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Dear Sir/Madam

Date: 22 August 2017

You are invited to the following meeting:

**Pension Fund Committee / Pension Board**  
**Council Chamber, Town Hall, Lerwick**  
**Tuesday 29 August 2017 at 1.30pm**

**Note the change of time for this meeting**

**Please note that in accordance with the agreed terms of reference, this is a concurrent meeting of both the Pension Fund Committee and the Pension Board - SEE MEMBERSHIP OF BOTH BODIES OVERLEAF**

Apologies for absence should be notified to Louise Adamson at the above number.

Yours faithfully

Executive Manager – Governance and Law  
[and Joint Secretary to the Pension Board]

Chair: Cecil Smith  
Vice-Chair: Steven Coutts

**AGENDA**

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.

- (c) Declarations of Interest - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
- (d) Confirm the minutes of the meeting held on 19 June 2017 (enclosed).

## Items

1. Presentation from KBI Global Investors – Fund Manager  
F-076
2. Management Accounts for Pension Fund 2017/18 – Projected  
Outturn at Quarter 1  
F-063
3. Pension Fund - Quarter to June 2017 - Investment Review Report  
F-074
4. Pension Fund – Risk Register  
F-077
5. Pension Fund Committee and Pension Board Business Programme  
2017/18  
F-075

Pension Fund Committee	Pension Board	
M Burgess A Cooper S Coutts A Duncan S Leask R McGregor C Smith G Smith T Smith R Thomson	<u><b>Employers Representatives:</b></u> M Bell, SIC E Macdonald, SIC I Scott, SIC J Johnston, SRT  <u><b>Joint Secretary</b></u> J Riise, Executive Manager – Governance and Law	<u><b>Trade Union Representatives:</b></u> David Marsh, Unison Alan Goudie, Unite Robert Williamson, GMB Austin Taylor, Unison  <u><b>Substitutes:</b></u> C Wiseman, Unison  <u><b>Joint Secretary</b></u> C Wiseman, Unison



<b>Meeting(s):</b>	Pension Fund Committee Pension Board	29 August 2017 29 August 2017
<b>Report Title:</b>	Presentation from KBI Global Investors – Fund Manager	
<b>Reference Number:</b>	F-076-F	
<b>Author / Job Title:</b>	Jonathan Belford Executive Manager - Finance	

## 1.0 Decisions / Action required:

- 1.1 The Pension Fund Committee and Pension Board are asked to NOTE the presentation.

## 2.0 High Level Summary:

- 2.1 The Pension Committee and Pension Board meeting in June 2017 (Min. Ref. 11/17) stated the intention for a fund manager to attend the next Pension meeting and give a presentation. KBI Global Investors manage an equity fund on behalf of the Pension Fund, and they were duly invited to attend this meeting and give a presentation on the equity fund and its performance.
- 2.2 KBI Global Investors were awarded an active equity mandate in November 2014, with management of that mandate commencing in January 2015.
- 2.3 KBI Global Investors was originally formed in 1980 and their headquarters is in Dublin with offices in Boston and New York. They are owned by Amundi, a large asset manager. The Pension Fund's investment with KBI Global Investors had a value of £97 million at the end of July 2017, which is about 21% of the Pension Fund's total investments.
- 2.4 Representatives from KBI Global Investors will give out handouts at the meeting to go along with their presentation. Information on KBI Global Investors and the fund's investment performance is in the Pension Fund Report F-074-F Quarter to June 2017 Investment Review, which is included in the agenda for this meeting.
- 2.5 The presentation from KBI Global Investors along with this report is intended to inform the members and employers about the Pension Fund's active equity investment and its investment performance, as part of the Pension Fund's governance arrangements. It is envisaged that all of the Pension Fund Managers will over future meetings be invited to give similar types of presentations.

## 3.0 Corporate Priorities and Joint Working:

- 3.1 The report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to assisting the Pension Fund in ensuring that financial resources are managed effectively.

<b>4.0 Key Issues:</b>	
4.1	The presentation from KBI Global Investors forms part of the governance arrangements in regard to the investments, to allow the Pension Committee and Pension Board the opportunity to meet and hear directly from a fund manager that is investing on behalf of the Pension Fund. This also provides an opportunity to question the fund manager on any aspect of the fund and its performance.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None

<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	The Fund Manager presentation forms part of the monitoring of the Pension Fund's investments, to assist in providing reassurance to members and employers that the fund is being managed appropriately for the long term sustainability objectives, and to ensure that monies will be available to fund future pension benefits for members.
<b>6.2 Human Resources and Organisational Development:</b>	None.
<b>6.3 Equality, Diversity and Human Rights:</b>	None.
<b>6.4 Legal:</b>	As required by The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, where investment managers have been appointed their performance must be kept under review.
<b>6.5 Finance:</b>	<p>The long term investments and their performance are important to the Pension Fund and the achievements of its outcomes and objectives.</p> <p>It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Pension Fund is working towards meeting its long term investment objectives.</p> <p>It is not likely that the Pension Fund can expect a positive investment return from its investments every year but having robust governance and monitoring in place, alongside a diversified investment strategy mitigates the financial risks and enables the Pension Fund to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework.</p>

<b>6.6 Assets and Property:</b>	<p>Long term investments are assets of the Pension Fund and represent money given to fund managers to manage on its behalf for long term benefit. The Pension Fund relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Pension Fund money is invested. The value of long term investments under these mandates can go down as well as up.</p>
<b>6.7 ICT and new technologies:</b>	<p>None.</p>
<b>6.8 Environmental:</b>	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers are expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Pension Fund will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>KBI Global Investors have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>
<b>6.9 Risk Management:</b>	<p>All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.</p> <p>Going forward, as the fund reaches maturity, there could be a</p>

	<p>risk where contributions receivable are less than benefits payable.</p> <p>To mitigate this risk an investment strategy was approved with the aim to become fully funded by 2027, when the Fund is expected to mature. This strategy of diversification of fund managers is a significant element of mitigating the risk of investing for growth and income.</p>	
<b>6.10 Policy and Delegated Authority:</b>	<p>The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pension Regulator. The Pension Board will determine the areas they wish to consider.</p>	
<b>6.11 Previously considered by:</b>	This report has not been presented at any formal meeting.	

**Contact Details:**

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**Appendices:**

None

**Background Documents:**

None



<b>Meeting(s):</b>	Pension Fund Committee Pension Board	29 August 2017
<b>Report Title:</b>	Management Accounts for Pension Fund: 2017/18 – Projected Outturn at Quarter 1	
<b>Reference Number:</b>	F-063-F	
<b>Author / Job Title:</b>	Jonathan Belford, Executive Manager - Finance	

### 1.0 Decisions / Action required:

- 1.1 The Pension Fund Committee and Pension Board RESOLVE to review the Management Accounts showing the projected outturn position at Quarter 1.

