

# 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 Monday, 4 December 2017  
at 2.00 pm

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Present:- Councillors D. Parker (Chairman), J. Brown, G. Edgar, J. A. Fullarton,  
D. Moffat, S. Mountford, S. Scott, S. Aitchison, Mr E Barclay, Mr M Drysdale,  
Mr C Hogarth and Ms K M Hughes.

Apologies:- Councillors Ms L Ross, Mr P Smith and Ms C Stewart

In Attendance:- Chief Financial Officer, Capital and Investment Manager, HR Shared Services  
Manager, Mr D O'Hara (KPMG), Mr Singh (KPMG), Democratic Services  
Officer (J Turnbull).

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## 1. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 14 September 2017.

### **DECISION**

**NOTED for signature by the Chairman.**

## 2. **PRESENTATION - VALUATION UPDATE**

2.1 The Chairman welcomed to the meeting Alison Hamilton, a partner at Barnett Waddingham, to present the results of the Actuarial Valuation of the Scottish Borders Council Pension Fund, with a valuation date of 31 March 2017. Copies of presentation slides were circulated to Members which summarised how the valuation was carried out and the assumptions made in respect of investment returns, mortality of the Fund's membership and long term salary increases. Ms Hamilton highlighted the main results of the 2017 valuation: The Fund's assets at the end of the year totalled £653,955,000. The assets less the value of liabilities had determined a surplus of £80,642,000. This equated to a funding level at 31 March 2017 of 114%, which compared to 101% at the 2014 valuation. Ms Hamilton recommended that the employer's contribution pool rate from 1 April 2018 to 31 March 2021 remained at 18%. The final valuation for individual employers would be finalised shortly. Members received answers to their questions from Ms Hamilton who was thanked by the Chairman for her attendance. It was noted that the Actuary's assumptions had been agreed with the Chief Financial Officer and a final report would be presented to the joint meeting in June 2018.

2.2 The Pension Fund Committee and Pension Board noted that changes to the investment strategy had produced good returns for the Fund with less volatility. In answer to questions, Mr O'Hara, Investment Advisor, advised that in terms of peer group benchmarking, the Fund had performed above average. Changes to the investment strategy were still being implemented and would address further risk and maintain the strong position of the Fund.

### **DECISION**

**NOTED the 2017 Actuarial presentation.**

## 3. **RISK REGISTER UPDATE**

With reference to paragraph 7 of the Minute of 14 September 2017, 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 review was undertaken on 10 May 2017 and the revised risk register was approved by the Joint Pension Fund Committee and Pension Board on 22 June 2017. Appendix 1 to the report detailed the risks within the approved risk register which have been identified as management actions and the progress of these actions to date. In summary Mrs Robb advised that no new quantifiable risks had been identified since approval of the risk review update on 14 September 2017. With regard to Risk 2.4, the Communication Strategy was being developed; in respect of Risk 1.4, training requirements were being actioned as part of the Training Plan and many members had already completed their Pension Regulator Trustee Toolkit.

#### **DECISION**

**(a) AGREED to a key risk review being undertaken in March 2018 and reporting of progress on the risk management actions.**

**(b) NOTED:**

**(i) Management action progress as contained in Appendix 1 to the report; and**

**(ii) No new quantifiable risks had been identified since the last review.**

#### **4. BUSINESS PLAN PERFORMANCE UPDATE**

There had been circulated a report by the Chief Financial Officer providing an update on delivery of the actions within the approved Business Plan. The 2017/18 – 2019/20 Business Plan for the Pension Fund was approved by the Pension Fund Committee and Pension Board on 22 June 2017. Included within the plan were key objectives and actions with target dates. As part of the approved risk register update, the Committee and Board agreed a mid-year progress report, on business plan actions, would be presented at the December 2017 meeting, with a further progress report and update at the June 2018 meeting. The report explained that there were 13 key tasks with target dates during 2017/18 contained within the business plan. Of these, four key tasks had been completed, seven remained on track to be completed and two were currently behind target. Due to the implementation of Enterprise Resource Planning (ERP) and the resulting resource constrains the actions for the Review of Additional Voluntary Contribution Scheme Provision would not meet the target dates. A revised target date of 30 June 2018 was therefore recommended.

