

**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  
17 June 2014 at 10.15 pm

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

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**ORDER OF BUSINESS**

The Chairman changed the Order of Business and the Minute reflects the order in which items were considered.

**MINUTE**

1. There had been circulated copies of the Minute of the Meeting of 4 March 2014. It was noted that Cllr Campbell was present at the meeting and that paragraph 4(b) (iii) should read "that a policy on maximising tax reclaims be developed in the future."

**DECISION**

**NOTED subject to the above amendments.**

**PRESENTATION FROM WM COMPANY**

2. The Chairman welcomed Ann Gillies and David Cullinan from State Street Global Services who were present at the meeting to provide a performance review to Members of the Committee. Mr Cullinan explained how key factors in the market environment had affected percentage returns for 2013/14 and Members noted that within the Equities mandate, northern European markets had improved performance from 2012/13 whilst the Pacific and Emerging markets had been disappointing at -7.1% and -5.1% respectively. The report also noted that within the Alternatives mandate, Property (Commercial and Domestic UK) was strong at 11% with the Total Assets at 6.4%. Members noted that the Annual Returns for Equity and Bonds as shown in the report had been very positive for Local Authority Schemes and that Total Assets were between 1% and 1.5% above Asset Growth. Mr Cullinan noted the Funds performance over 5, 10 and 20 years had been consistently in the upper quartile of performance, an unusual standard of performance. Ms Gillies reported that the total Fund value at 31 March 2014 was £486,939m and that the Fund was consistently above the benchmark figures, the highest being 1.1% relative return over a five year period excluding the Foreign Exchange (FX) Overlay. Members were advised that Risk Adjusted "Absolute" Return figures over the latest three years had demonstrated a very satisfying top quartile return which was partly due to higher volatility in the market and noted that Baillie Gifford had again outperformed in both UK Equity and Global Equity portfolios. Members' questions were answered by Ms Gillies, Mr Cullinan and officers and the Chairman then thanked Ms Gillies and Mr Cullinan for their informative and comprehensive report.

**DECISION**

**NOTED the presentation.**

### **GOVERNANCE POLICY AND COMPLIANCE STATEMENT UPDATE**

3. With reference to paragraph 4 of the Pension Fund Committee Minute of 18 June 2013, there had been circulated copies of a report by the Chief Financial Officer proposing minor amendments to Scottish Borders Council Pension Fund's Governance Policy and Compliance Statement, as contained in Appendix 1 to the report. Appendix A included a list of Active Admitted Bodies and Members noted that a new Culture Trust would be added as appropriate. It was further noted that an Annual Training Plan had now been produced and logs were being maintained. The report explained that following the outcome of the governance consultation as part of the Public Services Pension Act 2013, there might be further amendments required to the Governance Policy and Compliance Statement later in the year and that any such amendments would be brought to Committee at that time.

#### **DECISION**

**AGREED the updated Governance Policy and Compliance Statement, subject to Council approval of the amendment to the Scheme of Administration on the 26 June 2014, for inclusion in the Pension Fund Annual Report and Accounts 2013/14.**

### **PENSION ADMINISTRATION PERFORMANCE 2013/14**

4. With reference to paragraph 6 of the Pension Fund Committee Minute of 18 June 2013, there had been circulated copies of a report by the Chief Officer Human Resources on the Pensions Administration Performance for 2013/14. The report explained that work undertaken by HR Shared Services with Scheduled and Admitted Bodies had resulted in a further improvement in the timing of the remittances of employee and employer contributions. Improvements had also been made in the methodology for recording query data resulting in further statistical analysis of the queries received by HR Shared Services on behalf of the Pension Fund. The report noted that 33,830 payments had been processed to pensioners for a total of £13.38m during 2013/14 and that a further 81 payments, totalling £30,797 had been made to pensioners living overseas. Members noted that the latter were processed via Western Union and that this provided a cost effective and least complex method of transfer from sterling to local currency. Mr Angus advised Members that the first of the Employer Liaison meetings would take place in October/November 2014.

