

Public Document Pack



PENSION FUND COMMITTEE AND PENSION BOARD THURSDAY, 12 SEPTEMBER 2019

A MEETING of the PENSION FUND COMMITTEE AND PENSION BOARD will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST BOSWELLS on THURSDAY, 12 SEPTEMBER 2019 at 10.00 AM

J. J. WILKINSON,
Clerk to the Council,

5 September 2019

BUSINESS		
1.	Apologies for Absence	
2.	Order of Business	
3.	Declarations of Interest	
4.	Minute (Pages 5 - 16) Minute of Meeting held on 13 June 2019 to be noted and signed by the Chairman. (Copy attached).	5 mins
5.	Pension Fund Investment and Performance Sub-Committee (Pages 17 - 18) To note the Minute of the Pension Fund Investment and Performance Sub-Committee held on 24 June 2019. (Copy attached).	2 mins
6.	Pension Administration System (Pages 19 - 24) Consider report by Service Director HR and Communications. (Copy attached).	10 mins
7.	Risk Register Update (Pages 25 - 40) Consider report by Chief Financial Officer. (Copy attached).	5 mins
8.	Securities Lending (Pages 41 - 70) Consider report by Chief Financial Officer. (Copy attached).	10 mins
9.	Pensions Admission Policy (Pages 71 - 82) Consider report by Service Director HR and Communications. (Copy attached).	10 mins

10.	South of Scotland Enterprise Admission Request (Pages 83 - 86) Consider report by Service Director HR and Communications. (Copy attached).	5 mins
11.	Communication Strategy Review (Pages 87 - 90) Consider report by Service Director HR and Communications. (Copy attached).	5 mins
12.	Pension Fund Budget Monitoring To 30 June 2019 (Pages 91 - 94) Consider report by Chief Financial Officer. (Copy attached).	5 mins
13.	Responsible Investment Monitoring (Pages 95 - 106) Consider report by Chief Financial Officer. (Copy attached).	20 mins
14.	Information Update (Pages 107 - 110) Consider briefing paper by Chief Financial Officer. (Copy attached).	15 mins
15.	Any Other Items Previously Circulated	
16.	Any Other Items which the Chairman Decides are Urgent	
17.	Items Likely To Be Taken In Private Before proceeding with the private business, the following motion should be approved:- "That und Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 8 of Part 1 of Schedule 7A to the aforementioned Act."	
18.	Minute (Pages 111 - 112) Private Section of Minute of Meeting held on 13 June 2019 to be noted and signed by the Chairman. (Copy attached).	2 mins
19.	Pension Fund Investment and Performance Sub-Committee (Pages 113 - 116) Private Section of Minute of Meeting held on 24 June 2019 to be noted and signed by the Chairman. (Copy attached).	2 mins
20.	Quarter Performance Update (Pages 117 - 158) Consider report by KPMG. (Copy attached).	35 mins

NOTES

1. **Timings given above are only indicative and not intended to inhibit Members' discussions.**
2. **Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.**

Membership of Committee:- Councillors D. Parker (Chairman), J. Brown, G. Edgar, C. Hamilton, D. Moffat, S. Mountford, S. Scott, S. Aitchison, Mr E Barclay, Mr M Drysdale, Mr M Everett, Ms K M Hughes, Ms L Ross, Ms C Stewart and Ms H Robertson

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Email: Judith.Turnbull@scotborders.gov.uk

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**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 increasingly 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.

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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 increasingly 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.

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**SCOTTISH BORDERS COUNCIL
PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**

MINUTES of Meeting of the PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE held in KPMG, Saltire Court, 20 Castle Street, Edinburgh on Monday, 24 June 2019 at 1.30 pm

Present:- Councillors D Parker (Chairman), J Brown, G Edgar, C Hamilton, D Moffat, S Mountford and Ms L Ross.
Apologies:- Councillor S Scott, Ms K M Hughes.
In Attendance:- Chief Financial Officer, Pension & Investments Manager, Mr D O'Hara (KPMG), Mr T Hodgson (KPMG) and Democratic Services Officer (J Turnbull).

1. **MINUTE**

The Committee noted the Minute of the meeting of 25 February 2019.

DECISION

NOTED for signature by the Chairman.

2. **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 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

3. **PRIVATE MINUTE**

The Sub-Committee noted for signature the Private Minute of 25 February 2019.

4. **QUARTER PERFORMANCE UPDATE TO 31 MARCH 2019**

The Committee received a Manager Briefing Paper by KPMG.

5. **PRESENTATION - MORGAN STANLEY**

The Committee noted a presentation by Morgan Stanley. .

6. **PRESENTATION - MACQUARIE INFRASTRUCTURE DEBT**

The Committee noted a presentation by Macquarie Infrastructure Debt.

7. **PRESENTATION - BAILLIE GIFFORD**

The Committee noted a presentation by Baillie Gifford.

The meeting concluded at 5.00 pm

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PENSIONS ADMINISTRATION SYSTEM

Report by Service Director HR and Communications

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 **This report seeks approval to delegate the responsibility for the procurement of the Pensions Administration System for the Scottish Borders Council Pension Fund to the Chief Financial Officer.**
- 1.2 Lothian Pension Fund carried out a full tender exercise for the Pensions Administration system and Scottish Borders Council Pension Fund expressed an interest in being included with a view to using the same terms and conditions following the outcome of the tender exercise and appointment of the preferred supplier.
- 1.3 Aquila Heywood were the preferred bidder and they are our current supplier, therefore, we will be looking to enter into a new contractual relationship with the supplier. Costs for the procurement and implementation of the additional functionality for the Pensions Administration System will be capped at £815,610 over the following five years. Officers are continuing discussions with the supplier in an effort to reduce these costs.
- 1.4 The system is an essential administrative tool that supports the provision of a high quality administrative service for the Pension Fund, allowing the Fund to continue to address the complexity of legislative changes that have been added in recent years without the need to review staffing levels.
- 1.5 This provides us with an opportunity to implement a modernised application with the functionality to provide an improved experience and service for members of the Pension Fund, through the implementation of Members Self Service functionality which addresses a deliverable from the Business Plan and Communication Policy previously agreed.
- 1.6 The additional of i-Connect will streamline processing of all starters, leavers and changes, along with the removal of the annual return, which in turn will be an improved experience for employers and lead to more accurate up to date information being available for members using the Members Self Service functionality.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Pension Fund Committee and Board:**
- (a) **Approves the delegation of responsibility for the procurement of the contract renewal for the Aquila Heywood Pensions Administration System to the Chief Financial Officer, with costs restricted to a maximum of £815,610 over the five year term of the contract, including implementation costs for the new functionality.**

3 BACKGROUND

- 3.1 The Pensions Administration Team, within HR Shared Services, currently uses the Aquila Heywood Altair system to assist with the administration of the Scottish Borders Council Pension Fund. The current contract was signed on 26 March 2014 for a period of five years with the option to extend for a further two years on a year on year basis.
- 3.2 Lothian Pension Fund carried out a full market test of the Pensions Administration System market during 2018 and Scottish Borders Council Pension Fund, along with others, expressed an interest on being listed on this procurement. As a result of the Lothian procurement not being concluded by the end of our initial five year agreement a one year extension of the current contract was invoked, taking us through until 26 March 2020 with the option to extend for one further year still being available.
- 3.3 The Lothian Pension Fund tender exercise has now been concluded and the preferred bidder was Aquila Heywood. On the back of this officers have commenced discussions with Aquila Heywood over the contractual renewal looking to take advantage of the Lothian tender process.
- 3.4 The current annual costs for the provision of the administration system are as follows: -

	Annual Value
Altair LGPS	£72,273
Hosting Service	£43,724
CLASS Development Fee	£1,000
Microfocus Licence	£1,220
Total Value (exc VAT)	£118,217

The application is fully hosted by Aquila Heywood removing the need to contract with CGI over the ongoing maintenance and upfront provision of servers. This also provides us with a test instance to carry out system testing prior to promoting changes, such as software updates, to the live environment and Aquila Heywood are responsible for the availability of the system in the event of a disaster recovery situation.

The Microfocus Licence is required by users of the system, due to the need to install operating software on individual computers.

- 3.5 The Procurement Team have been consulted on the approach being taken for the extension of the contract for the Pensions Administration System

and will continue to do so, along with colleagues from Legal, as we look to review and sign off on the terms and conditions.

- 3.6 It is worth noting that all LGPS Pension Funds in Scotland are currently contracted with Aquila Heywood for the provision of the Pensions Administration System with Funds using different elements of the overall product, for example Payroll processing.
- 3.7 Aquila Heywood will continue to be responsible for interpreting all regulatory changes for the administration of the Local Government Pension Scheme in Scotland and ensuring that the system is configured to deal with such changes.
- 3.8 The Pension Fund will continue to be members of the CLASS group, which operates for the benefit of all Heywood customers and allows for the sharing of any costs arising from developments such as those mentioned at 3.7 above.

4 PROPOSAL

- 4.1 Scottish Borders Council Pension Fund to utilise the Lothian Pension Fund route to renew the contract with Aquila Heywood for the provision of the Pensions Administration system.
- 4.2 The contract renewal to include the latest available version of Member Self Service allowing the Fund to meet the requirements of the Business Plan and Communication Policy as previously approved by the Committee and Board.
- 4.3 The provision of Members Self Service will give an enhanced offering to members of the Pension Fund allowing them to run benefit calculation quotes themselves reducing the requirement for staff within the pension's administration team to carry out these calculations. Additionally, members will be able to view their Annual Benefit Statements online removing the need to go through the time consuming and costly exercise of producing and distributing these on an annual basis. Implementation will deliver an improved experience for members as outlined within the Communication Policy.
- 4.4 The Pensions Regulator issued a requirement to provide information on data quality on an annual basis in 2018, this requires the running of various extract reports from the administration system from which a measure is applied. Aquila Heywood are able to run these reports and provide the measures and rectifications that are required. Officers have requested that this be included within the proposal for the contract renewal, the report for 2018 was produced by Aquila Heywood on a one year basis as we looked to renew the contract.
- 4.5 Aquila Heywood also provide functionality that allows the transfer of Starters, Leavers, Changes and monthly CARE figures from employers to the Pension Fund. Officers have requested that this be included within the contract renewal. Provision of this i-Connect functionality will streamline administration processes, provide up to date information for member on a monthly basis making quotation run through Members Self Service more accurate and removes the need for employers to provide annual returns, which in turn reduces the workload for the pensions administration team in the lead up to the production of the Annual Benefit Statements.
- 4.6 The proposal from Aquila Heywood also includes a move to a cloud hosted solution, which will be at no additional cost to the Fund. With benefits including the creation of a more secure and resilient solution, improved

connectivity resulting in a more robust and stable connection to the hosted service.

- 4.7 That responsibility for the procurement of the contract renewal for the Aquila Heywood Pensions Administration System be delegated to the Chief Financial Officer, with costs restricted to those stated at 5.1 below for the five year duration of the contract.
- 4.8 The Lothian framework includes an option to extend for a further five years based on existing terms and conditions. If this is to be exercised a further report will be brought to the Pension Fund Committee and Board at that time.
- 4.9 That officers continue to negotiate directly with the supplier in order to achieve a reduction in the costs quoted and commit to terms and conditions that meet the objectives and priorities of the Pension Fund and Employer bodies.
- 4.10 Once the contract has been signed off officers will develop an implementation plan with a view to having Member Self Service implemented as the priority as this will provide the greatest return on investment and improved member experience.

5 IMPLICATIONS

5.1 Financial

- (a) The costs and benefits attached to the proposal are to be formally confirmed as negotiations with the supplier continue. However, there will be an increase in licence costs on an ongoing basis as the Fund looks to enhance available functionality and improve member and employer experience. The total costs for the proposed five year contract and implementation of the additional functionality are £815,610, subject to indexation on an annual basis for the support and maintenance.
- (b) The support and maintenance costs of £144,627 per annum are based on the quotation formally submitted by Aquila Heywood and do not take account of any ongoing discussions with them over costs. This represents an increase of £26,410 per annum, directly attributable to Member Self Service, i-Connect and Data Quality reporting, £132,050 over the five year period of the contract, subject to indexation on an annual basis.
- (c) The implementation of the Member Self Service functionality will, amongst other functions, allow the Fund to provide online Annual Benefit Statements, thus reducing the administration cost of preparing, printing and posting these on an annual basis. The cost of postage alone for this year being £5,610. The Member Self Service functionality will also allow the Fund to improve communication with all members and allow them to run their own estimates, reducing the time spent by the pension administration team in carrying out this process. As reported in the Pensions Administration Performance for 2018/19 there were 1,036 estimates produced by staff within the administration team. The impact of this additional functionality will be monitored to determine an appropriate timeframe to consider the impact on staffing resource
- (d) The one-off implementation costs from Aquila Heywood associated with Licence Fees, Member Self Service and i-Connect have been discounted from the standard rate and are quoted as £92,475.

