

Minute

Pension Fund Sub-committee, together with Pension Board

Wednesday, 21 February 2018, 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, Graham L Sinclair 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 Representatives:

Karen Kent (Unison), Eoin Miller (Unite) and Eileen Swanney (Unison).

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- Gareth Waterson, Head of Finance.
- Colin Kemp, Corporate Finance Senior Manager.
- Shonagh Merriman, Accounting Manager (Corporate Finance) (for Items 2 to 9).
- Michael Scott, Solicitor.

Audit Scotland:

- Patricia Fraser, Audit Manager.
- Colin Morrison, Senior Auditor.

Apology

Pension Board:

- Mark Vincent, Trade Union 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 Item 7, 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.

Councillor Rachael A King left the meeting at this point.

2. Revenue Expenditure Monitoring

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:

2.1. The revenue financial summary statement in respect of Pension Fund services for the period 1 April to 31 December 2017, attached as Annex 1 to the report by the Head of Finance, indicating a surplus position of £13,212,500.

2.2. The revenue financial detail by Service Area statement in respect of Pension Fund services for the period 1 April to 31 December 2017, 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, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

3.1. The current strategic approach to Pension Fund budget setting, as detailed in section 6 of the report by the Head of Finance.

3.2. The draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2018 to 2019, attached as Annex 1 to the report by the Head of Finance.

The Sub-committee resolved to **recommend to the Council:**

3.3. That the draft revenue budget for the Orkney Islands Council Pension Fund for financial year 2018 to 2019, referred to at paragraph 3.2 above, be submitted to the Policy and Resources Committee for consideration through the budget setting process.

Councillor Rachael A King rejoined the meeting during discussion of this item.

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 Audit Manager, Audit Scotland, the Sub-committee:

Noted the External Audit Annual Plan for 2017 to 2018 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. Pension Fund – Annual Governance Statement

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

Noted:

5.1. That the Annual Audit Report to Members and the Controller of Audit in respect of the Orkney Islands Council Pension Fund for 2016 to 2017 contained recommendations for improvement, including a review of compliance against the Local Code of Corporate Governance and publicly reporting on this for financial year 2017 to 2018.

5.2. The Certificates of Assurance for 2017 to 2018 completed by the Head of Finance and the Pensions Manager, attached as Appendix 1 to the report by the Head of Finance.

5.3. The draft Pension Fund Annual Governance Statement, attached as Appendix 2 to the report by the Head of Finance

On the motion of Councillor Rachael A King, seconded by Councillor Graham L Sinclair, the Sub-committee resolved, in terms of delegated powers:

5.4. That the draft Pension Fund Annual Governance Statement, referred to at paragraph 5.3 above, be approved for inclusion in the draft Annual Report and Accounts of the Orkney Islands Council Pension Fund for financial year ending 31 March 2018.

6. 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 Corporate Finance Senior Manager, with reference to the Minute of the Meeting of the Pension Fund Sub-committee held on 22 November 2017, paragraph 5, the Sub-committee:

Noted:

6.1. Progress made to date in relation to meeting training needs, together with feedback received from members of the Pension Fund Sub-committee and the Pension Board, against the core areas of Public Sector Pensions Finance Knowledge and Skills Framework, attached as Appendix 1 to the report by the Head of Finance.

Councillor Graham L Sinclair, seconded by Councillor Steven B Heddle, moved that all members must participate in at least one training event, or equivalent to five hours of training, as a minimum requirement, each financial year.

Councillor W Leslie Manson moved an amendment that all members should participate in sufficient training events to aggregate ten hours of training, as a minimum requirement, each financial year.

On receiving no seconder, his amendment fell, and the Sub-committee:

Resolved, in terms of delegated powers:

6.2. That the Annual Training Plan for financial year 2018 to 2019 for members of the Pension Fund Sub-committee and the Pension Board, attached as Appendix 1 to this Minute, be approved.

6.3. That all members must participate in at least one training event, or equivalent to five hours of training, as a minimum requirement, each financial year.

7. 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, copies of which had been circulated, and after hearing a report from the Corporate Finance Senior Manager, the Sub-committee:

Noted:

7.1. The review of investment performance by Hymans Robertson, the Council's appointed investment advisors, for the quarter to 31 December 2017, attached as Appendix 1 to the report by the Head of Finance.

7.2. That Pension Fund investments continued to perform strongly over the quarter to 31 December 2017, increasing in value by 3.8%.

7.3. That the performance of the Pension Fund had been exceptional over the 12-month period to 31 December 2017, with the value of the Fund increasing by 16.1%, being 6.7% ahead of the benchmark.

7.4. That an average return of 13.5% per annum for the Pension Fund remained well ahead of the mandate over the three-year period.

7.5. The performance review commentary provided by the Fund Manager, attached as Appendix 2 to the report by the Head of Finance.

7.6. The Governance Summary extracted from the Fund Manager's performance report for the quarter ending 31 December 2017, attached as Appendix 3 to the report by the Head of Finance.

8. Conclusion of Meeting

At 12:15 the Chair declared the meeting concluded.

Signed: W L Manson.