#### **DECISION**

- (a) **NOTED the Pension Administration performance for 2013/14 as set out in Appendix 1 to the report.**
- (b) **AGREED**
- (i) **to its inclusion in the Pension Fund Annual Report and Accounts 2013/14; and**
- (ii) **to the development of a schedule of Employer Liaison meetings during 2014/15.**

### **TRAINING PLAN 2014/15**

5. 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 Training Plan for 2014/15 in line with current Policy and Training Statements. The report explained that an updated Training Policy had been agreed by the Committee in June 2013 and in line with that Policy that an annual knowledge and skills self-assessment would be undertaken to identify key areas for inclusion in future training plans. The report advised Committee that Admitted Bodies and Unions would be invited to attend the session on Governance Workshop. The proposed Training Plan for 2014/15 was included at Appendix 3 to the report and officers noted a preference by Members for training events to be held during mornings.

#### **DECISION**

- (a) **NOTED the outcome of the Knowledge and Skills self-assessment for 2013/14;**

**(b) AGREED**

- (i) the Training Programme for 2014/15 set out in Appendix 3 to the report; and**
- (ii) that all Members of the Pension Fund Committee should prioritise attendance at these training dates wherever practicable.**

**DRAFT ANNUAL REPORT AND ACCOUNTS 2013/14**

6. 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 2013/14 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 2010 that the Annual Report must include a report on the management and financial performance of the fund 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 and it was noted that the value of the Fund at 31 March 2014 was £486m compared to £446m at 31 March 2013, this being achieved predominantly on sales of investments. The operational and investment income surplus was £3.5m compared to £5.1m for the previous year and the performance of the Fund on a three year rolling average basis was 8.9% per annum, a relative return above benchmark of 0.3%. It was further detailed that there had been an increase in Fund membership during 2013/14 by 245 to 9,556; that employer contributions to the Fund totalled £12.8m while employees contributed £4.4m; and pension and other benefits paid out totalled £17.2m. Officers answered Members' questions and were thanked for providing such a comprehensive report.

**DECISION**

- (a) NOTED the report; and**
- (b) AGREED to receive a copy of the final audited Annual Report and Accounts at the end of the audit to agree prior to its publication.**

**PRIVATE BUSINESS**

7. **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 4 March 2014.

**Minute**

2. The Committee noted the Private Minute of the Pension Fund Appointment Sub-Group meeting of 29 May 2014.

**Quarter Performance Update**

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

### **RISK REGISTER UPDATE**

8. With reference to paragraph 4 of the Pension Fund Committee Minute of 4 March 2014, there had been circulated copies of a report by the Chief Financial Officer seeking approval for the updated Risk Register. The report noted that the newly updated Risk Register had been developed in a workshop session held with Pension Fund Committee Members earlier on 17 June 2014. The report explained that identifying and managing risk was a cornerstone of effective management and was required under guidance relating to Pension Funds published by CIPFA. Members further noted that the report linked to the annual governance requirements for the Fund which would be subject to External Audit over the summer months.

### **DECISION**

(a) **APPROVED** the updated Risk Register as contained in Appendix 1 of the report;

(b) **AGREED**

- (i) **that a quarterly Red Risk review be undertaken with the next due in September 2014;**
- (ii) **that a six monthly Amber Risk review be undertaken with the next due in December 2014;**
- (iii) **that the next annual Full Risk review being undertaken in June 2015;**
- (iv) **that a review of the additional risks of the potential changes in national jurisdiction be undertaken in December 2014; and**
- (v) **that an update would be presented to the Pension Fund Committee on the outcome of the Corporate Finance restructure.**

### **PRIVATE BUSINESS**

9. **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**

#### **Investment Managers Procurement Update**

5. The Committee noted an update by the Chief Financial Officer on the Investment Manager procurement.

#### **Property Fnd Update**

6. The Committee noted an update by the Chief Financial Officer on the Property Fund mandate.

The meeting concluded at 12.30pm