5.2 Risk and Mitigations

By agreeing to the proposal the Pension Fund will demonstrate steps taken to continue to address the following risks, as highlighted in the Pension Fund Risk Register:

- Failure to process pension payments and lump sums on time (5.3)
- Inability to keep service going due to loss of main office, computer system or staff – major operational disruption (5.3)
- Failure to hold personal data securely (5.5)
- Failure to comply with LGPS and other regulations (6.1)

The renewal of the contract for the Pensions Administration System will ensure that the Fund has a fit for purpose system and infrastructure to meet the challenges of the ever changing complexities surrounding pensions.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which could affect the Council's sustainability.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, Service Director Human Resources, Communications and the Clerk to the Council have been consulted and any comments have been incorporated into the final report.
- 6.2 The Procurement Team have also been consulted and their comments have been incorporated into the final report.

Approved by

Clair Hepburn
Service Director HR and Communications

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager 01835 826696

Background Papers:**Previous Minute Reference: Pension Fund Committee and Board 13 June 2019**

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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RISK REGISTER UPDATE

Report by Chief Financial Officer

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

13 September 2018

1 PURPOSE AND SUMMARY

- 1.1 **This report forms part of the risk review requirements and provides the Members of the Pension Fund Committee and Pension Board with an update of the progress of the actions taken by management to mitigate these risks, a review of any new risks and highlights changes to any of the risks contained in the risk register.**
- 1.2 Identifying and managing risk is a corner stone of effective management and is required under the Council's Risk Management Policy and process guide and CIPFA's guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 1.3 A full risk review was undertaken on 15 April 2019 and the revised risk register was approved by the Joint Pension Fund Committee and Pension Fund Board on 13 June 2019.
- 1.4 Appendix 1 details the risks within the approved risk register which have been identified management, actions and the progress of these actions to date.
- 1.5 With the possible deadline for the withdrawal of the UK from membership of the EU without an agreed deal drawing closer, guidance has been issued by the Pension Regulator and the Pensions and Lifetime Savings Association on the actions Pension funds should consider to prepare for this eventuality. The fund has reviewed these documents and para 5.5 details the actions taken.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Committee and Board:**
 - (a) **Note the management actions progress as contained in Appendix 1;**
 - (b) **Notes the work undertaken in preparation for the UK potentially exiting the EU without an agreed deal**
 - (c) **Notes no new quantifiable risks have been identified since the last review; and**
 - (d) **Agrees to a key risk review being undertaken in December 2019 and reporting of progress on the risk management actions.**

3 BACKGROUND

- 3.1 Identifying and managing risk is a corner stone of effective management and is required under the CIPFA guidance "Delivering Governance in Local Government Framework 2007". It is further reflected and enhanced in the "Local Government Pension Scheme" published by CIPFA.
- 3.2 The Risk Register has been developed in line with the Council's approach to risk management as set out in the "Risk Management process guide" and assesses risks using a risk score based on likelihood and impact. It has been further refined to reflect best practice "Managing Risk in the Local Government Pension Scheme" published by CIPFA.
- 3.3 The Pension Fund's Business Plan 2019/20 – 2021/22 was approved on 13 June 2019, setting out the aims and objectives of the Pension Fund. These aims and objectives recognised in the formation and approval of the Pension Funds risk register.
- 3.4 The Council's revised Risk Management process guide uses the following risk scoring:

Level of risk	Risk score
RED	High – Risk Score Range 15-25
AMBER	Medium – Risk Score Range 6 – 12
GREEN	Low – Risk Score Range 1 - 5

- 3.5 To comply with the Council's revised policy of risk management and best practice, a Risk Management reporting cycle was developed around the performance and business plan reporting of the Pension Fund. As a result the following cycle of reporting was adopted:

- | | |
|-------------|---|
| Quarterly | <ul style="list-style-type: none">Quarterly Investment Performance Report;Key risks, escalation of any risks that are perceived to have changed adversely and any new risks need to be considered by the Committee;Update on progress of risk management action delivery. |
| Bi-Annually | <ul style="list-style-type: none">Mid-Year Progress report on Business Plan Actions;Key risks, escalation of any risks that are perceived to have changed adversely and any new risks need to be considered by the Committee;Update on progress of risk management action delivery. |
| Annually | <ul style="list-style-type: none">Annual Governance Meeting with Annual Report and Policy/Strategy Performance Reports;Annual reporting on progress with Business Plan and approval of updated Business Plan;Annual reporting on progress with Risk Management Actions and approval of fully reviewed Risk Register including consideration of any new risks. |

4 RISK REGISTER UPDATE

- 4.1 A full risk workshop was undertaken on 15 April 2019 by Officers in order to ensure that the risk register's contents were still relevant and up-to-date. The outcome of the workshop was then considered and approved at the Committee/Board meeting on 13 June 2019. This report provides the quarterly review of the risks identified and the progress of mitigating management actions.
- 4.2 The progress of the individual management actions identified in the current risk register is detailed in Appendix 1.
- 4.3 No new risks have been identified.

5 BREXIT

- 5.1 On 23rd June 2016 the UK voted to leave the European Union. Discussions have been ongoing since to try and reach agreement of how this will done. The final outcomes and timing of the UK's departure from the EU ("Brexit") remain uncertain. At the time of writing it is unclear given recent political developments whether the likelihood of the UK leaving the EU by end of October 2019 without an overarching agreement.
- 5.2 Pension Funds are long term investors who due to the timescales of their liabilities do not focus on the short term market. Good governance however requires funds to be aware of those key risks which could affect the performance of the fund and to look where possible to manage these risks.
- 5.3 Due to the high degree of uncertainty associated with Brexit, the ability to manage these risks is limited. The Pension Regulator has however recently issued some key guidance which pension funds can use to assist them.
- 5.4 The Pension Regulator and Pensions and Lifetime Savings Association (PSLA) have issued briefing notes highlighting the key areas Pension Funds should consider when preparing for Brexit. The briefing notes are contained in Appendix 3 and 4.
- 5.5 The table below summaries the key actions recommend by PSLA and the actions undertaken by the fund on these areas

Recommend areas	Action Undertaken
Read The Regulators Statement To ensure Trustees aware of TPR published statement on Brexit	Attached in Appendix 2
Review Employer covenant Review sponsoring employers situation and possible impact on support of scheme	Scottish Borders Council is the main employer representing 82% of the fund. SBC will continue after BREXIT as a going concern and has no trading out-with UK. 7% of the remaining employers have been reviewed and it is not anticipated their ability to function as a going concern will be affected by Brexit. There is only one fund employer which represents 0.4% who trades out with the UK.

<p>Check impact on liabilities Low interest rates and quantitative easing mean DB liabilities remain high.</p>	<p>Liabilities are reviewed on a quarterly basis within the Investment Performance monitoring reports. The Fund is currently in a surplus funding position. This will be fully evaluated in the next triennial valuation in 2020.</p>
<p>Review valuation assumptions & funding level Market conditions may throw up questions if valuations are not current</p>	<p>Valuations are received from Fund Managers on monthly or quarterly basis. The fund is currently in a surplus position. This will be fully evaluated in the next triennial valuation in 2020.</p>
<p>Check for opportunities to de-risk Buy out prices for DB schemes</p>	<p>The investment review in September 2018 undertaken by the pension fund committee approved measures to de-risk the Fund reducing investments in equities and spreading this risk by investing in a range of more illiquid assets agreed over geographical areas. The longer term view of was the main consideration.</p>
<p>Review Investment strategy Investment strategy still fit for today's market conditions</p>	<p>The Investment strategy reviewed in September 2018 resulted in the further diversification of the fund. This diversification ensures the fund has spread the risk of any individual asset class, geographical location or sector being adversely or positively affected.</p>
<p>Review hedging arrangements Impact on value of collateral under derivatives contracts</p>	<p>The Fund in conjunction with the Investment Advisor has reviewed the diversification and overseas currency exposure. Due to the long term nature of the fund, the level of diversification and the costs involved, hedging has not been undertaken at this time. The Fund, in consultation with its investment Advisor, will continue to keep the approach to hedging under review.</p>
<p>Review overseas investments Uncertainty on investments, contingent assets and investment vehicles in other countries.</p>	<p>The Fund has reviewed its exposure to overseas investments in conjunction with the Investment Advisor and believes the fund to be suitably diversified. The position will continue to be monitored as the BREXIT process progresses.</p>

Remain vigilant for scams	Information is available on the Pension Fund website and pension fund members requesting transfer information are directed to this. Fund members are reminded they must take financial advice from a registered financial advisor.
Reassure Members	This report is publically available and demonstrates to Members the fund has taken due consideration and action for BREXIT. This table is also published as news item on Pension Fund Website.

6 IMPLICATIONS

6.1 Financial

There are no direct financial implications of this report.

6.2 Risk and Mitigations

The purpose of providing the update to the Committee and Board is to improve the risk management framework for the Pension Fund and demonstrate that the Members of the Pension Fund Committee and the Pension Board understand the risks faced and how it is proposed to manage, mitigate or tolerate these risks. The Additional Proposed Actions as contained in Appendix 1 are designed to directly enhance the management of risks.

6.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

6.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

6.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No Changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report

7 CONSULTATION

- 7.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
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Background Papers:

Previous Minute Reference: Pension Fund Committee and Pension Board 13 June 2019

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Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 12/09/2019
1.1	Asset & Investment	Failure to achieve the target investment returns set out in the Statement of Investment Principles over the longer term may lead to significant increased employer contribution rates and costs of implementing changes to the investment strategy.	Inappropriate strategic asset allocation for Fund's requirements; Inappropriate investment approaches within asset class; Underperformance/ negative investment returns from investments under management; Significant and sustained market and economic events creating adverse movements in valuations; Investment Strategy inconsistent with Funding Strategy.	Significant rises in the employer contributions; Costs involved in implementing changes to investment strategy; Funding Deficit for Fund.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Continual monitoring of investment performance; Engagement with Investment Adviser to update investment strategies and periodic review of strategic asset allocation; Scrutiny of Investment Manager performance by Investment & Performance Sub-Committee; Actuary reports included element of prudence. TREAT - Enhance officer role in monitoring of investment returns to enable more timely action to be taken. Encourage more thorough challenge of Advisers and Fund Managers.	Effective	4	3	12	Training requirements being actioned as part of Training plan to ensure have required skills and knowledge to enable challenge. Performance reporting information agreed with Northern Trust and KPMG.
1.4	Asset & Investment	Failure to take expert advice or risk of poor investment/actuarial advice may lead to the Fund's assets not being properly managed resulting in inappropriate investment decisions and poor returns and/or insufficient funding levels	Committee ignores advice provided by expert adviser; External adviser provides inappropriate/inaccurate/ insufficient advice to Committee/Officers.	Wrong or inappropriate decisions resulting in inadequate investment returns and/or insufficient funding levels potentially increasing employers contribution rates.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Robust procurement processes around the recruitment and appointment process; Investment Adviser in place and performance reviewed annually Benchmark performance against other LAs; Regular benchmarking and cross verification of advice with other LAs through Local Govt. Pension Scheme(Scotland) Investment & Governance Group; Other info sources and discussions with non-Fund investment managers/advisers to validate advice and performance of Fund; Pension Fund Board provides scrutiny role TREAT Ongoing training for elected members of the Pension Board and Committee	Effective	4	2	8	Training requirements being actioned as part of Training plan to ensure have required skills and knowledge to enable challenge.
1.9	Asset & Investment	Investment Strategy is inconsistent with Funding Strategy may lead to the fund not being managed properly through setting employer contribution rates incorrectly resulting in the future liabilities of the Fund not being able to be covered by its assets and requiring employers to increase contribution rates to address any funding gap.	Investment Strategy for Fund set without appropriate consideration of the requirements of the Funding Strategy	future liabilities of the Fund not being able to be covered by its assets; Employers increase contribution rates to address any funding gap.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Full actuarial valuation undertaken on Triennial basis. Funding Strategy Statement and Statement of Investment Principles updated and approved at the same time. As part of this assess requirement for Investment strategy to be reviewed and updated accordingly. TREAT - Undertake a full investment strategy review following 2020 valuation.	Effective	2	2	4	Work to commence November 2019 in preparation for the 2020 valuation
2.2	Employer	Adoption of either an inappropriately slow or rapid pace of funding rates for different employers may result in improper management of the Fund and result in inappropriate employer contribution rates and a possible shortfall in assets to cover the employer's liabilities.	Failure by employer to notify the fund of significant changes of membership.	Improper management of the Fund; Inappropriate employer contribution rates and a possible shortfall in assets to cover the employer's liabilities.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Full actuarial valuation undertaken on Triennial basis, 2017 valuation completed; Review Pooling arrangements at each Valuation and implement appropriate de-pooling e.g. SBHA & CGI to reflect employer situations; Annual declaration made by each Employer for forthcoming changes Ensure full reporting of options are presented to the Committee and Board when employer circumstances change to ensure decision making fully informed. TREAT Undertake next valuation for 2020	Effective	2	2	4	Hymans Robertson to attend November meeting in preparation for 2020 valuation

Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 12/09/2019
2.3	Employer	Failure of a Scheme Employer may lead to a shortfall in the funding levels of whole Fund resulting in increases for all other employers contributions	Scheme employer ceasing to operate	Shortfall in fund as a whole with increases required in all other employers contributions	Ongoing	Pension Fund Committee/ Chief Financial Officer	Full actuarial valuation undertaken on Triennial basis; Bonds in place for Amey, and Council agreement in place for Live Borders CGI and SB Cares; Guarantee in place with SG for Visit Scotland; Contribution rates based on open/closed status of employer; Updated Admission Agreement and formal consideration of support at initial set up now implemented; Movement to closed scheme requires actuarial review, results then implemented. TREAT - Development of cessation policy.	Effective	3	2	6	Currently being developed will be presented to Committee 29th November 2019
3.2	Resources & skills	Failure to provide appropriate training and support and/or secure Board/Committee Member engagement in Training Programme may lead to ineffective management of the Fund as a result of poorly informed decision making.	Availability of members to attend training; Inappropriate training programme.	Ineffective management of the Fund as a result of poorly informed decision making.	Ongoing	Pension Fund Committee/ Chief Financial Officer	Approved Training Policy; Training assessment informs the annual training plan; Training opportunities are made available to members of Board and Committee; Members have access to External Adviser and Council Officers to help advise and inform them in relation to decisions taken by the Committees; Access to the Pension Regulator's website; Participation in training is published in Annual Report. All new members required to complete Trustee Toolkit within 6 months of joining Committee or Board TREAT - annual monitoring and reporting undertaken	Effective	3	3	9	Annual review completed and findings reported 6 June 2019. Annual training plan approved 6 June 2019 to address required training areas
3.5	Resources & skills	Failure of Officers to maintain sufficient level of competence to discharge their duties could lead to failure to manage the Fund effectively as a result of their inability to provide appropriate decision making support and advice.	Changes in legislation; New investment types and vehicles; Lack of documented procedures.	Failure to manage the Fund effectively.	Ongoing	Chief Financial Officer/ Service Director of HR	Use of External Advisers provides additional resilience and resources; Competency appraisal process implemented to identified training and development requirements; Active participation in Scottish Investments and Governance Group (IGG) and Scottish Pensions Liaison Group; Procedural notes completed Regular engagement with external Investment Managers to supplement knowledge. TREAT - Improvement in quality of procedure notes for officers. Implementation of Competency Framework for all staff	Partially Effective	2	3	6	Procedural notes being implemented for Business World processes. Wider process reviews are being processed by Admin. Competency Framework to be implemented for all staff upon official launch of Framework and appraisal process
4.5	Liquidity	New pension access reforms ("freedom of choice") may lead to pension fund members electing to transfer all or part of their pension entitlement much earlier than projected resulting in the potential for a significant change in the liability profile for the Fund.	Changes in legislation and increase in awareness.	Requirement to release large amounts of cash to members; Disinvest current assets in a much more unplanned manner with the potential to disadvantage the Funding position; Scheme sanction charges for any transfer to unapproved scheme.	Ongoing	Chief Financial Officer/ Service Director of HR	Requests for transfers are currently mitigated by obtaining enhanced levels of indemnity for the members, the receiving scheme and written confirmation of the scheme approval from HMRC; Monitoring will be undertaken during the year and reported to Members as part of the annual report. With effect from 1 April 2015 members with funds in excess of £30k must receive professional advice from a Financial Conduct (FCA) regulated adviser, includes signed declaration by individual; Continue to monitor ongoing legislation around this area. Communication Strategy agreed and website launched TREAT - Review and watch to be placed on advice and guidance issued from The Pension Regulator and Government.	Effective	2	2	4	Continue to monitor advice and information from The Pension Regulator and Government bodies.

Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 12/09/2019
5.3	Administrative	Failure to provide pensions administration service due to major operational disruption could lead to inability to provide a high quality pension service to members	Loss of main office; Computer system; Staff absence.	Ability to process payments on time; Financial distress to members; Reputational risk.	Ongoing	HR Shared Services Manager	Robust business continuity processes in place across the Council around key business processes, including a disaster recovery IT site. Reviewed regularly. Pensions Administration System is hosted system, along with Windows 7 provides improved ability for homeworking; TREAT - in line with core HR risk review full business continuity review to be undertaken.	Effective	2	3	6	Work to commence on business continuity review
5.4	Administrative	Failure to prevent fraud or misappropriation by scheme member, employee or scheme employer within the Fund may lead to loss of funds.	Lack of monitoring; Lack of segregation of duties.	Inability to provide a high quality pension service to members; Financial loss to the Fund; Impact on benefits paid to members.	Ongoing	HR Shared Services Manager	Robust segregation of duties and other internal controls to mitigate against this risk; Immediate action taken upon discovery of fraud; Internal & External Audit programme also picks up the monitoring of this risk. TREAT - to request from each External Employers audited accounts to provide assurance on their internal controls	Effective	2	2	4	Annual assurance review requests scheduled to be issued November 2019.
6.1	Regulatory & Compliance	Failure to administer and manage Fund in line with requirements of legislation and other regulations e.g. LGPS regulations, HMRC may lead to benefits calculated incorrectly and/or breach legislation	Changes to legislation; Lack of staff training; Lack of knowledge and skills	Wrong pension payments made or estimates given; Breach of regulations; Prosecution.	Ongoing	HR Shared Services Manager/ Capital & Investments Manager	Compliance with new accounting standards and pension fund regulations are subject to robust internal and external audit review and reporting; Participation in the active Scottish Pensions networks and CIPFA updates; External Audit review extends beyond financial controls; Pension Board review of decisions; PRD process implemented to identify training and development requirements. TREAT - Implementation of Competency Framework to all staff	Effective	2	2	4	Competency Framework to be implemented for all staff upon official launch of Framework and appraisal process
6.2	Regulatory & Compliance	Changes in legislation and other regulatory frameworks may impact adversely on the Fund in terms of funding levels and governance structures	Central Govt. legislation changes.	Loss of independence in the management of the Fund; Impact on Fund value and benefits; Increased costs to the Fund, employer contributions; Potential loss of active scheme members.	Ongoing	Chief Financial Officer/ Service Director of HR	Participation in active CIPFA and Scottish Pension network allow changes and impacts to be identified quickly; Involvement with COSLA discussions on Pensions; Monitoring and highlighting actions and decisions from scheme advisory board; TREAT Seek to input into any of the legislative change through active membership of COSLA;	Partially Effective	4	4	16	Responding to all consultations and participating in all national groups. Chief Financial Officer active member of Director of Finance group. Monitoring Scheme Advisory Board web site on monthly basis
6.3	Regulatory & Compliance	Failure to produce accounts, notices and publications correctly or on time resulting in inability to manage the fund effectively and compliantly.	Lack of capacity; Conflicting operational demands, including Transformational activity.	Accounts qualified by External Auditors; Referral to Pensions Regulator or Scheme Advisory Board	Ongoing	Corporate Finance Manager	Compliance subject to robust internal and external audit review and reporting; Participation in the active Scottish Pensions networks; Staff training requirements identified via PRD and attendance at appropriate training events. TREAT - Implementation of Competency Framework to all staff	Effective	2	2	4	Competency Framework to be implemented for all staff upon official launch of Framework and appraisal process
6.5	Regulatory & Compliance	Changes in LGPS Structures	Review by Scheme Advisory Board on LGPS structures	Fund may cease to exist, assets may be pooled, Administration could be pooled	Ongoing	Chief Financial Officer	Monitoring of political position via Scheme Advisory Board TREAT - Actively engage with Scheme Advisory Board and consultants undertaking review	Partially Effective	3	4	12	Minutes of SAB tabled as meetings for information when available
7.3	Reputation	Failure to appoint relevant advisers and review their performance may lead to inappropriate management of the Fund resulting from poor advice to decision makers	Lack of capacity of Officers to monitor.	Failure to achieve Pension Fund objectives; Inappropriate management of the Fund resulting from poor advice to decision makers; Legal challenge	Ongoing	Chief Financial Officer/ Service Director of HR	Identify requirements of external advisers and appoint appropriately. Annual review undertaken with Investment Advisor and Custodian. TREAT - Implement annual review of Advisers;	Effective	2	2	4	Review meetings scheduled for Oct 2019

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Pension Fund - Full Risk Register

APPENDIX 1

No.	Category	Risk	Risk Factor/Cause	Effect/Consequences	Proximity	Risk Owner	Controls		Current Risk			Progress
							Current Controls	Control Assessment	Impact	Likelihood	Score	Actions as at 12/09/2019
7.6	Reputation	Pension Fund does not fulfil its fiduciary duties with appropriate regard with its ESG responsibilities	Lack of skills & knowledge Lack of information from Managers Lack of clear policy	Failure to manage the Pension Fund properly; Financial loss; Reputation damage.	Ongoing	Chief Financial Officer	Training provided to Members and Officers on their roles and fiduciary responsibility; Monitoring on quarterly basis of Segregated Portfolios voting Policy contained with Statement of Investment Principles including support for UNPRI. Responsible Investment policy approved TREAT- monitoring arrangements to be implemented	Partially Effective	2	2	4	First annual monitoring report presented to Committee/Board 12 Sept 2019



Prepare your DB scheme for Brexit

Trustees of defined benefit (DB) pension schemes should focus on areas such as investment, employer covenant and administration as the UK prepares to leave the EU.

We expect trustees to focus on the areas below as well as any other scheme-specific issues.

Investment

Pensions are long-term investments. Although market volatility may affect your scheme's funding position, try to avoid making any knee-jerk decisions and not focus too much on short-term market movements.

Where you have concerns over the short-term performance of your scheme investments, you should ask your investment adviser to explain any such changes in the context of your schemes' overall investment strategy.

Your investment adviser should help you understand the potential risks to your scheme investments from Brexit and whether specific actions or mitigations are appropriate.

You should already be reviewing your scheme's position and scenario planning as part of your ongoing integrated risk management (IRM). But if it's been a while, [read our IRM guidance](https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/funding/integrated-risk-management) (<https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/funding/integrated-risk-management>)

to make sure you're fully prepared.

Employer covenant

The impact of Brexit on your sponsoring employer may vary according to, for example:

- the industry sector they are in
- how exposed their particular business is in respect of the UK's decision to leave the EU
- the nature of the UK's future relationship with the EU and other countries.

Speak to your covenant adviser if you have concerns about the impact of Brexit on the employer.

You should be having open and collaborative discussions with your sponsoring employer about deficit repair contributions (DRCs) and how they may change. If the employer proposes to reduce DRCs we would expect you to test whether this is the right thing to do.

You should take into account the impact on both the scheme and the **employer covenant**

(<https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/funding/employer-covenant-overview>)

. This should include assessing whether the reduction is necessary, ensuring that other stakeholders are being treated fairly, that dividends are not proposed and that security is offered as mitigation for reductions in DRCs where this is available.

For more information on making sure your scheme is treated fairly,

read our latest annual funding statement

(<https://www.thepensionsregulator.gov.uk/en/document-library/statements>)

Operations and administration

Read the Department for Work and Pensions guidance on pensions and benefits in the event of 'no deal' in respect of **EU citizens in the UK**

(<https://www.gov.uk/guidance/eu-citizens-in-the-uk-benefits-and-pensions-in-a-no-deal-scenario>)

and **UK nationals in the EU**

(<https://www.gov.uk/guidance/uk-nationals-in-the-eu-benefits-and-pensions-in-a-no-deal-scenario>)

Make sure you understand the impact of Brexit on any key services to your scheme that are provided from the EU or by firms that are themselves exposed to the EU, eg asset management.

Speak to your administrator to make sure that nothing will interrupt the payment of benefits across the EU border.

Member communications

Some members, especially those resident in the EU, may be nervous about the impact of leaving the EU on their pension savings. They may contact you or the administrator for further information. Talk to your administrator and make sure they are prepared to answer queries.

You should be prepared to explain clearly to your members the work you have done to understand how Brexit may impact your scheme and the steps you have taken to address these issues.

Encourage your members to contact **Pension Wise**

(<https://www.pensionwise.gov.uk/en>)

(if they're over 50) or **The Pensions Advisory Service**

(<https://www.pensionsadvisoryservice.org.uk/>)

for free and impartial guidance.

THE PENSION TRUSTEE'S BREXIT TO DO LIST

A PLSA briefing note

THIS NOTE SETS OUT TEN ACTIONS THAT TRUSTEES SHOULD TAKE TO ENSURE THEIR SCHEME IS WELL-PLACED TO DEAL WITH BREXIT.

- 1. READ THE REGULATOR'S STATEMENT**
The Pensions Regulator has published a useful [statement on Brexit](#) – essential reading for trustees of DB schemes.
- 2. REVIEW YOUR EMPLOYER COVENANT**
You should review your sponsoring employer's situation and any impact on its support for your scheme – either in terms of DB funding or contributions to DC pots. Discuss with the sponsor whether its prospects are affected by the uncertain economic climate or by shifts in currency and other markets – particularly if the company trades internationally. Then discuss with fellow trustees what this means for the scheme.
- 3. CHECK THE IMPACT ON DB LIABILITIES**
Continuing low interest rates and Quantitative Easing mean DB liabilities remain high. Ensure you understand the impact on your scheme.
- 4. REVIEW VALUATION ASSUMPTIONS AND FUNDING LEVEL**
Again, new market conditions throw up questions about whether your valuation is still current. Check with your advisers. Review how points 2, 3 and 4 affect your overall funding level.
- 5. CHECK FOR OPPORTUNITIES TO DERISK**
Buy-out prices for DB schemes are now more attractive. Check with your advisers whether now is the time to remove some risk from your scheme.
- 6. REVIEW YOUR INVESTMENT STRATEGY**
For DB schemes, is your investment strategy still fit for today's market conditions? Are there opportunities to purchase assets at cheaper prices? Check with your investment advisers. For DC schemes, is your default fund suitably diversified so as to protect members from any shock to the UK or European economy?
- 7. REVIEW YOUR HEDGING ARRANGEMENTS**
Check whether there has been an impact on the value of collateral that your scheme posts or receives under derivatives contracts. You might need to post extra margin – or ask your counterparties to do so.
- 8. REVIEW OVERSEAS INVESTMENTS**
It will be some while before we have clarity on how Brexit affects your scheme's investments, contingent assets and investment vehicles in other countries – both EU and non-EU. Keep this under review.
- 9. REMAIN VIGILANT FOR SCAMS**
Scammers may try to exploit current uncertainty by offering your members 'attractive' transfers away from the UK. Factor this into your warnings to members requesting transfers. Continue using the Pensions Regulator's [anti-scams material](#).
- 10. REASSURE MEMBERS**
You cannot remove Brexit risk for members, but you can reassure them that the trustees are monitoring and responding to risks on their behalf. Tell members what you are doing in response to Brexit.