### 2.0 High Level Summary:

- 2.1 The purpose of this report is to enable the Pension Fund Committee and Pension Board to monitor the financial performance of the Pension Fund to ensure that Members are aware of the forecast income and expenditure and the impact that this will have with regard to delivering the approved budget.
- 2.2 This report presents the projected outturn position for 2017/18 as at the end of the first quarter. The forecasts have been determined by Finance Services after consultation with the relevant budget responsible officers.
- 2.3 The projected revenue outturn position for the Pension Fund is an over-achievement of £241k (3.8%), which means the Pension Fund is projected to spend less than their approved budget.
- 2.4 Please refer to Appendix 1 for detailed information on the outturn position.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 There is a specific objective in the Corporate Plan that the Council will have excellent financial management arrangements to ensure that it continues to keep a balanced and sustainable budget, and is living within its means; and that the Council continues to pursue a range of measures which will enable effective and successful management of its finances over the medium to long term.
- 3.2 By 2027, the investment strategy of the Pension Fund is targeted with achieving a 100% funding position in order to ensure that the scheme remains affordable and sustainable in the future.

### 4.0 Key Issues:

- 4.1 On 7 December 2016 (Min Ref 21/16) the Pension Fund Committee approved the 2017/18 Pension Fund Budget. It is vital to the economic wellbeing of the Pension Fund that the financial resources are managed effectively and that expenditure and income are delivered in line with the budget, as any overspends or under-achievements of income will result in a reduction in the net contribution

to the Pension Fund.	
4.2	This report forms part of the financial governance and stewardship framework, which ensures that the financial position of the Pension Fund is acknowledged, understood and quantified on a regular basis. It provides assurance to the Corporate Management Team and the Committee/Board that resources are being managed effectively and allows corrective action to be taken where applicable.
4.3	At Quarter 1, the Pension Fund is projected to have a year-end over-achievement of net income of £241k.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	None.
<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	There are no implications arising from this report.
<b>6.2 Human Resources and Organisational Development:</b>	There are no implications arising from this report.
<b>6.3 Equality, Diversity and Human Rights:</b>	There are no implications arising from this report.
<b>6.4 Legal:</b>	There are no implications arising from this report.
<b>6.5 Finance:</b>	<p>The Pension Fund Investment Strategy, approved in 2015/16, seeks to address the prospect of falling income and rising expenditure projections over the longer term. The aim of the strategy is to ensure that the Pension Fund is 100% funded by 2027.</p> <p>It is vital that the Pension Fund continues to receive a surplus of income over expenditure in order to ensure that it is fully funded by 2027. However, there are many things within the Pension Fund transactions that can make the actual outturn very different from the budget. A few high value lump sums or death benefits can make the outturn vary from over-achievement to under-achievement quite easily.</p> <p>Should the Pension Fund consistently under-achieve its budget, employer contributions may have to significantly increase in order to meet any shortfall. Other factors that have an impact on employer contributions include the success of the investment strategy, the performance of the fund managers and the cost of future liabilities, all of which are considered as part of the triennial fund valuation.</p>
<b>6.6 Assets and Property:</b>	There are no implications arising from this report.
<b>6.7 ICT and new technologies:</b>	There are no implications arising from this report.



<b>6.8 Environmental:</b>	There are no implications arising from this report.	
<b>6.9 Risk Management:</b>	<p>There are numerous risks involved in the delivery of the Pension Fund and awareness of these risks is critical to successful financial management.</p> <p>From a financial perspective, risks are an integral part of planning for the future, as assumptions are required to be made. These assumptions can be affected by many internal and external factors, such as supply and demand, which may have an adverse impact.</p> <p>The main financial risks for the Pension Fund are:</p> <ul style="list-style-type: none"> <li>• That the Fund's investments fail to deliver returns in line with those required to meet the valuation of long-term liabilities;</li> <li>• A fall in bond yields, leading to a rise in value placed on liabilities;</li> <li>• Employers leaving the scheme or the scheme closing to new members, which could be due to several factors eg costs, liquidation or bankruptcy;</li> <li>• A failure to recover unfunded payments from employers, that could lead to other employers having to subsidise by increasing their employer contribution;</li> <li>• A global stock market failure;</li> <li>• Under-performance by active fund managers.</li> </ul>	
<b>6.10 Policy and Delegated Authority:</b>	<p>The Pension Fund Committee has been delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pension Regulator.</p>	
<b>6.11 Previously considered by:</b>	n/a	n/a

#### **Contact Details:**

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#### **Appendices:**

Appendix 1 – Projected revenue outturn position for 2017/18

#### **Background Documents:**

Pension Fund Budget Proposals 2017/18, Pension Fund Committee/Pension Board, 7 December 2016

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20199>



## Pension Fund Committee / Pension Board

## 1. Revenue Outturn Position 2017/18 (Quarter 1)

Pension Fund	Revised Annual Budget £000	Projected Annual Outturn £000	Budget v Projected Outturn at Q1 (Adv) / Pos £000	Year to date expenditure and income to 30 June 2017 £000
Employee Costs	280	250	30	31
Operating Costs	152	152	0	41
Investment Expenses	1,644	1,644	0	56
Benefits Payable	9,460	9,464	(4)	1,582
Transfers Out	296	296	0	69
Lump Sums	1,695	1,734	(39)	361
AVC Out	225	240	(15)	240
<b>Total Expenditure</b>	<b>13,752</b>	<b>13,780</b>	<b>(28)</b>	<b>2,380</b>
Contributions Received	(16,480)	(16,535)	55	(2,782)
Other Income	(55)	(42)	(13)	(5)
Investment Income	(3,213)	(3,212)	(1)	(376)
Transfers In	(200)	(208)	7	(132)
AVC in	(225)	(446)	221	(368)
<b>Total Income</b>	<b>(20,173)</b>	<b>(20,443)</b>	<b>269</b>	<b>(3,663)</b>
				-
<b>Net Income</b>	<b>(6,421)</b>	<b>(6,663)</b>	<b>241</b>	<b>(1,283)</b>

An explanation for the main variances for the Pension Fund at Quarter 1 is set out below.

## 1.1 Employee Costs – underspend of £30k (10.7%)

This underspend relates to two vacancies. The Systems Administrator & Development post remains vacant following its recent advertisement. It is anticipated that this post and the vacant Pension Assistant post will be filled by October 2017.

The year to date employee costs figure represents ongoing salary costs for existing staff. In addition, there is a recharge from the Council at the year end.

## 1.2 Lump Sums – overspend of (£39k) (2.3%)

This overspend relates to unbudgeted lump sums for one of the admitted bodies. It is assumed that all other lump sums will spend in line with budget; however, the value of lump sums can vary greatly depending on a number of

factors, including length of service, salary, Additional Voluntary Contribution (AVC) portion and whether there is automatic entitlement to a lump sum. Death benefit lump sums are paid out at three times salary.

