

# **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 Tuesday, 14  
December 2021 at 10.00 am

Present:- Councillors D. Parker (from paragraph 8), S. Aitchison, Councillors J Brown  
G. Edgar, , C. Hamilton D. Moffat, S. Mountford S. Scott; Mr D. Bell, Mr A.  
Daye, Mr M. Drysdale, Mr M. Everett, Ms K. Hughes, Ms L. Ross.

Apologies:- Ms H. Robertson.

In Attendance: Director Finance & Corporate Governance, Pensions and Investment  
Manager, HR Shared Services Manager, Democratic Services Team Leader,  
Democratic Services Officer (D.Hall).

Also in Attendance: Ms A Buchanan, Mr A Singh, Isio, and Ms A. Fitzpatrick, Audit Scotland

## **CHAIRMAN**

In the absence of Councillor Parker, Councillor Mountford chaired the meeting.

### **1. MINUTE**

There had been circulated copies of the Minute of the Meeting held on 20 October 2021.

## **DECISION**

**NOTED for signature by the Chairman.**

### **2. COMMITTEE MINUTE RECOMMENDATION**

There had been circulated copies of an extract from the Minute of the Audit & Scrutiny Committee meeting held on 21 October 2021 that recommended the Committee sought reassurance that by 31 March 2022 the recommendations detailed in the management action plan would be achieved. Mr Ian Angus, HR Shared Services Manager provided an update on actions and advised that some elements of the plan would be covered in more detail within the Information Update as detailed in paragraph 8 below.

## **DECISION**

**NOTED.**

### **3. RISK REGISTER UPDATE**

With reference to paragraph 4 of the Minute of the meeting held on 16 September 2021, there had been circulated copies of a report by the Director Finance & Corporate Governance that formed part of the risk review requirements of the pension fund. The report provided an update of the progress of the actions taken by Management to mitigate the risks previously identified, 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 cornerstone 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. The revised Risk Register was approved by the Joint Pension Fund Committee and Pension Fund Board on 10 June 2021 and an update on the actions was presented on 16 September 2021. Appendix 1 to the report detailed the risks within the approved risk register which had been identified management actions and the progress of those actions to date. There were no new risks identified during the review.

## **DECISION**

**AGREED:-**

- (a) to note the management actions progress as contained in Appendix 1 to the report;**
- (b) to note no new quantifiable risks had been identified since the last review; and**
- (c) an update on progress of management actions was to be presented in March 2022.**

**4. PENSION ADMINISTRATION STRATEGY**

With reference to paragraph 6 of the Minute of the meeting held on 24 September 2020, there had been circulated copies of a report by the Director People Performance & Change that proposed the revised Pension Administration Strategy for the Scottish Borders Council Pension Fund. 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, mainly in relation to the introduction of the Member Self Service Portal and set targets. Other changes were in the departmental names and post titles for officers and an update to the list of Employers within the Fund.

**DECISION**

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

**5. BUSINESS PLAN PERFORMANCE UPDATE**

With reference to paragraph 7 of the Minute of the Meeting held on 10 June 2021, there had been circulated copies of a report by the Director Finance & Corporate Governance providing members of the Committee and the Board with an update on delivery of the actions within the approved business plan. The 2021/22 – 2023/24 Business Plan for the Pension Fund was approved by the Committee/Board on 10 June 2021. Included within the plan were key objectives and actions with target dates. A summary of the progress on the actions was included in Appendix 1 to the report. As part of the risk register update approved at Committee/Board on 16 September 2021 it was agreed that a mid-year progress report on the business plan actions would be presented to Members at the December 2021 meeting and a further progress report and update at the June 2022 meeting. There were 30 key tasks due for completion during 2021/22. Of these 16 were fully complete, 12 were on track to be completed by the approved target date and 2 required revised target dates.

