

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, 10 June
2021 at 10.00 am

Present:- Councillors D Parker, S Aitchison, J Brown, G Edgar, D Moffat, S Mountford
S Scott, Mr D Bell, Mr M Everett, Ms K Hughes, Ms L Ross, Mr A. Daye.
Apologies:- Councillor C. Hamilton, Mr M Drysdale, Ms H Robertson
In Attendance: Pensions and Investment Manager, HR Shared Services Manager, Chief
Officer Audit & Risk, Democratic Services Team Leader
Also in Attendance: Mr A Haseeb, Audit Scotland, Mr A Singh, Isio.

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 4 March 2021.

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 25 May 2021

DECISION

NOTED.

3. **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2021**

There had been circulated copies of a report by the Chief Officer Audit & Risk presenting the
Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2020/21,
which 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 Governance Compliance
Statement. To meet the requirements of the PSIAS the Scottish Borders Council Pension
Fund Internal Audit Annual Assurance Report 2020/21 included the required Internal Audit
annual opinion, provided 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 the systems of internal control operating
within the Scottish Borders Council Pension Fund during 2020/21 were adequate, and
governance and risk management arrangements were effective. The independent
assurance opinion had been incorporated within the Pension Fund's Governance
Compliance Statement within the Annual Report and Accounts for the year to 31 March
2021. The Chief Officer Audit & Risk highlighted the main points in her report.

DECISION

AGREED to approve the Scottish Borders Council Pension Fund Internal Audit Annual Assurance Report 2020/21.

4. GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2021

There had been circulated copies of a report by the Executive Director Finance and Regulatory proposing 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 for inclusion in the Pension Fund's Annual Report and Accounts 2020/21. Appendix 1 to the report contained the revised Governance Policy and Compliance Statement for the Pension Fund 2020. The Governance Compliance Statement for 2020/21 was included in Appendix B to the policy and demonstrates that the Pension Fund was in full compliance with published best practice guidance.

DECISION

AGREED that the revised Governance Policy and Compliance Statement 2021 be approved and the Governance Compliance Statement was agreed for inclusion in the Pension Fund Annual Report and Accounts 2020/21.

5. PENSION ADMINISTRATION PERFORMANCE 2020/2021

There had been circulated copies of a report by the Service Director HR and Communications presenting the Pensions Administration Performance for 2020/21 and requesting the Committee's approval of its inclusion in the Annual Report for the Fund. Appendix 1 to the report contained the Pensions Administration Performance for 2020/21 as it would be included in the Fund's Annual Report and Accounts. During 2020/21 all payments, lump sums and monthly pension, were made on time. Performance had remained at the expected high standard, which was testament to the dedication of the staff within the Pensions Administration Team, having coped with the move to homeworking and adopting new working practices as a result of the global pandemic. The Annual Benefit Statements were issued in advance of the 31 August deadline in all instances. The annual Employer Liaison Meeting was held as a virtual meeting in March due to the continued COVID19 restrictions. The event was well attended with representatives from the majority of the Fund Employers. Updates were provided on Investments, Administration and the Fund Actuary gave a presentation on the new accounting report requests. Due to the continued COVID19 situation, with staff working predominantly from home, no payslips had been issued to pensioners. However, online access had been promoted, this along with information on the application of the Pensions Increase had been published on the Pension Fund Website. The annual P60's had been issued in accordance with the statutory timelines.

DECISION

AGREED to note the Pension Administration Performance for 2020/21 as set out in Appendix 1 to the report and approved its inclusion in the Pension Fund Annual Report and Accounts 2020/21.

6. TRAINING PLAN 2021/2022

There had been circulated copies of a report by the Executive Director Finance and Regulatory comparing the actual 2020/21 attendance for Pension Fund Committee and Board members to the requirements detailed in the current Training Policy approved in June 2019. The report proposed key areas of training for 2021/22 in line with the policy and based on the Skills Knowledge assessment recently undertaken. In line with the Training Policy at Appendix 1 to the report, the Pension Fund Committee and Pension Fund Board members were required to undertake an annual knowledge and skills self-assessment to identify the key areas for the future years training plan. The Training Knowledge and Skills Assessments were undertaken in April 2021 and scores received were summarised in the table in paragraph 5.1 and in more

detail in Appendix 2 to the report. The proposed Training for 2021/22 would focus on Financial Markets and Products, Investment performance & 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.

DECISION

AGREED to:-

- (a) note the Training Policy at Appendix 1 to the report;**
- (b) note the outcome of the 2020/21 training programme and the attendance levels for training and meetings;**
- (c) note the outcome of the Knowledge and Skills Self-Assessment for 2021/22; and**
- (d) approve the Training areas for 2021/22 set out in the report and that all members should prioritise attendance at training events wherever practicable.**

7. BUSINESS PLAN 2021/22 – 2023/24

There had been circulated copies of a report by the Executive Director Finance and Regulatory proposing the Pension Fund Business Plan 2021/22 – 2023/24. The report explained 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 2021/22 – 2023/24. The Business Plan 2021/22 – 2023/24 identified an Action Plan that would be delivered during the next three years to support the aims and objectives of the Pension Fund. Officers answered Members questions on a number of areas including ESG compliance, cyber security, membership numbers and auto enrolment. It was noted that an update on the Plan would be provided in December.

DECISION

AGREED to approve the Pension Fund Business Plan 2021/22 – 2023/24 as set out in Appendix 1 to the report.

