

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 Thursday, 24
September 2020 at 10.00 am

Present:- Councillors S Mountford (Chairman), S Aitchison, J Brown, G Edgar, C Hamilton, D Moffat, S Scott, Mr D Bell, Mr M Drysdale, Mr M Everett Ms K Hughes and Ms L Ross

Apologies:- Councillor D Parker, Ms H Robertson, Ms C Stewart,

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

Also in Attendance: Ms G Woolman, Ms A Fitzpatrick, Mr A Haseeb, Mr G Samson (Audit Scotland).

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. The Chair welcomed Mr David Bell, new Pension Board member to his first meeting.

2. **MINUTE**

There had been circulated copies of the Minute of the Meeting of 22 June 2020

DECISION

NOTED for signature by the Chairman.

3. **EXTERNAL AUDITORS ANNUAL AUDIT REPORT**

There had been circulated copies of report by Audit Scotland, the Council's external auditors. The report explained that Audit Scotland had now completed the audit of the Council's Annual Accounts for 2019/20 and had given an unqualified audit opinion in all cases. In addition Audit Scotland had reached positive conclusions in respect of financial sustainability, financial management, governance, transparency and value for money. Ms Woolman, Audit Scotland was in attendance and summarised the report; in addition she advised that there were no material adjustments or unadjusted errors arising from the audit. Ms Woolman highlighted the property portfolio valuations as an emphasis of matter, explaining that this did not detract from the clean audit opinion. Members noted that the Annual Accounts would be presented to the Council meeting on 5 November for approval. In response to a question regarding materiality, Ms Woolman explained that this related to investments and therefore no adjustment to the accounts was required. Regarding capacity challenges and increasing demands on staff, Mr Robertson advised that he would provide the Pension Fund Committee and Pension Board with regular updates in relation to the HR and Finance Teams resource requirements.

DECISION

NOTED the report.

4. **ANNUAL REPORT AND ACCOUNTS 2019/20**

There had been circulated copies of a report by Executive Director Finance and Regulatory presenting for scrutiny and approval the final Annual Report and Accounts for the Pension Fund for 2019/20 prior to submission to Scottish Borders Council for

signature. 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, contained in Appendix 1 to the report, fully met these requirements. Audit Scotland had completed their audit and had provided an unqualified independent audit opinion. They had identified two new recommendations and three recommendations from the 2018/19 audit requiring action and these had been accepted by management and would be enacted within the agreed timescales.

DECISION

AGREED the Pension Fund Annual Report and Accounts 2019/20, for Officer signature and Council approval.

5. RISK REGISTER UPDATE

With reference to paragraph 9 of the Minute of 22 June 2020, there had been circulated copies of a report by 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 the progress of the actions taken by management to mitigate these risks, a review of any new risks and highlighted 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 was undertaken on 15 May 2020 and the revised Risk Register approved by the joint Pension Fund Committee and Pension Board on 22 June 2020. Appendix 1 to the report detailed the risks within the approved Risk Register which had identified management actions and the progress of these actions to date. In response to a question, Mrs Robb explained that new regulations were monitored on an ongoing basis by the Finance and HR Team.

DECISION

- a) **NOTED:**
 - (i) **the management actions progress as contained in Appendix 1, to the report; and**
 - (ii) **no new quantifiable risks had been identified since the last review.**
- b) **AGREED to an update on progress of management actions to be presented in December 2020**

6. PENSION ADMINISTRATION STRATEGY

There had been circulated copies of a report by Service Director HR and Communications proposing the revised Pension Administration Strategy for the Scottish Borders Council Pension Fund. The report explained that the Pension Fund was required by the Local Government Pension Scheme (Scotland) Regulations 2018 to have an up-to-date Pension Administration Strategy. Appendix 1 to the report, contained the revised Pension Administration Strategy which had a number of amendments made to the previously approved version. These were mainly in Section 1 where the statutory regulations have been listed along with other relevant legislation and bodies where codes of practice was adhered to. Other changes were in post titles for officers and updates to the list of Employers within the Fund. In response to a question, Mr Angus confirmed that SB Cares employees had transferred to Scottish Borders Council on 1 December 2019.

DECISION

AGREED the Pension Administration Strategy as set out in Appendix 1 to the report.

7. COMMUNICATION POLICY REVIEW

There had been circulated copies of report by Service Director HR and Communications providing a review of the Communication Policy and an update on the review of forms and communication, including Annual Benefit Statements. The report explained that in line with the Pension Fund Business Plan the Policy should be reviewed on an annual basis. This report discharged that requirement. Appendix 1 to the report, contained the revised Communication Policy which had a number of amendments made to the previously approved version, these were mainly in Section 1 where other regulations and codes of practice had been updated. Other changes were in regard to the availability of online payslip access and the use of Microsoft Teams to host virtual meetings. Mr Angus highlighted that during lockdown, the Pension Fund website had proven to be a useful resource and has been visited on a regular basis. The website continued to be updated to reflect current regulations and any relevant documents or news stories. The Pensions Administration team had carried out a review of supporting information provided along with the Annual Benefit Statements for this year. Work was ongoing to review processes and associated forms. In response to a question, Mr Angus advised that communication information was issued with the Annual Benefit Statements. Consideration would be given to also including such information along with pension increase notifications for those in receipt of a pension.

DECISION

(a) AGREED the Communication Strategy set out in Appendix 1.

(b) NOTED:

(i) the website performance over the last 14 months; and

(ii) that work had commenced on the review of Forms and the Annual Benefit Statement documentation had been reviewed prior to issue.

