

SCOTTISH BORDERS COUNCIL
PENSION FUND COMMITTEE

MINUTE of MEETING of the PENSION FUND
COMMITTEE held in the Council Chamber,
Council Headquarters, Newtown St. Boswells
on 18 June 2013 at 2.00 p.m.

Present:- Councillors B. White (Chairman), J. Campbell, G. Edgar, G. Logan, J. Mitchell,
S. Mountford.
Apology:- Councillor M. Cook
In Attendance:- Chief Financial Officer, Treasury and Capital Manager, Corporate Finance
Manager, HR Shared Services Manager, Mr Kenneth Ettles – AON Hewitt
Consulting, Mr J. Terras (Unison), Democratic Services Officer (P. Bolson).

MINUTE

1. There had been circulated copies of the Minute of the Meeting of 5 March 2013.

**DECISION
NOTED.**

AMENDMENT TO THE SCHEME OF ADMINISTRATION

2. With reference to paragraph 3 of the Pension Fund Sub-Committee Minute of 13 June 2012, there had been circulated copies of a report by the Chief Financial Officer proposing an amendment to the Council's Scheme of Administration to change the status of the observers to the Committee to that of non-voting members. The report explained that the proposed amendment would address previously highlighted improvements in governance compliance for the Pension Fund and would allow the non-voting members similar access to the Committee papers and debate, in line with recommended best practice.

DECISION

- * **AGREED TO RECOMMEND that Council approve the amendment to the Scheme of Administration to replace the current Section XIII with the text contained in Appendix 1 to the Minute.**

TRAINING POLICY - ANNUAL UPDATE

3. With reference to paragraph 4 of the Pension Fund Sub-Committee Minute of 13 June 2012, there had been circulated copies of a report by the Chief Financial Officer on the progress in implementing the Training Policy and on the proposed minor amendments to the Policy to reflect recent and proposed changes. With reference to paragraph 1.2 of the report, it was noted that the sentence should have read "In September 2012 the Committee agreed a new Training Policy." The report went on to explain that, in line with the Pension Fund Committee Training Policy approved in September 2012, the Pension Fund was required to report on training activity annually and on performance against targets set out in the Policy. The report detailed that there had been four training sessions delivered for Members during 2012/13 and 3 members had attended all 4 training events, 2 had attended 3 events and 2 had attended 2 of the sessions. 100% of the membership had met the target of attendance at a minimum of two meetings during the same period. Members were informed that future reports would also include similar data relating to non-voting members

DECISION

- (a) **NOTED the strong performance against the targets set and that this performance would be included in the Pension Fund Annual Report for 2012/13.**

- (b) **AGREED the proposed amendments to the Training Policy, subject to Council approval on 26 June 2013, in relation to the change of observer status to non-voting member status.**

GOVERNANCE POLICY AND COMPLIANCE STATEMENT

4. With reference to paragraph 2 of the Pension Fund Sub-Committee Minute of 13 June 2012, there had been circulated copies of a report by the Chief Financial Officer on the proposed amendments to the Scottish Borders Council Pension Fund's Governance Policy and Compliance Statement. The report explained that the updated Governance Compliance Statement reflected recent and proposed changes to the Council's Scheme of Administration and demonstrated that the Fund was in full compliance with best practice guidance. With reference to paragraph 3.7 of the Governance Policy and Compliance Statement, it was noted that the sentence should read "The Independent Investment Consultant, the Chief Executive, Chief Financial Officer, Corporate Finance Manager, Treasury and Capital Manager and HR Shared Services Manager also attend the Committee meetings as advisers." It was also noted that the Compliance Statement had been included as an appendix to the Governance Policy.

DECISION

AGREED the revised Governance Policy and Compliance Statement, subject to the above amendment, and subject to Council approval of the amendment to the Scheme of Administration on 26 June 2013, for inclusion in the Pension Fund Annual Report and Accounts 2012/13.

RISK REGISTER

5. With reference to paragraph 3 of the Pension Fund Committee Minute of 5 March 2013, there had been circulated copies of a report by the Chief Financial Officer providing an updated Risk Register for consideration by the Committee. This report was the result of a Members' Risk Register Workshop that had taken place on the morning of 18 June 2013, prior to the Committee meeting. With reference to the Risk Register as detailed at Appendix 1 to the report, it was noted that the scorings under Assessment of Residual Risk at paragraph 1.5 (Currency Management Risk) should read "Likelihood 4; Impact 3; Risk Score 12."

DECISION

AGREED:-

- (a) **the updated Risk Register as contained in Appendix 1 of the report, subject to the above amendments;**
- (b) **that reviews be undertaken of Red Risk areas on a quarterly basis, with the next review being due in September 2013;**
- (c) **that a six monthly review be undertaken of Amber Risk areas in December 2013; and**
- (d) **that an annual review of the full Risk Register be undertaken in June 2014.**

PENSIONS ADMINISTRATION PERFORMANCE 2012/13

6. With reference to paragraph 3 of the Pension Fund Sub-Committee Minute of 13 June 2012, there had been circulated copies of a report by the Head of Shared Services on the Pensions Administration Performance for 2012/13, requesting approval for its inclusion in the Fund's Annual Report. Appendix 1 to the report detailed the Pensions Administration Performance for 2012/13 and it was noted that recent work undertaken by the HR Shared Services team in relation to Scheduled and Admitted Bodies had resulted in improved performance in the timing of the remittances of employers' contributions. Members were informed that where a remittance was not paid timeously, all employees of that body would receive written notification that their employer had failed to comply with the remittance schedules. It was also noted that, as a result of the review of performance of the first year of the Pensions

Administration Strategy, actions had been identified in relation to the improvement of query data recording methodology and in the development of a schedule of Employer Liaison meetings.