Lump sums are paid out on retirement and so far in 2017/18, 35 people have retired; not all will take a lump sum.

**1.3 AVC Out – overspend of £15k (6.7%)**

This cost is fairly unpredictable, as it depends on how much AVC a person has built up during their career. The budget here was set to match the AVC-In budget, but to date there has been less paid out than received.

**1.4 Other Income – under-achievement of (£13k) (23.6%)**

This under-achievement relates to not receiving income from the Council for its part of the Systems Administrator & Development Officer post, since the post is currently vacant.

**1.5 AVC In – over-achievement of £221k (98.2%)**

There have been more Additional Voluntary Contributions received in than is permitted to be paid out as lump sums. The balance of AVCs received and not used for lump sums is converted to LGPS pension.



<b>Meeting(s):</b>	<b>Pension Fund Committee Pension Board</b>	<b>29 August 2017 29 August 2017</b>
<b>Report Title:</b>	<b>Pension Fund - Quarter to June 2017 Investment Review Report</b>	
<b>Reference Number:</b>	<b>F-074-F</b>	
<b>Author / Job Title:</b>	<b>Jonathan Belford, Executive Manager - Finance</b>	

### 1.0 Decisions / Action required:

- 1.1 This report is a review of the Pension Fund's external investments over the quarter to June 2017, and as such the Pension Fund Committee and Pension Board should consider the outcome of this quarterly review and provide comments accordingly.

### 2.0 High Level Summary:

- 2.1 This report will allow the Pension Fund Committee and Board to review the investment position and performance of the Pension Fund's external investments, managed on their behalf by fund managers, for the quarter to June 2017.
- 2.2 The Pension Fund's investments increased in value by £4 million over the quarter and now have an overall value at the end of June of £454 million.
- 2.3 Over the quarter to June 2017 BlackRock were close to their benchmark aim, KBI Global investors underperformed their benchmark, Newton was equal to their benchmark, Schroders underperformed their benchmark, but delivered the highest quarterly return, and M&G outperformed their benchmark. The combined investment return for the Pension Fund over the three month period was 0.7% which was 0.2% below the benchmark return. See additional information in Appendix 1. Two representatives from KBI Global Investors will also be attending the meeting to give a presentation on their equity fund and its performance.
- 2.4 The conclusion of the quarterly review is that Fund Manager performance has been mixed individually but in absolute terms positive overall. Performance of the Fund investments, as indicated by relevant benchmarks, show that investment returns overall could have been better but there is no immediate reason to investigate further the Pension Fund making changes. The outcome of the Pension Fund Triennial Valuation will be known later in the financial year and an interim review of the investment strategy will be undertaken thereafter.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 The report links to the Council's corporate priorities, defined in its Corporate Plan, specifically in relation to assisting the Council in ensuring that financial resources are managed.

<b>4.0 Key Issues:</b>	
4.1	This report is only a three month snapshot of how the markets and fund managers have performed. Over the financial year the performance of the Pension Fund's investments could quickly and unpredictably increase or decrease depending on economic and investment circumstances.
<b>5.0 Exempt and/or confidential information:</b>	
5.1	<i>None</i>

<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	The monitoring of fund Manager performance is a means of providing reassurance to members and employers that the fund is being managed appropriately for the long term sustainability objectives and to ensure that monies will be available to fund future pension benefits.
<b>6.2 Human Resources and Organisational Development:</b>	<i>None</i>
<b>6.3 Equality, Diversity and Human Rights:</b>	<i>None</i>
<b>6.4 Legal:</b>	As required by The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, where investment managers have been appointed their performance must be kept under review.
<b>6.5 Finance:</b>	<p>The long term investments and their performance are important to the Pension Fund and the achievements of its outcomes and objectives.</p> <p>It is recognised that the actual investment performance each year will be different to what is expected or required however over the long term this will be monitored and reviewed to ensure that the Pension Fund is working towards meeting its long term investment objectives.</p> <p>It is not likely that the Pension Fund can expect a positive investment return from its investments every year but having robust governance and monitoring in place, alongside a diversified investment strategy, mitigates the financial risks and enables the Pension Fund to take action at appropriate times to address poor performance by the fund managers. This report is part of that governance and monitoring framework.</p>
<b>6.6</b>	Long term investments are assets of the Pension Fund and

<b>Assets and Property:</b>	represent money given to fund managers to manage on its behalf for long term benefit. The Pension Fund relies upon each fund manager's fiduciary duty and to buy and sell appropriate assets in accordance with the mandate awarded to them and to report regularly on the value and performance of the fund in which Pension Fund money is invested. The value of long term investments under these mandates can go down as well as up.
<b>6.7 ICT and new technologies:</b>	<i>None</i>
<b>6.8 Environmental:</b>	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers are expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Pension Fund will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions.</p> <p>The fund managers, who will act in accordance with this policy, will exercise voting.</p> <p>All of the Pension Fund managers have signed up to the United Nations Principles on Responsible Investment. The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>
<b>6.9 Risk Management:</b>	All investments carry risk. Risks, such as market risk are mitigated and actively managed through diversification of fund managers, asset classes, markets, size of holdings and through performance monitoring against benchmarks.
<b>6.10 Policy and Delegated Authority:</b>	The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administrating authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of

	<p>the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator. The Pension Board will determine the areas they wish to consider.</p>	
<b>6.11 Previously considered by:</b>	<i>None</i>	

**Contact Details:**

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E-mail colin.bain@shetland.gov.uk

**Appendices:**

Appendix 1 - Quarter to June 2017 Performance Review

**Background Documents:**

None



## Quarter to June 2017 Performance Review

### 1.0 Investment Position and Market Performance

- 1.1 This quarterly report forms part of the Pension Fund's governance arrangements where the Pension Fund Committee and Board receive a quarterly investment report on the external investments.
- 1.2 This report concentrates on the three month period from April to June 2017. The report looks at the performance of the Pension Fund's managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.
- 1.3 The Pension Fund has five fund managers with total investments under management at the end of June 2017 of £454 million. The funds, type of mandate and market values at the end of June 2017 are as follows:

