

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, 8
December 2016 at 10.00 am

Present:- Councillors B White (Chairman), J. Campbell, G. Edgar, S. Mountford,
S. Aitchison, Mr M Drysdale, Ms C Stewart, Ms K M Hughes and Mr P Smith.
Apologies:- Councillors M. J. Cook, G. Logan, J. G. Mitchell, Mr E Barclay, Ms L Ross and
Mr C Hogarth, J Mitchell, Mr A Barclay, Mr C Hogarth, Ms L Ross.
In Attendance:- Capital & Investments Manager, Chief Officer – Audit & Risk, Mr D O'Hara
and Mr T Hodgson (KPMG), Mr A Haseeb (Audit Scotland), Democratic
Services Officer (J Turnbull).

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 15 September 2016.

DECISION

NOTED for signature by the Chairman.

2. **MATTERS ARISING FROM THE MINUTE**

With reference to paragraph 2.5 of the Minute, the Chief Financial Officer, Mr Robertson, advised that the Actuary had been consulted and had agreed to the proposed changes to the Fund's strategy. A report would now be presented to the March meeting of the Pension Fund Committee and Pension Board.

DECISION

NOTED that the report on the new investment strategy would now be presented to the 16 March 2017 joint meeting.

3. **BUSINESS PLAN PERFORMANCE UPDATE**

3.1 There had been circulated a report by Chief Financial Officer providing members of the Committee and Board with an update on delivery of actions within the approved Business Plan. The 2016/17 – 2018/19 Business Plan for the Pension Fund was approved by the Committee and Board on 16 June 2016. Included within the plan were key objectives and actions with target dates. As part of the Risk Register update, approved at the Committee and Board on 15 September 2016, it had been agreed that a mid-year progress report on the Business Plan actions would be presented at the December 2016 meeting. A further progress report and update would also be presented to the June 2017 meeting.

3.2 There were 14 performance measures and target dates during 2016/17 contained within the Business Plan. These were detailed in Appendix 1 to the report, with a progress update. Of these, five performance measures had been completed, three remained on track to be completed within their targeted timescales and six were currently behind target. Due to the implementation of the (ERP) Enterprise Resource Planning system and the resulting resource constraints, the actions for the Communication Strategy and review of Additional Voluntary Contribution Scheme provision would not meet the target dates. Revised target dates of September 2017 and March 2018 were therefore recommended.

- 3.3 In answer to questions, Mr Robertson explained that to ensure targets were met for implementation of the new ERP system; key staff were managing two systems to enable parallel testing to take place in a live environment. This had resulted in resource constraints and delays in the implementation of the actions required to complete the Communication Strategy and the review of Additional Voluntary Contribution Provision. Mrs Robb confirmed that the Action Update, presented to the June meeting, would be amended to include when an action had been completed.

DECISION

(a) **NOTED the progress of the 2016/17 actions within the Business Plan.**

(b) **AGREED**

(i) **The revised target date of 30 September 2017 for development and implementation of an effective Communication Strategy;**

(ii) **The revised target date of 31 March 2018 for the review of Additional Voluntary Contribution Scheme Provision; and**

(iii) **A further update be presented at the June 2017 meeting.**

4. RISK REGISTER UPDATE

4.1 With reference to paragraph 4 of the Minute of 8 December 2016, there had been circulated a report by Chief Financial Officer which formed part of the risk review requirements. The report provided members with an update on the progress of the management actions to mitigate risks, a review of new risks and highlighted changes to risks contained in the Risk Register. 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. Appendix 1, to the report, detailed the risks within the approved Risk Register which identified management actions and the progress of these actions to date. The recent vote to leave the European Union was highly likely to have an impact on the Pension Fund. While the actual timing and consequence of the change was unknown, it was evident that the Pension Fund investment strategy would have to adapt over time as the implications become known.

