

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, 22 June
2023 at 10.00 am.

Present:- Councillors D. Parker (Chairman), P. Brown, C. Hamilton, W. McAteer, D. Moffat, S. Mountford, W. McAteer, J. Pirone, S. Scott, Mr D. Bell, Mr A. Daye, Mr M. Drysdale, Mr M. Everett, Ms K M Hughes and Ms K Robb.

Apologies:- Councillors D. Moffat

In Attendance:- Chief Executive, Director – Finance and Procurement, Chief Officer – Audit and Risk, HR Shared Services Manager, Democratic Services Officer (D. Hall).

Also in Attendance:- Mr A Ross and Mr A Singh (Isio), Mr J Boyd and Ms S Harold (Audit Scotland)

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 21 March 2023.

DECISION

NOTED for signature by the Chairman.

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

There had been circulated copies of the Minutes of the Meetings of the Pension Fund Investment and Performance Sub-Committee held on 28 June 2022 and 27 February 2023.

DECISION

NOTED for signature by the Chairman.

3. **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022/23 FOR THE SCOTTISH BORDERS COUNCIL PENSION FUND**

There had been circulated copies of a report by the Chief Officer – Audit and Risk which presented the Internal Audit Annual Assurance Report 2022/23, 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 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 2022/23 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 there were generally sound systems of governance, risk management and internal control operating within the Scottish Borders Council Pension Fund during 2022/23. Some areas for improvement were identified. The Internal Audit independent assurance opinion had been incorporated in the Pension Fund's Annual Governance Statement within the Annual Report and Accounts for the year to 31 March 2023. The Chief Officer – Audit and Risk, Ms Jill Stacey, presented the report. Members welcomed the report and highlighted that it was positive to note that governance arrangements in place were adequate.

DECISION

AGREED to acknowledge the independent assurance provided on internal controls and governance arrangements as set out in the Internal Audit Annual Assurance Report 2022/23 for the Scottish Borders Council Pension Fund.

4. GOVERNANCE POLICY AND COMPLIANCE STATEMENT 2023

With reference to paragraph 4 of the Minute of the meeting held on 29 June 2022, there had been circulated copies of a report by the Acting Chief Financial Officer 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 for inclusion in the Pension Fund's Annual Report and Accounts 2022/23. Appendix 1 to the report contained the revised Governance Policy and Compliance Statement for the Pension Fund 2023. The Governance Compliance Statement for 2022/23 was included in Annex to the policy and demonstrated that the Pension Fund was in full compliance with published best practice guidance. Mrs Suzy Douglas, who had been the Acting Chief Financial Officer at the time of publication of the agenda, had been appointed as the Director - Finance and Procurement presented the report and explained that only minor amendments had been made to the statement. In response to a question regarding the lack of reference in the Policy to training requirements, and whether they had been met, Mrs Douglas explained that a training session in May had covered a lot of the requirements and undertook to report back to the Committee at a future date. It was highlighted that Members were required to attend two training sessions per annum.

DECISION

AGREED to approve the revised Governance Policy and Compliance Statement 2023 for inclusion in the Pension Fund Annual Report and Accounts 2022/23.

5. PENSION ADMINISTRATION PERFORMANCE 2022/23

With reference to paragraph 4 of the Minute of the Meeting held on 14 December 2021, there had been circulated copies of a report by the Director – People, Performance and Change which presented the Pensions Administration Performance for 2022/23 and requested 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 2022/23 as it would be included in the Fund's Annual Report and Accounts. During 2022/23 all payments, lump sums and monthly pension, were made on time. Performance had remained at the expected high standard, which was testament to the continued dedication of the staff within the Pensions Administration Team, having continued to homework for the majority of the year. The team also had turnover with two members of the team being replaced during the year. The Annual Benefit Statements for all deferred members were issued in advance of the 31 August deadline in all instances and made available via Members Self Service for all active members. The annual Employer Liaison Meeting was again held as a virtual meeting in March with the hybrid working arrangements that were in place for the majority of the Fund employers. The event was well attended with representatives from the majority of the Fund Employers. Updates were provided on Administration and the requirements for the year end reporting. Due to the hybrid working position, 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. Members welcomed the report and thanked the Team for their dedicated work.

DECISION

AGREED to note the Pension Administration Performance for 2022/23 as set out in Appendix 1 to the report and approve its inclusion in the Pension Fund Annual Report and Accounts 2022/23.