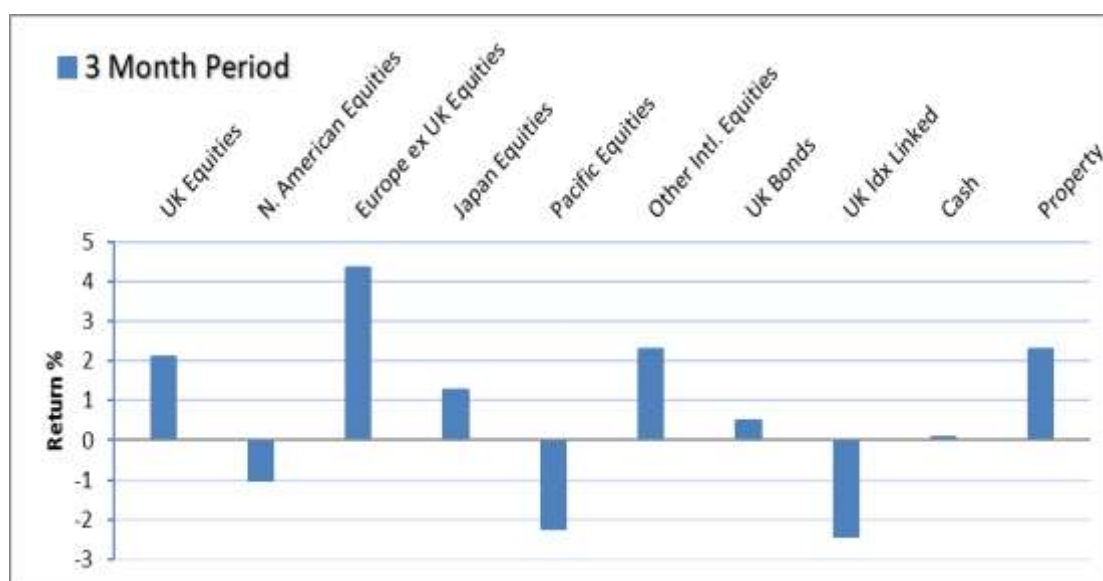
Manager	Mandate	% of Reserves	Market Value (£m)
BlackRock	Passive Equity	42%	191
KBI Global Investors	Active Equity	21%	96
Newton	Diversified Growth	17%	78
Schroders	Property	11%	51
M&G	Alternative Credit	9%	38

- 1.4 Individual fund manager performance is detailed later but there is the need to consider the effect of the markets themselves, and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the three month period.

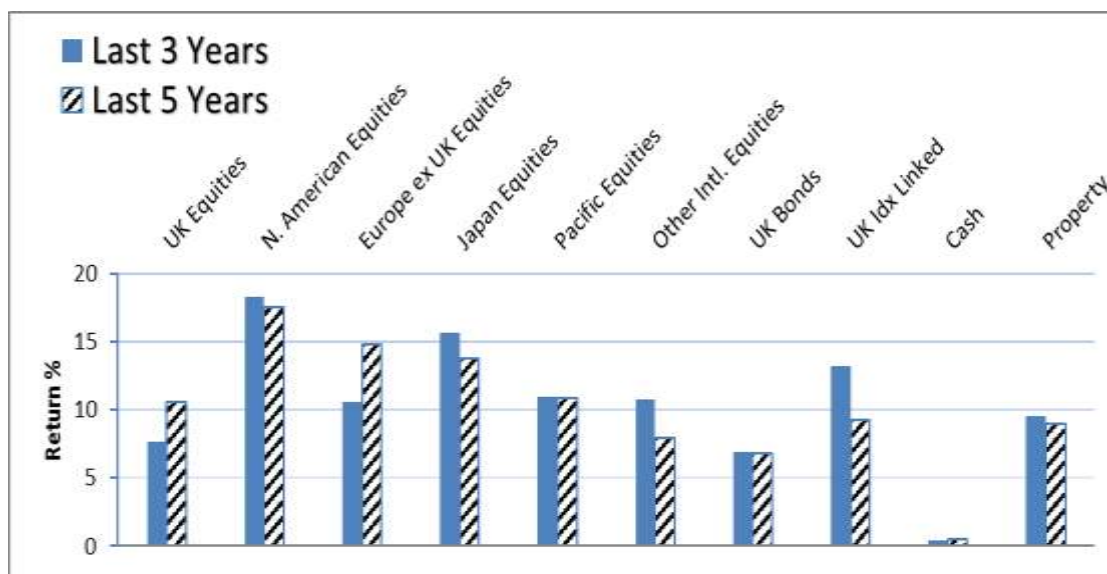
	£ Million
Market value as at 31/03/17	450
Additions / (Withdrawals)	1
Investment Return	<u>3</u>
<b>Market value as at 30/06/17</b>	<b><u>454</u></b>

- 1.5 The figures show a £3 million positive investment return over the three month period. The increase in investment returns is a combination of returns from property, bonds and equity investments over the period.

- 1.6 There was an injection of £1.2 million into the investments during the three month period to June 2017. This was invested with M&G and was cash that had accumulated in the Pension bank account from excess contributions over pension payments.
- 1.7 The Pension Fund's Investments have therefore increased in overall value by £4 million over the three month period to end June 2017.
- 1.8 Over the three month period to June equity markets produced mixed returns, with Europe having a positive quarter benefitting from improved economic news and the result of the French election. The UK stock market produced positive returns over the quarter with the election dominating the news, although some market gains receded towards the end of the period. North America started the quarter in positive territory and raised interest rates in June but retail sales were muted and scepticism about the Trump Administration's success in enacting proposed legislation weighed on the market.
- 1.9 The investment markets performance, over the main asset classes the Pension Fund invests into, over the three month period looks like this:



- 1.10 This is only a three month snapshot of how the various investment classes and sectors have performed and it shows how, in the short term, values do fall as well as rise. History shows that investments in these asset classes over the long term are usually positive, which is the reason the investment strategy is based on a long term investment horizon. As an example of the differences in market returns over a slightly longer time period, the following graph shows the same asset classes but with returns per annum over the last three and five years.



- 1.11 The fund manager has negligible influence over the market return but they may be required by the mandate agreement to invest into these markets. The main constituent of a fund's performance is the market return, where the fund is invested. A fund manager with an active mandate is asked to outperform a benchmark made up of market indexes, or cash plus a percentage return, whereas a fund manager with a passive mandate is aiming to match the market return.

## 2.0 Fund Manager Performance

- 2.1 The Pension Fund invests in various asset classes for the long term, generally five years or more. This report just looks at the performance of the fund managers, and the investment return over a three month period, which has seen mixed investment returns from the major equity and bond markets
- 2.2 In this environment the Pension Fund's managers have, over the three month period to end June 2017, performed as follows:

Manager	Mandate	Fund Return	Benchmark Return	% Return Compared to Benchmark
BlackRock	Passive Equity	0.9%	0.8%	0.1%
KBI Global Investors	Active Equity	-1.0%	0.1%	-1.1%
Newton	Diversified Growth	1.1%	1.1%	0.0%
Schroders	Property	1.5%	2.3%	-0.8%
M&G	Alternative Credit	1.3%	0.7%	0.6%

