



MINUTES

B - PUBLIC

Pension Fund Committee Auditorium, Shetland Museum and Archives, Hay's Dock, Lerwick Tuesday 7 March 2017 at 2pm Present – Members: A Cooper S Coutts G Robinson G Smith T Smith C Smith M Stout V Wishart <u>Apologies:</u> None	Pension Board Auditorium, Shetland Museum and Archives, Hay's Dock, Lerwick Tuesday 7 March 2017 at 2pm Present - Members: M Bell R Henderson D Marsh J Johnston D Ratter A Taylor R Williamson <u>Apologies:</u> None
In Attendance: J Belford, Executive Manager – Finance J Riise, Executive Manager – Governance and Law M Smith, Team Leader – Expenditure C Bain, Treasury Accountant K Adam, Solicitor L Adamson, Committee Officer Also in Attendance: D Green, Hymans Robertson LLP	

Chair

Mr G Robinson, Chair of the Pension Fund Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None.

Minutes

Subject to the following, the minutes of the meeting held on 7 December 2016 were approved on the motion of Mr C Smith, seconded by Mr Cooper.

- Reference was made to the two 'Decisions' on Page 5, where it was noted that the remit of the Pension Board does not include decision making.

01/17 **Presentation from Hymans Robertson LLP – Fund Actuary**

The Committee and Board considered a report by the Executive Manager – Finance [F-029-F], which introduced the presentation from Hymans Robertson LLP, the Fund Actuary.

The Executive Manager – Finance introduced Mr D Green, from Hymans Robertson LLP, the Pension Fund Actuary.

Mr D Green gave a presentation entitled “Better Futures Aren’t Down to Chance” (*copy of the slides attached as Appendix A*). The presentation covered the role of the Actuary, valuing benefit payments, valuation assumptions and ceasing employers. During his presentation, Mr Green reported that 2017 is a valuation year to set employer contribution rates, where he advised that for this year’s valuation the Scottish Government will also be reviewing the Scottish Local Government Pension Scheme as a whole.

In response to questions, Mr Green advised that longevity is taken into account as part of the valuations of each Fund, where comparisons with the different post code areas include affluence, gender, birth date and age at death. He advised that types of jobs/shift working would not specifically be taken into consideration, as salaries would give a good indication for characterisation of life expectancy.

In response to a question, Mr Green advised on the circumstances in terms of ceasing employers from the Pension Fund.

(Mr D Sandison attended the meeting).

The Chair thanked Mr Green for the very helpful insight into the role of the Actuary.

Decision:

The Pension Fund Committee and Pension Board **NOTED** the presentation.

02/17 **Management Accounts for the Pension Fund: 2016/17 – Projected Outturn at Quarter 3**

The Committee and Board considered a report by the Executive Manager – Finance [F-019-F], which set out the overall Pension Fund projected financial position as at Quarter 3.

The Executive Manager – Finance summarised the main terms of the report.

Decision:

The Pension Fund Committee and Pension Board **NOTED** the Management Accounts showing the projected outturn position at Quarter 3.

03/17 **Annual Audit Plan 2016/17**

The Committee and Board considered a report by the Executive Manager – Finance [F-018-F], which presented the Audit Plan for 2016/17 for the Pension Fund from external auditors, Deloitte LLP.

The Executive Manager – Finance introduced the report. In referring to the Audit Plan, he highlighted the key messages at Pages 3 and 4. He advised on the fee

approach taken by Deloitte, where following an increase in year one, over the course of 5 years there will be an estimated 14% reduction annually compared to last year's audit fee.

In response to a question, the Executive Manager – Finance advised on the approach to materiality, as set out on Page 11, which he said is Deloitte's judgement and opinion, having considered the handover from Audit Scotland and previous materiality levels.

In response to a question regarding the significant audit risk identified relating to the management override of controls on Page 3, the Executive Manager – Finance advised that this was a standard area of risk where he did not envisage any issues. In that regard, the Executive Manager – Governance and Law advised on similar assessments in terms of internal control for other Council bodies and joint Boards.

Decision:

The Pension Fund Committee and Pension Board **NOTED** the Audit Plan 2016/17 for the Pension Fund from external auditors, Deloitte LLP.

04/17

Pension Fund – Administering Authority Discretions

The Committee and Board considered a report by the Executive Manager – Finance [F-038 -F], which sought approval for discretionary administering authority provisions.

In introducing the report, the Executive Manager – Finance highlighted the discretionary provisions in Section 2.3 and the main changes to the revised administering authority discretions at Section 4.3.

