

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 12 September 2013 at 10.00 pm

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

MINUTE

1. There had been circulated copies of the Minute of the Meeting of 18 June 2013.

**DECISION
 NOTED.**

TRAINING PLAN 2013/14

2. With reference to paragraph 3 of the Pension Fund Committee Minute of 18 June 2013, there had been circulated copies of a report by the Chief Financial Officer proposing the 2013/14 Training Plan for Members of the Pension Fund Committee, in line with the agreed Policy Statement and Training Policy approved in September 2012. The report explained that the Training Policy was subsequently updated in June 2013 and a review of the training activities was also undertaken at this time. The report went on to explain that it had been agreed, as part of that review, to carry out an annual knowledge and skills self-assessment by the members of the Pension Fund Committee to identify key areas for inclusion in the training plan in future years, and it was noted that the first of these self-assessments was completed in July 2013.

DECISION

- (a) **NOTED the outcome of the Knowledge and Skill Self Assessment for 2013/14.**
- (b) **APPROVED the Training Programme for 2013/14 as detailed in Appendix 3 to the report.**
- (c) **AGREED that Members prioritise attendance at the training wherever practicable.**

RISK REGISTER UPDATE

3. With reference to paragraph 5 of the Pension Fund Committee Minute of 18 June 2013, there had been circulated copies of a report by the Chief Financial Officer, giving Members the opportunity to review the risks previously categorised as “red” and to receive an update on progress made to mitigate the effect of those risks on the pension fund. The Chief Financial Officer summarised the red risks highlighted within the report and Members noted the action being taken. Discussion took place regarding the potential conflict Members faced in relation to the decisions they made as (a) Members of the Pension Fund Committee and (b) Members of Scottish Borders Council. The Chief Financial Officer stated that there was a need for reconciliation of the two, and that meetings had been arranged with Human Resources to take this forward. An update report would be presented to the Pension Fund Committee at its meeting on 10 December 2013.

DECISION

(a) **NOTED** the progress on the Red Risk items as detailed in Appendix 2 to the report.

(b) **AGREED:-**

(i) **that a quarterly Red Risk review be undertaken with the next due in December 2013;**

(ii) **that a six monthly Amber Risk review be undertaken in December 2013; and**

(iii) **that an update report be presented to the Pension Fund Committee at its meeting on 10 December 2013.**

MEMBER

Councillor J Mitchell left the Meeting during consideration of the following item.

PENSIONS FUND ADMINISTRATION SYSTEM

4. With reference to paragraph 9 of the Pension Fund Committee Minute of 18 June 2013, there had been circulated copies of a report by the Chief Executive seeking approval for the procurement of the Pensions Administration System for the Scottish Borders Pension Fund to be delegated to the Chief Financial Officer. The report explained that the licence for the system currently used to assist with the administration of the Council's pension fund was due to expire on 17 November 2013 and went on to explain further that, following the issue of a Prior Information Notice, three responses had been received. A further set of questions was issued to these potential suppliers and only one response was received, namely from the incumbent provider, Heywood. Further information was sought from other local authorities in Scotland and other than one in-house provider, all other Scottish Councils used the Heywood system which was tailored to the requirements of the Scottish LGPS Regulations. Costs were detailed in the report on the basis of provision of the Altair system via a hosted service, member self-service functionality and a five year contract with the option to extend for a further two years. The HR Shared Services Manager informed Members that since the report had been published, a reduction in the maximum costs for the provision of the new system from £560,711 to £534,561 had been successfully negotiated. A number of questions were raised by Members and responses were given by the officers present. It was noted that the Heywood Altair system would provide an improved and efficient experience for members of the Pension Fund via the Self-Service functionality and that it would support the provision of a high quality administrative service for the Fund, allowing it to address the further complexity of legislative changes without the need to review staffing levels.

DECISION

AGREED that responsibility for the procurement of the Heywood Altair Pensions Administration System be delegated to the Chief Financial Officer, with costs restricted to a maximum of £534,561 over the five year term of the contract.

FUNDING STRATEGY STATEMENT

5. With reference to paragraph 4 of the Pension Fund Sub-Committee Minute of 23 June 2010, there had been circulated copies of a report by the Chief Financial Officer providing a revised Funding Strategy Statement for the Scottish Borders Council Pension Fund. The report explained that this Strategy was prepared by Barnett Waddingham, the Pension Fund's Actuary, using information provided by the Council's Payroll section and covered introduction and purpose of funding strategy statement, funding objectives, key parties, funding strategy, funding method, valuation assumptions and funding model, links with the statement of investment principles, risks and counter measures, and monitoring review. The report further explained that the Funding Strategy had two key objectives, namely to achieve a funding level of 100% as assessed by the Fund's Actuary, triennially, in accordance with the Regulations and to achieve as stable an employer contribution as was practical. It was noted that the updated Statement of Investment Principles would be presented to the Pension Fund Committee at its meeting on 10 December 2013.

DECISION

- (a) **APPROVED** the Funding Strategy contained in Appendix 1 of the report.
- (b) **NOTED** that the outcome of the review of the Statement of Investment Principles would be presented to the Pension Fund Committee at its meeting in December 2013.

PROCUREMENT UPDATE

6. With reference to paragraph 3 of the private section of the Pension Fund Sub-Committee Minute of 13 June 2012, there had been circulated copies of a report by the Chief Financial Officer updating the Committee on the procurement for new managers for Global Equity and Fixed Income (bond) mandates and proposing a project timetable for these. The report explained that the Pension Fund Committee had taken the decision in December 2012 to commence a procurement process following concerns being raised about the performance of the Fund Managers of those mandates. The report noted that due to the value of the contract, the procurement route would be OJEU and detailed the timetables for each. Members also noted the costs involved in changing Fund Managers and for the engagement of AON Hewitt to provide expert analysis on assessment of the PQQs and ITTs.

DECISION

- (a) **APPROVED** the project timetables as detailed in paragraph 5.3 of the report.
- (b) **Noted** that further updates would be presented to the Pension Fund Committee throughout the procurement process.

CHANGE OF DATE OF MEETING

7. Members were informed that a request had been received to change the date of the December meeting of the Pension Fund Committee from 10 December to 4 December 2013.

DECISION

AGREED that the date of the next meeting of the Pension Fund Committee would be 4 December 2013.

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 18 June 2013.

Quarter 2 2013 Investment Monitoring Report

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

MEMBER

Councillor Mountford declared an interest in the following item of business in terms of Section 5 of the Councillors' Code of Conduct and left the meeting during the discussion.

Letter from Scottish Borders Housing Association

3. The Committee noted the contents of a letter from Scottish Borders Housing Association to the Chief Financial Officer.

ADJOURNEMENT

The meeting was adjourned for lunch at 11.40am and was re-convened at 12.55pm.

Performance Update and Question Session - UBS

4. The Committee noted a Performance Update from UBS.

Performance Update and Question Session – Morgan Stanley

5. The Committee noted a Performance Update from Morgan Stanley.

Performance Update and Question Session – Baillie Gifford

6. The Committee noted a Performance Update from Baillie Gifford.

The meeting concluded at 3.50 pm.