- 2.3 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. BlackRock was very close to this aim over the three month period.
- 2.4 The fund with BlackRock is split between UK equities 45% and global ex UK equities 55%. With mixed positive and negative returns from equity markets over the three month period the global ex UK investment was slightly positive at 0.5% but UK equities returned 1.5%. This gave an overall return to the Fund of 0.9% over the three month period, which is a reflection of the mixture of returns from the various markets the fund invests into.
- 2.5 The fund with KBI Global Investors is in active global equities. They invest using a strategy based on selecting income generating shares. Over the three month period the fund underperformed the benchmark in a flat equity market by 1.1%. The fund's main investment sector is North America, which had a negative return over the period. The equity markets have also seen certain sectors outperform such as technology but these sectors are more growth orientated and not income based which KBI's strategy is based on.
- 2.6 Newton has a diversified growth fund mandate, which over the three month period delivered a positive 1.1% return that was equal to the cash plus benchmark return. The diversified growth fund invests in various asset classes to spread risk and smooth returns. The main positive contributors to the investment return were equities, corporate bonds and infrastructure. Newton after having a strong performance from certain sectors took some profit which increased the cash holding to around 13.7%.
- 2.7 Newton continues to believe that a determined focus on the longer-term trends, rather than short-term market news, is in the best interests of their clients. The portfolio is therefore maintaining a cautious investment position.
- 2.8 Schroders invests into property via a fund of funds approach where they invest in various different property funds to spread investment risk. There are two main investment areas, UK and Europe. Over the three month period Schroders were 1.5% above the benchmark return. The UK investment outperformed the benchmark return but it was the European investment which underperformed and pulled down the overall performance. Over the period Schroders continued to reduce exposure to London property. They also sold about 45% of the European investment which affected the performance of the European Fund, as settlement of the transactions does not take place until during the next quarter.
- 2.9 The fund with M&G is an alternative credit fund that invests in fixed income products such as corporate bonds, high yield bonds, asset backed securities etc. The fund outperformed the cash plus benchmark over the three month period by 0.6%. The fund's industrial, securitised and financial bond holdings continued to perform well.

- 2.10 The overall Pension Fund investment return for the three month period to the end of June 2017 was 0.7%, which was 0.2% below the benchmark return. This was a quiet investment quarter compared to recent quarters, with Schroders property fund producing the best investment return at 1.5%.

### **3.0 After the end of June 2017**

- 3.1 Investment markets have remained relatively quiet since the end of June with equities the best performing investment class. The most up to date Pension Fund investment value is £458 million (unaudited) at the end of July 2017.





<b>Meeting(s):</b>	Pension Committee Pension Board	29 August 2017
<b>Report Title:</b>	Pension Fund – Risk Register	
<b>Reference Number:</b>	F-077-F	
<b>Author / Job Title:</b>	Jonathan Belford Executive Manager - Finance	

<b>1.0</b>	<b>Decisions / Action required:</b>
1.1	That Pension Fund Committee and Pension Board NOTE the contents of the report and the current Risk Register.
<b>2.0</b>	<b>High Level Summary:</b>
2.1	The purpose of this report is to provide up to date information on the risks associated with the Shetland Islands Council Pension Fund. (Risk Register is attached at Appendix 1)
2.2	Risks will be reviewed on a regular basis throughout the year, and reporting will ensure that the Pension Fund Committee and Pension Board are made aware of changes and actions being taken to mitigate risks
<b>3.0</b>	<b>Corporate Priorities and Joint Working:</b>
3.1	Management of risk is a fundamental aspect of good governance. The risk register is an integral part of effectively managing and administering the Pension Fund on behalf of its members
<b>4.0</b>	<b>Key Issues:</b>
4.1	The Council, as the administering authority for the Shetland Islands Council Pension Fund, is responsible for the governance and administration of the Pension Fund.
4.2	In addition to the wealth of regulation and legislation that surrounds the administration of the Fund there are key governance and control issues that require to be addressed in order to effectively fulfil the role to the expected and required standards.
4.3	One aspect of governance that continues to improve is the management of risk.
4.4	Attached at Appendix 1 is a copy of the Pension Fund risk register and the level of risk that has been assessed in respect of likelihood and impact. For reference purposes the risk matrix used by the Council is included in the Appendix, this is what has been used to determine the risk score and total value for each risk.

	These are then categorised as High, Medium and Low.
4.5	The right-hand column of the register identifies any change since the last report and the “are controls operating effectively” column provides comments reflecting current issues / actions in relation to the mitigation of the risks.
4.6	The register records 35 risks, of which 6 (6 last reported) are High; 14 (14 last reported) are Medium and 15 (15 last reported) are Low risks. This reflects the current control measures that are in place.
4.7	There is similar risk identified, following the latest review. One risk was increased from low to medium and vice versa. The Pension Fund continues to deal with a range of risks from global risks such as the volatile and unpredictable market conditions to the local risks where changes in accommodation mean that information and staff are located in different locations, making data security at greater risk and a level of inefficiency has been introduced because access to the office at North Ness, where members pension records are filed, is restricted.
4.8	Other changes are detailed in the Appendix.
4.9	The risk register will be reviewed regularly and reported to the Pension Fund Committee and Pension Board as part of the performance reporting arrangements.
<b>5.0</b>	<b>Exempt and/or confidential information:</b>
5.1	None.

<b>6.0 Implications :</b>	
<b>6.1 Service Users, Patients and Communities:</b>	Effectively managing risk safeguards the benefits payable to members of the Pension Fund through sound governance.
<b>6.2 Human Resources and Organisational Development:</b>	None.
<b>6.3 Equality, Diversity and Human Rights:</b>	None.
<b>6.4 Legal:</b>	There are no direct legal implications arising from this report however, legal advice and legal remedies will be sought and used whenever this is appropriate.
<b>6.5 Finance:</b>	There are no direct financial implications arising from this report. Where risks materialise they may result in financial implications for the Pension Fund, the Administering Authority (SIC) and/or the scheme employers.



<b>6.6 Assets and Property:</b>	Managing risks in relation to the governance and control of the assets held by the Pension Fund for the effective long term benefit of its members is crucial. Identification of the key risks and the controls is the basis of this report.
<b>6.7 ICT and new technologies:</b>	None.
<b>6.8 Environmental:</b>	<p>Whilst the fund managers have delegated powers for the acquisition and realisation of investments, fund managers are expected as part of their investment process to consider all factors, including the social, environmental and ethical policies of companies in which they may invest, to the extent that these may materially affect the long term prospects of such companies. The fund managers will also be expected to enter into dialogue with companies in which they invest, in relation to the pursuance of socially responsible business practices, and report on these activities.</p> <p>Corporate Governance is a key responsibility for institutional shareholders and as a matter of principle the Pension Fund will seek to exercise all of its voting rights in respect of its shareholdings. It is recognised however that in practical terms this may not always be possible for overseas holdings. However, for UK stocks all voting rights will be exercised in a positive fashion, i.e. no abstentions. BlackRock, Newton, Kleinwort Benson, Schroders and M&amp;G have all signed up to the United Nations Principles on Responsible Investment.</p> <p>The principles reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios, and therefore must be given appropriate consideration by investors, if they are to fulfil their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices, and so better align their objectives with those of society at large.</p>
<b>6.9 Risk Management:</b>	There are many risks involved in the administration of the Pension Fund. These are set out in Appendix 1 of this report.
<b>6.10 Policy and Delegated Authority:</b>	<p>All functions and responsibilities relating to the Council's role as administering authority for Shetland Islands Council Pension Fund are now discharged by the Pension Fund Committee.</p> <p>The Pension Fund Committee has delegated authority to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.</p> <p>The Pension Board is the body responsible for assisting the</p>

	Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator. The Pension Board will determine the areas they wish to consider.	
<b>6.11 Previously considered by:</b>	Last reported to the Pension Committee / Pension Board on 7 March 2017.	

