting. In order to bring the risk reporting back into line with the Council policy it was proposed that the Sub-Committee undertake both a review of the Red Risk progress and review the Amber risk to ensure that these were still appropriately assessed. In order to fit more appropriately into the Council's cycle it was then proposed to undertake a Red Risk progress review in December 2012 and a full risk register review in March 2013. Appendix 2 contained an update on progress in relation to the proposed actions for the Red Risks. Officers had reviewed the Amber risks and proposed that these were still appropriately assessed and did not need to change. Members asked if employees received annual statements that detailed the contributions that they had made to the Pension Fund, as Councillor Logan stated that he had not received any statements in the last five years. The Treasury and Capital Manager agreed to consult with Mr Ian Angus, the HR Shared Services Manager, and report back to the Committee. Officers answered Members questions.

DECISION

(a) **AGREED:-**

- (i) **to the Amber Risks being assessed as contained in Appendix 1; and**
- (ii) **to a further Red Risk review being undertaken in December 2012 and a full risk review being completed in March 2013.**

(b) **NOTED the progress on the Red Risk items as contained in Appendix 2.**

INVESTMENT STRATEGY REVIEW

3. With reference to paragraph 3 of the Minute of 23 June 2010, there had been circulated copies of a report by the Chief Financial Officer proposing that the Council undertakes a high level investment review of the Pension Fund to inform an update of the Pension Fund's Statement of Investment Principles. Myners Principle 2: Clear Objectives stated that: 'An overall investment objective should be set out for the fund that takes account of the schemes liabilities, the potential impact on local tax payers, the strength of covenant for non-local authority employers, and the attitude to the risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers'. Myners Principle 3: Risk and Liabilities stated that: 'In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk'. An authority could demonstrate compliance with these Myners Principles through the review of its investment objective and the strategic asset allocation in light of updated actuarial valuations of the Fund's liabilities. The objective of the investment review was to assess the extent to which the current investment strategy and associated asset allocation still delivered the investment objectives of the Pension Fund as set out in the Statement of Investment Principles in Appendix 1. As part of the considerations of the review AON Hewitt would be required to take into account the updated pension liability profile of the Fund and the current and predicted economic environment. It was anticipated that the review could be completed by the year end and reported to the Sub-Committee by March 2013, and this review would be used to inform the updating of the Statement of Investment Principles. Officers answered Members questions.

DECISION

AGREED to undertake a high level investment review to inform the update of the Pension Fund's Statement of Investment Principles.

TRAINING POLICY

4. There had been circulated copies of a report by the Chief Financial Officer proposing the adoption of a Training Policy Statement and Training Policy for the members of the Pension Fund Sub-Committee. A Training Policy Statement had been developed for adoption by the Pension Fund Sub-Committee which was in line with the CIPFA skills and knowledge framework recommended for Local Government Pension Schemes (LGPS). In line with best practice guidance and external audit recommendations a Training Policy had been developed for the Pension Fund. A copy of the proposed Policy was attached at Appendix 1. This Policy included the requirement for members to participate in training events and demonstrate this through the maintenance of training logs. The Training Knowledge Assessment was summarised in Appendix 2 and would inform the training programme and provide the baseline for future performance reporting in the Pension Fund Annual Reports. An Initial Training Programme had been included at Appendix 3 for approval and members were strongly encouraged to actively participate in this to demonstrate their commitment to building the knowledge to support effective decision making. The proposals contained in this report respond fully to the recommendations by External Audit as part of the 2011/12 Audit. The Treasury and Capital Manager advised that she would circulate an e-mail to Members with the proposed dates for Pension Fund Training and would confirm the proposed dates according to the Members' availability to attend.

DECISION

(a) AGREED:-

- (i) to undertake a further Training Knowledge Assessment in March 2013 to inform the 2012/13 Annual Report and to establish an annual cycle of assessment each March; and**
- (ii) that the Corporate Finance Manager would co-ordinate and prioritise attendees at the Scottish Local Authority Pension Induction event on**

the 24 October 2012, giving initial priority to elected members who have not previously sat on the Pension Fund Sub-Committee.

(b) AGREED to APPROVE:-

- (i) the adoption of the Training Policy Statement:-**
The Council recognises the importance of ensuring that all staff and members charged with the financial administration and decision making with regard to the Scottish Borders Council Pension Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
It therefore seeks to utilise individuals who are both capable and experienced and it will provide and arrange training for staff and members of the Pension Fund Sub-Committee to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills;
- (ii) the Training Policy as set out in Appendix 1; and**
- (iii) the Initial Training Programme set out in Appendix 3 and agrees that all members should prioritise attendance at these training dates wherever practicable.**

URGENT BUSINESS

5. Under Section 50B(4)(b) of the Local Government (Scotland) Act 1973, the Chairman was of the opinion that the item dealt with in the following paragraph should be considered at the meeting as a matter of urgency, in view of the need to keep Members informed.

MEETING ARRANGEMENTS

6. The Treasury and Capital Manager circulated a report during the meeting by the Chief Financial Officer asking Members to consider the format of ongoing meetings following the appointment of additional investment managers. The Treasury and Capital Manager advised that in many Local Authority Pension Funds the investment agenda was separated into a different Committee from all other pension related matters and Members were asked to consider whether this would be an appropriate way to manage the volume of business following the appointment of additional investment managers. Other alternative approaches included changing the format of the Pension Fund Sub-Committee into a longer meeting on a single day to accommodate the additional business or to have more than one Sub-Committee meeting in a quarter. Members were also required to consider the appropriate frequency and approach to investment managers' attendance at meetings to best meet the requirements of proper review. Various options were attached in Appendix 1 and Appendix 2 summarised the advantages and disadvantages of these proposals. Members discussed the options and the pros and cons of each option and agreed that option 1 should be investigated further with the Clerk to Council.

DECISION

AGREED that the Treasury and Capital Manager would investigate the meeting arrangements of Option 1 described in Appendix 1 to the report with the Clerk to the Council and would report back at the next Pension Fund Sub-Committee meeting.

PRIVATE BUSINESS

DECISION

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business contained in the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 8 of part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

Minute

1. The Sub-Committee noted the Private Minute of the meeting of 13 June 2012.

Quarter 2 2012 Quarterly Performance Update

2. The Sub-Committee noted a report by AON Hewitt Consulting.

Update on Transition to New Fund Managers

3. The Sub-Committee noted a report by the Chief Financial Officer on an update on Transition to New Fund Managers.

Urgent Business – UBS Bond Portfolio

4. The Sub-Committee noted an update by the Treasury and Capital Manager of the management of the UBS Bond Portfolio.

The meeting concluded at 4.30p.m.