Further information on Brexit and pension schemes is available at www.plsa.co.uk or please contact James Walsh, Head of Membership Engagement at James.Walsh@plsa.co.uk

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SECURITIES LENDING

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to propose that the Pension Fund undertakes securities lending to enhance the future returns available from the Fund's equity investments.**
- 1.2 Securities lending is where securities are loaned on a temporary basis to a borrower for a return. Although there is an absolute transfer of title of the securities, the Fund remains the beneficial owner, with the "borrower" obligated to reimburse economic benefits during the period of the loan.
- 1.3 Northern Trust, the Fund's custodian, has run a securities lending programme since 1981 demonstrating long term experience in this area of activity. The programme operated by Northern Trust meets the requirements LGPS regulations.
- 1.4 Based on the current level of equity assets held by the Fund which would fall within the securities lending programme, it is estimated on a prudent basis that the Fund would gain £20k per annum additional income from participation.

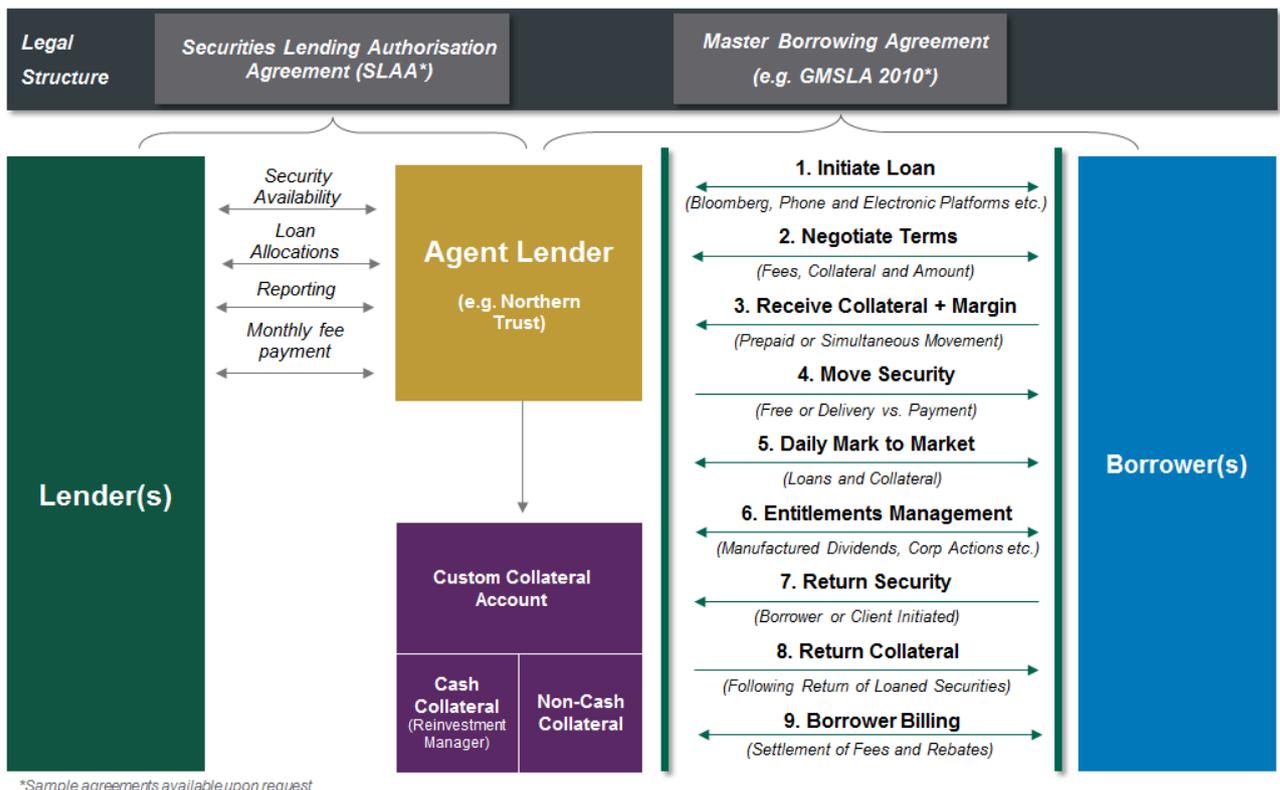
2 RECOMMENDATIONS

2.1 It is recommended that the Committee and Board:

- (a) Agree the implementation of a securities lending programme;**
- (b) Agree to delegate to the Chief Financial Officer the implementation of the programme with Northern Trust.**

3 SECURITIES LENDING

- 3.1 Securities lending is the temporary lending of securities, which are held against collateral. On payment, the "borrower" returns the security along with an agreed fee margin, and the "lender" returns the collateral held for the period of the loan. The securities that can be loaned exclude cash instruments, co'mingled funds, derivatives and securities in non-lending markets.
- 3.2 Although there is an absolute temporary transfer of title of both the securities and the title the "lender" remains the beneficial owner, with the "borrower" obligated to reimburse economic benefits during the period of the loan. The "Lender" does lose voting rights during the period when securities are out on loan. Securities can however be recalled at any time (within standard settlement) to enable voting should an investment manager expressly wish to exercise the right to vote.
- 3.3 Securities are borrowed by Investment Banks, Prime Brokers, Local Brokers, Investment funds, Prop traders and Market traders. Each borrower must be able to demonstrate their credit worthiness.
- 3.4 Assets must be held directly in the Funds name to qualify for securities lending. This therefore restricts the scope of securities lending to segregated funds managed by Baillie Gifford. These assets represent 24% of the total Fund assets.
- 3.5 Northern Trust provide a securities lending service to 43 other similar clients and have a well governed and secure process which is fully compliant with LGPS regulations. 9 out of 11 LGPS funds currently participate in a securities lending programme. The diagram below shows the loan process.



3.6 Northern Trust has provided a securities lending services since 1981 and a dedicated team who specialise in this area. They work within strict programme parameters to ensure income is maximized whilst ensuring that borrowers meet strict credit rating standards. The credit worthiness of borrowers is assessed continuously using four nationally recognised rating agencies, augmented by information from Northern Trusts own in house independent credit determination process. Appendix 1 provides further information on the Northern Trust securities lending programme.

4 IMPLICATIONS

4.1 Financial

- (a) Based on the current levels of lendable securities the Fund holds, and the current market conditions, it is estimated that the lending programme could earn £40k gross per annum of which £20k would be paid to the Fund. This estimate may fluctuate depending on the securities held and the prevailing market demand for these. All costs associated with the security lending process will be absorbed by Northern Trust from their share of the income earned.
- (b) There is no loss of economic benefit to the Fund in terms of investment returns, and any income earned from securities lending would be beneficial to overall performance.

4.2 Risk and Mitigations

- (a) As with any lending there is a risk of borrower default which may result in the loss of the asset. Northern Trust's proposal however includes a borrower default indemnification backed by Northern Trust's strong balance sheet. This would protect the Fund from loss in the event of borrower default.
- (b) Although lenders with enhanced indemnity are contractually protected for any shortfall, the following controls assist in ensuring that the following operating risks are adequately managed.

Risk	Impact	Mitigating Factors
Borrower default combined with insufficient collateral	Unable to compensate for securities and accrued entitlement	Rigorous credit committee review prior to approval
		Loans and collateral marked to market daily
		Risks measured and exposure calibrated by sophisticated risk analysis tools
		Default simulation exercises carried out bi-annually
Failure to return security in time to settle trade in event of sale	Trade settlement failure	Automated securities reallocations
		Contractual settlement protection
		Buffer management process

4.3 Equalities

There are no adverse impacts due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

4.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

4.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

4.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report is report.

4.7 Changes to Scheme of Administration or Scheme of Delegation

There are no changes required to the Scheme of Administration or Scheme of Delegation arising as a result of this report.

5 CONSULTATION

- 5.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pension & Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Pension & Investment Team can also give information on other language translations as well as providing additional copies.

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Securities Lending Introduction

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Scottish Borders Council Pension Fund

21 August 2019



NORTHERN TRUST

EXECUTIVE SUMMARY

Our Securities Lending service is designed to enhance the return of your overall investment programme. We will work with you to understand your objectives and design a customised programme, with collateral options and trading strategies tailored to your risk level and set limits to ensure a focus on intrinsic value.

We strive to extract the highest amount of intrinsic value from each loan, while mitigating risk for the benefit of our clients.

Page 46
Participating in securities lending will not interfere with your investment strategy. Your investment managers can continue trading as usual.

Following an evaluation of your portfolios in August 2019, we project gross revenue of £40,000 per annum (2.1 basis points on lendable assets), from securities lending.

Who We Are

A core business within Northern Trust and an industry leader in terms of size, scale and innovation

- 451 clients from 31 countries*
- £990 billion of lendable securities
- £125 billion of loans outstanding
- 73 approved borrowers at parent level

Who We Serve

- Public and private pension funds
- Asset managers
- Central Banks, Government Agencies and Sovereign Wealth Funds
- Endowments and foundations
- Insurance

What We Do

- Customised programme parameters, including collateral, approved accounts, approved borrowers
- Borrower default indemnification backed by Northern Trust's strong balance sheet
- Lend in 54 worldwide Equity & Fixed Income markets from 35 countries
- 24-hour trading
 - Supported by our single, multi-currency proprietary platform
 - Locations in Sydney, Hong Kong, London, Toronto and Chicago

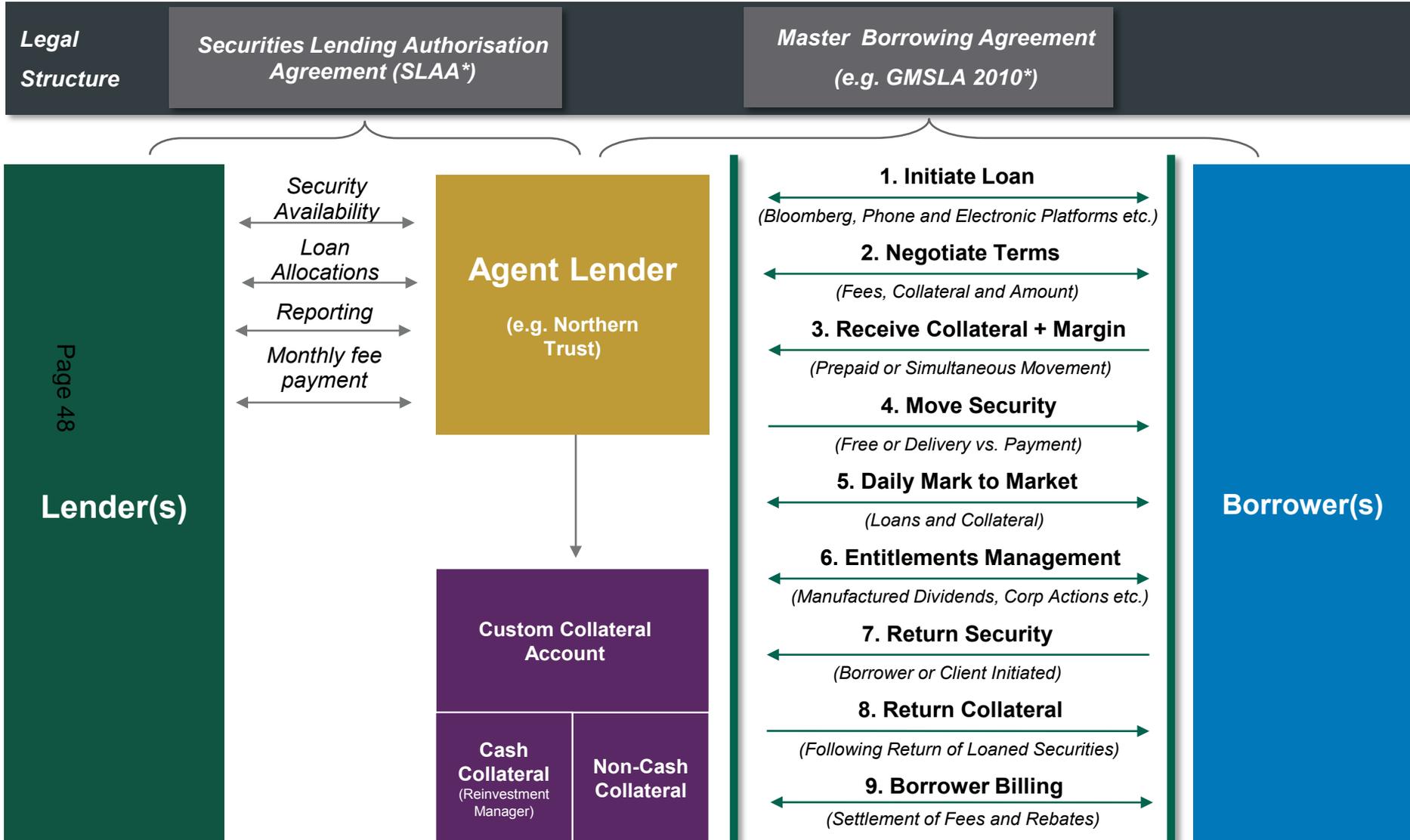


* All figures as of June 2019

Lending Programme Overview

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THE LIFE CYCLE OF A LOAN



*Sample agreements available upon request

ROBUST RISK MANAGEMENT

Risk management is the cornerstone of our securities lending programme

Cash & Non Cash Collateral

Borrower

Borrower default combined with insufficient collateral to buy-in replacement securities & compensate for accrued entitlements