**Contact Details:**

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22 August 2017

**Appendices:**

Appendix 1 – Pension Fund Risk Register

**Background Documents:** None

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

Ref	Risk Description	Scope/potential consequences of risk	Risk Control Measures	Are controls operating effectively?	Assessment of Residual Risk (Likelihood x Impact)			
					Likelihood	Impact	Risk Score	Change since last report
1.	<b>Operational</b> – Pension Administration system failure	Staff downtime, loss of service delivery	System is hosted externally with back-up in separate location; budget approved appointment of a Systems Administrator & Development Officer post which will add to technological resilience	Y	(Unlikely) 2	(Significant) 3	6 Low	<b>Low to Low</b> (3 to 6) Unable to yet recruit to the Systems Development Officer post.
2.	<b>Operational</b> – Unable to access workplace	Staff downtime, loss of service delivery	Disaster recovery policy in place which is incorporated within SIC overall policy	Y	(Certain) 5	3	15 High	No change
3.	<b>Operational</b> – Overpayment of pension benefits	Audit criticism, legal challenge, reputational damage, cost and potential non-recovery	All pension payments signed off by a senior pensions officer – segregation of duties for staff processing lump sums	Y	2	(Minor) 2	4 Low	No change
4.	<b>Operational</b> – Failure to carry out annual check of member records	Incorrect pension payments, incorrect assessment of actuarial liabilities	All employers required to submit annual data, which is checked	Y	(Rare) 1	2	2 Low	No change
5.	<b>Operational</b> – Failure to carry out effective member tracing	Incorrect pension payments, incorrect assessment of actuarial liabilities	Tracing service in place – Faraday Tracing Service. Using national “Tell us once” scheme.	Y	1	2	2 Low	No change
6.	<b>Operational</b> –	Overpayment,	All pension payments signed	Y	2	2	4	No change

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

	Fraud/Negligence	unauthorised payments, system corruption, audit criticism, reputational damage	off by a senior pensions officer – segregation of duties for staff processing lump sums				Low	
7.	<b>Operational</b> – Failure to recruit, retain and develop staff	Reduction in service delivery, poor operation of risk management controls	On-going review of staffing requirements and training. Pension officers in the process of completing specific pensions exams	Y	2	3	6 Low	No change
8.	<b>Operational</b> – Poor record keeping	Undermines service delivery, incorrect assessment of actuarial liabilities	Annual check of all member records undertaken	Y	2	3	6 Low	No change
9.	<b>Funding</b> – Fund's investments fail to deliver returns in line with anticipated returns required to meet the valuation of the long term liabilities	Increase in employer contributions	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to pensions committee. Triennial investment strategy review.	Y	(Likely) 4	(Extreme) 5	20 High	No change
10.	<b>Funding</b> – Fall in bond yields, leading to risk in value placed on liabilities	Increase in employer contributions	Consider impact with actuary once initial results are known from the triennial valuation that is currently being prepared.	Y	5	5	25 High	No change
11.	<b>Funding</b> - Pay and price inflation valuation assumptions, either	Increase in employer contributions	Consider impact with actuary once initial results are known from the triennial	Y	(Possible) 3	3	9 Med.	<b>Low to Med.</b> (6 to 9) Public sector

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

	higher or lower		valuation that is currently being prepared.					pay cap may be lifted, price inflation rising generally.
12.	<b>Funding</b> – information on longevity changes	Increase in employer contributions	Actuarial assessment every three years undertake scheme specific analysis	Y	2	3	6 Low	No change
13.	<b>Funding</b> – Employers leaving scheme/closing to new members due to cost or cessation	Residual liabilities could fall to other scheme employers	Monitor scheme employers, maintain regular dialogue and report as necessary	Y	5	(Major) 4	20 High	No change
14.	<b>Funding</b> – Failure to recover unfunded payments from employers, e.g. compensatory added years	Residual liabilities could fall to other scheme employers	Pensions team monitor payments received and will escalate failed employer payments to Executive Manager - Finance	Y	2	3	6 Low	No change
15.	<b>Funding</b> – Employee contributions incorrectly deducted	Increase in employer contributions to meet unfunded position	Annual check of active member records	Y	3	2	6 Low	No change
16.	<b>Funding</b> – delay in funding investment managers	Loss of investment return and impact on employer contribution rates	Control of Pension Fund cash management; Reporting quarterly to Pensions Committee	Y	2	5	10 Med.	No change
17.	<b>Financial</b> – Failure in world stock markets	Increase in employer contribution rates	Diversification of scheme assets, global approach, multiple fund managers, investment strategy review following outcome of	Y	4	5	20 High	No change

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

			triennial valuation					
18.	<b>Financial</b> – Under performance by active managers	Increase in employer contribution rates	Quarterly assessment of investment performance of fund, triennial actuarial valuation and quarterly funding updates reported to Pensions Committee	Y	3	5	15 High	No change
19.	<b>Financial</b> – Early retirement strategies by scheme employers	Pressure on cash flow	On-going discussions with scheme employers about Funding issues and organisational plans	Y	3	4	12 Med.	No change
20.	<b>Financial</b> – Negligence, fraud, default by investment managers	Loss of value of the Fund, reputational damage	Fund management monitoring, SAS 70 reports and appropriate clauses in all scheme documentation	Y	2	5	10 Med.	No change
21.	<b>Financial</b> – Failure of Global Custodian	Loss of investments or control of investment	Regular meetings with global custodian, receipt of SAS 70 reports and monitoring, through Global Custodian magazines. To be included in annual report to Pensions Committee on service providers	Y	2	5	10 Med.	No change
22.	<b>Financial</b> – Non-compliance with regulations	Error, audit criticism, legal challenge, reputational damage	Review of compliance with regulations – ongoing.	Y	3	4	12 Med.	No change
23.	<b>Financial</b> –VAT breach	Loss of Council partial exemption	Ongoing discussion with SIC on exemption.	Y	1	3	3 Low	No change
24.	<b>Financial</b> –Failure to monitor investment	Audit criticism, legal challenge,	Monthly reports from managers, quarterly	Y	1	3	3 Low	<b>Med. to Low</b> (9 to 3)