#### **DECISION**

**(a) NOTED the progress of the 2017/18 actions within the business plan.**

**(b) AGREED**

**(i) The revised target date of 30 June 2018 for procurement and implementation of an Additional Voluntary Contribution Scheme Provider; and**

**(ii) A further update be presented at the June 2018 meeting.**

#### **5. BUDGET MONITORING TO 30 SEPTEMBER 2017**

There had been circulated a report by the Chief Financial Officer providing the Pension Fund Committee and Pension Board with an update position of the Pension Fund budget to 30 September 2017 including projections to 31 March 2018. The Local Government Pension Scheme (Scotland) Regulation 2014 required Administering Authorities to ensure strong governance arrangements and set out the standards they were to be measured

against. To ensure the Fund met the standards a budget was approved on 16 March 2017, following the recommendations within the CIPFA accounting guidelines headings. The report was the first quarterly monitoring report of the approved budgets and detailed the total expenditure to 30 September 2017 was £0.351m with a projected total expenditure of £3.928m. This was against an approved budget of £3.928m giving a negative projected variance of zero. The Chief Officer Audit & Risk advised that internal audit were reviewing management of the Pension Fund, including the administration of the Fund. The outcome of which would be reported back to the Pension Fund Committee and Pension Board.

## **DECISION**

**NOTED the actual expenditure to 30 September 2017.**

### **6. INFORMATION UPDATE**

6.1 There had been circulated a briefing paper by the Chief Financial Officer providing members with an update on a number of areas which were being monitored and areas where work was progressing. Full reports on individual actions would be tabled as decisions and areas were required. In summary:-

#### **6.2 Annual Benefit Statement**

The HR Shared Services Manager advised that the not all annual benefit statements had been issued by 7 September 2017. The delay had been reported to the Pensions Regulator, who had advised that no enforcement action would be taken.

#### **6.3 Progress on Investment Strategy Implementation**

The revised Investment Strategy was approved in September 2016 and updated on 16 March 2017. The Strategy now included an allocation to infrastructure which had resulted in three new managers and the requirement to rebalance a number of investment categories. The briefing paper detailed the progress made including the reduction to Alternatives of 7.5%, 10% new allocations to Long Lease Property and Private Credit, with 5% to Index Linked Gilts. With regard to Infrastructure investment, officers continued to investigate opportunities and would report on progress.

#### **6.4 Scheme Advisory Board Update**

Councillor Mountford had attended the first meeting of the new Board on 11 October. He advised that items discussed at the meeting including: transparency of investment code, review of pooling arrangements, pension benefits for same sex partners, public sector pension governance and a proposal to have pensioner representatives as part of the Advisory Board.

#### **6.5 Training Opportunities**

To date 11 members had fully met their training requirement. Mrs Robb reminded members that the training policy required completion of the Pension Regulator Trustee Toolkit within six months. Mrs Robb further advised that the Pensions and Lifetimes Savings Association were hosting a three day conference from 7 to 9 March; details would be circulated when available.

## **MEMBER**

Councillor Edgar left the meeting following consideration of the above item.

#### **6.6 GMP Reconciliation**

The HR Shares Services Manager, Mr Angus, advised that following a tendering exercise, ITM limited was the successful bidder and would support the Fund to progress Guaranteed Minimum Pension (GMP) Reconciliation.

#### **6.7 Auto Enrolment**

With regard to the Local Government Pension Scheme (LGPS), 104 employees had been enrolled into the Scottish Borders scheme and 52 into the SB Cares scheme, with 443

and 412 employees respectively, not meeting the criteria. However, these employees had been advised that they could still opt to join the scheme and this was being monitored

6.8 **MiFID Update**

The “professional” status documentation had been completed, with two fund managers still to confirm the fund meets the requirements to opt up as requested.

6.9 **Future Meeting Dates**

Joint Pension Fund Committee and Pension Fund Board	8 March 2018
Joint Pension Fund Committee and Pension Fund Board	14 June 2018
Performance & Investment Sub-Committee	26 February 2018.

**DECISION**

**NOTED** the information update.

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 14 September 2017.

9. **QUARTER PERFORMANCE UPDATE**

The Committee considered a Private report by KPMG.

10. **INFRASTRUCTURE INVESTMENT**

The Committee noted a private report by the Chief Financial Officer regarding an infrastructure investment made by the Fund under delegated authority.

***The meeting concluded at 3.30 pm.***