

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 25 November 2020, 13:30.

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.

Andrew Blake, Orkney Ferries Limited.

Trade Union Representative:

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:

- Colin Morrison, Senior Auditor.

Observing

- Lorraine Stout, Press Officer.

Apology

- Councillor Barbara Foulkes.

Not Present

Pension Board:

Trade Union Representative:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson.

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 Items 9 and 10 and Appendix 1 of Item 7, as the business to be discussed involved the potential disclosure of exempt information of the classes described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

3. Revenue Expenditure Monitoring

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

Noted:

3.1. 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 30 September 2020, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £84,947,900.

3.2. 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 30 September 2020, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

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, and obtained assurance that action was being taken with regard to significant budget variances.

4. Government Actuary's Fees

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

Noted:

4.1. The potential new burden on the Pension Fund arising from the recharge of Government Actuary's Department fees by the Scottish Public Pensions Agency.

Councillor W Leslie Manson, seconded by Councillor Steven B Heddle, moved that the cost sharing proposal from the Convention of Scottish Local Authorities, namely 50% of the Government Actuary's annual fee being divided equally among the 11 administering authorities in Scotland with a share of the remaining 50% allocated to each of the 11 administering authorities according to the size of their pension fund, be endorsed.

Councillor Stephen Sankey, seconded by Councillor Rachael A King, moved an amendment that negotiations be pursued via the Convention of Scottish Local Authorities with a view to resisting the proposed charge of the Government Actuary's annual fee.

The result of a recorded vote was as follows:

For the Amendment:

Councillors Alexander G Cowie, Rachael A King and Stephen Sankey (3).

For the Motion:

Councillors Steven B Heddle, W Leslie Manson and James W Stockan (3).

On the casting vote of the Chair, the motion was carried.

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

4.2. That the cost sharing proposal from the Convention of Scottish Local Authorities, namely 50% of the Government Actuary's annual fee being divided equally among the 11 administering authorities in Scotland with a share of the remaining 50% allocated to each of the 11 administering authorities according to the size of their pension fund, be endorsed.

Andrew Blake and Eoin Miller joined the meeting during discussion of this item.

5. National Audit Report

Local Government in Scotland Financial Overview 2018/19: Supplement 2 – Scottish Local Government Pension Scheme

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

Noted:

5.1. The Local Government in Scotland Financial Overview 2018/19: Supplement 2 – Scottish Local Government Pension Scheme, published in December 2019 by Audit Scotland, attached as Appendix 1 to the report by the Head of Finance.

5.2. The key messages arising from the national audit report, a summary of which was detailed in section 4 of the report by the Head of Finance.

6. Investment Business Plan

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:

6.1. That, delivery and management of an investment strategy that included not only investments but also the governance surrounding those investments, required a well-structured plan, in order to support officers and members to meet the objectives of the Pension Fund.

6.2. That Hymans Robertson, as investment advisers to the Pension Fund, were requested to prepare an Investment Business Plan for the Pension Fund.

6.3. That the Investment Business Plan, attached as Appendix 1 to the report by the Head of Finance, would remain a live document that evolved over time and would be used to assist in meeting the investment and governance requirements of the Pension Fund.

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

6.4. That the Investment Business Plan for the Pension Fund, attached as Appendix 1 to this Minute, be approved.

Councillor James W Stockan and Eoin Miller left the meeting during discussion of this item.

7. Pensions Administration – Performance

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:

Scrutinised the performance of Pension Fund administration for the period 1 April to 30 September 2020, as detailed in sections 4 to 12 of the report by Head of Finance, and obtained assurance.

8. Exclusion of the Public

On the motion of Councillor W Leslie Manson, seconded by Councillor Rachael A King, the Sub-committee resolved that the public be excluded for the remainder of the meeting, as the business to be considered involved the disclosure of exempt information of the classes described in Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

Karen Kent left the meeting at this point.

9. Revised Investment Strategy – Progress with Implementation

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, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted progress made with implementation of the revised investment strategy.

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

Noted:

10.1. The review of the investment manager's performance for the quarter to 30 September 2020, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

10.2. That the Pension Fund investments returned a gain of £23,000,000, or 5.1%, over the quarter to 30 September 2020, which was 3.3% ahead of the benchmark and was considered very good.

10.3. That the value of the Pension Fund had increased by 12.7% over the 12-month period to 30 September 2020, being 6.6% ahead of the target, which was considered excellent.

10.4. That an average return of 13.0% per annum for the Pension Fund remained 3.2% ahead of the target over the five-year period.

10.5. The Governance Summary extracted from Baillie Gifford's performance report for the quarter ending 30 September 2020, attached as Appendix 2 to the report by the Head of Finance.

11. Conclusion of Meeting

At 15:00 the Chair declared the meeting concluded.

Signed: L Manson.