**DECISION**

**AGREED:-**

- (a) to note the progress of the 2021/22 actions within the business plan;**
- (b) the revised target date of 31 March 2022 for completion of the full reconciliation of Guaranteed Minimum Pension between the Fund and HMRC; and**
- (c) the revised target date of 31 June 2022 for the implementation of i-connect.**

**6. PENSION FUND BUDGET MONITORING TO 30 SEPT 2021**

With reference to paragraph 7 of the Minute of the Meeting held on 16 September 2021, there had been circulated copies of a report by the Director Finance & Corporate Governance providing the Pension Fund Committee and Pension Fund Board with an update position of the Pension Fund Budget to 30 September 2021 including projects 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. The report was the third quarterly monitoring report of the approved budgets. The total expenditure to 30 September 2021 was £0.375m with a projected total expenditure of £7.147m against a budget of £7.129m. This projected a budget variance of £18k which represented procurement costs for a Residential Property investment manager. A key objective of the Fund was to pay pension benefits as they became due. Due to the maturing nature of the fund and this requirement the Fund had included within its investment strategy the requirement for income generating assets. The graph within the report showed the Fund had been able to fully meet its cashflow requirements. In response to a question regarding management expenses, the Pensions & Investments Manager advised that the Pensions team was initially paid by Scottish Borders Council before being charged to the Pension Fund.

#### **DECISION**

##### **AGREED:-**

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

#### **7. RESPONSIBLE INVESTMENT MONITORING**

With reference to paragraph 9 of the Minute of the Meeting held on 24 September 2020, there had been circulated copies of a report by the Director Finance & Corporate Governance providing the Committee with the third annual monitoring report of the extent to which the Fund's Investment managers had complied with the requirements of the agreed Statement of Responsible Investment Policy. The 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 schemes beneficiaries. The Fund approved a Responsible Investment Policy on 30 November 2018 and on 16 September 2021 approved a revision to the policy. Annual monitoring was required under the terms of the policy. As the monitoring was retrospective the monitoring requirements per the 30 November 2018 had been used. 98.8% 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 the report. The scores for each manager was also shown in the report. Officers would work with Fund Managers who scored 15 or less to improve their performance and fully meet the objectives of the ESG policy. The Fund was a "Supporter" of Climate Action 100+ as agreed on 12 September 2019. Climate Action 100+ had been active and successful in achieving a number of key commitments in a number of sectors to reduce carbon emissions. Regarding the low scores of Brookfield and Gaia the Pensions and Investments Manager advised the scores were low largely because they were not signed up to UNPRI, given that their investment focus was primarily in infrastructure, and that Ms Robb had no real concerns about the scores.

#### **DECISION**

##### **AGREED:-**

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

#### **8. INFORMATION UPDATE**

- 8.1** There had been circulated copies of a briefing paper by the Director Finance & Corporate Governance providing 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. Full

reports on individual areas would be tabled as decisions and actions were required. In summary:

**8.2 Cyber Security Update**

All details required from CGI, the Council's third party IT provider, on Cyber Security had now been provided.

**8.3 National Insurance Database**

The Fund had now completed sign up to the LGPS National Insurance database, and that was now operational, with all members of the Pensions Administration team given appropriate access. The Fund had also signed up to the Tell Us Once scheme whereby information uploaded to the National Insurance Database was checked against all registered deaths in the UK. As a result, a comparable service was no longer in use, which resulted in a small saving for the fund.

**8.4 AVC Update**

There had been a further increase of 10 Scottish Borders Council employees participating in the Shared cost AVC scheme, and a reduction of 3 employees in the traditional AVC scheme. SBC and Live Borders had continued to work alongside AVC Wise, who had appointed new engagement managers to help promote the scheme benefits to employees.

**8.5 Data Quality**

The annual data quality report had been produced for 2021, and whilst there showed a slight decrease in the Common Data measure all categories met the highest benchmark of greater than 98%. Address was the lowest scoring category, attributed to the Pensions Administration team having updated the system to show those deferred members who had an Annual Benefit Statement returned and marked as gone away in the address pending receipt of an updated address.

