

Item: 11

**Pension Fund Sub-committee, together with Pension Board:
21 February 2018.**

1. Recommendations

It is recommended:

1.1.

That the Committee approves the attached minute as a true record.

1.2.

That the Committee considers the recommendation at paragraph 3.3.

2. Appendix

Draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 21 February 2018.

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 21 February 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) (for Items 2 to 9).
- Michael Scott, Solicitor.

Audit Scotland:

- Patricia Fraser, Audit Manager.
- Colin Morrison, Senior Auditor.

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 7, as the business to be discussed involved the potential 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.

Councillor Rachael A King left the meeting at this point.

2. 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 Corporate Finance Senior Manager, the Sub-committee:

Noted:

2.1. The revenue financial summary statement in respect of Pension Fund services for the period 1 April to 31 December 2017, attached as Annex 1 to the report by the Head of Finance, indicating a surplus position of £13,212,500.

2.2. The revenue financial detail by Service Area statement in respect of Pension Fund services for the period 1 April to 31 December 2017, attached as Annex 2 to the report by the Head of Finance.

2.3. 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.

3. 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:

3.1. The current strategic approach to Pension Fund budget setting, as detailed in section 6 of the report by the Head of Finance.

3.2. The draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2018 to 2019, attached as Annex 1 to the report by the Head of Finance.

The Sub-committee resolved to **recommend to the Council:**

3.3. That the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2018 to 2019, referred to at paragraph 3.2 above, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

Councillor Rachael A King rejoined the meeting during discussion of this item.

4. Orkney Islands Council Pension Fund – Annual Audit Plan

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

Noted the External Audit Annual Plan for 2017 to 2018 in respect of the Council's Pension Fund, prepared by Audit Scotland, attached as Appendix 1 to the report by the Head of Finance.

5. Pension Fund – Annual Governance Statement

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

Noted:

5.1. That the Annual Audit Report to Members and the Controller of Audit in respect of the Orkney Islands Council Pension Fund for 2016 to 2017 contained recommendations for improvement, including a review of compliance against the Local Code of Corporate Governance and publicly reporting on this for financial year 2017 to 2018.

5.2. The Certificates of Assurance for 2017 to 2018 completed by the Head of Finance and the Pensions Manager, attached as Appendix 1 to the report by the Head of Finance.

5.3. The draft Pension Fund Annual Governance Statement, attached as Appendix 2 to the report by the Head of Finance

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

5.4. That the draft Pension Fund Annual Governance Statement, referred to at paragraph 5.3 above, be approved for inclusion in the draft Annual Report and Accounts of the Orkney Islands Council Pension Fund for financial year ending 31 March 2018.

6. Review of 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 Corporate Finance Senior Manager, with reference to the Minute of the Meeting of the Pension Fund Sub-committee held on 22 November 2017, paragraph 5, the Sub-committee:

Noted:

6.1. Progress made to date in relation to meeting training needs, together with feedback received from members of the Pension Fund Sub-committee and the Pension Board, against the core areas of Public Sector Pensions Finance Knowledge and Skills Framework, attached as Appendix 1 to the report by the Head of Finance.

Councillor Graham L Sinclair, seconded by Councillor Steven B Heddle, moved that all members must participate in at least one training event, or equivalent to five hours of training, as a minimum requirement, each financial year.

Councillor W Leslie Manson moved an amendment that all members should participate in sufficient training events to aggregate ten hours of training, as a minimum requirement, each financial year.

On receiving no seconder, his amendment fell, and the Sub-committee:

Resolved, in terms of delegated powers:

6.2. That the Annual Training Plan for financial year 2018 to 2019 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 1 to this Minute, be approved.

6.3. That all members must participate in at least one training event, or equivalent to five hours of training, as a minimum requirement, each financial year.

7. 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, as the business to be considered 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:

7.1. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter to 31 December 2017, attached as Appendix 1 to the report by the Head of Finance.

7.2. That Pension Fund investments continued to perform strongly over the quarter to 31 December 2017, increasing in value by 3.8%.

7.3. That the performance of the Pension Fund had been exceptional over the 12-month period to 31 December 2017, with the value of the Fund increasing by 16.1%, being 6.7% ahead of the benchmark.

7.4. That an average return of 13.5% per annum for the Pension Fund remained well ahead of the mandate over the three-year period.

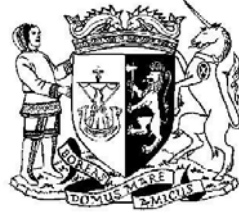
7.5. The performance review commentary provided by the Fund Manager, attached as Appendix 2 to the report by the Head of Finance.

7.6. The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 31 December 2017, attached as Appendix 3 to the report by the Head of Finance.

8. Conclusion of Meeting

At 12:15 the Chair declared the meeting concluded.

Signed: W L Manson.



ORKNEY **ISLANDS COUNCIL**

Pension Fund Training Plan 2018 to 2019

1. Introduction

The Orkney Islands Council Pension Fund is committed to providing training to those involved in the governance of the Fund to ensure that they have the skills and understanding required to carry out their stewardship role. This includes regular events to cover the latest developments in the Local Government Pension Scheme, investment strategy and performance monitoring. In April 2015, the Pension Fund Sub-committee adopted the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills.