4.2 Members noted that one of the key actions was the appointment of Northern Trust as the new Custodian from 1 December 2016. Risk 4.1 - changes in composition of Pension Fund membership was discussed. Mr Robertson advised that the majority of staff were already enrolled in the Fund. The risk was to the liquidity of the Fund, and there being insufficient assets to meet future liabilities, which was an ongoing issue. He highlighted that further restructuring of local government in Scotland would be a major risk to the Fund. It was hoped that there would be a full consultation by the Scheme Advisory Board on any changes which might affect the Pension Fund's investment returns, cost and efficiency. The Fund and Board would be kept updated.

DECISION

(a) **NOTED**

(i) **The management actions progressed as contained in Appendix 1; and**

(ii) **The emerging position with regard to "Brexit" continued to create uncertainty; no new quantifiable risks had been identified since the last review.**

(b) **AGREED to a key risk review being undertaken in March 2017 and reporting of progress on risk management actions.**

5. **SCHEME ADVISORY UPDATE**

There had been circulated the Scottish Local Government Pension Scheme Advisory Bulletin (October 2016) for information. With regard to the Structure Review, the Capital and Investment Manager, Mrs Robb, advised that the second draft had been produced. Officers from Lothian and Strathclyde Pension Funds were on the working group for this. The recommendations contained in the Review ranged from one fund to the status quo and assumptions were more robust than seen in previous reviews. Mrs Robb further advised that the Transparency Code was progressing and Fund Managers had been asked to provide information. Mrs Robb went on to discuss training and that Fiduciary Duty training would be provided prior to the meeting on 16 March. The training would be provided in-house by the Council's legal team. Members were also asked to note that KPMG had undertaken the governance review and were preparing their report to be delivered to the Scheme Advisory Board. The best practice guidance on cessation valuations had not yet been issued.

DECISION

NOTED the updates.

6. **INFORMATION UPDATE**

- 6.1 There had been circulated a briefing paper by Chief Financial Officer. In summary: Lothian Pension Fund had been granted Financial Conduct Authority (FCA) authorisation. The Chief Financial Officer was exploring whether there would be opportunities for joint working and investment in their Infrastructure Investment Strategy.
- 6.2 The Local Government Pension Scheme (LGPS) Conveners' Group had discussed investment in Scottish Infrastructure. The next meeting was scheduled for 21 December; the Chief Financial Officer would be attending.
- 6.3 Nine members of the Pension Fund and Board had fully met their training requirements. Information on a training event on 12 December had been circulated. The training would cover: Role of Custodian; Pension Administration; Investment in Infrastructure and Alternatives; and, Environment, Social, Governance Policies. The Pensions and Lifetime Savings Association would also host a conference on 8 – 10 March 2017. Members were not required to attend all days, but could select their preference. An agenda would be circulated when received.
- 6.4 Due to Visit Scotland nearing "exiting employee" status they wished to put a bond in place to avoid a cessation valuation being required. They are proposing this across all Pension Funds they were members of. The Bond was being underwritten by Scottish Government and was being prepared. It was also noted that the Auto Enrolment of employees, who had previously opted out, had resulted in 21 employees being re-enrolled into the scheme. Members appreciated the update and it was agreed that it be presented to every meeting.

DECISION

AGREED to present an Information Update to every meeting of the Pension Fund Committee and Pension Board.

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.

8. **MINUTE**

The Committee noted the Private Minute of the meeting of 15 September 2016.

9. **ACTION SHEET UPDATE**
The Committee noted the master Action Sheet update.
10. **PENSION FUND APPOINTMENT SUB-GROUP**
The Committee noted the Private Minute of the Meeting of the Pension Fund Sub-Committee of 3 November 2016.
11. **INVESTMENT REPORT - QUARTER TO 30 SEPTEMBER 2016**
The Committee noted the Private Minute of the Meeting of the Pension Fund Sub-Committee of 3 November 2016.
12. **PROPERTY INVESTMENT UPDATE**
The Committee noted and agreed a report by Chief Financial Officer.
13. **PROCUREMENT UPDATE AND IMPLEMENTATION**
The Committee noted and agreed a report by Chief Financial Officer.

The meeting concluded at 11.50 am