

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 Tuesday, 10 March 2020 at 10.00 am

Present:- Councillors D Parker, S Aitchison, G Edgar, C Hamilton, D Moffat, S Mountford, S Scott, Mr M Drysdale, Mr M Everett, Ms K M Hughes, Ms C Stewart and Ms L Ross

Apologies:- Councillor J Brown, Ms K M Hughes, Ms H Robertson.

In Attendance:- Executive Director Finance and Regulatory, Pensions and Investment Manager, HR Shared Services Manager, Principal Consultant (KPMG), Democratic Services Officer (J Turnbull)

Also in Attendance:- Mr D Bell, Unite.

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 17 December 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 10 February 2020.

DECISION

NOTED.

3. **RISK REGISTER UPDATE**

With reference to paragraph 3 of the Minute of 17 December 2019, there had been circulated copies of a report by the Executive Director Finance and Regulatory, which formed part of the risk review requirements and provided the Pension Fund Committee and Pension Board with an update on progress of the actions taken by management to mitigate these risks, a review of any new risks and highlighting any changes to any of the 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. A full risk review had 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 10 March 2020. Appendix 1 to the report detailed the risks within the approved Risk Register which had been identified management actions and the progress of these actions to date. The Pensions and Investment Manager, Ms Robb, highlighted that all members of the Pension Fund Committee and Pension Board had completed the Trustees' Toolkit. In response to a question regarding the implications of the coronavirus on the triannual valuation, the Executive Director Finance and Regulatory, Mr Robertson, advised that the overall funding level could reduce. However, it was anticipated that the Actuary would take cognisance of exceptional circumstances when setting the employer contribution rate.

DECISION

(a) NOTED:

- (i) The management actions progress as contained in Appendix 1 to the report; and**
- (ii) That no new quantifiable risks have been identified since the last review.**

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

4. PENSION FUND BUDGET MONITORING TO 31 DECEMBER 2019 AND BUDGET 2020/21

With reference to paragraph 5 of the Minute of 17 December, there had been circulated copies of a report by the Executive Director Finance and Regulatory providing the Pension Fund Committee and Pension Board with an update of the Pension Fund budget to 31 December 2019 and seeking agreement of the proposed budget for 2020/21. The Local Government Pension Scheme (Scotland) Regulations 2014 required Administrating 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 7 March 2019 following the recommended structure within the CIPFA accounting guidelines. This report was the third quarterly monitoring report of the approved budget. The report explained the total expenditure to 31 December 2019 was £0.84m with a projected total expenditure of £6.437m against a budget of £6.458m, with the majority of charges by Fund Managers still to be reflected in the expenditure figures. A budget of £6.894m was proposed for 2020/21 reflecting the further implementation of the revised asset allocation strategy approved in September 2018. It was noted that the budget proposed, allowed for the implementation of a members' Self Service portal.

DECISION

AGREED

(a) The projected expenditure for 2019/20 as the revised budget for 2019/20; and

(b) The proposed budget of £6.894m set out in table 4.1 of the report for financial year 2020/21.

5. SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL PLAN 2020/21

There had been circulated copies of a report by Chief Officer Audit & Risk presenting for approval the Internal Audit Annual Plan 2020/21 for the Scottish Borders Council Pension Fund to enable the Chief Officer Audit and Risk to provide the required audit opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment. The Public Sector Internal Audit Standards (PSIAS) required the Chief Audit Executive (CAE), the Council's Chief Officer Audit and Risk, to establish risk based plans to set out the areas of internal audit activity, consistent with the objectives of the Pension Fund. A fundamental role of the Internal Audit function was to provide senior management and members with independent and objective assurance, which was designed to add value and improve the organisation's operations. In addition, the CAE was also required to prepare an internal audit annual opinion on the adequacy of the organisation's overall control environment. The proposed Internal Audit Annual Plan 2020/21 for the Pension Fund, detailed in section 4.2 of the report, sets out the range and breadth of audit areas and sufficient audit activity to enable the CAE to prepare an Internal Audit annual opinion for the Pension Fund. Key components of the audit planning process included a clear understanding of the organisation's functions, associated risks and assurance framework. There were resources currently in place to achieve the Internal Audit Annual Plan 2020/21 for the Pension Fund and to meet its objectives. Mr Robertson advised that the Audit & Scrutiny Committee meeting on 9 March 2020, had approved the allocation of five days for the provision of internal audit services to the Pension Fund.