Trade settlement

Client sells loaned security and borrower fails to return in time to settle the trade

Cash Only Collateral

Cash reinvestment

Cash collateral investment becomes impaired or decreases in value

Interest rate

Loan rebate rate exceeds earnings on cash collateral investments

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Mitigating factors

- Rigorous credit committee review for approval
- Daily marking of loans/collateral
- Risk analysis tools (MSCI Barra) to measure and calibrate exposure
- Borrower default and close-out simulation exercise carried out at least once every 2 years
- In house transition manager

Mitigating factors

- Robust automated reallocations
- Trade settlement protection/ Contractual Settlement
- Buffer management process

Mitigating factors

- Multiple risk committee reviews and robust oversight of cash pools and investments
- Dedicated team of Fixed Income Research analysts reviewing securities
- Daily automated monitoring of portfolio guidelines and compliance

Mitigating factors

- Close daily communication between lending and cash management teams
- Shared risk between Northern Trust and client
- Weekly “gap analysis” and periodic stress testing of portfolio

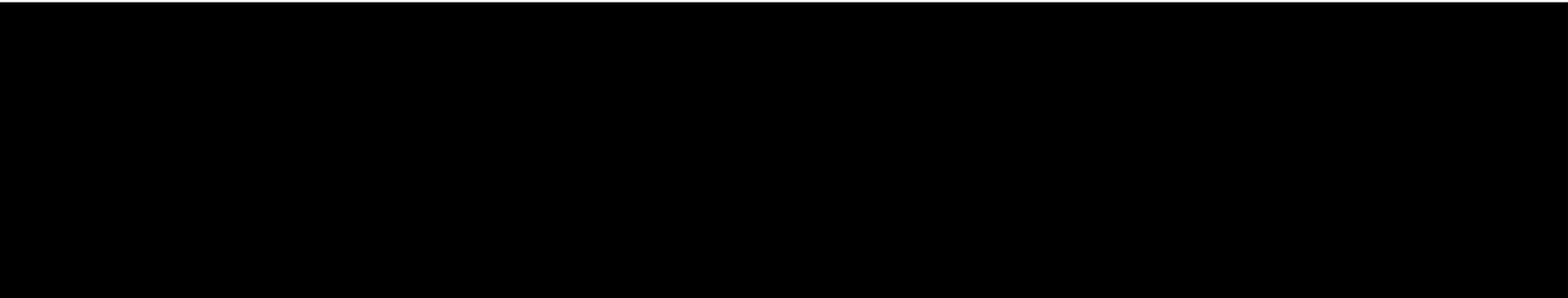
SUPPORTING YOUR PERFORMANCE

GBP	Non-cash Collateral*
Gross Revenue	40,000
Net Revenue to SBCPF @ 50/50 fee split	20,000
Total Portfolio Value	742,000,000
Lendable Assets	185,000,000
Portfolio Utilisation (%)	11.2%
Gross Basis Point Return (bps)	2.1

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Date of Projected Asset Lists: 6 August 2019

Date of Evaluations: 13 August 2019



**Please see the Appendix for the key assumptions of these estimates*

IMPORTANT INFORMATION

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PENSION ADMISSION POLICY

Report by Service Director HR and Communications

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 This report proposes the adoption of the Pensions Admission policy for the Scottish Borders Council Pension Fund.**
- 1.2 The Pension Fund Business Plan, as approved at the June 2019 meeting, included the creation of a Pension Admission Policy for the Fund, to ensure the successful admission of new Admitted Bodies as required.
- 1.3 **Appendix A** contains the Pension Admission Policy, this meets the legislative requirements of the Local Government Pension Scheme (Scotland). This will be referred to for any future admission requests to the Fund.
- 1.4 Hymans Robertson, the Fund Actuary, and Pinsent Mason, external legal advisors used by the Fund, have been consulted during the preparation of this Policy on the basis that there is a significant requirement to involve them in the determination of suitability, based on risk to the Fund, to become an Admitted Body to the Fund.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee approve:**
 - (a) the Pension Admission Policy as set out in Appendix A**

3 BACKGROUND

- 3.1 The Local Government Pension Scheme (Scotland) (LGPS) 2018 Regulations outline a number of requirements for dealing with admission requests to the Pension Fund, which are found at a number of parts within the said Regulations.
- 3.2 There is no requirements with the LGPS Regulations for a Pension Fund to have a formal Admission Policy in place. However, in accordance with best practice, and as previously outlined in the Pension Fund Business Plan, the Fund have determined that such a Policy should exist.
- 3.3 Scottish Borders Council Pension Fund have not had regular requests for admission to the Pension Fund, with the most recent requests being as a result of the outsourcing of Council functions rather than requests being made from employer organisations. However, a request has been made in the past few weeks for such an admission to be considered and officers deemed that it was appropriate to expedite the progression of this Policy.

4 PENSIONS ADMINISION POLICY

- 4.1 **Appendix A** contains the policy that has been developed to deal with admission requests for membership of the Scottish Borders Council Pension Fund in accordance with current Regulations.
- 4.2 The policy outlines that a key considerations for the admission of any new employer is that there is no detrimental impact on any existing employers or other stakeholders, having taken appropriate actuarial and legal advice to consider any risks. This includes ensuring the key objectives of the Funding Strategy Statement are not compromised, the current financial position of the prospective Admission Body, along with the requirement for a Bond, Indemnity or Guarantee being in place.
- 4.3 The procedure for dealing with an application is briefly outlined as follows:
 - Application received from employer
 - Acknowledged by the Fund
 - Engage Scheme Actuary to determine initial Employer Percentage
 - Risk Assessment based on Actuarial advice
 - Admission Agreement including Guarantee, Bond or Indemnity drawn up, based on external legal advice
 - Formal Paper presented to Pension Committee and Board
 - Decision of Pension Committee and Board provided to employer
 - Formal signing of Admission Agreement including Guarantee, Bond or Indemnity
- 4.4 Following signing of any new Admission Agreement, officers will advise Scottish Ministers in accordance with Scheme Regulations.
- 4.5 Any fees incurred by the Fund for actuarial or legal advice associated to the admission of new employers to the Fund will be recharged to the admission body.

- 4.6 The policy will be reviewed on a three yearly basis or when there are any changes to Regulations, whichever is the sooner.

5 IMPLICATIONS

5.1 Financial

There are no ongoing financial implications relating to this report. There is a cost of up to £2,500 in respect of the external professional advice obtained in the preparation of this policy.

5.2 Risk and Mitigations

This report is part of the governance reporting framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks regarding the admission of any new employer organisation have been identified and form part of the considerations for admission to the Fund.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which could affect the Council's sustainability.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 Hyman's Robertson, the Fund Actuary, and Pinsent Mason, external legal advisors used by the Fund, have been consulted on the production of the Policy document due to the significant involvement that they have in the progression of admission requests to the Fund. Any comments received have been incorporated into the final report.

- 6.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, Service Director Human Resources, Communications and the Clerk to the Council have been consulted and any comments have been incorporated into the final report.

Approved by

Clair Hepburn
Service Director HR and Communications

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager 01835 826696

Background Papers:

Previous Minute Reference: Joint Pension Fund Committee and Board 13 June 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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SCOTTISH BORDERS COUNCIL PENSION FUND

PENSION ADMISSION POLICY

**HR Shared Services
Chief Executives Department
Version 2019 3.0**

Approved: Joint Pension Fund Committee and Pension Board [12 September 2019]

1. Introduction

- 1.1 Scottish Borders Council administers the Local Government Pension Scheme in Scotland (LGPS) on behalf of Employers participating in the Scheme through Scottish Borders Council Pension Fund. The administration of the Scheme is governed by statutory regulations¹.
- 1.2 Scottish Borders Council will welcome new employers to the LGPS and this document sets out the process for an employer to be admitted to the Fund.
- 1.3 This policy document is supplementary to the Funding Strategy Statement and Pensions Administration Strategy, which are available from the Fund and will form part of any admission agreement entered into.
- 1.4 Scottish Borders Council Pension Fund will take into consideration the guidance provided by Scottish Ministers when it comes to outsourcing for Local Authorities, the basic premise being that employees affected by outsourcing from a Council will be offered either access to a broadly comparable scheme or continued access to the LGPS via an admission agreement.
- 1.5 The overriding principles that Scottish Borders Council Pension Fund take into account in considering any application for admission are:
 - The employer must meet the requirements of the Regulations
 - The admission is not expected to have any detrimental impact on any existing employers or other stakeholders in the Scheme.
- 1.6 As stated above, an employer must be able to satisfy the requirements of the Regulations in order to be considered for admission to the Scheme. The fundamental requirement is that the employer meets the definition of an eligible admission body and has the appropriate security in place.

2. Definition of Admission Body

- 2.1 The Regulations only allow Scottish Borders Council Pension Fund to enter into an Admission Agreement where the employer meets the definition of the admission body as contained in Schedule 2 of the 2018 Regulations.
- 2.2 Full details of the criteria required by an employer to be considered as an admission body are detailed in Schedule 2, Part 2 for the 2018 Regulations, which must be referenced as part of the application and decision making process. In summary, the following bodies may be accepted as admission bodies:
 - (A) a body which provides a public service in the UK which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for them to be regarded as having a community of interest
 - (B) a body, to the funds of which a Scheme employer contributes
 - (C) a body representative of (i) any Scheme employers, or (ii) local authorities or officers of local authorities

¹ The Local Government Pension Scheme (Scotland) Regulations 2018 as amended, The Local Government (Transitional Provisions and Savings) (Scotland) Regulations 2014 as amended.

(D) a body that is providing a service/assets in connection with the exercise of a function of a Scheme employer as a result of (i) the transfer of the service/assets by means of a contract or other arrangement, or (ii) any provision in any enactment

(E) a body which provides a public service in the UK and is approved by the Scottish Ministers for admission to the Scheme.

These are referred to as 'Admission Categories' in this policy.

3. No Detrimental Impact

- 3.1 Using the principles of good governance, it is important that a robust approval process is in place when determining whether an employer should be allowed to enter into an admission agreement. Scottish Borders Council Pension Fund will consider each application on its own merits and has the right to approve or reject any such application.
- 3.2 Scottish Borders Council Pension Fund is responsible for determining whether or not the admission is expected to have any detrimental impact on any employers or other stakeholders in the Scheme, having taken account of the appropriate legal and actuarial advice. Any application where the admission is expected to have a detrimental impact will not be accepted.
- 3.3 The following outline factors that will be taken into consideration when determining whether or not to approve an application for admission:
 - Whether the employer meets the criteria for its proposed Admission Category
 - The Funding Strategy Statement and the financial position of the prospective Admission Body
 - The requirement for a Bond, Indemnity or Guarantee
 - Any actuarial or legal advice
 - Any individual circumstances that are deemed to be relevant to the application

4. Funding Strategy Statement and Financial Position

- 4.1 Scottish Borders Council Pension Fund will take account of the objectives of the Funding Strategy Statement when considering every application for admission. The objectives of the Funding Strategy are to:
 - set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
 - build up the required assets in such a way that produces levels of employer contribution that are as stable as possible, with consideration of the long-term cost efficiency objective
 - ensure effective and efficient management of employers liabilities
 - allow the return from investments to be maximised within reasonable risk parameters.
- 4.2 Scottish Borders Council Pension Fund will not admit an employer as an Admission Body in the Scheme where it considers that the admission would be a risk to the stability or solvency of the Fund.

- 4.3 Therefore, Scottish Borders Council Pension Fund will consider the financial position of any employer applying for admission and its ability to meet its contributions under the Scheme. Additional information may be requested by the Fund to enable it to properly consider its financial circumstances.
- 4.4 Scottish Borders Council Pension Fund will monitor the financial position of admission bodies from time to time to ensure that each body remains able to meet its liabilities to the Fund and to ensure that the Fund's position is adequately protected. Admission Bodies may be required to provide financial and commercial information to the Fund (on a confidential basis) as required by the Fund for these purposes.