During the discussion, it was noted that some text was missing from the Policy Decision relating to the Discretion "Deferred Benefits on Compassionate Grounds". The end of the sentence should therefore read, "..... on compassionate grounds unless there are exceptional circumstances and a sound business case to do so".

Reference was made to the web link given at the Discretion "Governance Policy", where it was clarified that the Governance Compliance Statement can be accessed from the Council's website www.shetland.gov.uk/about_finances/documents/ShetlandIslandsCouncilPensionFundAuditedAccounts15-16.pdf

With the amendments as advised during the discussion, Mr Robinson moved that the Committee approve the recommendation in the report. Mr C Smith seconded.

Decision:

The Pension Fund Committee **RESOLVED** to approve the administering authority discretions, as amended.

The Pension Board **NOTED** the report.

05/17

Pension Fund – Quarter to December 2016 Investment Review Report

The Committee and Board considered a report by the Executive Manager – Finance [F-026-F], which presented the investment position and performance of the Pension Fund's external investments, managed on their behalf by Fund Managers, for the quarter to December 2016.

The Executive Manager – Finance summarised the main terms of the report. The Committee and Board noted that at the end of January 2017 the market value of the Pension Fund had risen to £436m.

Decision:

The Pension Fund Committee and Pension Board **NOTED** the outcome of the quarterly review.

06/17 **Pension Fund – Risk Register**

The Committee and Board considered a report by the Executive Manager – Finance [F-030-F], which provided up to date information on the risks associated with the Council's Pension Fund.

The Executive Manager – Finance summarised the main terms of the report. In referring to the Risk Register at Appendix 1, he advised on the additional column "Change since last report" which provides explanation on any changes to the risk level.

In response to questions regarding proposals for the Pension Fund to move towards a paperless/light Service, the Executive Manager – Finance advised that the Pension Fund would benefit from the work undertaken on records management and information security as part of the Business Transformation Programme.

Decision:

The Pension Fund Committee and Pension Board **NOTED** the content of the report and the current Risk Register.

07/17 **Local Government Pension Scheme 2015/16**

The Committee and Board considered a report by the Executive Manager – Finance [F-034-F], which provided an overview of the national reports under their series entitled "Local Government Pension Scheme 2015/16".

The Executive Manager – Finance summarised the main terms of the report.

In response to a question, the Executive Manager – Finance advised on the Cost Control mechanism of the Local Government Pension Scheme 2015, where there are two parts to employer's contribution rates, being a basic amount and deficit recovery. It was also noted that the cost management cap has no relation to the contribution rate employers are paying, but looks at the cost of the scheme at a national level.

In response to questions relating to the information presented in the Graph on Page 4 of Appendix 1 "Pension Funds – Net Return on investments 2015/16", the Executive Manager – Finance reported on the different funding strategies followed and advised therefore that it is difficult to draw comparisons in terms of returns. Mr

Green, Hymans Robertson, advised on the need to steer a course with a sensible balance of risk, where the investment strategy has a bigger impact on investment returns than the choice of Fund Managers.

In response to a question, the Executive Manager – Finance advised that investing in house building has formed part of the considerations of Fund Managers, however at this time a sufficient return cannot be achieved. He added that investing in house building would however be an issue to consider going forward.

Decision:

The Pension Fund Committee and Pension Board **NOTED** the content of the report.

Mr Robinson moved that in order to avoid the disclosure of exempt information, the Committee resolve to exclude the public in terms of the relevant legislation during consideration of the following item of business. Mr Stout seconded.

(Mr Cooper declared his interest in the following item, and would stay in the meeting during the discussion).

(Mr Ratter declared his interest in the following item).

08/17

Admitted Body

The Committee and Board considered a report by the Executive Manager – Finance, in terms of the recovery from an Admitted Body to the Council's Pension Fund, of a cessation debt.

The Executive Manager – Finance summarised the main terms of the report.

(Mr T Smith left the meeting).

During the discussion, the Leader said that he would find it difficult to support any other course of action other than the recommendation in the report, and in that regard Mr Robinson moved that the Committee approve the recommendation in the report. Mr Stout seconded. In response to a question, it was advised that the Council's normal debt recovery process will be followed in the first instance.

Ms Wishart advised however on her concern at the way this matter has been handled for the parties involved, and requested a report to Audit Committee in terms of scrutiny of the processes followed. In that regard, a comment was made on the need for evidence perhaps as far back as 2005.

Decision:

The Pension Fund Committee **RESOLVED** to approve the recommended action set out in Section 2.11 of the report.

The Pension Board **NOTED** the report.

The meeting concluded at 4.35pm

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Chair