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

	managers and assets	reputational damage	assessment of investment performance of fund, triennial actuarial valuation, meetings and face to face presentations from managers and quarterly funding updates reported to Pensions Committee.					Monitoring of fund managers is embedded in the activities of the finance service and committee reporting.
25.	<b>Financial</b> – Failure of internal control of fund suppliers	Audit criticism, legal challenge, reputational damage	Sign off by a senior officer for all purchases of goods, monitoring of supplier costs. Budget monitoring reports to Pensions Committee	Y	3	3	9 Med.	No change
26.	<b>Regulatory and Compliance</b> – Failure to comply with LGPS Regulations	Error, audit criticism, legal challenge, reputational damage	Review of compliance with regulations - ongoing	Y	3	3	9 Med.	No change
27.	<b>Regulatory and Compliance</b> - Failure to comply with Pensions Act disclosure requirements	Audit criticism, legal challenge, reputational damage	Review of compliance with regulations - ongoing	Y	3	3	9 Med.	No change
28.	<b>Regulatory and Compliance</b> – Failure to comply with HMRC and other overriding regulations	Audit criticism, legal challenge, reputational damage	Review of compliance with regulations - ongoing	Y	3	3	9 Med.	No change
29.	<b>Governance</b> – Potential risks and conflicts of interest	Audit criticism, legal challenge, reputational	Advice provided by EM – Governance & Law (Monitoring Officer)	Y	3	3	9 Med.	No change

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

	between SIC and SIC Pension Fund	damage						
30.	<b>Governance</b> - Breach of Data Protection – theft or loss of data	Audit criticism, legal challenge, reputational damage	Internal control and procedures for management of data. Management of records is the subject of further work regarding new general Data Protection Regulations (GDPR).	Y	3	3	9 Med.	No change
31.	<b>Governance</b> – Failure to comply with FOI requests	Audit criticism, legal challenge, reputational damage	Expenditure Team Leader / Treasury Accountant responsible for FOI requests and meeting deadline for information requests	Y	2	2	4 Low	No change
32.	<b>Governance</b> – Failure to meet annual audit deadlines	Audit criticism, legal challenge, reputational damage	EM – Finance responsible for all internal and external audit requirements	Y	2	3	6 Low	No change
33.	<b>Governance</b> – Failure to monitor AVC arrangements	Audit criticism, legal challenge, reputational damage	Maintain regular contact with AVC provider	Y	2	2	4 Low	No change
34.	<b>Governance</b> – Failure to monitor and assess advisors	Poor investment decisions leading to reduced investment returns	Regular contact with advisors, compare and contrast feedback from other specialists	Y	2	5	10 Med.	No change
35.	<b>Governance</b> – Failure to monitor employer covenants	Residual liabilities could fall to other scheme employers	On-going discussions with scheme employer of funding issues	N EM-Finance not in a position to influence the actions of a	2	5	10 Med.	No change



## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

				scheme employer despite discussions and under- standing of the situations				
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## Shetland Islands Council Pension Fund: Risk Register

### Risk Assessment August 2017

Estimating risk likelihood and severity: Shetland Islands Council Risk Matrix

**Step One** - Look at the text in the box below and decide which descriptor of likelihood best matches your estimation of this particular risk/event.

Descriptor	Description
<b>5 Almost certain</b>	I would not be at all surprised if this happened within the next twelve months; I would expect this to happen
<b>4 Likely</b>	It is probable that this will occur sometime in the coming year
<b>3 Possible</b>	I think this could maybe occur in the next year
<b>2 Unlikely</b>	I would be mildly surprised if this occurred in the next year; it is unlikely to happen
<b>1 Rare</b>	I would be very surprised to see this happen in the next twelve months; it is very unlikely to happen

**Step Two** - Find the most realistic outcome for the risk you have identified and move down the left hand column to establish its value. Most risks will have potential impacts under more than one column.

HAZARD	Personal Safety	Property loss or damage	Failure to provide Statutory Service or breach of legal requirements	Financial Loss or Increased cost of Working	Personal Privacy Infringement	Environmental	Community / stakeholders / organisation	Reputation
<b>Insignificant 1</b>	Minor injury or discomfort to an individual	Negligible property damage	Reported to HSE, Stage 2 complaint	<£10k	Isolated personal detail revealed	Licensable activity occurring without authorisation but not causing pollution	Inconvenience to an individual or small group	Contained within Service Unit
<b>Minor 2</b>	Minor injury or discomfort to several people	Minor damage to one property	HSE investigation Complaint requiring investigation	£10k to £100k	Isolated sensitive data revealed	Death of invertebrates/ >10 fish, minor visible pollution, minor damage to commercial activity	Impact on an individual or small group	Contained within Service

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

HAZARD	Personal Safety	Property loss or damage	Failure to provide Statutory Service or breach of legal requirements	Financial Loss or Increased cost of Working	Personal Privacy Infringement	Environmental	Community / stakeholders / organisation	Reputation
<b>Significant 3</b>	Major injury to an individual/ range of moderate injuries to more than one person	Significant damage to small building or minor damage to several properties from one source	Litigation, claim or fine to £250k HSE Improvement Notice served Complaint referred to Ombudsman	£100k to £500k	Several persons details revealed	Environmental damage to > 1km <sup>2</sup> Death of 10-100 fish, long term localised harm/ widespread short-term harm to environment, Significant visible pollution/ damage to commercial activity	Impact on a local community. Impact on Council Service	Local public or press interested
<b>Major 4</b>	Major injury to several people or death of an individual	Major damage to critical building or serious damage to several properties from one source	Litigation, claim or fine £250k to £1m imposed HSE Prohibition Notice served Adverse report from External Advisor	£500k to £1m	Several persons' sensitive /personal details revealed	Death of animals, substantial harm to human health, wide-spread/ long-term harm, loss/ closure of shellfish/drinking/ bathing water, extensive damage/ closure of agriculture/ commercial	Impact on several communities. Impact on whole organisation	National public or press interest,

## Shetland Islands Council Pension Fund: Risk Register

## Risk Assessment August 2017

HAZARD	Personal Safety	Property loss or damage	Failure to provide Statutory Service or breach of legal requirements	Financial Loss or Increased cost of Working	Personal Privacy Infringement	Environmental	Community / stakeholders / organisation	Reputation
						activities		
<b>Extreme 5</b>	Death of several people	Total loss of critical building(s)	Multiple civil or criminal actions. Litigation, claim or fine above £1m or custodial sentence	>£1m	All personal details revealed for many	Permanent damage to a nationally significant population/ to site of special interest	Impact on the whole of Shetland	Senior officer(s) and /or members dismissed/ disqualified. Central takeover of authority

Overall Risk Score

Low = Score of 1 to 6    Medium = Score of 8 to 12    High = Score of 15 to 25

		Likelihood				
		1	2	3	4	5
Impact	1	1	2	3	4	5
	2	2	4	6	8	10
	3	3	6	9	12	15
	4	4	8	12	16	20
	5	5	10	15	20	25



<b>Meeting(s):</b>	Pension Fund Committee and Pension Board	29 August 2017
<b>Report Title:</b>	Pension Fund Committee and Pension Board Business Programme – 2017/18	
<b>Reference Number:</b>	F-075-F	
<b>Author / Job Title:</b>	Executive Manager – Finance	

### 1.0 Decisions / Action required:

- 1.1 That the Pension Fund Committee and Pension Board consider its business planned for the current financial year (1 April 2017 to 31 March 2018), and the Pension Fund Committee RESOLVES to approve any changes or additions to the business programme.

