

SCOTTISH BORDERS COUNCIL PENSION FUND COMMITTEE AND PENSION BOARD

MINUTES of Meeting of the PENSION FUND COMMITTEE AND PENSION BOARD held in Cleaning Academy (Opposite Council Headquarters) Newtown St Boswells on Tuesday, 17 December 2019 at 10.15 am

Present:- Councillors S Mountford (Chairman), J Brown, G Edgar, C Hamilton, D Moffat, S Scott, Mr A Barclay, Mr M Drysdale, Mr M Everett, Ms H Robertson and Ms L Ross

Apologies:- Councillor S Aitchison, D Parker, Ms C Stewart, Ms K M Hughes.

In Attendance:- HR Shared Services Manager, Pension & Investments Manager, Mr D O'Hara (KPMG), Ms J West (Hymans Robertson), Ms A Fitzgerald (Audit Scotland)

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 12 September 2019

DECISION

NOTED for signature by the Chairman.

2. **PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**

There had been circulated copies of the Minute of the Pension Fund Investment and Performance Sub-Committee held on 30 September 2019.

DECISION

NOTED.

3. **RISK REGISTER UPDATE**

With reference to paragraph 5 of the Minute of 12 September there had been circulated copies of 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 review has been undertaken on 15 April 2019 and the revised risk register approved by the Joint Pension Fund Committee and Pension Board on 13 June 2019, with an update of the actions undertaken on 12 September 2019. Appendix 1 to the report detailed the risks within the approved risk register which had been identified as management actions to date. Mrs Robb advised, that with regard to Risks 1.1 and 1.4, the majority of Pension Fund Committee and Pension Board members had completed the minimum requirement attending two training events this year. Regarding Risk 1.9, work had commenced in preparation for the 2020 valuation.

DECISION

(a) **NOTED:**

(i) **The management actions progressed as contained in Appendix 1 to the report;**

(ii) That no new quantifiable risks have been identified since the last review.

(b) **AGREED to a key risk review being undertaken in March 2020 and reporting of progress on the risk management actions.**

4. **BUSINESS PLAN PERFORMANCE UPDATE**

With reference to paragraph 7 of the Minute of 13 June 2019, there had been circulated copies of a report by the Chief Financial Officer providing members of the Pension Fund Committee and Pension Board with an update on delivery of the actions within the approved Business Plan. The 2019/20 – 2021/22 Business Plan for the Pension Fund was approved on 13 June 2019. Included within the Plan were key objectives and actions with target dates. As part of the risk register update approved on 12 September 2019, it was agreed a mid-year progress report on the Business Plan actions would be presented at the December 2019 meeting and a further progress report and update at the June 2020 meeting. The report explained that there were 19 key tasks due for completion during 2019/20. Of these 11 were fully completed, four were on track to be completed by the approved target date and four required revised dates as detailed below. In response to a question regarding the Cessation and Discretion Policy, the HR Shared Services Manager, Mr Angus, advised that this was to ensure that if any individual employers ceased to be part of the Fund, there would be no adverse effect.

DECISION

(a) **NOTED the progress of the 2019/20 actions within the Business Plan.**

(b) **AGREED:**

- (i) **A revised target date of 31 March 2020 for completion of action P2-A1 - review of current taxation position;**
- (ii) **A revised target date of 31 March 2020 for completion action P4-A1 - develop and gain approval for Cessation and Discretion Policy;**
- (iii) **A revised target date of 31 March 2020 for completion of P6-A1 – complete full reconciliation of Guaranteed Minimum Pension between Fund and HMRC;**
- (iv) **A revised target date of 31 March 2020 for completion of action P6 – A1 – complete full reconciliation of Guaranteed Minimum Pension between the Fund and HMRC;**
- (v) **A revised target date of 31 December 2019 for completion of action P6-A2 – creation of rectification plan measuring of Common and specific data following annual review and return to the Pension Regulator; and**
- (vi) **A further update be presented at the June 2020 meeting.**