5. Admission Procedure

- 5.1 An employer who wishes to join the Scheme may apply to Scottish Borders Council Pension Fund for admission. Within the application the employer should state the Admission Category which would form the basis of its admission under the Regulations. The application can be made by letter or email.
- 5.2 Scottish Borders Council Pension Fund will acknowledge receipt and request any additional information required to support the application.
- 5.3 Scottish Borders Council Pension Fund will engage with the Scheme Actuary to determine an appropriate employer contribution rate, including an indicative employer contribution rate. Where fees are incurred with this activity they will be recharged to the Admission Body.
- 5.4 The risk assessment will be based on actuarial advice, where the Scheme Actuary will assess the quantum of any deficit that may be left in the Fund if the Admission Body were to leave the Scheme prematurely by reason of insolvency, winding up or liquidation. However, the assessment does not generally provide any indication of the likelihood of such an event occurring. The risk assessment should be completed to the satisfaction of the Administering Authority and, where Admission Category D applies, the attached Scheme Employer. Where fees are incurred with this activity they will be recharged to the Admission Body.
- 5.5 The parties, as appropriate shall include Admission Body, Sponsoring Employer and Scottish Borders Council Pension Fund, will enter into formal legal agreements including:
- (1) **Admission Agreement**
This is a formal agreement setting out the rights and responsibilities of the new Admission Body and Scottish Borders Council Pension Fund.

In the instance of Admission Category (D) (an outsourcing of service), the Sponsoring Employer will also be a party in the Admission Agreement and under the Regulations the Sponsoring Employer will be liable for any deficit by the new Admission Body, in circumstances where the exit payment cannot be recovered from the Admission Body or through the relevant guarantee, indemnity or bond.

(2) **Guarantee Agreement**

This will normally have three parties involved, the guarantor, the Admission Body and Scottish Borders Council Pension Fund.

In the instance of Admission Category D (an outsourcing of service), the Sponsoring Employer will usually be a party in the Guarantee Agreement.

Any Guarantee Agreement entered into will be entered into will be reviewed on a regular basis, the timeframe for which will be clearly stated in the Admission Agreement.

Please note that Scottish Borders Council Pension Funds admission and guarantee agreements will generally be standard and non-negotiable, having been drawn up on advice from the Scheme Actuary and the Funds legal advisors, having been tailored to the particular circumstances. In the event of a Bond being provided by a financial institution it will likely be necessary to utilise the template provided by said institution, subject to review by the Fund.

- 5.6 In circumstances such as a merger, where one or more parties is an existing employer in the Scheme, it may be necessary to deal with prior liabilities in the Scheme. This can be achieved by transferring the liabilities to the new Admission Body by entering into a formal legal agreement, known as an apportionment agreement, or by payment of any deficit on respect of those liabilities. Scottish Borders Council Pension Fund will obtain any necessary actuarial or legal advice, with any fees incurred being charged to the new Admission Body, unless previously agreed to split between the Sponsoring Employer and the new Admission Body.
- 5.7 In an outsourcing it will normally be the requirement of the Scottish Borders Council Pension Fund that the new Admission Body commences on a fully funded basis. This will be negotiated between the parties at the outset of the outsourcing arrangement. Where it has been agreed that the Admission Body will commence on a fully funded basis, the Scheme Actuary will determine any sum that is due from the Sponsoring Employer to the Fund and it is then the responsibility of the Sponsoring Employer to pay this sum, where a risk assessment has not occurred. Any actuarial fees incurred in this instance would be recharged to the Sponsoring Employer.
- 5.8 A formal paper will be prepared by Scottish Borders Council Pension Fund staff, circulated for consultation in the normal manner, and presented to the next available quarterly meeting of the joint Pension Fund Committee and Pension Fund Board.
- 5.9 The Pension Fund Committee and Pension Fund Board may approve or reject the application. An approval will be subject to the following conditions: -
 - (1) Completion of Admission Agreement, as required by the Regulations.
 - (2) A risk assessment based on Actuarial Advice, as required by the Regulations, which is satisfactory to the Committee and Board.
 - (3) The provision of a guarantee, indemnity or bond, where the risk is such that one is required, which is satisfactory to the Pension Fund and required by the Regulations.
 - (4) Other conditions considered necessary to protect the interests of the Pension Fund and participating employers.
 - (5) The Fund should also be looking to meet the general principal of Scottish Ministers working towards satisfying, where applicable, the pension protection rights of affected outsourced employees.
- 5.10 Arrange for the formal sign off of the Admission Agreement and Bond, Guarantee or Indemnity following approval to admit from Pension Fund Committee and Pension Fund Board.
- 5.11 Please note, the above is the outline of a typical admission process that will be followed. However, each application is treated individually and there may be additional or alternative steps that are required. Scottish Borders Council Pension Fund officers will be

happy to answer any further queries that you may have as a prospective applicant and offer you the appropriate support and guidance to take you through this application process.

6. Bond, Indemnity or Guarantee

- 6.1 It is imperative to minimise the risk that a new Admission Body might create for the Fund and the other Scheme employers. This risk will be taken into account by Scottish Borders Council Pension Fund in considering the application for admission to the Fund. This risk will be reviewed on a regular basis, with the timeframe clearly stated in the Admission Agreement. Any Bond, Indemnity or Guarantee entered into must be done so to the satisfaction of the Scottish Borders Council Pension Fund.
- 6.2 If there is a deficit in the funding of an Admission Body's liabilities at the point when it leaves the Fund, the Scheme Actuary may determine that an exit payment is payable by the Admission Body to the Fund, in terms of the Regulations.

A risk assessment is required for all admissions, to assess the amount of any deficit that may be left in the Fund if the Admission Body were to leave the Scheme prematurely by reason of insolvency, winding up or liquidation. Where required, a Bond or Indemnity must be put in place.

- 6.3 Where for any reason, it is not desirable (or possible) for an admission body to enter into a bond or indemnity, the admission agreement must provide that the admission body secures a guarantee in a form satisfactory to Scottish Borders Council Pension Fund.

The guarantee may be given by the Scheme employer (Sponsoring Employer), in the case of admission bodies falling under Admission Category B or D (and the Scheme employer must provide a guarantee in certain circumstances which are set out in the Regulations)

It may also be given by a person who funds the Admission Body, owns it or exercises control over its functions

It may be given by the Scottish Ministers in the case of an admission body –

- (1) Which is established by or under any enactment; and
- (2) Where the enactment enables Scottish Ministers to make financial provision for that admission body.

- 6.4 Where any exit payment cannot be recovered from the Admission Body itself, and the liabilities cannot be fully met by a guarantor or insurer (Bond), the Regulations provide that:
- The Sponsoring Employer will be liable to pay revised contributions to make good the deficit where the Admission Body was admitted under Admission Category D, and
 - In all other cases the liabilities will fall on all the other employing authorities within the Scheme.

7. Actuarial and Legal Advice

- 7.1 Scottish Borders Council Pension Fund will obtain advice from the Scheme Actuary and/or from external legal advisers. It will take all such advice into account in determining

whether or not the application for admission may have a detrimental impact on any employers or stakeholders in the Scheme.

- 7.2 All costs incurred in connection with the admission process for actuarial or legal advice will be recharged to the prospective Admission Body.

8. Initial Employer Contribution Rate

- 8.1 Where a new employer is admitted to the Scheme the Scheme Actuary has responsibility for determining the initial employer contribution rate in accordance with the Funding Strategy Statement.
- 8.2 The initial rate will remain in force until the next triennial valuation of the Scheme, with the exception of a new employer where there is no employee information available from the outset, in this instance the Pension Fund reserves the right to complete a mid-valuation review at a point where employee information, including any transfers, is available. As part of the triennial valuation, as required by the Regulations, the contribution rates paid by each employer in the Scheme are reviewed and may be increased or reduced.
- 8.3 In the event of an employer changing the status of the admission agreement, from open to closed or vice-versa, the employer contribution rate will be reviewed at this time and may result in an increase or reduction in the rate.

The contribution rate may also be increased, with a view to making good any deficit, where the Fund considers there are circumstances which make it likely that the Admission Body will exit the Fund.

9. Advise Scottish Ministers

- 9.1 In accordance with the Scheme Regulations Scottish Borders Council Pension Fund are required to advise Scottish Ministers written notice that there has been an Admission Agreement established to the Fund.

VERSION CONTROL TABLE

Version	Nature of Amendment	Date of Change	Author
2019 1.0	Creation of Pension Admission Policy	14 August 2019	Ian Angus
2019 2.0	Amendments following review by Hymans Robertson, Scheme Actuary	23 August 2019	Ian Angus
2019 3.0	Amendments following review by Pinsent Mason, legal advisors	29 August 2019	Ian Angus

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SOUTH OF SCOTLAND ENTERPRISE ADMISSION REQUEST

Report by Service Director HR and Communications

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 This report seeks approval for the admission of South of Scotland Enterprise (SOSE) into the Local Government Pension Scheme to provide access to the scheme for prospective employees of SOSE.**
- 1.2 The South of Scotland Enterprise Act 2019 was passed by the Scottish Parliament on 5 June 2019 and received Royal Assent on 12 July 2019. Provision 1 of the Act established the SOSE.
- 1.3 Scottish Borders Council Pension Fund will enter into an admission agreement, including the requirement for a Guarantee to be in place, with the SOSE.
- 1.4 No changes can be made to the status of the Fund, pension benefit for employees or employer contribution rate without the written agreement of the Pension Fund.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee and Board:**
 - (a) Agree to enter into an appropriate agreement with South of Scotland Enterprise to admit the body to membership of the Pension Fund on terms and conditions to the satisfaction of the Chief Financial Officer.**

3 BACKGROUND

- 3.1 In terms of the Local Government Pension Scheme (Scotland) Regulations 2018 the Council, an administering authority of the Scottish Borders Pension Fund, may on such terms and conditions as they think proper, admit employees of bodies that satisfy the statutory criteria to participate in benefits of the Pension Fund.
- 3.2 Any admitted body must also satisfy HM Revenue and Customs requirement that it is associated with at least one of the employers already in the Pension Fund. This is normally achieved by establishing a permanent community of interest or interdependence with another employer or where 50% of the employer's funding comes from local authorities.
- 3.3 The proposed admission will be done so in accordance with the Admission Policy, due to be considered as an Agenda item at this meeting, and shall be subject to receipt of appropriate Actuarial and Legal advice in the creation of the Admission Agreement and Guarantee. Any fees associated to the provision of said advice will be re-charged to the admission body.
- 3.4 The admission agreement will allow those future employees of SOSE who are or are not currently members of the Local Government Pension Scheme to opt in to the scheme at any point in the future. Any new employees will be permitted to join the scheme, therefore, the scheme is classed as being on an open basis.

4 SOUTH OF SCOTLAND ENTERPRISE (SOSE)

- 4.1 The South of Scotland Enterprise Act 2019 was passed by the Scottish Parliament on 5 June 2019 and received Royal Assent on 12 July 2019. Provision 1 of the Act established the SOSE as a body corporate. This covers the Scottish Border and Dumfries and Galloway geographic areas.
- 4.2 Schedule 1, Part 2, Staff, of the Act, outlines arrangements around the appointment of the first Chief Executive, other staff thereafter and the associated terms and conditions. Paragraph 10 (1) states "South of Scotland Enterprise may, with the approval of Scottish Ministers, pay or make arrangements for the payment of pensions, allowances and gratuities to, or in respect of, any person who is or has been a member of South of Scotland Enterprise."
- 4.3 In accordance with the above, Scottish Borders Council were approached by members of the SOSE project team with a request to be admitted to the Pension Fund. The SOSE project board have agreed to the project team suggestion that the request for admitted body status be progressed.
- 4.4 Indication from the SOSE project team is that they will be looking to have between 50 and 70 employees in place by the time the new organisation starts, with a view to expanding this to between 150 and 170 employees in 2 to 3 years.

- 4.5 Following discussion with the Hymans Robertson, the Funds actuary, an initial employer contribution rate of 20.6% has been set. This will be subject to review in accordance with the Admission Policy either at an interim stage or at the triennial valuation. Factors that could affect the employer contribution rate are the age profile, salary profile and potential transfer ins from other schemes.
- 4.6 It is likely that the Guarantee, as required by the Regulations, will be in the form of a Covenant from the Scottish Government. Scottish Public Pensions Agency have indicated that this is something that they will be able to assist with.
- 4.7 No changes can be made to the status of the Fund, pension benefit for employees or employer contribution rate without the written agreement of the Pension Fund.

5 IMPLICATIONS

5.1 Financial

There are no financial implications for the Fund relating to this report. Any costs incurred by the Pension Fund in the progression of this Admission will be recharged to South of Scotland Enterprise.

5.2 Risk and Mitigations

If SOSE were to cease trading and prematurely terminate its admission agreement the Guarantee that is being put in place will minimise the risk to the Pension Fund.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which could affect the Council's sustainability.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, Service Director Human Resources, Communications and the Clerk to the Council have been consulted and any comments have been incorporated into the final report.

