

MINUTES

A&B - Public

Pension Fund Committee Main Hall, Town Hall, Lerwick and Remotely via Teams Wednesday 15 July 2020 at 11.55am Present - Members: A Cooper S Coutts E Macdonald S Leask R McGregor I Scott G Smith T Smith R Thomson <u>Apologies:</u> None	Pension Board Main Hall, Town Hall, Lerwick and Remotely via Teams Wednesday 15 July 2020 at 11.55am Present - Members: M Bell S Flaws J Fraser D Marsh A Taylor <u>Apologies:</u> A Thompson C Wiseman
In Attendance: J Manson, Executive Manager – Finance J Riise, Executive Manager – Governance and Law K Johnston, Team Leader - Legal K Collins, Senior Management Accountant J Johnson, Senior Assistant Accountant C Anderson, Senior Communications Officer B Kerr, Communications Officer L Adamson, Committee Officer	

Chair

Mr Coutts, Chair of the Pension Fund Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

None

Minutes

The minutes of the meeting held on 12 March 2020 were confirmed on the motion of Mr G Smith, seconded by Mr Leask.

05/20

Management Accounts for Pension Fund Committee: 2019/20 - Draft Outturn

The Committee and Board considered a report by the Executive Manager - Finance (F-024-F), that presented the financial performance of the Pension Fund for the 2019/20 financial year.

The Executive Manager - Finance summarised the main terms of the report, advising on the outturn position being an underachievement of net income of £199k, with the main variances reported in Appendix 1.

There were no questions or debate, and the Committee and Board noted the report.

Decision:

The Committee and Board NOTED the Management Accounts showing the draft outturn position for 2019/20.

06/20 **Pension Fund Unaudited Accounts 2019/20**

The Committee and Board considered a report by the Executive Manager - Finance (F-025-F), that provided information on the Pension Fund Unaudited Annual Report and Accounts 2019/20 and the Annual Governance Statement.

In introducing the report, the Executive Manager - Finance advised that the preparation of the accounts this year has been impacted by the COVID-19 pandemic. The proposed timeline going forward would be to present the audited accounts in late September, however it was noted that timescale could be subject to change. The Executive Manager – Finance provided a summary of the Pension Fund Annual Report and Accounts at Appendix 1. In referring to the Balance Sheet on Page 23, he highlighted the net assets last year of £497m, while at 31 March 2020 was £461m. The Executive Manager – Finance then referred Members to the final paragraph of the draft Annual Governance Statement, that set out the audit findings, where it was noted that reasonable assurance can be placed on the internal control environment that governs all Pension Fund activities.

There were no questions.

During debate, the Leader referred to the impact of COVID-19 since March 2020, and in that regard appreciation was relayed to the Executive Manager – Finance and his team to report on the unaudited accounts during these challenging times. A Member commented on the quality and detail, and also on the amount of work undertaken to prepare the unaudited accounts, and staff were also commended on managing the Pension Fund locally. In that regard, it was noted that the review of the future of the Scottish Local Government Pension Scheme was still ongoing, but that it continued to be the view that the Fund is being managed very well locally.

On the motion of Mr Coutts, seconded by Mr G Smith, the Committee approved the recommendation in report. The Board noted the report.

Decision:

The Committee and Board:

- CONSIDERED the 2019/20 Unaudited Accounts for the Shetland Islands Council Pension Fund (Appendix 1) and;
- CONSIDERED the information at section 4.0 that highlights the key issues from the 2019/20 accounts.

The Committee:

- RESOLVED to approve the Annual Governance Statement 2019/20 that forms part of the accounts (Appendix 2).

07/20

Pension Fund Management Annual Investment Review 2019/20

The Committee and Board considered a report by the Executive Manager - Finance (F-034-F), that informed the Pension Fund Committee and Pension Board on the position and performance of the Pension Fund's external investments with fund managers for the financial year 2019/20.

The Executive Manager – Finance introduced the report, advising on the very short timescale of 12 months, when Pension Fund investments are held for the longer term return. The Executive Manager – Finance reported on the volatility in the markets during the year and the uncertainty in the trading environment. Then towards the end of the financial year the impact from the COVID-19 pandemic led to a dramatic drop in the economic output and markets tumbled. The Pension Fund investments decreased in value by £38 million, and ended the financial year at £459 million, however it was noted that since then there has been a slight increase in value. The Executive Manager – Finance advised that the portfolio and performance of each of the 5 Fund Managers during 2019/20 were detailed in Appendix 1, adding that all had been impacted by COVID-19 and were recovering in broadly the same way.

There were no questions or debate, and the Committee and Board noted the report.

Decision:

The Committee and Board NOTED:

- the performance of BlackRock was equal to the benchmark in 2019/20;
- the underperformance of the benchmark and target by KBI Global investors in 2019/20;
- the underperformance of the fixed benchmark by Newton in 2019/20;
- the underperformance of the benchmark and target by Schroders in 2019/20;
- the underperformance of the fixed benchmark by M&G in 2019/20.

08/20

Pension Fund - Risk Register

The Committee and Board considered a report by the Executive Manager - Finance (F-035-F), that presented the current Pension Fund Risk Register and highlighted any recent changes.

In introducing the report, the Executive Manager - Finance advised on the slight change in format of the Risk Register as a result of the Council adopting a slightly different way to quantify and classify risks, and with the inclusion now of an 'Extreme' Risk rating. He added that there was no specific Risk relating to the Coronavirus, advising that there was adequate mitigation in place at this time.

Reference was made to instances in the Risk Register where the residual risk score had increased, and it was questioned whether there had been a single factor or a variety of reasons which had resulted in the increased scoring. In that regard, it was suggested that a brief explanation would have been helpful. The Executive Manager –

Finance however explained that the Pension Fund Risk Register had been reviewed to align with the Council's Risk Management Framework, and that while the scores, likelihood and impact may not have changed the Risk Rating could have increased.

In response to a question, the Executive Manager – Finance advised that a specific risk relating to the Coronavirus pandemic could be added to the Risk Register in the future, should it be found appropriate to do so.

Comment was made that the Risk Register was very easy to read, which was appreciated.

There were no further questions or debate.

Decision:

The Committee and Board NOTED the contents of the report and the current Risk Register.

The meeting concluded at 12.30pm .

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Chair