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## **INFORMATION UPDATE**

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### **Briefing Paper by Chief Financial Officer**

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## **PENSION FUND COMMITTEE & PENSION BOARD**

**8 December 2016**

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### **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 INFASTRUCTURE**

- 2.1 Lothian Pension Fund presented to the IGG Group in October their current Infrastructure investment strategy which has been producing strong returns and is managed mainly in house. Lothian Pension Fund has also just been granted FCA authorisation which make it possible for like-minded institutions to invest alongside them. Officers have been exploring whether this vehicle provides opportunities for the SBC pension fund. If so this will be reported to members in due course.
- 2.2 The LGPS Conveners Group met in Edinburgh on 22<sup>nd</sup> November and included on the agenda was investment ins Scottish infrastructure. The meeting was attended by Councillor White and Kirsty Robb.

### **3 CURRENCY HEDGE**

- 3.1 Committee approved on 15 September 2016 the removal of the currency hedge. Delegate powers were given to the Chief Financial Officer, in agreement with the Chair of the Pension Fund Committee and based on advice of the Investment Advisor, to implement the removal of the hedge at the most appropriate time.

- 3.2 Following an update from KPMG and a conference call between KPMG, David Robertson and Councillor White it was agreed to reduce the hedge in November by 50%. This has resulted in the hedge being reduced to 12% against the US Dollar, 25% against the Euro and 25% against the Japanese Yen.

#### **4 BREXIT**

- 4.1 There remains little clarity around the timing of implications of the Brexit vote. Officers are working with the Custodian Northern Trust and the Investment Advisor to ensure implications can be assessed as soon as things are known.
- 4.2 Officers continue attending national groups where the implications of Brexit are discussed but again while there is much speculation in the media there is as yet no certainty as to the actual impact of Brexit. The national groups will continue to be attended and monitored.

#### **5 TRAINING**

- 5.1 Since 31 March 2016 there have been three training opportunities open to all members of the Committee and Board. These have all been well attended and have covered areas mainly around investment. Nine members have now met their training requirements for the year.
- 5.2 A new training opportunity on 12 December in Edinburgh has been circulated and 9 members have noted an interest. The training will cover the following areas:
- Role of custodian
  - Pension administration
  - Investment in Infrastructure and Alternatives
  - Environmental, Social, Governance Policies
- 5.4 The Pensions and Lifetime Savings Association is organising a conference for 8<sup>th</sup> to 10<sup>th</sup> March 2017 in Edinburgh. As the fund is a member these places are free. The actual agenda and timings are currently not yet known but will be circulated once known.
- 5.3 A further in house training session is planned for March that will cover Fiduciary Duties - centred on the advice given to the Scheme Advisory Board. The session will be prior to the meeting on 16<sup>th</sup> March 2017.

#### **6 VISIT SCOTLAND GUARANTEE**

- 6.1 Visit Scotland are a scheduled body within the Pension Fund and have 16 members currently in Scottish Borders Council Pension Fund of which only 1 is active. They are also scheduled bodies across a number of other LGPS funds. If the active members ceases to be active this will move Visit Scotland into a "exiting employer" position and would require them to pay an exit payment or provide an indemnity, bond or guarantee.

- 6.2 There has been much discussion recently around cessation valuations resulting in the Scottish Government requesting the Scheme Advisory Board to undertake a detailed assessment of the issue. This work has been undertaken but updated guidance has not been formally issued.
- 6.3 Visit Scotland in recognition of their position within a number of LGPS funds have contacted all LGPS funds offering a guarantee to the Fund against all damages, penalties, fines, costs, claims, losses, demands, liabilities and expenses. The guarantee is being provided by Scottish Ministers on behalf of Visit Scotland.
- 6.4 The guarantee requests Visit Scotland are treated as an open fund for valuation purposes, even if no active members within in the fund. The guarantee would provide the required protection to the fund.

## **7 ERP IMPLEMENTATION**

- 7.1 The ERP implementation continues to progress. The overall status of the project is amber but with increasing confidence. Significant work has been undertaken recently to prepare for the important User Acceptance testing phase of the project. While challenges, particularly concerning project resources change management and benefit realisation strategy exist, these are being managed and the project remains on track to go live in April 2017.

## **8 AUTO ENROLMENT**

- 8.1 Scottish Borders Council has gone through the process of re-enrolling employees who had previously opted out of the Pension Scheme where they satisfied the Auto Enrolment criteria. This saw 21 employees re-enrolled into the scheme.
- 8.2 For Scottish Borders Council there are 3,284 out of 3,640 employee posts holding with contractual hours, who are members of the Pension Scheme, this represents 90.22% who are scheme members. Out of those who are not currently members of the scheme 236 had auto enrolment duties postponed until September 2017.
- 8.3 For SB Cares, there are 653 out of 742 employee post holdings with contractual hours who are members of the Pension Scheme; this represents 88.01% who are scheme members. The auto enrolment duties for SB Cares do not commence until 1 October 2017.

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