Approved by

Clair Hepburn
Service Director HR and Communications

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager 01835 826696

Background Papers: <http://www.legislation.gov.uk/asp/2019/9/contents/enacted>

Previous Minute Reference: None

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COMMUNICATION STRATEGY REVIEW

Report by Service Director HR and Communications

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 This report provides a review on the Communication Strategy and provides an update on the review of forms and communication, including annual benefit statements. In line with the Pension Fund business plan the Strategy should be reviewed on an annual basis. This report discharges that requirement.**
- 1.2 There are no proposed changes to the Communication Strategy, this reflects the current position of the Fund and makes use of available technologies.
- 1.3 The Pension Fund website has proven to be a useful resource and has been visited on a regular basis. This continues to be updated to reflect the current Regulations and any relevant documents or news stories are published accordingly.
- 1.4 The Pensions Administration team have carried out a review of the supporting information provided along with the Annual Benefit Statements for this year. Work is ongoing to review processes and associated Forms.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee approve:**
 - (a) Notes that there are no changes to the Communication Strategy at this time**
 - (b) Notes the website performance over the last 14 months**
 - (c) Notes that work has commenced on the review of Forms and the Annual Benefit statement documentation has been reviewed prior to issue**

3 BACKGROUND

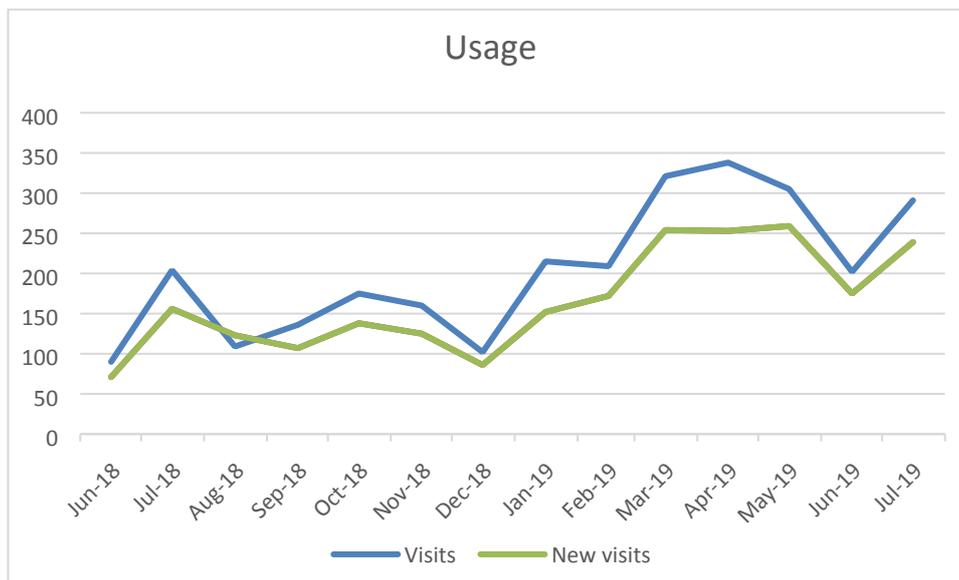
- 3.1 Regulation 59 of the Local Government Pension Scheme (Scotland) Regulations 2018 advises that an administering authority should have a Communications Policy. This should then be published by the administering authority.
- 3.2 In accordance with the Regulations the statement must be revised and published by the administering authority following a material change in their policy on any of the matters listed within Regulation 59.
- 3.3 The Pension Fund Business Plan also outlined a requirement to review the Communication Strategy and Action plan, including all forms and communication material, on an annual basis. Making sure that this is in line with best practice and technological advancements.

4 PENSIONS COMMUNICATION STRATEGY REVIEW

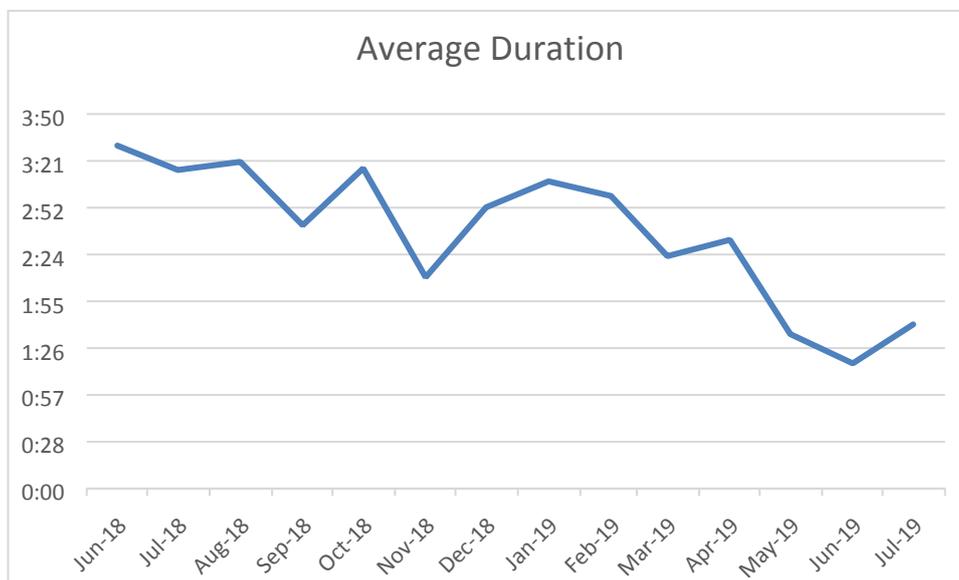
- 4.1 A review for the Communication Strategy has been carried out and based on current technology available to the Fund there are no proposed changes to the Strategy. The version approved at Committee on 30 November 2018 remains in force.
- 4.2 During 2018 the Pension Fund implemented a website (www.scottishborderscouncilpensionfund.org) was deployed. The website is managed and maintained by Hymans Robertson, with Officers able to upload documents and news stories as required.
- 4.3 Officers have obtained statistical information from the Website from June 2018 through until July 2019. The following graphic details the number of visits that there have been to the Fund Website.



The following graphic shows the usage of the website and if the visitor was a first time visitor, with the gap being repeat visitors.



The final graphic shows the duration of each visit.



- 4.4 Prior to the issuing of the Annual Benefit Statements the content was reviewed and updated to take account of current Regulations.
- 4.5 Officers within HR Shared Services are reviewing processes to make sure that they remain fit for purpose and make best use of currently available technology. As a consequence any forms and communication material are being update accordingly.

5 IMPLICATIONS

5.1 Financial

There are no financial implications relating to this report.

5.2 Risk and Mitigations

This report is part of the governance reporting framework to manage the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risks regarding the admission of any new employer organisation have been identified and form part of the considerations for admission to the Fund.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which could affect the Council's sustainability.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk and the Clerk to the Council have been consulted and any comments have been incorporated into the final report.

Approved by

Clair Hepburn
Service Director HR and Communications

Signature

Author(s)

Name	Designation and Contact Number
Ian Angus	HR Shared Services Manager 01835 826696

Background Papers:

Previous Minute Reference: Joint Pension Fund Committee and Board 30 November 2018 and 13 June 2019

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PENSION FUND BUDGET MONITORING TO 30 JUNE 2019

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Pension Fund Committee and Pension Fund Board with an update position of the Pension Fund budget to 30 June 2019 including projections to 31 March 2020.**
- 1.2 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against.
- 1.3 To ensure the Fund meets the standards a budget was approved on 7 March 2019 following the recommendations within the CIPFA accounting guidelines headings. This report is the first quarterly monitoring report of the approved budgets.
- 1.4 The total expenditure to 30 June 2019 is £0.012m with a projected total expenditure of £6.458m against a budget of £6.402m. This projects a budget variance of £56k which represent professional advisors costs and increased cost for the Pension Fund Administration IT system.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee:-**
 - (a) Notes the actual expenditure to 30 June 2019; and**
 - (b) Agrees the projected out-turn as the revised budget.**

3 BACKGROUND

- 3.1 The Local Government Pension Scheme (Scotland) Regulation 2014 requires Administering Authorities to ensure strong governance arrangements and sets out the standards they are to be measured against. The Fund is required to report on an annual basis within its Annual Report if it has met these standards. To demonstrate full compliance requires the setting and monitoring of a budget for the Fund.
- 3.2 A budget was approved at the Joint Pension Fund Committee and Pension Fund Board meeting on 7 March 2019 for 2019/20. The approved budget follows the Local Government Pension Scheme management costs guidance issued by CIPFA into the following 3 categories.

Category	Costs included
Investment Management	All expenses incurred in relation to management of pension fund assets. Including costs invoiced direct and fees deducted from fund assets. Custody and performance fees also included
Administration	Costs incurred in administration of the fund including staff, IT costs and associated overheads, benefits consultants.
Oversight and governance	Costs incurred in the selection & appointment of managers, audit fees, investment advisory services, tax advisory, accounting services, banking service and support to the pensions committee and board.

4 MONITORING TO 30 JUNE 2019

- 4.1 The table below shows the expenditure to 30 June 2019, projected out-turn to 31 March, full year budget

	Expenditure to 30 June 19 £000's	Projected to 31 March 20 £000's	2019/20 Budget £000's	2019/20 Variance £000's
Investment Management	19	5,750	5,750	0
Administration	117	446	390	56
Oversight & Governance	(14)	262	262	0
Total	122	6,458	6,402	3

- 4.2 The variance for Administration represents legal and actuarial advice undertaken in the production of the Admission Policy for the Fund and the additional costs for the Pension Administration system as detailed in the separate report.
- 4.3 Investment Management fees are charged on a quarterly basis in arrears based on the value of assets held on a quarterly basis. The first quarter investment management fees are not therefore included in the expenditure

to 30 June 2019 totals.

- 4.4 During 2018 the "Cost Transparency Initiative" was established to further refine the templates and code. The revised guidance has been developed in conjunction with Investment Managers and Funds, resulting in new templates being launched on 21st May 2019. To aid monitoring Fund Managers who do not invoice the Fund have been asked to complete the templates on a quarterly basis.
- 4.5 The invoices for the Custodian accrued for the final quarter of 2018/19 were unpaid at 30 June 2019 due to a delay in the invoicing at Northern Trust. This has resulted in the credit expenditure figure under oversight & governance.

5 IMPLICATIONS

5.1 Financial

There are not costs attached to any of the recommendations contained in this report.

5.2 Risk and Mitigations

This report is part of the governance framework to manager the operation of the Pension Fund and reflects the compliance with the best practice recommendations. Risk are managed in line with the Corporate Risk Management framework, with risks and controls monitored and reported on a quarterly basis.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

There are not changes to the Scheme of Administration or the Scheme of Delegation required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and their comments have been included in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pension & Investment Manager, 01835 825249

Background Papers:

Previous Minute Reference: Joint Pension Fund Committee and Pension Fund Board 12 June 2019

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RESPONSIBLE INVESTMENT MONITORING

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide the Committee with the first annual monitoring report of the extent to which the Fund's Investment managers have complied with the requirements of the agreed Statement of Responsible Investment Policy.**
- 1.2 The Pension Fund as part of its fiduciary duties is required to ensure appropriate consideration is given to Environmental, Social and Governance (ESG) issues as part of its investment decisions, whilst acting in the best interest of the scheme beneficiaries. The Pension Fund approved a Responsible Investment Policy on 30 November 2018. Annual monitoring is required under the terms of the policy.
- 1.3 All fund managers appointed since the approval of the Policy are signatories of the United Nations Principles of Responsible Investment Code (UNPRI) and eleven out of 12 existing managers are signatories.
- 1.4 Information has been provided by Fund Managers and scored against questions listed in para 4.5. The scores for each manager is shown in para 4.6. Officers will work with Fund managers who score 15 or less to improve their performance and fully meet the objectives of the ESG policy.
- 1.5 Climate Action 100+ is an investor led initiative to engage greenhouse gas emitting companies to improve their emissions. The initiative has two levels of participation.
- 1.6 It is recommended the Pension Fund signs the statement shown in 5.5 to become a Supporter of the initiative. This support will help demonstrate the Fund's commitment to tackling climate change and reducing carbon emissions.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Committee and Board: -**
 - (a) Notes the first annual performance report regarding compliance with the Pension Fund's policy on responsible investment and the scores for each of the managers**
 - (b) Agrees to become a Supporter of the Climate Change 100+ initiative.**

3 BACKGROUND

- 3.1 The Committee has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund members. In doing so it is intended that the financial contributions required of Fund employers will be minimised.
- 3.2 Trustees of the Pension Fund also have a responsibility to ensure the Fund is undertaking its investment activities in a socially responsible way. This means the fund must be aware of its Environmental, social and governance (ESG) responsibilities.
- 3.3 Public interest in ESG has increased in recent years and there is a drive to increase the responsibilities placed upon Trustees for Environmental, Social and Governance issues. It is no longer acceptable for Trustees to do nothing on ESG.
- 3.4 The Joint Pension Fund Committee and Pension Fund Board approved the Statement of Responsible Investment Policy (SRIP) on 30 November 2018. This Policy sets out the Fund's approach to responsible investment and arrangements to monitor manager performance against the principles of the policy on an annual basis.

