

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, 16
September 2021 at 2.00pm.

Present:- Councillors D. Parker, S. Aitchison, G. Edgar, D. Moffat, S. Mountford S.
Scott; Mr D. Bell, Mr A. Daye, Mr M. Drysdale, Mr M. Everett, Ms K. Hughes
(from paragraph 6), Ms H. Robertson, Ms L. Ross.

Apologies:- Councillors J Brown, C. Hamilton.

In Attendance: Executive Director Finance & Regulatory, Pensions and Investment Manager,
HR Shared Services Manager, Chief Officer Audit & Risk, Clerk to the
Council, Democratic Services Officer (D.Hall).

Also in Attendance: Mr A Haseeb, Audit Scotland, Mr A Singh and Mr A. Ross, Isio.

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 10 June 2021.

DECISION

NOTED for signature by the Chairman.

2. **SELF SERVICE PRESENTATION**

The HR Shared Service Manager, Ian Angus, gave a demonstration of the Self Service Pension System under development. Mr Angus demonstrated an exact replica of the system and outlined some of its features, which included live information updates and a pension benefit slide bar tool that would provide users the details of their lump sum against annual pension. Mr Angus noted that this tool would save considerable time for the Pension Administration team, and provide pension scheme members a valuable tool. He went on to provide statistics on the number of sign ups and emails that had been sent out to promote the Self Service system to scheme members. There had been 860 successful new sign ups, 229 instances of assistance provided in signing up and 4235 benefit calculations. The Chairman thanked Mr Angus for his presentation.

DECISION

NOTED.

3. **EXTERNAL AUDIT PLAN**

Copies of the Scottish Borders Council Pension Fund Annual Audit Plan 2020/21 from Audit Scotland had been circulated. Mr Asif Haseeb of Audit Scotland advised that the Plan had been considered at the meeting of the Audit and Scrutiny Committee held on 8 March 2021. The audit was nearing conclusion and it would be presented at the meeting to be held on 20 October 2021.

DECISION

NOTED.

4. **RISK REGISTER UPDATE**

There had been circulated copies of a report by the Executive Director Finance and Regulatory Services 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 update of progress on the management actions previously agreed to further mitigate the risks. The report explained that identifying and managing risk was a cornerstone of effective management and was required under the Council's Risk Management Policy and process guide and the 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. . The revised Risk Register was approved by the Joint Pension Fund Committee and Pension Fund Board on 10 June 2021. 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. There were no new risks identified during the review.

DECISION

AGREED to:

- (a) note the management actions progress as contained in Appendix 1 to the report;**
- (b) note no new quantifiable risks had been identified since the last review; and**
- (c) an update on progress of management actions would be presented in December 2021.**

5. **EARLY RETIREMENT STRAIN FACTORS**

There had been circulated copies of a report by the Service Director HR and Communications on Early Retirement Strain Factors. The report advised on a review that had been undertaken by the Fund Actuary Hymans Robertson of the Early Retirement Strain Cost Factors for Scottish Borders Council Pension Fund and proposed the implementation of amended factors, along with a commitment to review those as part of the triennial valuation. The manual that had been provided as part of the review would remain current and ensure that strain factors were interpreted and applied in the correct manner. The Fund needed strain cost factors to determine the added cash which an employer must pay whenever a member was granted early retirement with unreduced benefits. These benefits, now being taken early would cost the Fund more than had originally been expected based on normal retirement age, so the employer must pay the Pension Fund for the additional cost. The current Fund factors, which had not been reviewed since 2005, had been compared to the proposed factors; the current factors overstated the strain cost in most circumstances, and therefore adopting the new factors would generally give rise to lower strain costs required from employers. The proposed factors were outlined within Appendix 1 to the report. The Pensions Administration Team would look to implement the new factors in accordance with the best practice advice provided by Hymans Robertson, which was outlined at section 4.5 of the report.

DECISION

AGREED to:-

- (a) approve the implementation of the new Early Retirement Strain Cost Factors;**
- (b) approve the review of Early Retirement Strain Cost Factors at each future triennial valuation; and**
- (c) note the provision of the Manual for future reference.**

MEMBER

Ms K. Hughes joined the meeting.

6. **COMMUNICATION POLICY REVIEW**

There had been circulated copies of a report by Service Director HR and Communications on the Communication Policy Review. The report provided a review on the Communication Policy and an update on the review of forms and communication, including annual benefit statements. In line with the Pension Fund business plan the Policy should be reviewed on an annual basis. The 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 all within section 5 to update the improved communication methods that were deployed by the Fund. The Pension Fund website continued to be a useful resource and had been visited on a regular basis. This continued to be updated to reflect the current Regulations and any relevant documents or news stories were published accordingly. The Pensions Administration team had carried out a review of the supporting information provided along with the Annual Benefit Statements for deferred members this year and looked to encourage members to sign up to the new Members Self Service portal. Work continued to review processes and associated Forms making use of emerging digital technologies wherever possible. In response to a question on the difference between visits and usage, Mr Angus explained that usage was defined as repeated visits by the same user, whereas visits were single instances.

