

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 28 February 2024, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors Alexander G Cowie, P Lindsay Hall, Steven B Heddle, Rachael A King, Kristopher D Leask, Mellissa-Louise Thomson and Heather N Woodbridge.

Pension Board:

Employer Representatives:

Councillors Graham A Bevan, James R Moar and Owen Tierney, Orkney Islands Council.
Karen Ritch, Orkney Ferries Limited.

Trade Union Representatives:

Karen Kent (Unison) and Eoin Miller (Unite).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Corporate Director for Enterprise and Sustainable Regeneration.
- Erik Knight, Head of Finance.
- Shonagh Merriman, Service Manager (Corporate Finance),
- Katie Gibson, Team Manager (Corporate Finance).
- Michael Scott, Solicitor.

Hymans Robertson:

- David Walker, Partner.

In Attendance via remote link (Microsoft Teams)

Hymans Robertson:

- Tom Hoare, Consulting Actuary (for Items 6 to 10).

Apology

Pension Board:

Trade Union Representative:

- Eileen Swanney (Unison).

Not Present

Pension Board:

Trade Union Representative:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor Alexander G Cowie.

1. Revenue Expenditure Monitoring

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

Noted:

1.1. 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 2023, attached as Annex 1 to the report by the Head of Finance, indicating a budget overspend position of £9,125,400.

1.2. 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 2023, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

1.3. 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.

2. 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 Service Manager (Corporate Finance), the Sub-committee:

Resolved that the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2024/25, attached as Annex 1 to the report by the Head of Finance, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

Councillor Heather N Woodbridge joined the meeting at this point.

3. 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 Team Manager (Corporate Finance), the Sub-committee:

Noted:

3.1. Progress made over the 12-month period to 31 December 2023 in relation to meeting the training needs of members of the Pension Fund Sub-committee and the Pension Board, against core areas of Public Sector Pensions Finance Knowledge and Skills Framework, attached as Appendix 1 to the report by the Head of Finance.

3.2. That, over the 12-month period to 31 December 2023, a total of 29.25 hours of training was offered to members of the Pension Fund Sub-committee and the Pension Board.

3.3. That all members of the Pension Fund Sub-committee, together with six of the eight members of the Pension Board, had, over the 12-month period to 31 December 2023, achieved the minimum requirement of participation in at least one training event, or equivalent to five hours training.

3.4. That the members of the Pension Board who had not achieved the minimum requirement for training were:

- A union representative, who had cited work pressure as making it difficult to attend training events.
- An employer representative who only joined the Board in quarter 3 of 2023.

The Sub-committee resolved, in terms of delegated powers:

3.5. That the Annual Training Plan for 2024 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 1 to this Minute, be approved.

4. Review of Pension Fund 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 Service Manager (Corporate Finance), 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.

5. Exclusion of Public

On the motion of Councillor Alexander G Cowie, seconded by Councillor Heather N Woodbridge, the Sub-committee resolved that the public be excluded from the remainder of the meeting, as the business to be discussed involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

6. Statement of Managed Pension Funds

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been 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 Act.

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

Noted:

6.1. The investment monitoring report for the Pension Fund produced by Hymans Robertson, the Council's appointed investment advisor, attached as Appendix 1 to the report by the Head of Finance, relating to the performance of managed funds for the quarter to 31 December 2023.

6.2. That the Pension Fund investments returned a gain of £32,400,000, or 6.9%, over the quarter to 31 December 2023, which was 1.7% ahead of benchmark and therefore considered good in both absolute and relative terms.

6.3. That the value of the Pension Fund had increased by 9.3% over the 12-month period to 31 December 2023, which was good in terms of actual return, however, was behind the benchmark of 11.9% and therefore considered poor.

6.4. That an average return of 7.0% per annum for the Pension Fund remained positive but was 1.2% behind the benchmark over the five-year period and therefore behind target, which was to outperform the aggregate benchmark.

6.5. The Governance Summary extracted from Baillie Gifford's investment report for the quarter ending 31 December 2023, attached as Appendix 2 to the report by the Head of Finance.

6.6. The extract from IFM Global Infrastructure's quarterly investor report, showing the responsible investment update for the quarter ending 31 December 2023, attached as Appendix 3 to the report by the Head of Finance.

6.7. The Legal and General Environmental Social and Governance Impact Report for quarter 3 2023, attached as Appendix 4 to the report by the Head of Finance.

7. Orkney Islands Council Pension Fund – 2023 Valuation

Contribution Modelling Results

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been 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 Act.

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

Noted:

7.1. That the initial results of the triennial valuation for 2023 reported a materially improved funding position for the Fund, namely an increase from 118% at the last valuation date of 31 March 2020, to 164% on 31 March 2023.

7.2. The results of the contribution modelling exercise carried out by Hymans Robertson, in respect of the Orkney Islands Council Pension Fund, following the 2023 Triennial Actuarial Valuation, attached as Appendix 1 to the report by the Head of Finance.

7.3. That, following discussion of the results of the contribution modelling exercise carried out by Hymans Robertson, the employer contributions would be set at 15% of pay for the next three financial years, which would be factored into the budget setting process for financial year 2024/25 onwards.

7.4. That the Head of Finance would notify all employers in the Fund of the revised contribution rate to take effect from 1 April 2024.

8. Draft Responsible Investment Policy

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been 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 Act.

After consideration of a report by the Head of Finance, together with an Equality Impact Assessment, copies of which had been circulated, and after hearing a report from the Service Manager (Corporate Finance), the Sub-committee:

Noted:

8.1. That the Orkney Islands Council Pension Fund's investment advisers, Hymans Robertson, had been working with the Fund's Officers to define beliefs for Responsible Investment and to integrate Environmental, Social and Governance considerations into investment management processes and practices.

8.2. That, on 22 November 2023, when considering beliefs on responsible investing to support implementation of policy, the Pension Fund Sub-committee resolved that the Head of Finance, in consultation with Hymans Robertson, should develop a Responsible Investment Policy for the Orkney Islands Council Pension Fund for consideration by the Pension Fund Sub-committee in due course.

8.3. That, as part of the work outlined at paragraph 8.1 above, a responsible investment questionnaire was issued to members of the Pension Fund Sub-committee and the Pension Board to gauge the different views and strength of feeling on various Environmental, Social and Governance and climate related issues.

8.4. That the responses to the questionnaire, as well as the discussions that took place at the meeting of the Pension Fund Sub-committee, together with the Pension Board, on 23 November 2023, had been taken into consideration in the preparation of a draft Responsible Investment Policy.

The Sub-committee resolved, in terms of delegated powers:

8.5. That the Responsible Investment Policy, attached as Appendix 3 to this Minute, be approved.

9. Review of Investment Strategy

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

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

Noted:

9.1. That, on 22 November 2023, when considering beliefs on responsible investing, the Pension Fund Sub-committee resolved that the Head of Finance, in consultation with Hymans Robertson, should review the investment strategy of the Pension Fund, following the triennial actuarial valuation results, to take account of the Fund's Responsible Investment Policy.

9.2. The main conclusions from the Investment Strategy Review, attached as Appendix 1 to the report by the Head of Finance.

The Sub-committee resolved, in terms of delegated powers:

9.3. That the investment strategy be revised.

The above constitutes the summary of the Minute in terms of the Local Government (Scotland) Act 1973 section 50C(2) as amended by the Local Government (Access to Information) Act 1985.

10. Conclusion of Meeting

At 14:56 the Chair declared the meeting concluded.

Signed: Alexander G Cowie.