

**CONFIDENTIAL  
NOT FOR PUBLICATION**

**SCOTTISH BORDERS COUNCIL  
PENSION FUND COMMITTEE AND PENSION BOARD  
TUESDAY, 10 MARCH 2020  
APPENDIX  
BUSINESS CONSIDERED IN PRIVATE**

8. **MINUTE**

The private section of the Minute of 17 December 2019 had been circulated.

**DECISION**

**NOTED for signature by the Chairman.**

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

The private section of the Minute 10 February 2020 had been circulated.

**DECISION**

**NOTED.**

**MEMBER**

Councillor Moffat left the meeting following consideration of the above.

10. **QUARTER PERFORMANCE UPDATE**

With reference to paragraph 10 of the Private Minute of 17 December 2019, the Principal Consultant - KPMG, Mr Singh, advised that following the UK Parliamentary Election, clarity over Brexit and the easing of geopolitical tensions between the US and China, it had been a positive quarter for most asset classes. The Fund had delivered a positive absolute return of 1.4% over the quarter, outperforming its objective by 0.2%. Outperformance was largely driven by Baillie Gifford's equity mandates and M&G Alpha Opportunities Fund significantly outperforming their respective benchmarks. In contrast, Morgan Stanley's Global Sustain Fund underperformed due mainly to their holdings in Baxter Internal. M&G Index linked gilts had also delivered a significant negative return as a result of the sharp increase in gilt yields over the quarter. Mr Singh then went on to advise that post quarter, there had been a significant fall in the FTSE index, driven by coronavirus fears and the significant fall in oil price due to an anticipated reduction in demand. Mr Singh explained that this would have a negative impact on the funding level. However, there had been a rise in UK Gilts which were seen as a safe haven for investors. The Fund's strategic allocation, with its diversification, reduction in equities, allocation to gilts and increasing private market mandates, would soften volatility. Discussion followed and Ms Robb explained that the 1.1% allocation to cash was for cashflow management, for example, it might be required to meet pension payments or withdrawal notices. The Chair thanked Mr Singh for his attendance and informative report.

**DECISION**

**NOTED the report.**

11. **EXIT STRATEGY SB CARES**

There had been circulated copies of a report by Service Director Human Resources and Communications advising of the Exit Agreement for SB Cares in order to meet the requirements of the Admission Agreement, shown in Appendix 1 of the report, and Scheme Regulations. The report explained that following reintegration of SB Cares with

Scottish Borders Council on 1 December 2019, the Admission Agreement signed in 2015 was no longer active, which triggered the requirement to enter into a formal Exit Agreement. The Exit Agreement would see all assets and liabilities that were previously attributed to SB Cares, transferred to Scottish Borders Council. These related to all active, pensioner, dependent and deferred members of the Fund.

**DECISION**

**NOTED that an Exit Agreement would be signed by the Pension Fund and SB Cares to meet the requirement of the Admission Agreement.**

12. **INFRASTRUCTURE UPDATE**

With reference to paragraph 12 of the Minute of 17 December 2019, there had been circulated copies of a report by Executive Director Finance and Regulatory updating the Pension Fund Committee and Pension Board on infrastructure investments made by the Fund under delegated authority previously granted to the Chief Financial Officer in consultation with the Chair of the Pension Fund Committee. The report explained that the joint Pension Fund Committee and Pension Board approved on 16 March 2017, a strategic asset allocation of 5% to infrastructure via collaborative working with the Lothian Pension Fund, through services delivered by its Financial Conduct Authority registered vehicle LPFI Limited. Due to the confidential commercial nature and quick timing of such infrastructure investments, delegated authority had been given to the Chief Financial Officer in consultation with the Chair of the Pension Fund Committee to authorise individual investments in this asset class. The report advised that Pension Fund had invested and committed to a further £1.5m in project "North" since the update on 17 December 2019.

**DECISION**

**NOTED the investment of £1.5m to Project "North".**