

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 23 May 2018, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors W Leslie Manson, Steven B Heddle, Rachael A King, Stephen Sankey, John A R Scott, Graham L Sinclair and James W Stockan.

Pension Board:

Employer Representatives:

Councillors J Harvey Johnston, Owen Tierney and Duncan A Tullock, Orkney Islands Council.

Andrew Blake, Orkney Ferries Limited.

Trade Union Representatives:

Karen Kent (Unison), Eoin Miller (Unite) and Eileen Swanney (Unison).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Colin Kemp, Corporate Finance Senior Manager.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

Hymans Robertson:

- David Walker, Head of Local Government and Pension Schemes Investments.
- Tom Hoare, Senior Trainee Consultant.

Apology

Pension Board:

- Mark Vincent, Trade Union Representative.

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson.

1. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 4, as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

2. Triennial Actuarial Valuation

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee noted:

- 2.1.** The actuarial valuation of the Pension Fund as at 31 March 2017 issued by the Actuary, Hymans Robertson, attached as Appendix 1 to the report by the Head of Finance.
- 2.2.** That the funding level of the Pension Fund had reduced from 114.4% to 112.7% over the past three years.
- 2.3.** That the funding level of the Pension Fund had been maintained broadly in-line with the previous valuation after allowing for a reduction in the future expected investment returns, resulting from a fall in the real gilt yield, and adoption of a lower Asset Outperformance Assumption than the previous valuation.
- 2.4.** That the increase in liabilities on the Pension Fund had largely been offset by positive membership experience and better than anticipated investment returns.
- 2.5.** That the Actuary was required to provide a Rates and Adjustment Certificate that set the employers' contribution rates for the next valuation period.
- 2.6.** That the Actuary had approved a graduated reduction in the employers' contribution rate expressed as a percentage of pensionable pay, from the rate of 19.2% applicable in financial year 2017 to 2018, as follows:
 - 2018 to 2019 – 18.2%.
 - 2019 to 2020 – 17.6%.
 - 2020 to 2021 – 17.0%.

3. Funding Strategy Statement

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

3.1. That the Funding Strategy Statement, a summary of the Pension Fund's approach to funding liabilities, required to be reviewed, in detail, at least every three years, normally following the triennial valuation exercise.

3.2. That the current Funding Strategy Statement was last reviewed in 2015, and reported to the Pension Fund Sub-committee on 24 April 2015.

3.3. That the review of the Funding Strategy Statement had been informed by asset liability modelling work carried out by the Fund's actuary.

3.4. The proposed revisions to the Funding Strategy Statement, as detailed in section 4 of the report by the Head of Finance, including a reduction in the Asset Outperformance Assumption from 1.6% to 1.4% per annum relative to the redemptions yield index linked gilts for the investment strategy.

On the motion of Councillor James W Stockan, seconded by Councillor Graham L Sinclair, the Sub-committee resolved, in terms of delegated powers:

3.5. That the Funding Strategy Statement in respect of the Orkney Islands Council Pension Fund, attached as Appendix 1 to this Minute, be approved.

4. Statement of Managed Pension Funds

On the motion of Councillor W Leslie Manson, seconded by Councillor James W Stockan, the Sub-committee resolved that the public be excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraph 6 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

4.1. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter to 31 March 2018, attached as Appendix 1 to the report by the Head of Finance.

4.2. That, although Pension Fund investments returned a loss of 0.7% over the quarter to 31 March 2018, on the basis that performance remained well ahead of benchmark in relative terms at least, that was a positive result.

4.3. That performance of the Pension Fund had remained strong over the 12-month period to 31 March 2018, with the value of the Fund increasing by 9.0%, being 6.6% ahead of the benchmark, which was considered exceptional.

4.4. That an average return of 10.6% per annum for the Pension Fund remained well ahead of the mandate over the three-year period.

4.5. The performance review commentary provided by the Fund Manager, attached as Appendix 2 to the report by the Head of Finance.

4.6. The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 31 March 2018, attached as Appendix 3 to the report by the Head of Finance.

5. Conclusion of Meeting

At 11:40 the Chair declared the meeting concluded.

Signed: L Manson.