

Item: 18.1

**Pension Fund Sub-committee, together with Pension Board:
16 September 2020.**

1. Recommendations

It is recommended:

1.1.

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

2. Appendix

Draft Minute of the Meeting of the Pension Fund Sub-committee, together with the Pension Board, held on 16 September 2020.

Minute

Pension Fund Sub-committee, together with Pension Board

Thursday, 16 September 2020, 10:30.

Microsoft Teams.



Present

Pension Fund Sub-committee:

Councillors W Leslie Manson, Alexander G Cowie, Barbara Foulkes, Steven B Heddle, Rachael A King, Stephen Sankey 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 Representative:

Karen Kent (Unison) and Eoin Miller (Unite)

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Shonagh Merriman, Accounting Manager (Corporate Finance).
- Michael Scott, Solicitor.

Audit Scotland:

- Colin Morrison, Senior Auditor.

Observing

- Lorraine Stout, Press Officer.

Apology

Pension Board:

Trade Union Representative:

- Peter Trodden (Unison).

Not Present

Pension Board:

Trade Union Representative:

- Mark Vincent (GMB).

Declarations of Interest

- No declarations of interest were intimated.

Chair

- Councillor W Leslie Manson.

1. Form of Voting

The Sub-committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll or recorded vote.

2. Disclosure of Exempt Information

The Sub-committee noted the proposal that the public be excluded from the meeting for consideration of Item 6 as the business to be discussed involved the potential disclosure of exempt information of the class described in the relevant paragraph of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

3. Revenue Expenditure Outturn

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

Noted:

3.1. The revenue expenditure outturn statement in respect of Pension Fund services for financial year 2019/20, attached as Annex 1 to the report by the Head of Finance, indicating a budget deficit position of £34,330,300.

The Sub-committee scrutinised:

3.2. The explanations given and actions proposed in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Head of Finance, and obtained assurance that action was being taken with regard to significant budget variances.

4. Revenue Expenditure Monitoring

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

Noted:

4.1. The revenue financial summary statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 June 2020, attached as Annex 1 to the report by the Head of Finance, indicating a budget surplus position of £47,010,900.

4.2. The revenue financial detail by service area statement, in respect of service areas for which the Pension Fund Sub-committee was responsible, for the period 1 April to 30 June 2020, attached as Annex 2 to the report by the Head of Finance.

The Sub-committee scrutinised:

4.3. 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, and obtained assurance that action was being taken with regard to significant budget variances.

5. Interim Funding Review

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

Noted:

5.1. That the funding level of the Orkney Islands Council Pension Fund was reported at 112.7% as at 31 March 2017, as part of the triennial actuarial valuation exercise carried out by the Actuary, Hymans Robertson.

5.2. That, in light of the uncertainty surrounding future financial conditions, the financial position of the Pension Fund was monitored by means of interim funding reviews in the period up to the next triennial valuation.

5.3. That an interim funding review had now estimated the funding level of the Pension Fund to be 104.6% as at 31 March 2020, which represented a surplus of £38,000,000 as at 31 March 2017, decreasing to a surplus of £17,000,000 as at 31 March 2020.

5.4. That investment returns over the three-year period to 31 March 2020 had been mainly strong but took a sharp decline in the final quarter of financial year 2019/20 due to the effects of the COVID-19 pandemic on financial markets, which had been further compounded by the effects of the significant increase in liabilities since the 2017 valuation.

5.5. That the balance of assets relative to the assessed future cost of member benefits had decreased over the past year by £35,000,000, from a surplus of £52,000,000 as at 31 March 2019 to a surplus of £17,000,000 as at 31 March 2020.

5.6. That the contribution rates were reviewed as part of the 2017 formal valuation carried out as at 31 March 2017 and the Actuary had reported that no immediate action was required as a result of the interim funding review for the Pension Fund.

5.7. That the interim funding review gave an indication of the results that may be expected at the 2020 formal triennial actuarial valuation as at 31 March 2020, which was currently being carried out.

6. 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 on the grounds that it 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, and after hearing a report from the Accounting Manager (Corporate Finance), copies of which had been circulated, the Sub-committee:

Noted:

6.1. The review of the investment manager's performance for the quarter to 30 June 2020, attached as Appendix 1 to the report by the Head of Finance, prepared by Hymans Robertson, the Council's appointed investment advisors.

6.2. That the Pension Fund investments returned a gain of 19.3% over the quarter to 30 June 2020, which was 7.7% ahead of the benchmark and was considered excellent.

6.3. That the value of the Pension Fund had increased by 9.0% over the 12-month period to 30 June 2020, being 4.5% ahead of the target, which was also considered excellent.

6.4. That an average return of 11.0% per annum for the Pension Fund remained 2.4% ahead of the target over the five-year period.

6.5. That, although the Pension Fund increased by £73,300,000 over the quarter ending 30 June 2020, this included recovery of £55,100,000 in the reduction in value experienced by the investments for the quarter ending 31 March 2020 as a result of market fluctuations surrounding the COVID-19 pandemic.

6.6. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter ending 31 March 2020, as attached as Appendix 2 to the report by the Head of Finance.

6.7. The Governance Summary extracted from Baillie Gifford's performance report for the quarter ending 30 June 2020, attached as Appendix 3 to the report by the Head of Finance.

7. Conclusion of Meeting

At 11:46 the Chair declared the meeting concluded.

Signed: L Manson.