

## Minute

### **Pension Fund Sub-committee, together with Pension Board**

Wednesday, 27 February 2019, 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 and Graham L Sinclair.

### **Pension Board:**

### **Employer Representatives:**

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

### **Trade Union Representatives:**

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

## 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.

## Apologies

### **Pension Sub-committee:**

- Councillor James W Stockan.

### **Pension Board:**

- Andrew Blake, Orkney Ferries Limited, Employer 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 Items 7 and 8, 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.

## **2. Revenue Expenditure Monitoring**

After consideration of a report by the Head of Finance, copies of which had been circulated, 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 2018, attached as Annex 1 to the report by the Head of Finance, indicating a deficit position of £13,153,000.

**2.2.** The revenue financial detail by Service Area statement in respect of Pension Fund services for the period 1 April to 31 December 2018, 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, the Sub-committee:

Noted the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2019 to 2020, attached as Annex 1 to the report by the Head of Finance.

## **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 Senior Auditor, Audit Scotland, the Sub-committee:

Noted the external audit plan for 2018 to 2019 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. 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 Accounting Manager (Corporate Finance), the Sub-committee:

Noted:

**5.1.** Progress made over the period 1 December 2017 to 30 November 2018 in relation to meeting 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.

**5.2.** That, over the period 1 December 2017 to 30 November 2018, all members of the Pension Fund Sub-committee and the Pension Board, with the exception of one member, had achieved the minimum requirement of participation in at least one training event, or equivalent to five hours training.

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

**5.3.** That the Annual Training Plan for financial year 2019 to 2020 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 1 to this Minute, be approved.

## **6. 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.

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

Noted:

**7.1.** That, on 21 November 2018, the Sub-committee considered an independent review, undertaken by Hymans Robertson, investment advisers to the Pension Fund, of the existing investment strategy.

**7.2.** That the Sub-committee subsequently requested the Head of Finance, in consultation with Hymans Robertson, to develop the findings of the independent review into a set of specific proposals for de-risking and diversifying the Investment Strategy of the Pension Fund.

**7.3.** The Investment Strategy Review Follow Up, attached as Appendix 2 to the report by the Head of Finance, prepared by Hymans Robertson.

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

**7.5.** That, in order to provide both interim and long-term target asset allocations, the Investment Strategy of the Pension Fund be revised.

**7.6.** That the Head of Finance, in consultation with Hymans Robertson, develop an Action Plan and commence the process of implementing the revisions to the Investment Strategy of the Pension Fund.

The Pension Board noted:

**7.7.** That, although Councillors J Harvey Johnston and Owen Tierney expressed concern regarding the resolutions at paragraph 7.5 above, they concluded that there were insufficient grounds for referring the decisions back to the Pension Fund Sub-committee for further consideration.

**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.**

Councillor Graham L Sinclair left the meeting during discussion of this item.

## **8. 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 Corporate Finance Senior Manager, the Sub-committee:

Noted:

**8.1.** The review of the investment manager's performance for the quarter to 31 December 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.** The performance review commentary provided by the Fund Manager, attached as Appendix 2 to the report by the Head of Finance.

**8.3.** The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 31 December 2018, attached as Appendix 3 to the report by the Head of Finance.

**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.**

## **9. Conclusion of Meeting**

At 13:05 the Chair declared the meeting concluded.

Signed: L Manson.