5. **PENSION FUND BUDGET MONITORING TO 30 SEPTEMBER 2019**

With reference to paragraph 10 of the Minute of 12 September, there had been circulated copies of a report by the Chief Financial Officer providing the Pension Fund Committee and Pension Board with an update of the Pension Fund budget to 30 September 2019 including projections to 31 March 2020. The Local Government Pension Scheme (Scotland) Regulations 2014 required Administrating Authorities to ensure strong governance arrangements and sets out the standards they were to be measured against. To ensure the Fund met the standards a budget was approved on 7 March 2019 following the recommended structure within the CIPFA accounting guideline headings. The report was the second quarterly monitoring report of the approved budgets. The report detailed the total expenditure to 30 September 2019 was £0.067m with a projected total expenditure of £6.458m against a budget of £6.458m. There was no projected variance. Mrs Robb highlighted that the Cost Transparency Initiative detailed in the report, was part of the process of monitoring Investment Managers' fees, with some managers now providing quarterly returns in the new format. All, except for one manager, had confirmed

they would provide the necessary information in the requested template format for the 2019/20 accounts.

DECISION

NOTED the actual expenditure to 30 September 2019 and the projected budget outturn to 31 March 2020.

6. INFORMATION UPDATE

6.1 There had been circulated copies of a briefing paper by the Chief Financial Officer providing members of the Committee and Board with updates on a number of areas which were being monitored and where work was progressing. Full reports on individual actions would be tabled as decision and actions were required.

6.2 GMP Reconciliation

With reference to paragraph 12.2 of the Minute of 12 September 2019, it was noted that the final report from HM Revenue and Customs was still awaited.

6.3 AVC Update

Mr Angus advise that there had been an increase to 58 employees who had joined the Shared Cost AVC scheme. The scheme would continue to be promoted.

6.4 SBCares Reintegration with Scottish Borders Council

All employees of SB Cares transferred to Scottish Borders Council from 1 December 2019. Policy documents would be updated to reflect the change of status from an active to closed admitted body.

6.5 Scheme Advisory Board

With reference to paragraph 12.5 of the Minute of 12 September 2019, copies of the Scheme Advisory Board (SAB) consultation report had been circulated with the agenda. The Chairman advised that the preference from the majority of pension schemes in Scotland was for the status quo to remain with more collaboration. The option of pooling had been rejected unanimously. However, the Minister has asked for it to remain an option for the next stage of the review. Further research on the different options was required and an update would be provided at the next meeting. In response to a questions, the Chair advised that pooling of funds would require primary legislation. Mrs Robb added that pooling set up was expensive with an anticipated 15-20 years to recoup costs. If Funds decided to merge, protection could be built in to allow for employers to have differing employer contribution rates.

6.6 McCloud Update

Following a ruling by the Court of Appeal, Mr Angus explained that there was no further information in respect of transitional protection and this could have an effect on LGPS. The Fund Actuary, Ms West, added that only those employees with high salary growth during the period might find an impact on their pensions.

6.7 Auto-enrolment

The report explained that opt outs had been received from 23 of the 55 employees who had been re-enrolled, resulting in 58% of those enrolled remaining in the scheme,

6.8 Training Opportunities

It was noted that any member interested in attending the PSLA Investment Conference from 11 – 12 March 2020 should advise Mrs Robb out with the meeting.

DECISION

NOTED.

7. 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

8. **MINUTE**
The Committee noted the Private Minute of the meeting of 12 September 2019.
9. **PENSION FUND INVESTMENT & PERFORMANCE SUB COMMITTEE**
The Committee noted the Private Minute of the meeting of 30 September 2019.
10. **KPMG UPDATE**
The Committee and Board received a verbal report from the Investment Manager regarding KPMG.
11. **QUARTER PERFORMANCE UPDATE**
The Committee noted a private report by the Chief Financial Officer which updated on infrastructure investment made by the Fund under delegated authority.
12. **INFRASTRUCTURE UPDATE**
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 11.30 am