6. PENSIONS DASHBOARD AND DATA READINESS

With reference to paragraph 4 of the Minute of the meeting held on 12 September 2019 there had been circulated copies of a report by the Director – People, Performance and Change which sought approval to delegate the responsibility for the procurement of the Data Cleansing and Enrichment Service, Internet Service Provider (ISP) and Altair Mortality screening, as a supplement to the existing Pensions Administration System, for the Scottish Borders Council Pension Fund to the Director People Performance and Change. The report explained that in 2019 the Pension Fund agreed to the procurement and continued use of the Aquila Heywood (now known as Heywood Technologies) Pensions Administration System for a period of five years with the option to extend for a further five-year period on the approval of the Joint Committee and Board. All pension providers were going to need to connect to the Pensions Dashboard over time according to staging dates in legislation, the dates for this were currently unknown as there has been a delay announced and re-planning had not yet been shared. However, action needed to be taken for the Fund to be prepared for this on both a data and ISP provider selection. To take that forward it was proposed that action was taken using Heywood Technologies. Officers had been in discussion with Heywood Technologies over the pricing of additional services to support the data readiness and ongoing data management. The additional cost for the data services was £8,345 per annum with a one-off implementation fee of £1,697, with the annual fee being subject to indexation in line with the overall contract. That would allow the Fund to get its data up to date ahead of the go live of the Pension Dashboard which would improve the matching for those carrying out searches and avoid unnecessary additional work for the Fund in looking at partial matches. Additionally, it would address an action from the Clare Scott governance review to have a data improvement plan in place. With regard to the ISP implementation, the fees for that were £11,000 per annum with a one-off implementation fee of £10,000, with the annual fee being subject to indexation in line with the overall contract. Payment of those fees would not commence until such a time as the Fund was required to connect to the Dashboard. Heywood Technologies had developed a new Mortality screening module that directly connected to the Pensions Administration database and carried out checks for deaths, this covers active, deferred and pensioner members of the Fund. That would be used to supplement the Tell Us Once reporting method to add a further layer of control and mitigate risk of Tell Us Once not picking up on the passing of a scheme member. The fees for that were £2,000 per annum with a one-off implementation fee of £1,697, with the annual fee being subject to indexation in line with the overall contract. The HR Shared Services Manager, Mr Ian Angus presented the report and responded to Members questions. Regarding the dashboard, and how it relevant to the Fund, Mr Angus explained that under the relevant legislation the Fund was required to connect to the Department of Work and Pensions Pension Dashboard. That would enable pensioners to track and ultimately access all of the pots which they had funds in. The dashboard was part of a national initiative and would involve independent providers as well as local government pension schemes. In response to a question regarding plans to acquire updated information in instances where there was missing data, Mr Angus explained that the Fund was looking to use technology to fill in any gaps. Mr Angus undertook to investigate whether it would be possible to send out requests alongside Members Self-Service communications that Members update their data where appropriate. Information would also be included on the Fund's website.

DECISION

AGREED to approve:

- (a) the delegation of responsibility for the additional data cleansing and enrichment service along with the mortality screening to the Director People Performance and Change, with one off costs of £3,394 and annual fees of £10,345 for the duration of the contract subject to indexation on an annual basis for the support and maintenance; and**

- (b) **the delegation of responsibility for the Internet Service Provider connection to the Pensions Dashboard to the Director People Performance and Change, with one off costs of £10,000 and annual fees of £11,000 for the duration of the contract subject to indexation on an annual basis for the support and maintenance at the time we are required by legislation to connect.**

7. **BUSINESS PLAN 2023/24 - 2025/26**

There had been circulated copies of a report by the Acting Chief Financial Officer which presented the draft Pension Fund Business Plan 2023/24 – 2025/26 for approval. 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 2023/24 – 2025/26. The Business Plan 2023/24 – 2025/26 identified an Action Plan that would be delivered during the next three years to support the aims and objectives of the Fund. In response to a question regarding the review and implementation of the stewardship code recommendations, Mrs Douglas undertook to investigate whether the timeline stated in the plan was correct and update it if appropriate. Regarding the approval of the Training Policy and Training Programme for 2023/24, the Mrs Douglas undertook to assess the dates for reports related to the Programme and report back.

DECISION

AGREED to approve the Pension Fund Business Plan 2023/24 – 2025/26 as contained in Appendix 1 to the report.

8. **RESPONSIBLE INVESTMENT MONITORING - PROJECT PLAN**

There had been circulated copies of the Responsible Investment Monitoring Project Plan by Isio with the agenda. Mr Andrew Singh of Isio explained that the Plan had previously been circulated at meetings throughout the year. The Plan had been agreed in June 2022, and had laid out Environmental, Social and Governance (ESG) Workstreams. Mr Singh explained that the reports related to the current meeting, which related to Strategy and Risk Management, would be considered under Private Business. In response to a question regarding investment in ultra processed food producers, Mr Singh explained that investments in such an area were of growing concern due to the potential negative health impacts of their consumption. Whilst considerable focus had been given to the management of investments as they related to environmental factors in recent years, increased attention was being extended to other elements of ESG factors. It was acknowledged that if the Fund held a belief that investments should not be made in a certain area, then investments could be excluded in that sector.

