

SCOTTISH BORDERS COUNCIL PENSION FUND COMMITTEE AND PENSION BOARD

MINUTES of Meeting of the PENSION FUND
COMMITTEE AND PENSION BOARD held
via Microsoft Teams on Monday, 22 June
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 C Stewart and Ms L Ross

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

In Attendance: Executive Director Finance & Regulatory, Pensions and Investment Manager, HR Shared Services Manager, Chief Officer Audit & Risk (paragraphs 1 – 11), Principal Consultant (KPMG), Democratic Services Officer (J Turnbull).

1. WELCOME

The Chair opened the meeting and welcomed Members of the Pension Fund Committee, Pension Board and members of the public to the Scottish Borders Council's open on-line meeting. The meeting was being held remotely in order to adhere to guidance on public meetings and social distancing currently in place, due to the Covid-19 pandemic

2. MINUTE

There had been circulated copies of the Minute of the Meeting of 10 March 2020.

DECISION

NOTED for signature by the Chairman.

3. FUNDING STRATEGY STATEMENT & STATEMENT OF INVESTMENT PRINCIPLES 2020

With reference to paragraph 2 of the Minute of 13 June 2019, there had been circulated copies of a report by the Executive Director Finance and Regulatory which proposed the revised Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) for 2020. The report explained that both these documents should be kept under review and be updated and approved annually in line with the Pension Fund's Business Plan. This report discharged that requirement. The Pension Fund was required by the Local Government Pension Scheme (LGPS) Regulations to have an up-to-date Statement of Investment Principles and Funding Strategy Statement. Appendix A, to the report, contained the Funding Strategy Statement. Appendix B, to the report, contained the revised Statement of Investment Principles (SIP) for approval. The Pensions and Investment Manager, Mrs Robb, explained that there were a few minor changes to the document, highlighting the name change of the Fund's investment consultant KPMG to Isio and the stock lending update.

DECISION

AGREED

(a) The Funding Strategy Statement set out in Appendix A to the report; and

(b) The Statement of Investment Principles set out in Appendix B to the report

PENSION BOARD MEMBER

Ms C Stewart joined the meeting following consideration of the above report.

4. SCOTTISH BORDERS COUNCIL PENSION FUND INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2019/20

With reference to paragraph 3 of the Minute of 13 June 2019, there had been circulated copies of a report by the Chief Officer Audit & Risk, which presented the Pension Fund Committee and the Pension Fund Board with the Internal Audit Annual Assurance Report for the year to 31 March 2020. The report included the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Scottish Borders Council Pension Fund's overall control environment. The report explained that the Public Sector Internal Audit Standards (PSIAS) required that the Chief Officer Audit & Risk provided an annual internal audit opinion and report on the adequacy and effectiveness of the Pension Fund's governance, risk management and internal controls to support the preparation of the Pension Fund's Annual Governance Statement. To meet the requirements of the PSIAS the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2019/20 included the Internal Audit annual opinion, providing details of the Internal Audit activity during the year to support the opinion, and stated the conformance of the Council's Internal Audit service with the PSIAS. The Chief Officer Audit & Risk's opinion was that, based on Internal Audit reviews and knowledge, the systems of internal control operating in 2019/20 within the Scottish Borders Council Pension Fund were adequate, and governance and risk management arrangements were effective. The independent assurance opinion had been used to inform the Pension Fund's Annual Governance Statement 2019/20, and the Governance Policy and Compliance Statement 2019. The Chief Officer Audit & Risk, Ms Stacey, explained that there had been a slight change to the report format which provided further clarity on the Internal Audit annual opinion within Section 4.

DECISION

NOTED the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2019/20.

5. **GOVERNANCE POLICY & COMPLIANCE STATEMENT 2019**

With reference to paragraph 4 of the Minute of 13 June 2019, there had been circulated copies of a report by the Executive Director Finance and Regulatory which proposed the revised Governance Policy and Compliance Statement for the Scottish Borders Council Pension Fund (the Pension Fund) following implementation of the 2015 regulatory changes. The report also requested approval of the Governance Compliance Statement, included in the Appendix to the report, for inclusion in the Pension Fund's Annual Report and Accounts 2019/20. The Governance Compliance Statement, demonstrated that the Pension Fund was in full compliance with best practice guidance. Mrs Robb explained that there had been minor changes to the document to reflect changes to officers' titles, change to Isio from KPMG and the merger of SB Cares LLP and SB Supports LLP with Scottish Borders Council.

