

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 19 September 2018, 10:30.

Council Chamber, Council Offices, School Place, Kirkwall.



Present

Pension Fund Sub-committee:

Councillors W Leslie Manson, 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.

Trade Union Representatives:

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

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Alistair Buchan, Chief Executive (for Items 1 to 6).
- Gareth Waterson, Head of Finance.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

Audit Scotland:

- Gillian Woolman, Audit Director (for Items 5 to 9).
- Colin Morrison, Senior Auditor.

Apologies

Pension Fund Sub-committee:

- Councillor Steven B Heddle.

Pension Board:

- Andrew Blake, Orkney Ferries Limited.

Not Present

- 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 8, 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. Revenue Expenditure Outturn

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:

2.1. The revenue expenditure outturn statement in respect of Pension Fund services for financial year 2017 to 2018, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £7,641,100.

2.2. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Head of Finance.

3. Revenue Expenditure Monitoring

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:

3.1. The revenue financial summary statement in respect of Pension Fund services for the period 1 April to 30 June 2018, attached as Annex 1 to the report by the Head of Finance, indicating a surplus position of £10,775,400.

3.2. The revenue financial detail by Service Area statement for the period 1 April to 30 June 2018, attached as Annex 2 to the report by the Head of Finance.

3.3. 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.

4. Scottish Local Government Pension Scheme Advisory Board

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

Noted the second Scottish Local Government Pension Scheme Advisory Board Annual Report, attached as Appendix 1 to the report by the Head of Finance, published on 26 March 2018, which gave an overview of the work of the Board as well as a useful collation of information relevant to participants in the Local Government Pension Scheme.

5. Pension Administration – Performance

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

Noted:

5.1. That the Orkney Islands Council Pension Fund invested and administered pensions on behalf of seven current and former employers, including Scheduled Bodies brought into the Fund by legislation and Admitted Bodies who were permitted to join the Fund.

5.2. Pension Fund administration performance for the period 1 April 2017 to 31 March 2018, as detailed in sections 4 to 14 of the report by the Head of Finance.

Councillor J Harvey Johnston left the meeting during discussion of this item and Councillor James W Stockan left the meeting at this point.

6. Orkney Islands Council Pension Fund

External Report to Those Charged with Governance

After consideration of a report by the Head of Finance, copies of which had been circulated, and after hearing a report from the Audit Director, Audit Scotland, the Sub-committee:

Noted:

6.1. That Audit Scotland, as the Council's external auditors, had concluded their audit of the Orkney Islands Council Pension Fund's Annual Report and Accounts for the year ended 31 March 2018.

6.2. That Audit Scotland had provided an unqualified certificate on the Pension Fund's Annual Report and Accounts for the year ended 31 March 2018.

6.3. That the draft audit certificate stated that the accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

6.4. That a number of presentational, consistency and disclosure errors were identified within the financial statements during the course of the audit and had been adjusted in the final accounts.

6.5. That no material weaknesses in the accounting and internal control systems relating to the Pension Fund were identified during the audit.

6.6. Audit Scotland's covering letter in respect of the Orkney Islands Council Pension Fund Annual Audit Report, attached as Appendix 1 to the report by the Head of Finance.

6.7. Orkney Island's Council's Letter of Representation to Audit Scotland in connection with their audit of the financial statements of Orkney Islands Council Pension Fund for the year ended 31 March 2018, attached as Appendix 2 to the report by the Head of Finance.

6.8. The Annual Audit Report to Members and the Controller of Audit of the Orkney Islands Council Pension Fund, attached as Appendix 3 to the report by the Head of Finance.

Councillor John A R Scott joined the meeting during discussion of this item.

7. Pension Fund – Annual Accounts

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

Noted:

7.1. The requirement, in terms of the Local Authority Accounts (Scotland) Regulations 2014, for a local authority, or a committee of the authority, whose remit included audit or governance functions, to consider and approve the audited Annual Accounts for signature no later than 30 September immediately following the financial year to which the accounts related.

7.2. The Management Commentary, contained in pages 1 to 12 of the Annual Report and Accounts of the Orkney Islands Council Pension Fund, attached as Appendix 1 to the report by the Head of Finance, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2018, with the key facts and figures summarised at section 6.3 of the report by the Head of Finance.

On the motion of Councillor Graham L Sinclair, seconded by Councillor Rachael A King, the Sub-committee resolved, in terms of delegated powers:

7.3. That the Annual Report and Accounts of the Orkney Islands Council Pension Fund for financial year 2017 to 2018, attached as Appendix 1 to this Minute, be approved.

8. Statement of Managed Pension Funds

On the motion of Councillor W Leslie Manson, seconded by Councillor Graham L Sinclair, 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 Accounting Manager (Corporate Finance), the Sub-committee:

Noted:

8.1. The review of the investment manager's performance for the quarter to 30 June 2018, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

8.2. That, although Pension Fund investments returned a gain of 4.4% over the quarter to 30 June 2018, this was 0.1% below the benchmark and was therefore considered poor.

8.3. That performance of the Pension Fund had remained strong over the 12-month period to 30 June 2018, with the value of the Fund increasing by 10.6%, being 3.5% ahead of the benchmark which was considered excellent.

8.4. That an average return of 13.4% per annum for the Pension Fund remained well ahead of the mandate over the three-year period.

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

8.6. The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 30 June 2018, attached as Appendix 3 to the report by the Head of Finance.

9. Conclusion of Meeting

At 12:35 the Chair declared the meeting concluded.

Signed: L Manson.