

SCOTTISH BORDERS COUNCIL PENSION FUND COMMITTEE AND PENSION BOARD

MINUTES of Meeting of the PENSION FUND COMMITTEE AND PENSION BOARD held in Council Chamber, Council Headquarters, Newtown St Boswells on Thursday, 13 June 2019 at 10.00 am

Present:- Councillors D Parker (Chairman), J Brown, G Edgar, D Moffat, S Mountford, S Scott, Mr A Barclay, Mr M Drysdale, Ms T Dunthorne, Ms K M Hughes, Ms L Ross and Ms C Stewart.

Apologies:- Councillors C Hamilton, S Aitchison and Ms H Robertson

In Attendance:- Pension and Investment Manager, HRSS Team Leader, Mr A Singh (KPMG), Democratic Services Officer (J Turnbull).

1. MINUTE

There had been circulated copies of the Minute of the Meeting of 7 March 2019

DECISION

NOTED for signature by the Chairman.

2. FUND STRATEGY STATEMENT AND STATEMENT OF INVESTMENT PRINCIPLES 2019

There had been circulated copies of a report by the Chief Financial Officer which proposed the revised Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) for 2019. The report explained that both these documents should be kept under review and be updated and approved annually in line with the Pension Fund's business plan. This report discharged that requirement. The Pension Fund was required by the Local Government Pension Scheme (LGPS) Regulations to have an up-to-date Statement of Investment Principles and Funding Strategy Statement. Appendix A, to the report, contained the Funding Strategy Statement. Appendix B, to the report, contained the revised Statement of Investment Principles (SIP) for approval. Mrs Robb highlighted that the new Fund Actuary was Hymans Robertson, replacing Barnett Waddingham. Regarding the Fund's investment strategy, she advised that the Fund had disinvested from Harris Associates and these funds were being invested with Macquarie Infrastructure Debt per the revised asset allocation approved in September 2018. In response to a question Mrs Robb advised that the employee contribution rate was set on the Actuary's recommendation.

DECISION

AGREED

- (a) **The funding strategy statement set out in Appendix A to the report; and**
- (b) **The statement of investment principles set out in Appendix B to the report.**

3. SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2018/19

There had been circulated copies of a report which presented that the Pension Fund Committee and the Pension Fund Board with the Internal Audit Annual Assurance Report for the year to 31 March 2019. The report included the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Scottish Borders Council Pension

Fund's overall control environment. The report explained that the Public Sector Internal Audit Standards (PSIAS) required that the Chief Officer Audit & Risk provided an annual internal audit opinion and report on the independent assurance opinion on the adequacy and effectiveness of the Pension Fund's governance, risk management and internal controls to support the preparation of the Pension Fund's Annual Governance Statement. To meet the requirements of the PSIAS the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2018/19 included the Internal Audit annual opinion, provided details of the Internal Audit activity during the year to support the opinion, and stated the conformance of the Council's Internal Audit service with the PSIAS. The Chief Officer Audit & Risk's opinion was that, based on Internal Audit reviews and knowledge, the systems of internal control within the Scottish Borders Council Pension Fund were operating satisfactorily, and governance and risk management arrangements were effective. The independent assurance opinion had been used to inform the Pension Fund's Annual Governance Statement 2018/19.

DECISION

NOTED the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2018/19.

4. GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2018

There had been circulated copies of a report by the Chief Financial Officer which proposed the revised Governance Policy and Compliance Statement for the Scottish Borders Council Pension Fund (the Pension Fund) following implementation of the 2015 regulatory changes. The report also requested approval of the revised Governance Compliance Statement, included in Appendix B to the report, for inclusion in the Pension Fund's Annual Report and Accounts 2018/19. The Governance Compliance Statement, included in Appendix B to the Policy, demonstrated that the Pension Fund was in full compliance with best practice guidance.

DECISION

AGREED the revised Governance Policy and Compliance Statement 2019 and the Governance Compliance Statement for inclusion in the Pension Fund Annual Report and Accounts 2018/19.