It is important that members of both the Pension Fund Sub-committee and the Pension Board receive appropriate training to allow them to carry out their roles effectively

This training plan sets out how levels of understanding will be assessed, and how the knowledge and skills requirement and other regulatory requirements will be supported through training events over the next financial year.

2. Knowledge and Skills Framework

There are six areas of knowledge and skills that have been identified as the core requirements for those with decision making responsibility for Local Government Pension Scheme funds. They are:

- Pensions legislative and governance context.
- Pensions accounting and auditing standards.
- Financial services procurement and relationship management.
- Investment performance and risk management.
- Financial markets and products knowledge.
- Actuarial methods, standards and practices.

Members of the Pension Fund Sub-committee and the Pension Board are expected to have a collective understanding and Officers are expected to have detailed understanding of these areas of knowledge and skills.

3. Pension Board Specific Requirements

Members of the Pension Board are required to have the capacity to take on the role of assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator.

In addition, in accordance with Section 248A of the Pensions Act 2004 which was introduced to make provision relating to pensions and financial planning for retirement, it is expected that every individual who is a member of a Local Pension Board will receive training, and as a result:

- Be conversant with the regulations governing the Local Government Pension Scheme, such as the Transitional Regulations and the Investment Regulations.
- Be conversant with any policy document relating to administration of the Fund.
- Have knowledge and understanding of the law relating to pensions.
- Have knowledge and understanding of such other matters as may be prescribed.

4. Committee and Pension Board Training

Training for the Pension Fund Sub-committee and the Pension Board during the 2018 to 2019 financial year will focus on the following areas:

The six areas of the Knowledge and Skills framework

These will continue to be a major area of focus, with training focused on gaps in knowledge identified through the member's self-assessment returns. The main four areas requested to be incorporated into upcoming training are as follows:

- Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.
- A detailed knowledge of the duties and responsibilities of committee members.
- Performance of the committee.
- Awareness of the Myners principles and the need to set targets for the committee and to report against them.
- Performance of support services.
- Awareness of the range of support services, who supplies them and then nature of the performance monitoring regime.

Training Events

An annual pension's group training event will be provided for all members to attend. In addition to that, in consultation with the Chairman, expressions of interest will also be sought from members to attend relevant industry events, including conferences and seminars throughout the year.

Informative Review Presentations

Members will receive regular reports on the performance of the administration and investment functions throughout the year. In addition to this Members will be invited to attend informative review presentations by external advisors including the Pension Fund's appointed actuaries, investment advisors and fund managers.

Electronic Resources

Members are invited to access training information available on the Pension Regulator's website setting out the governance requirements of the local government pension scheme, including the respective roles of the Pension Fund Sub-committee and Pension Board.

Additionally, resources from previous training events have been made available to Councillors on their Council electronic device under "Training". Training materials will be added to this folder going forward as and when events occur.

5. Other Training

Where gaps in individual members' knowledge have been identified that will not be met by the core training described above, then Members should approach Officers in the first instance with a view to addressing those needs.

Specific training can also be provided for the Chairman of the Pension Fund Sub-committee and Pension Board to support them in their role, if required.

6. Officer Training

It is important that Officers have the required training to carry out the tasks of managing the Fund's investments and administering the payment of benefits. The knowledge and skills required of staff are set out in their job descriptions, including any formal qualifications required. Officers should be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework.

Officers will attend relevant professional training events, conferences and seminars during the year to ensure that they remain up-to-date with the latest requirements. In addition, they will be expected to keep up-to-date through use of the internet, and conduct research on relevant issues where required. Individual training plans will be put in place and these will be recorded and reviewed as part of the annual staff appraisal process.

For Officers, there will be a particular focus on the following areas:

Governance – Understanding the guidance and regulations in relation to local pension boards, and keeping up-to-date with how other Funds are working with their boards, in order that the Pension Board can be supported effectively and add value to the governance of the Fund.

New Investment Arrangements – Understanding the implications of how the Financial Conduct Authority will implement the Markets in Financial Instruments Directive (MiFIDII) and what the Fund will need to do to comply.

New Investment Products – Keeping up-to-date with what the market is offering, in order to assess the validity of new products for investment by the Fund.

Accounting Issues – Keeping up-to-date with the latest CIPFA guidance on the format of the Pension Fund Statement of Accounts and the content of the Annual Report.

Pensions Admin Regulations – Understanding the latest guidance and interpretation of changes to LGPS Regulations and their impact on procedures.

Pensions Admin Systems - Keeping up-to-date with updates/new releases to the software system Altair, passing training onto all staff.

Wider Pensions Issues – Understanding the impact of wider Government reforms to pensions, such as “freedom and choice” on the LGPS.

7. Reporting and Compliance

In line with the CIPFA Code of Practice, a disclosure will be made in the Fund’s Annual Report and Accounts that covers:

- How the Skills and Knowledge framework has been applied.
- What assessment of training needs has been undertaken.
- What training has been delivered against the identified training needs.