

**The Highland Council
Pensions Committee and Pension Board**

Minutes of Meeting of the Pensions Committee and Pension Board held in the Council Chamber, Council Headquarters, Glenurquhart Road, Inverness on Thursday 18 February 2016 at 2.00 pm.

Present:

Pensions Committee

Mr D Fallows
Mrs H Carmichael
Mr J Ford
Mr M Green
Mr B Lobban
Mr K MacLeod
Mr B Thompson (by video conference)

Pension Board

Mrs C Caddick, Highland Council
Mr T MacLennan, Highland Council
Ms L Leonard, representative for the other Employers
Ms L MacKay, Unison
Mr D Macdonald, Unison
Mr E Macniven, GMB

Also present:

Mr J Gibson, Joint Secretary (Trade Unions Side)

Officials in attendance:

Mr C MacCallum, Payroll & Pensions Manager, Finance Service
Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury and Taxation)
Mr S Boyle, Assistant Director, Audit Scotland
Ms M Bruce, Senior Audit Manager, Audit Scotland
Ms J MacLennan, Democratic Services Manager, Corporate Development Service
Mr A MacInnes, Administrative Assistant, Corporate Development Service

Mr D Fallows in the Chair

An asterisk in the margin denotes a recommendation to the Council. All decisions with no marking in the margin are delegated to the Committee.

**1. Apologies for Absence
Leisgeulan**

Apologies for absence were intimated on behalf of Dr D Alston, Mr R Laird, Mr A MacKinnon and Mr N Donald of the Pensions Committee and Mr A Campbell and Mr A Wemyss of the Pension Board and Mr S Fraser, Joint Secretary (Employers Side).

**2. Declarations of Interest
Foillseachaidhean Com-pàirt**

There were no declarations of interest.

**3. Annual Audit Plan 2015/16 (External Audit Report)
Plana Sgrùdaidh Bliadhna 2015/16 (Aithisg Sgrùdaidh bhon Taobh A-muigh)**

There was circulated Report No. PC/01/16 by Audit Scotland which presented their annual audit plan setting out the work they planned to undertake as part of the audit of the pension fund.

In discussion the following points were made:-

- The audit plan was a good one as it identified the risks facing the Pension Fund and provided an assessment of these. In particular, the risks associated with workforce planning and the effects of a significant reduction in the Council's workforce on the Fund had to be monitored carefully.
- In terms of Pension liberation there was a requirement that the Fund had to be satisfied that the employee had obtained independent financial advice before transfer was made for defined benefits above £30,000. However, it was the practice in Highland Council's Fund to ask all employees to take independent financial advice whether their defined benefits were above or below this figure. It was entirely up to the employee whether or not this advice was taken.
- It was queried how many applications there had been for Pension liberation and in response it was advised that take up had so far been minimal with only three or four transfers to date.
- Information was requested on the impact of Pension liberation on other Pension Funds;
- In terms of workforce reductions affecting the membership profile within the Pension Fund, Members were advised that the Fund Actuaries had been informed of the Council's workforce planning exercise and they did not believe there was a significant risk and that the impact would be minimal. The assumption was that many employees leaving through Voluntary Redundancy would have left in the near future anyway having reached retiral age. Also, the cost of Voluntary Redundancy would be met by the Council as the Employer and not the Pension Fund.
- It was queried if there was a risk with the Pension Fund entering into a stock lending relationship with the Northern Trust, the Fund's custodians. It was explained that there was provision in the Fund's Statement of Investment Principles for entering into this stock lending relationship and it was a good option for the Fund to raise additional income. There was minimal risk associated with this.

Thereafter the Committee/Board **NOTED**:

- i the 2015/16 Audit Plan; and
- ii that information on the impact of Pension liberation on other Pension Funds would be reported to the next meeting.

4. Pension Fund Administration Rianachd Maoin Peinnsein

There was circulated Report No. PC/02/16 by the Director of Finance which updated Members on matters relating to the administration of the Highland Council Pension Fund.

In discussion a point was made that as the External Fund Management Fees were performance based, the higher the figure that was paid, perversely, the happier the Committee/Board should be, as they would be substantially outperforming their targets and increasing value to the Fund, which they have been doing in recent years.

Reference was made to a report by the Local Government Association in England which highlighted the significant number of Pension Funds in England and the significant benefits that could be achieved if Funds were consolidated. It was queried if there had been any discussions on consolidating Pension Funds in Scotland to reduce administration and governance costs. In response, discussions on this issue were ongoing. It was explained that there were many more pension funds in England and Wales than there were in Scotland. Approximately 5 years ago, pension funds had been invited to take part in a Pathfinder exercise to look at this issue and the outcome of this exercise was that there was little value to be gained in merging Funds, but there may be benefits in sharing knowledge between administering authorities. A point was made that the Council's Pension Fund was extremely well funded and there would be an issue about how Funds were merged, as some Funds may not be well funded.

Reference was made to the costs of the Pension Board being charged to the Pension Fund. It was advised that so far there had not been any cash costs associated with Board activities. There may be costs associated with Officers' time spent on Pension Board matters and this would be charged to the Pension Fund at the year end.

The Committee/Board expressed their appreciation to the Pension Team in supporting the Council in the current Voluntary Redundancy process. There had been a significant amount of work done in a fairly short period of time and employees efforts in this respect were highly commended.

The Committee **NOTED** the report.

5. Statement of Investment Principles Aithris air Prionnsapalan Tasgaidh

There was circulated Report No. PC/03/16 by the Director of Finance which sought approval on the proposed Statement of Investment Principles for the Highland Council Pension Fund (HCPF).

The Statement of Investment Principles was prepared as required by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 (No. 233).

It was queried if the correlation between the different asset classes could be contained in future reports. An undertaking was given to seek advice on this from the Fund's Investment Advisor.

The Committee:-

- i **APPROVED** the Statement of Investment Principles; and
- ii **AGREED** that advice would be sought from the Pension Fund's Investment Advisor on whether the correlation between the different asset classes could be contained in future reports on the Statement of Investment Principles.

6. Investment Sub Committee: Minutes of Meeting
Fo-chomataidh Tasgaidh: Geàrr-chunntas na Coinneimh

The Minutes of meeting of the Investment Sub-Committee held on 27 November, 2015 were circulated, the terms of which were **APPROVED**.

The meeting closed at 2.30 p.m.