4 2018-19 MONITORING

- 4.1 The SRIP requires all new fund managers to have signed up to the United Nations Principles of Responsible Investment (UNPRI). Since the approval of the policy, three new fund management appointments have been made. All three were members of the UNPRI. A review has also been undertaken of the existing managers and confirmation attained that all managers bar one are signatories to the UNPRI.
- 4.2 Eleven out of the twelve existing managers have confirmed they are signatories to UNPRI. Brookfield, the one manager not signed, represents 0.2% of fund assets and considers the ESG framework they have adopted is fully aligned with the PRI principles
- 4.3 Signatories report on an annual basis on their responsible investment activities by responding to asset specific modules in the UPRI reporting framework. Each module houses a variety of indicators that address specific topics of responsible investment. The reports are then assessed and results are compiled into an Assessment Report. The Assessment report includes the following
 - Indicator scores – summarising the individual scores achieved and comparing them to the median
 - Section Scores – grouping similar indicator scores together into categories (e.g. policy assurance governance) and comparing them to the median
 - Module scores – aggregating all the indicator scores within a module to assign one of six performance bands (from E to A+)
- 4.4 As part of the annual review process of Fund Managers all Managers have provided their 2018 Assessment Report. Key information for each the Managers has been extracted for the asset type held and is shown in Appendix 1.
- 4.5 Based on the information contained in the individual manager's assessment reports each manager has scored between 1 – 5 over 5 key question a. These questions were

1. Do they have an integrated ESG Policy?
 2. Do produce an annual ESG report?
 3. Are they a signatory of the UNPRI Code?
 4. Comparison of manager score against median for strategy & governance per UNPRI Assessment report?
 5. Comparison of manager score against median for section scores per UNPRI Assessment report?
- 4.6 The table below shows the overall score for each manager funds where held with as at 31 March 2019. All Managers who are signatories to UNPRI agreed to share their Assessment Reports. Maximum score is 25.

Manager	Overall score	% of Assets held as 31/3/2019
Baillie Gifford	23	25.7
UBS	23	14.5
Morgan Stanley	20	13.7
LGT Capital	24	7.1
Blackrock	22	8.3
M&G	23	21.3
Partners	18	2.7
Permira	22	3.8
Macquarie	19	1.3
KKR	18	0.3
Dalmore	18	0.9
Brookfield	10	0.2
Infrared	24	0.2

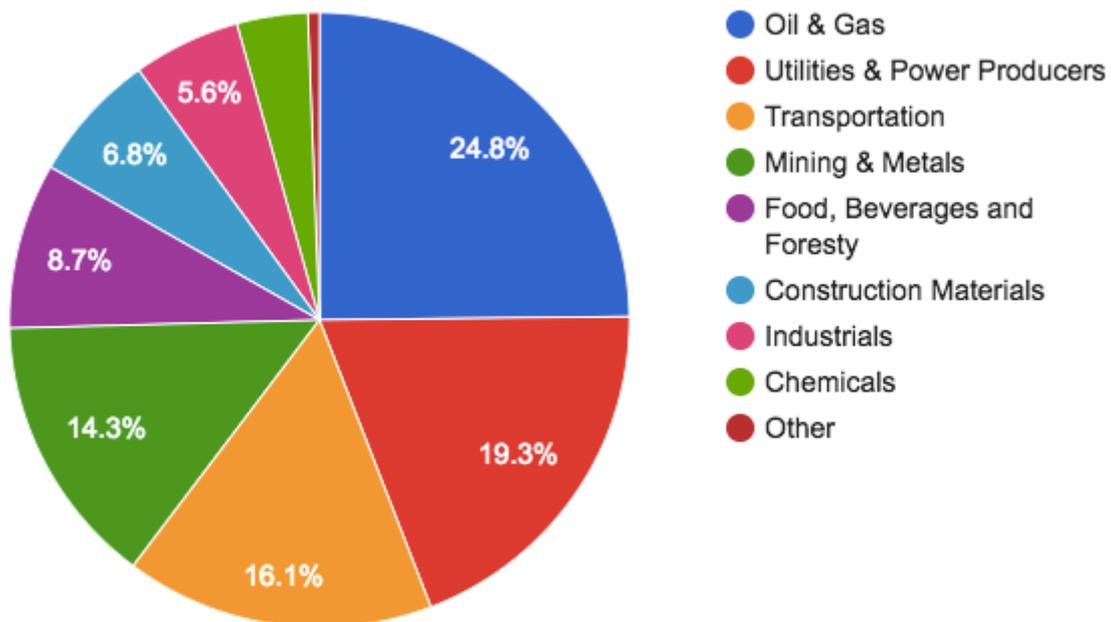
- 4.7 The scores above demonstrate the Fund managers all have ESG policies in place and that most are signatories to the UNPRI. 94.6% of funds managed on the Funds behalf with managers who score over 80% of the maximum score available.
- 4.8 Brookfield, which represents 0.2% of the fund scores the lowest as is the only manager not currently a signatory to the UNPRI code. They have however joined other ESG focused organisations such as Business for Social Responsibility and Accounting for Sustainability. They also produce an annual consolidated ESG brochure detailing their ESG activities.
- 4.9 This report will be an annual report which will compare each manager against the previous year's score. This should ensure the fund in actively monitoring the ESG performance of each manager. For those manager scoring 15 or less Officers will actively engage with them to improve their ESG position.

5 CLIMATE ACTION 100+

- 5.1 Climate Action 100+ is an investor-led initiative to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. The key aims are shown below:

- Implement a strong governance framework which clearly articulates the board’s accountability and oversight of climate change risk
- Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement’s goal of limiting global average temperature increase to well below 2 degrees above pre-industrial levels.
- Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and sector-specific GIC Investor Expectations on Climate Change (when applicable) to enable investors to assess the robustness of companies’ business plans against a range of climate scenarios, including well below 2 degrees and improve investment decision-making.

5.2 The initiative is currently supported by 409 investors representing more than US\$24 trillion. Members of Climate Action 100+ have initiated challenges against companies such as Royal Dutch Shell and BP and have been able to encourage them to create agreements in order for them to reduce greenhouse gas emissions. The diagram below shows the industry areas that the companies targeted represent. There are currently 61 companies included on the target list.



5.3 Climate Action 100+ will monitor each company’s performance in respect of the high level goals. The output will be report to Members via Bi-annual investors updates and an Investor-led annual report.

5.4 There are two levels of participation which investors may join as. The levels are shown below:

Participants may be asset owners, managers or engagement service providers* and are requested to:

- Publicly support the sign-on-statement, initiative objectives and agenda (see Appendix A).

- Commit to engage with at least one company during each year of the initiative, either via an existing collaborative engagement group or individually.
- Provide a high level report back to other participants of the initiative on the progress and next steps of their engagement.

Supporters may be asset owners only and are requested to:

- Publicly support the sign-on-statement and the initiative objectives and agenda
- Request that their managers or service provider with responsibility for engagement join the initiative.

5.5 To become a Supporter investors are required to sign up to the following commitment

"We believe that engaging and working with the companies in which we invest – to communicate the need for greater disclosure around climate change risk and company strategies aligned with the Paris Agreement – is consistent with our fiduciary duty and will contribute to achieving the goals of the Paris Agreement.

The initiative aims to secure commitments from the boards and senior management to:

- 1. Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk and opportunities.***
- 2. Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2 degrees above pre-industrial levels.***
- 3. Provide enhanced corporate disclosure in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and sector-specific GIC Investor Expectations* on Climate Change (when applicable) to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below 2 degrees and improve investment decision-making.***

Working through AIGCC, Ceres, IGCC, IIGCC and PRI, we will together monitor the progress that companies make towards these towards these goals. We are committed to working collaboratively through this initiative, using a range of engagement approaches to ensure fulfilment of the above mentioned goals. "

5.6 Due to the resources required to be a "Participating" member it is recommended the Pension Fund, to reinforce its commitment to climate change, considers becoming a "Supporter" and signs up to the commitment detail in para 5.5. The fund would encourage its fund managers to also join, currently three out of 13 of the fund's managers have already signed up to the commitment with Climate Action 100+.

6 IMPLICATIONS

6.1 Financial

There are no direct financial impacts relating to this report.

6.2 Risk and Mitigations

The establishment of a Statement of Responsible Investment Policy and monitoring process will ensure the Fund meets its requirement under its fiduciary duties to ensure it has appropriate regards to ESG responsibilities.

6.3 Equalities

It is anticipated that there is no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

6.4 Acting Sustainably

This report monitors the approved policy of responsible investment which will require Fund Managers and Companies the Fund is invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way

6.5 Carbon Management

This report will have no direct impact on the carbon emissions of the Council. It will however encourage Managers and Companies invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way.

6.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report

7 CONSULTATION

7.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

Name David Robertson
Title Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Kirsty Robb	Pension & Investment Manager, 01835 825249

Background Papers: Statement of Responsible Investment

Previous Minute Reference: Joint Pension Fund Committee & Board, 30 November 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

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Baillie Gifford

	01.Strategy & Governance	A+	
>50%	10. Listed Equity - Incorporation	A	
>50%	11. Listed Equity - Active Ownership	A	

UBS

	01.Strategy & Governance	A+	
10-50%	11. Listed Equity - Active Ownership	A	
10-50%	10. Listed Equity - Incorporation	A	

Morgan Stanley

<10%	17. Property	A+	
	01.Strategy & Governance	A	
10-50%	10. Listed Equity - Incorporation	C	
10-50%	11. Listed Equity - Active Ownership	B	

LGT

	01.Strategy & Governance	A+	
10-50%	07. Private Equity	A+	

Blackrock

	01.Strategy & Governance	A	
<10%	17. Property	A	

M&G

	01.Strategy & Governance	A+	
10-50%	12. Fixed Income - SSA	A+	
<10%	13. Fixed Income - Corporate Financial	A	
10-50%	15. Fixed Income - Securitized	A	
10-50%	14. Fixed Income - Corporate Non-Financial	A	

Partners

	01.Strategy & Governance	A+	
<10%	05. Fixed Income - Corporate Non-Financial	Not reported	

Permira

	01.Strategy & Governance	A+	
10-50%	14. Fixed Income - Corporate Non-Financial	A	

Macquarie

	01.Strategy & Governance	A	
10-50%	18. Infrastructure	A	

KKR

	01.Strategy & Governance	A+	
10-50%	18. Infrastructure	Not reported	

Dalmore

	01.Strategy & Governance	A	
>50%	18. Infrastructure	B	

Brookfield

Not a UNPRI Signatory

Infrared

	01.Strategy & Governance	A+	
>50%	18. Infrastructure	A+	

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INFORMATION UPDATE

Briefing Paper by Chief Financial Officer

PENSION FUND COMMITTEE & PENSION BOARD

12 September 2019

1 PURPOSE AND SUMMARY

- 1.1 **This briefing paper is to provide members of the Committee and the Board with an update on a number of areas which are being monitored and areas where work is progressing. Full reports on the individual areas will be tabled as decisions and actions are required.**

2 GMP RECONCILATON

- 2.1 Stage 2 of the GMP Reconciliation is progressing by ITM Limited on behalf of Scottish Borders Council. This stage of the project is the reconciliation of discrepancies between HMRC and Scottish Borders Council pension records for Active or Deferred members and Pensioners.
- 2.2 Scottish Borders Council received the latest report from ITM on 27 August 2019 and these are summarised below:-

54.83%	Percentage of fund members have been reconciled
45.06%	Percentage of fund members who are out with the scope for reconciliation. Generally members who have no liability under the scheme having either pre 6 April 1978 service only or only post 5 April 2016 service.
0.11%	Percentage of fund members who are still unreconciled. These are awaiting data from HMRC or further investigation is required by gathering historic payroll details. This equates to 22 members
100%	

- 2.3 Stage 3 will be the Rectification of GMP figures, following receipt of a

final report from HMRC for all GMP records attributed to the Scottish Borders Council Pension Fund. This report will be sent via ITM which will provide details on the number of members who may require rectification. Thereafter there needs to be a review of the resource required to carry this out and the impact on the Fund.

3 ANNUAL BENEFIT STATEMENT

- 3.1 In accordance with LGPS Regulations all Annual Benefit Statements have been issued prior to the 31 August 2019 deadline. Deferred member statements were issued between 12th and 14th August 2019 and Active member statements issued between 12th and 21st August 2019.

4 PENSION ADMINISTRATION STRATEGY

- 4.1 In accordance with the Business Plan the annual review of the above has been carried out and there are no changes required. The current version of the strategy meets with the latest Regulations and there have been no suggested changes to the performance measures. The strategy will be reviewed either in the next year or when any changes to Regulations are made affecting this area, whichever is the sooner.

5 SCHEME ADVISORY BOARD

- 5.1 The Scheme Advisory Board has not held any meetings since the 24th April which was previously report to the Joint Board and Committee on 13 June.
- 5.2 The summary note from the meeting of 24th April is still not available.

6 PLASTICS ENGAGEMENT

- 6.1 Strathclyde Pension Fund have been working with Sustainalytics, an engagement company, to encourage high plastic users to reduce their plastic use. Apple are one of these companies and were proving reluctant to engage.
- 6.2 Strathclyde contacted all the Scottish LGPS funds to ask us to support the engagement by adding the Fund's name to a letter to Apple encouraging them to engage with Sustainalytics.

- 6.3 Scottish Borders Council Pension Fund has agreed to add their backing to the campaign letter to encourage Apple to engage with Sustainalytics.

7 TRAINING OPPORTUNITIES

- 7.1 Baillie Gifford will be holding their Local Authority Training & Seminar event of 9-10 October 2019 in Edinburgh. Additional places were obtained to allow everyone all who expressed an interest to attend. Information on final details should be emailed, to those attending, direct from Baillie Gifford
- 7.2 Local Government Chronicle are holding their annual seminar on 24th & 25th October in Edinburgh. Information on the seminar was circulated to all Members and places have been reserved for those who expressed an interest. Information on final details will be emailed, to those attending, from LGC.

8 FUTURE MEETINGS

- 8.1 The dates of future meetings are given below for information
- 29th November 2019
- 5th March 2020
- 11th June 2020

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