

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 24 February 2021, 14:15.

Microsoft Teams.



Present

Pension Fund Sub-committee:

Councillors W Leslie Manson, Alexander G Cowie, Steven B Heddle, Rachael A King, Stephen Sankey and James W Stockan.

Pension Board:

Employer Representatives:

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

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.

Audit Scotland:

- Gillian Woolman, Audit Director (for Items 1 to 9).

Hymans Robertson:

- David Walker, Chief Investments Officer.
- Tom Hoare, Actuary.

Observing

- Lorraine Stout, Press Officer.

Apologies

Pension Fund Sub-committee:

- Councillor Barbara Foulkes.

Pension Board:

- Andrew Blake, Orkney Ferries Limited, Employer Representative.

Not Present

Pension Board:

Trade Union Representative:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson – for Items 1 and 2 and 5 to 10.
- Councillor Rachael A King – for Items 3 and 4.

1. Form of Voting

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll (recorded vote).

2. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 9, 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.

Signed: L Manson.

3. Chair

Councillor W Leslie Manson lost internet connection to the meeting at this point.

The Sub-committee resolved that Councillor Rachael A King should Chair the meeting until such time as Councillor W Leslie Manson could reconnect.

4. Revenue Expenditure Monitoring

After consideration of a report by the Head of Finance, copies of which had been circulated, the Sub-committee:

Noted:

4.1. The revenue financial summary statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 31 December 2020, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £110,535,500.

4.2. The revenue financial detail by service area statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 31 December 2020, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

4.3. The explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 3 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

Councillor W Leslie Manson rejoined the meeting during discussion of this item and resumed the Chair at this point.

Signed: R A King.

5. Pension Fund – Draft Budget

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 the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2021/22, attached as Annex 1 to the report by the Head of Finance, which formed part of the assumptions in the overall budget setting process considered by the Policy and Resources Committee on 23 February 2021.

6. Pension Fund Training

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

Noted:

6.1. Progress made over the 12-month period to 31 December 2020 in relation to meeting the training needs of members of the Pension Fund Sub-committee and the Pension Board, against core areas of the Public Sector Pensions Finance Knowledge and Skills Framework, attached as Appendix 1 to the report by the Head of Finance.

6.2. That, over the 12-month period to 31 December 2020, all members of the Pension Fund Sub-committee, together with seven of the eight members of the Pension Board, had achieved the minimum requirement of participation in at least one training event, or equivalent to five hours training.

6.3. That the member of the Pension Board, who had not achieved the minimum requirement for training, had cited work pressure making it difficult to attend training events.

On the motion of Councillor James W Stockan, seconded by Councillor Rachael A King, the Sub-committee resolved, in terms of delegated powers:

6.4. That the Annual Training Plan for 2021 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 1 to this Minute, be approved.

7. Review of Pension Risk Register

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Accounting Manager (Corporate Finance), on the motion of Councillor W Leslie Manson, seconded by Councillor Stephen Sankey, the Sub-committee:

Resolved, in terms of delegated powers, that the updated Risk Register relating to the Orkney Islands Council Pension Fund, attached as Appendix 2 to this Minute, be approved.

8. Triennial Actuarial Valuation

Preliminary Results and Draft 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 Actuary, Hymans Robertson, the Sub-committee:

Noted:

8.1. The Orkney Islands Council Pension Fund 2020 Actuarial Valuation Initial Results issued by the Actuary, Hymans Robertson, attached as Appendix 1 to the report by the Head of Finance.

8.2. The Orkney Islands Council Pension Fund draft Funding Strategy Statement prepared by the Actuary, Hymans Robertson, attached as Appendix 2 to the report by the Head of Finance.

8.3. That the initial valuation results indicated that the funding level of the Pension Fund had increased from 113% to 118% between the 2017 and 2020 valuations.

8.4. That an increase in liabilities had been offset by better than anticipated investment returns, with the valuation surplus increasing from £38,000,000 to £58,000,000 between the 2017 and 2020 valuations.

8.5. The proposal, against the background of increased uncertainty over the future impacting on actuarial assumptions, to maintain the employers' common contribution rate at 17% for the three-year period 2021 to 2024.

On the motion of Councillor Rachael A King, seconded by Councillor W Leslie Manson, the Sub-committee resolved, in terms of delegated powers:

8.6. That the undernoted assumptions, outlined in the 2020 Actuarial Valuation Initial Results and used in the calculation of the Pension Fund liabilities for the triennial valuation as at 31 March 2020, be approved:

- Price Inflation – 1.7%.
- Pay Inflation – 2.2%.
- Discount Rate – 2.9%.

8.7. That the Funding Strategy Statement, attached as Appendix 3 to this Minute, be approved.

Eileen Swanney left the meeting at this point.

9. 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 Chief Investments Officer, Hymans Robertson, the Sub-committee:

Noted:

9.1. The review of the investment manager's performance for the quarter to 31 December 2020, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

9.2. That the Pension Fund investments returned a gain of £44,600,000, or 9.4%, over the quarter to 31 December 2020, which was 3.4% ahead of the benchmark and was considered excellent.

9.3. That the value of the Pension Fund had increased by 19.5% over the 12-month period to 31 December 2020, being 9.6% ahead of the target, which was considered exceptional.

9.4. That an average return of 13.6% per annum for the Pension Fund remained 2.5% ahead of the target over the five-year period to 31 December 2020.

9.5. The Governance Summary, extracted from Baillie Gifford's performance report for the quarter ending 31 December 2020, attached as Appendix 2 to the report by the Head of Finance.

Eileen Swanney rejoined the meeting during discussion of this item.

10. Conclusion of Meeting

At 15:37 the Chair declared the meeting concluded.

Signed: L Manson.