

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
4 September 2014 at 10.00 am

Present:- Councillors B. White (Chairman), J. Campbell, M. Cook, G. Edgar, S. Mountford.
Apologies:- Councillors G. Logan, Mr A. Barclay, Mr J. Terras.
In Attendance:- Chief Financial Officer, Corporate Finance Manager, Mr Jeff Malluck – AON
Hewitt Consulting, Treasury and Capital Manager, Democratic Services Officer
(J. Turnbull).

MINUTE

1. There had been circulated copies of the Minute of Meeting of 17 June 2014.

DECISION:

NOTED for signature by the Chairman.

MINUTE

Councillor Cook joined the meeting during consideration of the following item.

RED RISK REVIEW

2. There had been circulated copies of a report by the Chief Financial Officer providing the Pension Fund Committee with an opportunity to review the Risks previously categorised as “Red” under the Council’s approach to managing risk, and updating members on progress made in mitigating the effect of these risks on the pension fund. Identifying and managing risk was a corner stone of effective management and was required under the CIPFA guidance “Delivering Governance in Local Government Framework 2007”. It was further reflected and enhanced in the “Local Government Pension Scheme” published by CIPFA. Appendix 1 to the report, detailed the progress of the additional control measures on the risks identified as “Red”. The Treasury and Capital Manager was in attendance and advised that a full risk review undertaken in June had identified two Red risks; with reference to risk 2.1, Members were advised that discussion had taken place with HR to consider the overall impact on the fund and progress was ongoing. The legislation changes, risk 6.2, continued to be monitored and the Pension Fund Committee would be informed of any impact on the fund. The Corporate Finance Manager advised that the new self-service system allowed staff to have electronic access to their annual pension statement, reducing printing and stationery costs and ensuring that accuracy was improved.

DECISION:-

(a) NOTED the progress on the Red risk items contained in Appendix 1 to the report.

(b) AGREED

- (i) **To a quarterly Red and Amber risk review being undertaken with the next due in December 2014; and**

- (ii) **To request a report to the December meeting detailing the composition and profile of Pension Fund membership.**

DRAFT ANNUAL REPORT AND ACCOUNTS 2013/14

3. There had been circulated copies of a report by the Chief Financial Officer, updating the Committee on the External Audit of the Pension Funds Annual Report and Accounts. The Pension Fund Annual Report and Accounts had been fully audited and received a draft unqualified audit opinion. The audit report was shown in Appendix 1 to the report. During the audit, minor presentational amendments had been required in the Statement of Investment Principles. These amendments were shown in Appendix 2 to the report. It was noted that there was a discrepancy in the KPMG report, on page 2, the last paragraph stated that "the three year rolling return on assets to 31 March 2014 was 9.2% compared to a benchmark of 8.5%", on page 4, paragraph 2 it read "The overall return of the fund over three years to 31 March 2014 was 8.9%". The Chief Financial Officer would clarify with KPMG the correct figure but highlighted the key issue was that the fund had increased by £40 million.

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.**

UPDATE ON SCOTTISH LOCAL GOVERNMENT PENSION SCHEME REFORM

4. There was circulated at the meeting, a report by Chief Financial Officer, providing the Committee with an update on the progress of the implementation of the new Local Government Pension Scheme Regulations. This was being presented as a late report as it presented new information that had been recently made available and was useful for the Committee to consider prior to the December 2014 meeting as it related to work that needed to be in place by April 2015. As a result it had not been through the normal consultation process; however as this report was only to agree the first step to preparing the implementation of a Pension Board there would be future opportunities to consult on the proposals. Appendix 1 to the report set out the principles for governance arrangements. Each Pension Fund would be required to establish a Pension Board in addition to the Pension Fund Committee. Members were advised that the new Boards composition would be four members of employee representatives (non Council) and four Trade Union representatives. There would be an agreed training programme for all members of pension committees and pension boards. Members would have the opportunity to nominate a Chair to oversee the whole scheme. The Committee were concerned that there was a lack of clarity and responsibility, further information was required to enable understanding of what was required. The Corporate Finance Manager acknowledged the concerns of the Committee and advised that a workshop would assist with further detail and guidance to ensure compliance with the Pension Act legislation. The workshop would be held by the end of October to establish a draft constitution for each of the bodies; this would then be submitted to Council for approval.

DECISION

AGREED:-

- (a) That the Pension Fund Committee hold a workshop for Pension Fund Committee Members, Employer Bodies and Trade Unions to establish a draft constitution and model of working for the new Pension Board; and
- (b) That the output of the workshop be presented to the Pension Fund Committee and Joint Consultative Group.

PRIVATE BUSINESS

5. **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 17 June 2014.

Minute

2. The Committee noted the Private Minute of the Pension Fund Appointment Sub-Group meeting of 22 August 2014.

Procurement Update

3. The Committee noted an update by the Chief Financial Officer on the

Quarter Performance Update

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

Presentation – UBS

5. The Committee noted a report by UBS

Presentation – LGT

6. The Committee noted a report by LGT Capital Partners.

The meeting concluded at 1.10 pm