5. PENSION ADMINISTRATION PERFORMANCE 2018/19

There had been circulated copies of a report by the Service Director HR and Communications presenting the Pension Administration Performance 2018/19 and requesting the Committee's approval for its inclusion in the Annual Report for the Fund. Appendix 1 to the report contained the Pension Administration Performance for 2018/19 as it would be included in the Fund's Annual Report and Accounts. The report explained that during 2018/19 there had been a reduction in payments being made on time, the three payments that were late were all received within four working days of the due date. Performance had returned to the expected high standard after a challenging period in the previous year. The new staff members in the team had more experience in the complexities of Pensions legislation and Scottish Borders Council were again providing information in the expected timely manner. The Annual Benefit Statements had been issued in accordance with the 31 August deadline in all instances. There had been another successful Employer Liaison Meeting held during 2018/19 and this event would be held on an annual basis.

DECISION

- (a) **NOTED the Pension Administration Performance for 2018/19 as set out in Appendix 1, to the report.**
- (b) **AGREED the inclusion of the Pension Administration Performance for 2018/19 in the Pension Fund Annual Report and Accounts 2018/19.**

6. TRAINING PLAN 2019/20

There had been circulated copies of a report by the Chief Financial Officer comparing the actual 2018/19 attendance for Pension Fund Committee and Pension Board members to the requirements detailed in the current Training Policy approved in June 2017. In line with this Policy, the Pension Fund agreed to undertake an annual Knowledge and Skills Self-Assessment to identify key areas for the future year's training plan and the report proposed key areas of training for 2019/20. The Training Knowledge and Skills Assessment undertaken in April 2019 were summarised in Appendix 2 to the report. The proposed training areas for 2019/20 were detailed in the report, for approval. Members were strongly encouraged to actively participate in all training events to demonstrate their commitment to enhancing the governance of the Pension Fund and to support effective decision making. In response to a question regarding members who had not attended the required number of meetings, Mrs Robb advised that they had all been reminded of their responsibility to attend meetings and to undertake training as required. Mrs Robb further advised that the two new members were progressing completion of the Pension Regulators Trustees Toolkit.

DECISION

(a) NOTED:

- (i) The Training Policy in Appendix 1 to the report;**
- (ii) The outcome of the 2018/19 training programme and the attendance levels for training and meetings; and**
- (iii) The outcome of the Knowledge and Skills Self-Assessment for 2019/20.**

(b) AGREED the training areas for 2019/20 set out in paragraph 6.2 of the report and that all members should prioritise attendance at training events wherever practicable.

7. BUSINESS PLAN 2019/20 - 2021/22

There had been circulated copies of a report proposing the Pension Fund Business Plan 2019/20 and 2021/22 be approved. Best practice suggested that having a Business Plan for the Pension Fund was a good way of demonstrating compliance with the "Myners Principle" relating to effective decision making. Appendix 1, to the report, contained the first Pension Fund Business Plan covering the period 2019/20 – 2022/22. The Business Plan 2019/20 – 2021/22 identified an Action Plan which would be delivered during the next three years to support the aims and objectives of the Pension Fund. Mrs Robb explained that the Action Plan included development of a Cessation Policy, reviewing the Fund's tax position and investigating the fund participating in stock lending.

DECISION

AGREED the Pension Fund Business Plan 2019/20 – 2021/22 as set Appendix 1 to the report.

8. RISK REGISTER UPDATE

With reference to paragraph 3 of the Minute of 7 March 2019, there had been circulated a report by the Chief Financial Officer which formed part of the risk review requirements and provided the Pension Fund Committee and Pension Board with a full register and proposed management actions to mitigate risks. Identifying and managing risk was a corner stone of effective management and was required under the Council's Risk Management Policy and process guide and CIPFA's guidance "Delivering Governance in Local Government Framework 2007". It was further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA. A full risk workshop was undertaken on 15 April 2019 with officers from relevant departments reviewing and updating the full risk review. The output of which was shown in Appendix 1 to the report. In line with the Council's Risk Management Policy (2018) a paper to be presented at the September 2019

meeting would report progress on the management actions and present any new risks for consideration. In response to a question regarding the reduction in staff, Mrs Robb explained that there was a total membership of 10,961 with 4,376 active members. The Fund was 114% funded and able to meet its requirements. Regarding automatic enrolment, Mrs Green advised that the Council were required by law to automatically enrol employees into the scheme, they could opt-out but the majority chose to remain in the scheme.