### 2.0 High Level Summary:

- 2.1 The purpose of this report is to inform the Committee and Board of the planned business to be presented to the Committee and Board for the remaining quarters of the financial year 1 April 2017 to 31 March 2018, and discuss with Officers any changes or additions required to that programme.
- 2.2 The presentation of the Business Programme 2017/18 on a quarterly basis provides a focussed approach to the business of the Committee and Board, and allows senior Officers an opportunity to update the Committee and Board on changes and/or additions required to the Business Programme in a planned and measured way.

### 3.0 Corporate Priorities and Joint Working:

- 3.1 Our Plan 2016, in its 20 by 20 states that:-  
“High standards of governance, that is, the rules on how we are governed, will mean that the Council is operating effectively and the decisions we take are based on evidence and supported by effective assessments of options and potential effects”.

### 4.0 Key Issues:

- 4.1 This report has been prepared in order to assist in the management of the Pension Fund Committee / Board and in particular to identify the planned business and critical decision points during the year.
- 4.2 This programme will be reviewed and presented to the Pension Fund Committee / Board on a regular basis.
- 4.3 The manner in which meetings have been scheduled is described below:

- Ordinary meetings have been scheduled, although some have no scheduled business at this stage. Where there is still no scheduled business within two weeks of the meeting, the meeting will be cancelled;
- Special meetings may be called on specific dates for some items – other agenda items can be added, if time permits;
- PPMF = Planning and Performance Management Framework meetings have been called for all Committees and Council once per quarter. These meetings are time restricted, with a specific focus on PPMF only, and therefore no other business will be permitted on those agendas;
- Budget = Budget setting meetings – other agenda items can be added, if time permits, or if required as part of the budget setting process; and
- In consultation with the Chair and relevant Members and Officers, and if required according to the circumstances, the time, date, venue and location of any meeting may be changed, or special meetings added.

## **5.0 Exempt and/or confidential information:**

5.1 None

## **6.0 Implications :**

<b>6.1 Service Users, Patients and Communities:</b>	The Business Programme provides the community and other stakeholders with important information, on the planned business for the current financial year.
<b>6.2 Human Resources and Organisational Development:</b>	None
<b>6.3 Equality, Diversity and Human Rights:</b>	None
<b>6.4 Legal:</b>	None
<b>6.5 Finance:</b>	There are no direct financial implications in this report, but indirect costs may be avoided by optimising Member and officer time.
<b>6.6 Assets and Property:</b>	None
<b>6.7 ICT and new technologies:</b>	None
<b>6.8 Environmental:</b>	None

<b>6.9 Risk Management:</b>	The risks associated with setting the Business Programme are around the challenges for officers meeting the timescales required, and any part of the business programme slipping and causing reputational damage to the Council. Equally, not applying the Business Programme would result in decision making being unplanned and haphazard and aligning the Council's Business Programme with the objectives set out in the Pension Fund's Funding Strategy Statement.	
<b>6.10 Policy and Delegated Authority:</b>	Maintaining a Business Programme ensures the effectiveness of the Council's planning and performance management framework. The Business Programme supports each Committee/Board's role, as set out in paragraph 2.3 of the Council's Scheme of Administration and Delegations.	
<b>Previously considered by:</b>	N/A	

**Contact Details:**

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17 August 2017

**Appendices:**

Appendix 1 – Pension Fund Committee and Pension Board Meeting Dates and Business Programme 2017/18

**Background Documents:**

*Report GL-58-16-F: SIC Diary of Meetings 2017/18*

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=20264>







**Pension Fund Committee / Pension Board - Meeting Dates and Business Programme 2017/18  
as at Tuesday, 22 August 2017**

Pension Fund Committee / Pension Board			
Quarter 1 1 April 2017 to 30 June 2017	Date of Meeting	Business	Comments
	<i>Special</i> 19 June 2017 2 p.m.	Pension Fund Financial Monitoring – Quarter 4 2016/17	
		Shetland Islands Council Pension Fund – Draft Accounts 2016/17	
		Pension Fund Investment Management Annual Review 2016/17	
Quarter 2 1 July 2017 to 30 September 2017	Date of Meeting	Business	
	<i>Ordinary/PPMF</i> 29 August 2017 1.30 p.m.	Pension Fund – Risk Register	
		Fund Managers Presentation – KBI Global Investors	
		Pension Fund Investment Review Report – Quarter 1 2017/18	
		Pension Fund Financial Monitoring – Quarter 1 2017/18	
		Business Programme 2017/18	
	<i>Special</i> 20 September 2017 11.30 a.m.	Shetland Islands Council Pension Fund – Deloitte LLP Annual Report 2016/17	
		Shetland Islands Council Pension Fund – Final Audited Accounts 2016/17	
Quarter 3 1 October 2017 to 31 December 2017	Date of Meeting	Business	
	<i>Training Event</i> 24 October 2017 10.00 a.m.	LGPS Fundamentals Training for Pension Committee and Board members	
	<i>Ordinary/Budget/PPMF</i> 6 December 2017 11.30 a.m.	Pension Fund – Risk Register	
		Fund Managers Presentation	
		Pension Fund Financial Monitoring – Quarter 2 2017/18	
		2017/18 Mid-Year Investment Performance Review report	
		Pension Fund – Budget Proposals 2018/19	
		Triennial Valuation – Actuarial Review	
		MiFID 2 Opt Up Report	
Quarter 4 1 January 2018 to 31 March 2018	Date of Meeting	Business	
	<i>PPMF</i> 6 March 2018 2 p.m.	Pension Fund – Risk Register	
		Pension Fund – Training Policy	
		Fund Managers Presentation	
		Pension Fund Financial Monitoring – Quarter 3 2017/18	



**Pension Fund Committee / Pension Board - Meeting Dates and Business Programme 2017/18  
as at Tuesday, 22 August 2017**

		Pension Fund Investment Review Report – Quarter 3 2017/18	
		Presentation from the Pension Fund Actuaries	

END OF BUSINESS PROGRAMME as at Tuesday, 22 August 2017