8. RISK REGISTER UPDATE

There had been circulated copies of a report by the Executive Director Finance and Regulatory on the Risk Register Update. The report formed part of the risk review requirements and provided the Members of the Pension Fund Committee and Pension Board with an updated full register and proposed management actions to mitigate the risks. The report explained that 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 virtual risk workshop was held on 23 April 2021 with Officers from relevant Departments to review and update the full risk register. The output of this was shown in Appendix 1 to the report. The report summarised the changes made during the review and explained that no new risks had been identified. In line with the Council’s Risk Management Policy (2018) a paper would be presented at the September 2021 meeting to report progress on the management actions and present any new risks for consideration. Members welcomed the report and commented on the risk of future legislation requiring pension funds to join up. It was noted that this work was still ongoing but there was no firm timescale.

DECISION

AGREED:-

- (a) the updated Full Risk register as contained in Appendix 1 to the report; and**
- (b) to receive an update on progress of management actions in September 2021.**

9. PENSION FUND BUDGET OUT-TURN AS AT 31 MARCH 2021

There had been circulated copies of a report by the Executive Director Finance and Regulatory providing the final out-turn position of the Pension Fund as at 31 March 2021. The report explained that 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 for financial year 2020/21 was approved on 10 March 2020 following the standard presentation recommended by the CIPFA accounting guidelines. The report contained the final out-turn of the approved budget which showed total expenditure to 31 March 2021 of £5.979m against a budget of £6.906m giving an underspend of £0.927m. It was noted that this underspend was mainly due to lower transaction fees.

DECISION

AGREED to note actual expenditure to 31 March 2021.

10. DRAFT ANNUAL REPORT 2020/21

There had been circulated copies of a report by the Executive Director Finance and Regulatory providing the Joint Committee and Board with an opportunity to scrutinize and approve the Draft Annual Report and Accounts for the Pension Fund for 2020/21 prior to their submission to the External Auditors by the statutory deadline of 30 June 2021. The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specified the elements which must be contained in the Annual Report and Accounts, and these were listed in the report. The draft Report and Accounts contained in Appendix 1 to the report fully met these requirements. The draft Report and Accounts were still subject to statutory Audit, which would commence early July 2021. Following the statutory Audit process the final Report and Accounts would be submitted to the joint Committee and Board to review and approve any recommendations. Members welcomed the detailed report.

DECISION

AGREED:-

- (a) note the Draft Annual Report and Accounts 2020/21 and;**
- (b) approve their submission for review by the External Auditors, Audit Scotland**

11. INFORMATION UPDATE

There had been circulated copies of a briefing paper by the Executive Director Finance and Regulatory to update Members on a number of areas including progress on the implementation of the Members Self Service (MSS) online portal, areas discussed by the Pension Scheme Advisory Board, training opportunities and the dates of future meetings. The Chairman provided an update on the ongoing structure review. The SAB were currently looking at how to carry out the review and were proposing to appoint consultants. A specialist project manager had been appointed. They had selected a project change expert rather than someone with pensions knowledge to avoid any preconceptions. The terms of the review had been agreed and Councillor Parker advised that he would share those and further advised that he was serving on the working group. The aim was to complete the work within a year but he expected that it would take longer. On completion of the work SAB would make recommendations to Scottish Ministers. A number of Members expressed interest in attending the ESG conference.

**DECISION
NOTED.**

12. **STRATEGIC INVESTMENT REVIEW**

There had been circulated copies of a report by the Executive Director Finance and Regulatory providing an update on the outcome of the 2021 Strategic Investment Review and presenting the resulting recommendations for the revised asset allocation. It was explained that the Investment strategy was a key to ensuring assets continued to grow to meet the long term liabilities of the Fund and that as far as possible the contribution rates paid by employers remained stable. A review of the current strategy had been undertaken by Isio, the Funds' Investment Advisor, in consultation with officers and the findings were detailed in Appendix 1 to the report. A workshop was held with the Investment and Performance Sub-Committee on 25 May 2021 to discuss recommended changes arising from the review and the report detailed the recommended revised strategy. Mr Andrew Singh from Isio presented the recommended changes and how these would impact on the Pension Fund. Councillor Mountford referred to the two options which had been presented to the Sub-Committee and asked that the Committee reconsider the recommendation of the Sub-Committee in light of further consideration of the expected performance of the two options. Mr. Singh highlighted the differences between the two options. Following a discussion around the risks and returns of the 2 options, Councillor Mountford, seconded by Councillor Brown moved that the alternative option presented to the Investment and Performance Sub-Committee be approved. Councillor Edgar moved that the original recommendation be approved but received no seconder so Councillor Mountford's Motion was accordingly carried.

**DECISION
AGREED:-**

- (a) **the alternative investment strategy as presented to the Investment & Performance Sub-Committee on 25 May 2021;**
- (b) **to delegate authority to the Executive Director Finance and Regulatory, in consultation with the Chair of the Pension Fund Committee, and based on the advice of the Investment Advisor to:**
 - (a) **implement the outcome of the 2021 review of the Funds' equity mandates;**
 - (b) **terminate the UBS Property Fund;**
 - (c) **procure a new Infrastructure Manager; and,**
 - (d) **Terminate the current passive equity mandate, and procure a new passive equity manager to replace UBS; and**
- (c) **to request regular update reports as the implementation of the revised strategy progresses.**

13. **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.

SUMMARY OF PRIVATE BUSINESS

14. **MINUTE**

The Committee noted the Private Minute of the meeting of 11 December 2020.

15. **PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**

The Committee noted the Private Minute of the meeting held on 25 May 2021

16. **QUARTER ONE PERFORMANCE UPDATE**

The Committee considered a private report by Isio.

17. **INFRASTRUCTURE PERFORMANCE**

The Committee considered a report by the Executive Director Finance & Regulatory and approved the recommendations.

The meeting concluded at 12.05 p.m.