DECISION

AGREED to:

- (b) approve the Communication Strategy as set out in Appendix 1 to the report;**
- (b) note the website performance; and**
- (c) note that work had continued on the review of Forms and the Annual Benefit statement documentation had been reviewed**

7. **PENSION FUND BUDGET MONITORING TO 30 JUNE 2021**

There had been circulated copies of a report by the Executive Director Finance and Regulatory Services on the Pension Fund Budget Monitoring to 30 June 2021. The purpose of the report was to provide the Pension Fund Committee and Pension Fund Board with an updated position of the Pension Fund budget to 30 June 2021 including projections to 31 March 2022. 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 4 March 2021 following the recommendations within the CIPFA accounting guidelines headings. This report was the first quarterly monitoring report of the approved budget for 2020/21. The total expenditure to 30 June 2021 was £0.131m, with a projected total expenditure of £7.129m against a budget of £7.008m. This projected a budget variance of £121k, which represented an error in the original budget setting, related to work in connection with "strain on Fund" factors, investment manager procurements and the ESG workshop and policy review.

DECISION

AGREED:-

- (a) to note the actual expenditure to 30 June 2021; and**
- (b) the projected out-turn as the revised budget.**

8. **RESPONSIBLE INVESTMENT POLICY REVIEW**

There had been circulated copies of a report by the Executive Director Finance and Regulatory Services on the Responsible Investment Policy Review. The purpose of the

report was to approve the updated Responsible Investment Policy for the Pension Fund. 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 Committee and Board, to ensure fiduciary duties were met and in line with good practice, previously agreed the review and update of the Statement of Responsible Investment. A workshop was held on 23rd August with all members of the Committee and Board to discuss and agree the ESG beliefs. The output of the workshop had been incorporated in the draft Responsible Investment Policy contained in Appendix 1 to the report. The draft Policy had been available on the Scottish Borders Council Pension Fund website for members of the fund to review and comment on. The Stewardship Code and Task Force for Climate Related Financial Disclosure (TCFD) which the Fund would be required to adhere to both had extensive reporting and monitoring requirements. The Policy increased the level of monitoring to ensure these requirements could be fully met. The scoping and costing of this was being developed.

DECISION

AGREED to:-

- (a) approve the Statement of Responsible Investment as contained in Appendix 1 to the report; and**
- (b) the scoping and costing of the additional reporting requirements being reported to future meetings.**

9. REVIEW OF UK STEWARDSHIP CODE 2020

There had been circulated copies of a report by the Executive Director Finance and Regulatory Services on the Review of UK Stewardship Code. The purpose of the report was to review the Stewardship Code 2020 with a view to Scottish Borders Council Pension becoming a signatory to further demonstrate sound management and governance of the Fund. The Stewardship Code was not a statutory requirement, however both the UK Ministry of Housing, Communities & Local Government, and the TPR, recommended that administering authorities of LGPS funds should become signatories to the Code. The Code was not prescriptive in its reporting format or content but did require the submission to demonstrate how the Fund had applied the set of 12 principles which were shown in paragraph 4.3 of the report. To allow the Fund to evidence it had fully met the requirements of the Code there were some key actions required to be undertaken. Those actions were shown in paragraph 4.6 of the report along with completion dates. The completion of the required actions would allow the Fund to make an application in the next round of submissions in October 2022 based on the 2021/22 Annual Accounts and report. The Fund currently required its Fund Managers to be signatories of the United Nations Principles for Responsible Investment (UNPRI). The Fund could also require its Managers to become signatories of the Stewardship Code. Currently 70% of the funds invested were with Managers who were signatories.

DECISION

AGREED to:-

- (c) approve in principle the Pension Fund becoming signatories to the Code;**
- (b) approve the required actions detailed in paragraph 4.6 of the report;**
- (c) an application being prepared for submission in October 2022; and**
- (d) approve the requirement for Fund Managers to be signatories to the Code.**

10. INFORMATION UPDATE

There had been circulated copies of a Briefing Paper by the Executive Director Finance and Regulatory Services providing an information update. This briefing paper provided members of the Committee and the Board with an update on a number of areas which were being monitored and areas where work was progressing. Details were provided on Cyber Security, National Insurance Database, Scheme Advisory Board, and Future Meetings. Full reports on the individual areas would be tabled as decisions and actions were required.

**DECISION
NOTED.**

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.

SUMMARY OF PRIVATE BUSINESS

12. **MINUTE**
The Committee noted the Private Minute of the Meeting of 10 June 2021.
13. **INVESTMENT PERFORMANCE QUARTER TO 30 JUNE 2021**
The Committee considered a private report by Isio.
14. **PASSIVE ESG EQUITY MANDATE PROCUREMENT**
The Committee considered a report by the Executive Director Finance & Regulatory Services and approved the recommendations.

The meeting concluded at 3.32p.m.