DECISION

(a) NOTED the Pensions Administration Performance for 2012/13 and its inclusion in the Pension Fund Annual Report and Accounts 2012/13.

(b) AGREED:-

(i) the proposed action in relation to improving the query data recording methodology; and

(ii) to the development of a schedule of Employer Liaison meetings.

DRAFT ANNUAL REPORT AND ACCOUNTS 2012/13

7. There had been circulated copies of a report by the Chief Financial Officer, presenting the Draft Annual Report and Accounts for the Pension Fund for 2012/13 to the Committee as part of the consultation process prior to submission of the Annual Report to the Audit Committee and the External Auditors. It is specified in the Local Government Pension Scheme Amendment (Scotland) Regulations 2012 that the Annual Report must include or report on the management and financial performance during the year, a statement on the investment policy for the Fund, pensions administration arrangements during the year, an actuarial valuation statement, the governance compliance statement, the fund account and net asset statement, the annual report on pension administration strategy, and details of where to access the current Funding Strategy Statement and Statement of Investment Principles. Key facts and figures were highlighted by the Chief Financial Officer. It was noted that the value of the Fund at 31 March 2013 was £446m compared to £393m at 31 March 2012, this being achieved predominantly through a significant rise in the unrealised value of Scheme assets and the realised gains resulting from the sale of investments. The operational and investment income surplus was £5.1m compared to £8m for the previous year and the performance of the Fund on a three year rolling average basis was 9.2% per annum, a relative return above benchmark of 0.7%. It was further detailed that there had been an increase in Fund membership during 2012/13 by 306 to 9,311 and that employer contributions to the Fund totalled £13.4m while employees contributed £4.3m. Officers answered Members' questions and were thanked for providing such a comprehensive report. It was noted that there were some references to the Pension Fund Sub-Committee in the report and throughout the Draft Annual Report and Accounts and it was agreed that these would be amended to read "Pension Fund Committee" prior to its publication.

DECISION

NOTED the Pension Fund Annual Report and Accounts, subject to the above amendments, and that the Pension Fund Committee would receive a copy of the final audited Annual Report and Accounts at the end of the audit in order to approve prior to publication.

URGENT BUSINESS

8. 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 / make an early decision.

PENSIONS ADMINISTRATION SYSTEM AND AUTO ENROLMENT

9. There was tabled at the meeting a briefing note on the replacement Pensions Administration System and Auto Enrolment. The HR Shared Services Manager, Mr Ian Angus, explained that an exercise had been undertaken to gauge interest in the provision of a Pensions Administration system and that a meeting had now been scheduled with Procurement to discuss the next steps in the process.

10. With reference to paragraph 9 of the Scottish Borders Council Minute of 25 April 2013, Mr Angus updated Members on the progress made to date on the implementation of transitional arrangements for pensions Auto Enrolment for existing employees and on the implementation of a three month postponement period for new employees where the contract of employment was for a period of less than three months. Mr Angus also explained that meetings would be arranged with other Scheduled and Active Admitted Bodies to determine the approach that would be taken by them during their staging dates which currently ranged from 1 February through to 1 November 2014.

DECISION

NOTED the briefing note.

11. **TRAINING EVENT FOR MEMBERS OF THE PENSION FUND COMMITTEE**

The Corporate Finance Manager informed Members that a two day training event on 2 and 3 October 2013 had been arranged by Baillie Gifford for Members of the Pension Fund Committee. The Committee agreed that in addition to the Chair attending, two places be offered to Members of the Committee, two places be reserved for the observer/non-voting members and a further two places offered to officers. The decision by drawing from a hat resulted in places being offered to Councillors Mountford and Campbell and Mr Barclay and Mr Moody. The Chairman would also attend with the two officers still to be decided.

DECISION

NOTED.

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 paragraphs 6 and 8 of part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

Minute

1. The Committee noted the Private Minute of the meeting of 5 March 2013.

Quarter 1 2013 Investment Monitoring Report

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

Scottish Borders Housing Association – Notification of Change of Status Within Fund

3. The Committee noted a report by the Chief Financial Officer.

The meeting concluded at 3.25 p.m.

SECTION XIII

PENSION FUND COMMITTEE

Constitution

Twelve members, being seven Members of the Council and five non-voting members constituted as follows.

Seven Elected Members of the Council comprising –

- (a) the Depute Leader (Finance)
- (b) the Executive Member for HR and Corporate Improvement
- (c) three other Members of the Administration
- (d) two Members from the Opposition

Five non-voting members appointed from –

- (a) a Scheduled Body
- (b) an Active Admitted Body
- (c) each of the three recognised Trade Unions

Chairman

The Chairman shall be one of the Scottish Borders Council Members.

Quorum

Four Elected Members of the Council shall constitute a Quorum.

Functions Referred

The following functions of the Council shall stand referred to the Committee –

1. All matters relating to the Management of the Council's Pension Fund.
2. Employer discretions under Local Government Pension Scheme (Scotland) Regulations 1998.

Functions Delegated

All of the functions delegated to the Committee.