**DECISION
NOTED**

9. **PENSION FUND BUDGET OUT-TURN TO 31 MARCH 2023**

There had been circulated copies of a report by the Acting Chief Financial Officer which provided a final out-turn position of the Pension Fund for 2022/23 and sought agreement for the budget for 2023/24. 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 17 March 2022 following the recommendations within the CIPFA accounting guidelines headings. The report was the final quarterly monitoring report of the approved budgets. Budgets for 2023/24 were included within the report for approval. The total expenditure to 31 March 2023 was £6.47m against a budget of £7.40m. That resulted in a budget underspend of £930k. The main element of underspend was within Investment Management fees due to the lower than estimated market valuations which formed the basis of the fee charges. A key objective of the Fund was to pay pension benefits as they became due. Due to the maturing nature of the Fund and that requirement, the Fund had included within its

investment strategy the requirement for income generating assets. The graph in the report showed the Fund had been able to fully meet its cashflow requirements. In response to a question regarding the appointment of a Pensions Manager, Mrs Douglas explained that there were plans in place for recruitment, but the position had not yet been advertised. Isio had provided excellent support as an interim measure. In response to a question regarding the expected timescale for recruitment, Mrs Douglas outlined that due to the nature of the position a 3-month notice period for any successful applicant was often standard, on-boarding would take time and acknowledged that sufficiently qualified applicants were not common.

**DECISION
AGREED:-**

- (a) to note the actual expenditure to 31 March 2023;**
- (b) to note the cash flow position; and**
- (c) the proposed budget for 2023/24.**

10. INFORMATION UPDATE

There had been circulated copies of a briefing note by the Acting Chief Financial Officer which provided an update on a number of areas which were being monitored and areas where work was progressing. Full reports on the individual areas would be tabled as decisions and actions were required. The HR Shared Services Manager confirmed that Hymans Robertson had confirmed that there were no changes to the draft Section 13 report, and that the Pension Fund had received no amber or red flags. The annual Overseas Life Certificate checks had been undertaken, with 42 issued and 22 returned. Certificates which were not returned would lead to the suspension of payments until the issue was resolved. In response to a question regarding whether pensioners were asked to return paperwork more than once before suspension, Mr Angus confirmed that a final reminder would be sent one week before the deadline date. Continual reminders were sent out as part of the process. Mr Angus confirmed that correspondence on the life checks were undertaken via email and explained that issues returning the certificates generally stemmed from pensioners getting access to appropriate Officials overseas. Mrs Douglas confirmed that work was underway on the refresh of the Pension Fund risk Register, supported by the Council's Chief Officer – Audit and Risk and Corporate Risk Officer, following the recommendations of the External Advisor, Clare Scott. Regarding the Stewardship Code, it was essential that the Fund take forward a number of future actions to sustain the accreditation. An independent consultant, Pat Tomlin, had been engaged to carry out project planning and develop an action plan to address identified priorities. Scheme Advisory Bulletins had been circulated with the agenda. Further training opportunities would be assessed as they arose, and they would be brought to the attention of Committee and Board Members. Mrs Douglas confirmed that a training matrix would be put in place following earlier discussions.

**DECISION
NOTED**

11. DRAFT ANNUAL REPORT AND ACCOUNTS 2022/23

There had been circulated copies of a report by the Acting Chief Financial Officer which provided an opportunity to scrutinise and approve the draft Annual Report and accounts for the Pension Fund for 2022/23 prior to their 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 the report. The draft Report and accounts contained in Appendix 1 to the report fully met those requirements. The report was presented to enable members of both the Pension Fund Committee and the Pension Fund Board to consider the draft Annual Report and accounts for 2022/23 (the Annual Report) prior to External

Audit Inspection by the statutory deadline of 30 June 2023. The draft Report and accounts were still subject to statutory Audit, which would commence in July 2023. Following the statutory Audit process the final Report and accounts would be submitted to the joint Committee and Board to review and of recommendation for approval. The Director presented the report and highlighted that the Fund had continued to strengthen its Governance and Stewardship over the past year. Key targets for the year had been met by the Pension Team. In response to a question regarding the risk register, Mrs Douglas explained that a Risk Register Review had been agreed at the March meeting, as it had been determined that 51 risks were too many to monitor. Regarding whether the Committee and Board had met the training requirements, Mrs Douglas undertook to ensure that adequate training was being provided in line with the requirements.

**DECISION
AGREED:-**

- (a) to note the Draft Annual Report and Accounts 2022/23; and**
- (b) to approve their submission for review by the External Auditors, Audit Scotland.**

12. **ITEMS LIKELY TO BE TAKEN IN PRIVATE**
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

13. **MINUTE**
The Committee considered the Private Minute of the Meeting held on 21 March 2023.
14. **PENSION FUND INVESTMENT AND PERFORMANCE SUB-COMMITTEE**
The Committee considered the Private Minutes of the Meetings of the Pension Fund Investment and Performance Sub-Committee held on 28 June 2022 and 27 February 2023.
15. **INVESTMENT PERFORMANCE QUARTER TO 31 MARCH 2023**
The Committee noted the Quarter 4 Investment Performance report by Isio.
16. **QUINBROOK RENEWABLES IMPACT FUND**
The Committee considered and approved a report by Isio. The Committee noted a report by Isio.
17. **ESG IMPACT ASSESSMENT - 6 MONTH PROGRESS REPORT**
The Committee noted a report by Isio.
18. **TCFD - STRATEGY AND RISK MANAGEMENT**
The Committee approved a report by Isio.

The meeting concluded at 12.15 pm