DECISION

AGREED to approve the Scottish Borders Council Pension Fund Internal Audit Annual Plan 2020/21

6. INFORMATION UPDATE

- 6.1 With reference to paragraph 6 of the minute of 17 December 2019, there had been circulated copies of a briefing paper by Executive Director Finance and Regulatory providing members of the Pension Fund Committee and Pension 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 6.2 of the Minute of 17 December 2019, it was noted that there had been no progress since the previous meeting as the final report from HM Revenue and Customs was still awaited.
- 6.3 **Cessation Policy**
Cessation actions would be reviewed and presented to the next Pension Fund Committee and Pension Board within the Admission Policy and Funding Strategy Statement.
- 6.4 **Members' Self Service**
Following discussion with Aquila Heywood, the pensions' administration software provider, an outline plan had been agreed with the service going live in June 2020.
- 6.5 **Data Quality – Common Data**
The HR Shared Services Manager highlighted that in terms of missing National Insurance numbers, it would not be possible to rectify the Common Data. These were not available due to recipients of the pension benefit being under the age of 16.
- 6.6 **Local Government Valuation – Consultation**
The report explained that the Scottish Public Pensions Agency (SPPA) recently launched a consultation on the frequency of future valuation cycles. The consultation looked at an option to extend it from the current three yearly cycle to four yearly in line with non-fund public schemes. Due to the closing date for responses being 9 March, officers in conjunction with the Actuary, agreed the submission detailed in Appendix 3 to the report. Mr Robertson discussed the responses with the Pension Fund Committee and Pension Board members, who endorsed the submission.
- 6.7 **Scheme Advisory Board**
With reference to paragraph 6.5 of the Minute of 17 December 2019, the Chair, Councillor Parker, advised that the Scheme Advisory Board (SAB) was to undertake work to scope the works required for the next steps on the future structure of the Scottish Local Government Pension Scheme (LGPS). The SAB had accepted that a comprehensive evaluation of the benefits and risk associated with pooling or merging funds was required. Their evaluation would have a significant cost implication as data analysis of different funds would be required to enable a Ministerial decision on the findings. Details of the procurement process and timescales would be considered at the next SAB meeting in March. Following discussion, a number of questions were raised: Councillor Parker explained that one of the drivers for change was to encourage investment in infrastructure. However, the Fund was already collaborating with Lothian Pension Fund, on a range of infrastructure investments. Appropriate investment projects were also required to be created by government. With regard to the SAB consultation, the results of which were 9 out of the 11 funds rejected pooling or merging of Funds, Councillor Parker explained that Unison and Lothian Pension Fund appeared to be the main drivers behind the push for merger. If SAB's evaluation recommended a merger, then changes would be implemented by Ministerial direction, parliamentary approval might also be required. Councillor Mountford added that the Convention of Scottish Local Authorities

(COSLA) considered that any merging of funds should not be mandatory. It was noted that a further update would be presented to the next joint meeting and further discussion would follow thereafter.

6.8 **Training Opportunities**

With reference to paragraph 6.8 of the Minute of 19 December 2019, Ms Robb advised that all members had completed their minimum training requirements for 2019/20. The annual training assessment for 2020/21 would be circulated to all members shortly for completion.

DECISION

(a) **AGREED** To endorse the submission to the SPPA consultation, as detailed in Appendix 3 to the report.

(b) **NOTED** the 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 17 December 2019.

9. **PENSION FUND INVESTMENT & PERFORMANCE SUB-COMMITTEE**

The Committee noted the Private Minute of the Pension Fund Investment & Performance Sub Committee of 10 February 2020.

MEMBER

Councillor Moffat left the meeting following consideration of the above.

10. **QUARTER PERFORMANCE UPDATE**

The Committee considered a private report by KPMG.

11. **EXIT STRATEGY SB CARES**

The Committee considered a report by Service Director Human Resources and Communications and agreed the recommendation.

12. **INFRASTRUCTURE UPDATE**

The Committee noted a private report by Executive Director Finance and Regulatory updating on infrastructure investment made by the Fund under delegated authority.

The meeting concluded at 11.10 am