DECISION

AGREED the revised Governance Policy and Compliance Statement 2019 and the Governance Compliance Statement for inclusion in the Pension Fund Annual Report and Accounts 2019/20.

6. **PENSION ADMINISTRATION PERFORMANCE 2019/20**

With reference to paragraph 5 of the Minute of 13 June 2019, there had been circulated copies of a report by the Service Director HR and Communications presenting the Pension Administration Performance 2019/20 and requesting the Committee's approval for its inclusion in the Annual Report for the Fund. Appendix 1 to the report contained the Pension Administration Performance for 2019/20 as it would be included in the Fund's Annual Report and Accounts. The report explained that during 2019/20 all payments were made on time with the exception of one employer, the three payments that were late were all received within two working days of the due date. Performance remained at the expected high standard, which was testament to the dedication of the staff within the Pension Team, having coped with the resignation of two members of staff and the TUPE transfer of SB Cares back to Scottish Borders Council during the reporting period. The Annual Benefit Statements had been issued in accordance with the 31 August deadline in

all instances. It was noted that the Employer Liaison Meeting scheduled for March was not held due to the Covid-19 pandemic. A review of the communication methods for future years would be carried out and, if circumstances allowed, the Council would consider holding the event on an annual basis and schedule in due course. Due to Covid-19 no payslips had been issued to pensioners, this along with information on the application of the Pensions Increase and a link to the Local Government Association FAQ's on Covid-19 and the LGPS have been published on the Pension Fund website. In response to questions the HR Shared Services Manager advised that the payment from Jedburgh Leisure Facilities Trust had been delayed by two calendar days and there had been no explanation given for the lateness. Regarding the resignation of two staff members, Mr Angus confirmed that the Pension Team was now fully staffed.

DECISION

- (a) NOTED the Pension Administration Performance for 2019/20 as set out in Appendix 1, to the report.**
- (b) AGREED the inclusion of the Pension Administration Performance for 2019/20 in the Pension Fund Annual Report and Accounts 2019/20.**

7. TRAINING PLAN 2020/21

With reference to paragraph 6 of the Minute of 13 June, there had been circulated copies of a report by the Executive Director Finance and Regulatory comparing actual 2019/20 attendance for Pension Fund Committee and Pension Board members to the requirements detailed in the current Training Policy approved in June 2017. The report proposed key areas of training for 2020/21 in line with the Policy based on the Skills Knowledge assessment undertaken in April 2020, scores received were summarised in the table in paragraph 5.1 of the report and in more detail in Appendix 2 to the report. The Training Knowledge and Skills Assessment undertaken in April 2019 were summarised in Appendix 2 to the report. The proposed training areas for 2020/21 would focus on Financial Markets and Products, Investment performance and risk management, Pension Administration and General Pension Fund Regulatory environment. Members were strongly encouraged to actively participate in all training events to demonstrate their commitment to enhancing the governance of the Pension Fund and to support effective decision making. Mrs Robb explained that because of the Covid-19 pandemic the annual conference and training sessions would be delivered virtually this year. In response to a question regarding two Committee Members attending less than two events, Mrs Robb advised that she would investigate further and advise out with the meeting.

DECISION

- (a) NOTED:**
 - (i) The outcome of the 2019/20 training programme and the attendance levels for training and meetings; and**
 - (iii) The outcome of the Knowledge and Skills Self-Assessment for 2020/21.**
- (b) AGREED the training areas for 2020/21 set out in paragraph 6.2 of the report and that all members should prioritise attendance at training events wherever practicable.**

8. BUSINESS PLAN 2020/21 - 2022/23

With reference to paragraph 7 of the Minute 13 June 2019, there had been circulated copies of a report by the Executive Director Finance and Regulatory proposing the Pension Fund Business Plan 2020/21 and 2022/23 be approved. Best practice suggested that having a Business Plan for the Pension Fund was a good way of demonstrating compliance with the "Myners Principle" relating to effective decision making. Appendix 1, to the report, contained the first Pension Fund Business Plan covering the period 2020/21 – 2022/23. The Business Plan 2020/21 – 2022/23 identified

an Action Plan which would be delivered during the next three years to support the aims and objectives of the Pension Fund.