8. BUDGET MONITORING TO 30 JUNE 2020

There had been circulated copies of a report by Executive Director Finance and Regulatory providing the Pension Fund Committee and Pension Board with an update position on the Pension Fund budget to 30 June 2020, including projections to 31 March 2021. 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 10 March 2020 following the recommendations within the CIPFA accounting guideline headings. This report was the first quarterly monitoring report of the approved budgets. The report detailed the total expenditure to 30 June 2020 was £0.014m, with a projected total expenditure of £6.901m against a budget of £6.894m. This projected a budget variance of £7k which represented additional work required to complete the GMP reconciliation. In response to a question, Mrs Robb clarified that any costs were incurred by the Pension Fund and not Scottish Borders Council.

DECISION

(a) NOTED the actual expenditure to 30 June 2020.

(b) AGREED the projected out-turn as the revised budget.

9. RESPONSIBLE INVESTMENT MANAGEMENT

With reference to paragraph 11 of the Minute of 12 September 2019, there had been circulated copies of a report by Executive Director Finance and Regulatory providing the Committee and Board with a report detailing the extent to which the Fund's Investment Managers have complied with the requirements of the agreed Statement of Responsible Investment Policy. The report explained that the Pension Fund, as part of its fiduciary duties, was required to ensure appropriate consideration was given to Environmental, Social and Governance (ESG) issues as part of its investment decisions, whilst acting in the best interest of the scheme beneficiaries. The Pension Fund approved a Responsible Investment Policy on 30 November 2018. Annual monitoring was required under the terms of this policy. 99.5% of the assets held by the Fund were managed by fund

managers who were signatories to the United Nations Principles of Responsible Investment Code (UNPRI). Information had been provided by Fund Managers and scored against questions listed in paragraph 4.6 of the report, with scores for each manager shown in paragraph 4.7. Officers worked with Fund Managers, who scored 15 or less, to improve their performance and fully meet the objectives of the ESG policy. As agreed, the Fund was a supporter of Climate Action 100+ and had been active and successful in achieving a number of key commitments in a number of sectors to reduce carbon emissions. Officers were now actively working with Scottish Responsible Investors roundtable group to share good practice and investigate possible areas of improvement in the Funds responsible investment. Mrs Robb highlighted that Brookfield and Gaia GP Ltd were managers who had not signed to UNPRI. However, both had clear ESG policies and adhered to other ESG frameworks. Amendments to their scoring would reflect this. Ms Woolman added that because of schools' interest in climate change, consideration be given to communicating the Pension Funds' commitment to reducing carbon emissions and encouraging responsible investment.

DECISION

NOTED:

- (a) **the annual performance report regarding compliance with the Pension Fund's policy on responsible investment and the scores for each of the managers; and**
- (b) **the engagement and participation work completed by the Fund.**

10. INFORMATION UPDATE

- 10.1 There had been circulated copies of a briefing paper by Executive Director Finance and Regulatory providing an update on a number of areas which were being monitored and where work was progressing. Full reports on individual actions would be tabled as decisions and actions were required. In summary:-
- 10.2 **GMP Reconciliation**
HMRC had provided ITM limited with the final data for the GMP reconciliation. Due to the requirement to carry out a further review this had increased the cost of the project by £7k. The target date for completion was 31 October 2020.
- 10.3 **Annual Benefit Statements**
All Annual Benefit Statements were issued in advance of the 31 August deadline. The Chair congratulated the team on their work providing Statements during the pandemic.
- 10.4 **Visit Scotland Transfer**
16 members would be moving to Lothian Pension Fund, any costs in connection would be reimbursed. In response to a question, Mrs Robb advised that the implication for the Fund was minor as there was only one active member. An update would be provided at the next meeting.
- 10.5 **SPPA Valuation Guidance**
Appendix 1 to the report gave information on Age Discrimination and Employer Cost Cap.
- 10.6 **McCloud Consultation**
Appendix 2 to the report summarised the proposed changes. The impact on resources required and the most appropriate course of action would be reported to the next joint meeting.
- 10.7 **Scheme Advisory Board**
The Chair advised that at the last meeting of the Scheme Advisory Board (SAB) it was requested that all managers produced transparency fees by the end of the financial year. Regarding the structure review, the SAB had rejected the tender process and requested the SAB Joint Secretaries arrange for input into the procurement process from Scotland

Excel. The next meeting was scheduled for 28 October when the SAB would assess the process towards tender.

10.8 **Training Opportunities**

Training sessions via Microsoft Teams had been organised on: 1 October – Governance and Investment; and, 8 October – Pension Administration. Mrs Robb confirmed that the sessions would be recorded and could be accessed following the live event to assist with training requirements.

DECISION

NOTED the briefing paper.

11. **PRIVATE BUSINESS**

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to excluded the public from the meeting during consideration of the business contained in the following items on the grounds that they involved the likely disclosure of exempt information as defined in paragraph 6 and 8 of Part 1 of Schedule 7A to the Act.

ADJOURNMENT

The meeting was adjourned at 11.20 am and reconvened at 11.30 am.

12. **MINUTE**

The Committee and Board noted the Private Minute of the meeting of 22 June 2020.

13. **QUARTER PERFORMANCE TO 30 JUNE 2020**

The Committee and Board considered a private report by Isio.

14. **INFRASTRUCTURE UPDATE**

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

The meeting concluded at 12.10 pm.