DECISION

AGREED:

- (a) **The updated Full Risk register as contained in Appendix 1, to the report; and**
- (b) **That an update on progress of management actions be presented in September 2019.**

9. BUDGET OUT-TURN TO 31 MARCH 2019

There had been circulated copies of a report providing the Pension Fund Committee and Pension Board with the budget out-turn position for the Pension Fund Budget to 31 March 2019. The Local Government Pension Scheme (Scotland) Regulation 2014 required administering authorities to ensure strong governance arrangements and set out standards they were to be measured against. To ensure the Fund met these standards the budget for 2018/19 was approved on 14 March 2018 following the standard presentation recommended by the CIPFA accounting guidelines. The report was the final quarterly report of the approved budget. The total expenditure to 31 March 2019 was £6.528m against a budget of £6.409m. The variance of £0.119m had resulted from increased manager fees, overtime within Pensions' administration and procurement costs. The Committee and Board discussed the report and requested that as part of the review of HR Shared Services, cognizance was taken of pension administration resource requirements.

DECISION

NOTED the actual expenditure against budget to 31 March 2019.

10. DRAFT ANNUAL REPORT AND ACCOUNTS 2018/19

There had been circulated copies of a report by the Chief Financial Officer presenting for consultation, the draft Annual Report and Accounts for the Pension Fund for 2018/19 prior to submission of the report to Audit & Scrutiny Committee and external auditors. The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specified the elements which must be contained in the Annual Report and Accounts, the list of these were contained in paragraph 4.1 of the report. The draft Report and Accounts, contained in Appendix 1 to the report, fully met these requirements. The draft Report and Accounts was still subject to statutory Audit, which would commence early July 2019. Following the statutory Audit process the final Report and Accounts would be circulated to the joint Committee and Board.

DECISION

NOTED the Pension Fund Annual Report and Accounts 2018/19, contained in Appendix 1 to the report, prior to submission to Audit and Scrutiny Committee on the 25 June 2019 and the subsequent statutory audit process.

11. INFORMATION UPDATE

- 11.1 There had been circulated copies of a briefing paper by the Pension & Investment Manager and HR Shared Services Team Leader providing Members with an update on a number of areas which were being monitored and where work was progressing. Full reports on individual actions would be tabled as decisions and actions were required. In summary:-

11.2 GMP Reconciliation

With reference to paragraph 5.2 of the Minute of 7 March 2019, the report advised that only 2% of fund members were still unreconciled.

11.3 Scheme Advisory Board

With reference to paragraph 4 of the Minute of 7 March 2019, it was noted that the Scheme Advisory Board had met on 24 April 2019. However, there was no minute of the meeting available.

11.4 Plastics RI Engagement

The Fund was working with Strathclyde Pension Fund and GES to discuss and take forward opportunities for responsible investment around plastics. Mrs Robb advised that officers were increasing collaboratively working to share best practice. In response to a question, Mrs Robb advised that the Fund would not be disinvesting from companies but encouraging them to improve and consider ESG requirements. Further updates would be provided.

11.5 Training Opportunities

It was noted that COSLA was hosting a training event on 3 September 2019. Baillie Gifford's Local Authority Training and Seminar event would take place on 9 – 10 October 2019. There were six places available and anyone interested should advise Mrs Robb by 26 June.

DECISION

NOTED the information update.

12. ITEMS LIKELY TO BE TAKEN IN PRIVATE

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 ground that they involved the likely disclosure of exempt information as defined in paragraphs 6 and 8 of the part 1 of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

13. MINUTE

The Committee noted the Private Minute of the meeting of 7 March 2019.

14. QUARTER INVESTMENT PERFORMANCE UPDATE

The Committee considered a private report by KPMG.

15. INFRASTRUCTURE PERFORMANCE

The Committee noted a private report by the Chief Financial Officer which updated on infrastructure investment made by the Fund under delegated authority.

The meeting concluded at 11.25 am.