DECISION

AGREED the Pension Fund Business Plan 2021/22 - 2022.23 as set Appendix 1 to the report.

MEMBER

Councillor Moffat joined the meeting during consideration of the above report.

9. RISK REGISTER UPDATE

With reference to paragraph 3 of the Minute of 10 March 2020, 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 actions taken by management to mitigate these 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 had been undertaken on 15 May 2020 with officers from relevant departments to review and update the full risk register, the output of which was shown in Appendix 1. A summary of changes made during the review were detailed in paragraph 4.3 of the report. Two new risks had been identified in relation to global pandemics and the consequences on the assets and employers. These were detailed in paragraph 4.4 of the report. In line with the Council's Risk Management Policy (2018) a paper to be presented at the September meeting would report progress on management actions and present any new risks for consideration. Mrs Robb highlighted the two new risks: The first related to assets and investments and the risk that the funding level might fall and employers would be required to pay increased contributions. The second was in relation to loss of income due to closure of facilities and the risk of failure of employers to pay contributions with a loss of cash flow to pay pensioners. However, diversification of the Funds investment strategy meant that the Fund had recovered well during the pandemic. In response to a question regarding the implications of homeworking, the Chief Officer Audit & Risk. Ms Stacey, advised that the Council's Homeworking Policy was a key element of the Council's Corporate Risk Review which was scheduled shortly.

DECISION

AGREED

- (a) **The updated Full Risk Register as contained in Appendix 1 to the report; and**
- (b) **To an update on progress of management actions to be presented in September 2020.**

10. PENSION FUND BUDGET OUT-TURN AS AT 31 MARCH 2020

With reference to paragraph 9 of the Minute of 13 June 2019, there had been circulated copies of a report by the Executive Director Finance and Regulatory providing the Pension Fund Committee and Pension Board with the budget out-turn position for the Pension Fund Budget to 31 March 2020. The Local Government Pension Scheme (Scotland) Regulation 2014 required administering authorities to ensure strong governance arrangements and set out standards they were to be measured against. To ensure the Fund met these standards the budget for 2019/20 was approved on 7 March 2019 following the standard presentation recommended by the CIPFA accounting guidelines. The report was the final out-turn report of the approved budget. The total expenditure to 31 March 2020 was £5.9m against a budget of £6.4m giving an underspend of £0.5m.

DECISION

NOTED the actual expenditure against budget to 31 March 2020

11. **DRAFT ANNUAL REPORT (INCLUDING ANNUAL ACCOUNTS)**

With reference to paragraph 10 of the Minute of 13 June 2019, there had been circulated copies of a report by the Executive Director Finance and Regulatory presenting for scrutiny and approval the draft Annual Report and Accounts for the Pension Fund for 2019/20 prior to submission to the external auditors. The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specified the elements which must be contained in the Annual Report and Accounts, the list of these were contained in paragraph 4.1 of the report. The draft Report and Accounts were still subject to statutory Audit, which would commence early July 2020. Following the statutory Audit process the final Report and Accounts would be circulated to the joint Committee and Board to review and recommend for approval. Mrs Robb explained that the Annual Report format had changed to be more transparent and met requirements of the guidance. Mrs Robb advised that Section 6 of the report had been expanded to include different categories of individual managers. The final version of the report would be included in the Auditor's report.

DECISION

NOTED the Pension Fund Annual Report and Accounts 2019/20, contained in Appendix 1 to the report, prior to their submission to the Council's Audit and Scrutiny Committee on the 23 June 2020, and supports their submission for review by the External Auditors, Audit Scotland as part of the subsequent audit process.

MR A BARCLAY

The Chair advised that as Mr Eck Barclay was retiring, this would be his last meeting. The Chair thanked Eck for his commitment and valuable input, of over 20 years, to the Pension Fund and wished him a long, happy retirement.

12. **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.

13. **MINUTE**

The Committee noted the Private Minute of the meeting of 10 March 2020.

14. **QUARTER PERFORMANCE TO 31 MARCH 2020**

The Committee considered a private report by Isio.

15. **INFRASTRUCTURE PERFORMANCE**

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 11.30 am