**8.6 Early Strain Factors**

The updated Early Strain Factors had been implemented by the Pensions Administration Team and came into effect from 1 December 2021.

**8.7 Overseas Life Checks**

The annual process of issuing Life Certificates for overseas Pensioners had been undertaken. Mr Ian Angus, the HR Shared Services Manager, advised that 38 had been issued and that 3 remained outstanding, 1 of those remaining outstanding Pensioners had contacted the team.

**8.8 Pensions Dashboard**

The Pensions Dashboard, the system proposed to enable employees to see and make pension choices based on the information for all schemes they were members had been developed and tested in 2021. 2022 would see voluntary on-boarding and testing. From 2023 there would be staged on-boarding and dashboards would become available.

**8.9 Scheme Advisory Board**

The last reported meeting of the Advisory Board was 19 May and was reported to the Committee and Board on 10 June, the bulletin from that meeting was attached in Appendix 1 to the briefing paper. The Board held an extraordinary meeting on 18 August, for which no bulletin would be issued. The Board had also met on 22 September and 24 November, the bulletins were included in Appendix 2 and 3 to the briefing note respectively.

**8.10 Training Opportunities**

There had been 4 training opportunities during the year. There was a requirement for all Members to attend at least 2 events a year. To date 7 members of the Committee and all members of the Board had met this requirement. The PLSA would be holding a virtual

ESG conference on 9 and 10 March 2022, with various topics of discussion indicated. The annual PLSA Investment conference which normally took place in March had been moved to 25-26 May, with plans in place to hold the event in person. The Pensions and Investments Manager undertook to advise Members once the agenda had been confirmed.

#### 8.11 **Future Meetings**

The dates of the proposed future meetings had been circulated for information.

#### **DECISION**

**NOTED the briefing paper.**

#### **MEMBER**

Councillor D Parker joined the meeting during the discussion of the above item.

#### 9. **STRATEGIC ASSET ALLOCATION IMPLEMENTATION**

With reference to paragraph 12 of the Minute of the Meeting held 10 June 2021, there had been circulated copies of a report by the Director Finance & Corporate Governance providing an update on the implementation of the revised strategic asset allocation. Following the 2020 triennial valuation of a review of the strategic asset allocation was undertaken by Isio. The recommendations from the review were approved by the Committee on 10 June 2021. Delegated authority was given to the Director of Finance & Corporate Governance to implement the revised allocation. The 30% allocation to the Active equities included a detailed split between managers and funds. Further discussion with Baillie Gifford highlighted ESG changes to the UK Fund which would allow the Fund to maintain its UK positions and still meet the ESG aspirations of the Fund, whilst avoiding transition costs. Good progress had been made in private credit, passive equities and long lease property since the strategy had been approved. Further work was underway with the completion of the Infrastructure procurement and agreement on the type of residential property.

#### **DECISION**

##### **AGREED:-**

- (a) to note the progress made to date on the implementation of the revised strategic asset allocation;**
- (b) the revised strategic asset allocation for active equities; and**
- (c) to delegate authority to Director Finance & Corporate Governance, in consultation with the Chair of the Pension Fund Committee, and based on advise of the Investment Advisor to undertake a procurement exercise for a Residential Property Manager.**

#### **CHAIRMAN**

Councillor Parker assumed Chairmanship of the meeting.

#### 10. **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**

#### 11. **INVESTMENT PERFORMANCE QUARTER TO 30 SEPTEMBER 2021**

The Committee and Board considered a report by Isio.

**MEMBER**

Councillor Aitchison left the meeting during consideration of the item above.

12. **INFRASTRUCTURE MANDATE PROCUREMENT**

The Committee and Board considered a report by the Director Finance & Corporate Governance and approved the recommendations.

***The meeting concluded at 11.10 am***