

**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 22 September 2016 at 2.00 pm.

**Present:**

**Pensions Committee**

Mr A Christie  
Mr D Fallows  
Mr B Lobban  
Mr A Mackinnon  
Mr N Donald  
Mr B Thompson (by video conference)

**Pension Board**

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  
Mr A Wemyss, Unite

**Officials in attendance:**

Mr C MacCallum, Payroll & Pensions Manager, Finance Service  
Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury and Taxation)  
Ms M Bruce, Senior Audit Manager, Audit Scotland  
Mrs L Dunn, Principal Administrator, Corporate Development Service  
Ms A Macrae, Committee Administrator, 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 Mrs C Caddick, Mrs H Carmichael, Dr I Cockburn, Mr M Green, Mr R Laird, and Mr K Macleod

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

There were no declarations of interest.

**3. Recess Powers  
Cumhachdan Fosaidh**

The Committee **NOTED** that the Recess Powers granted by the Council at its meeting on 29 June 2016 had not been used in respect of this Committee.

**4. Statement on Internal Control 2015/16 and Internal Audit Plan 2016/17  
Aithris air In-Ùghdarras 2015/16 agus Plana In-Sgrùdaidh 2016/17**

There had been circulated Report No. PC/04/16 by the Audit and Risk Manager which included an assessment of the adequacy, reliability and effectiveness of the Council's system of internal control and provided information for the Pension Fund's Annual Governance Statement contained within the 2015/16 Statement of Accounts.

In addition, details were provided of the audits being undertaken as part of the 2016/17 Audit Plan which Members were asked to approve.

It was explained that on the basis of the work undertaken during the year, it was considered that the key systems operated in a sound manner and that there had been no fundamental breakdown in control resulting in material discrepancy. However as no system of control could provide absolute assurance against material loss, nor could Internal Audit give that assurance, it was the audit opinion that reasonable assurance could be placed upon the adequacy and effectiveness of the Pension Fund's internal control systems for the year to 31 March 2016.

The Committee/Board **NOTED** the:-

- i. content of the attached report and the audit opinion provided, and raised relevant points with the Audit and Risk Manager; and
- ii. status of this year's planned audits and **APPROVED** the 2016/17 Audit Plan.

**5. Internal Audit Reports – Matters Arising from the Statement of Internal Control 2015/16 and Pension Fund Contributions**

There had been circulated Report No. PC/05/16 by the Audit and Risk Manager which provided details of the audit work undertaken since the last report to the Pensions Committee and Pension Board on 24 September 2015 in relation to matters arising from the Statement of Internal Control 2015/16 and Pension Fund contributions.

The Committee/Board **NOTED** the content of the attached reports and the audit opinions provided.

**6. Pension Fund Contributions and Administration  
Rianachd Maoin Peinnsein**

There had been circulated Report No. PC/06/16 by the Director of Finance which updated Members on matters relating to the administration of the Highland Council Pension Fund.

Arising from the report, it was explained that a Pensions Schemes Governance review was to be undertaken by the Scottish Public Pensions Agency to assess the effectiveness of the operation of the governance arrangements introduced under the Public Service Pensions Act 2013. The terms of reference for the forthcoming review had been circulated by COSLA to Council officials and were included at Appendix 1.

The Committee/Board **NOTED** the report and the forthcoming Pension Schemes Governance review being undertaken by the Scottish Public Pensions Agency.

## **7. Highland Council Pension Fund**

### **a. Highland Council Pension Fund Interim Audit Report 2015/16**

There had been circulated Report No. PC/07/16 by the Senior Audit Manager, Audit Scotland on the Highland Council Pension Fund Interim Audit Report 2015/16.

The Senior Audit Manager explained that in terms of the audit findings the overall assessment was that the Highland Council Pension Fund had a satisfactory level of control in place within its pension investments and pension administration systems. The audit had identified one area where the Council could further improve its system of internal control in relation to market value reconciliations, details of which were provided. However significant weaknesses had been identified within the general ledger and accounts payable modules of the new financial management system during 2015/16 and so it had not been possible to take planned controls assurance from these systems. These related to journal entries, reconciliations and suspense accounts.

The Senior Audit Manager advised that in response to the above an action plan had been agreed with management, a copy of which was attached as Appendix B to the report. This set out the recommendations arising from the audit and the management response and actions.

The Committee/Board **NOTED** the report.

### **b. Annual Audit Report to Members of the Pensions Committee and the Controller of Audit** **Aithisg In-sgrùdadh Bhliadhnail do Bhuill de Chomataidh nam Peinnsean agus Rianadair an Sgrùdadh**

There had been circulated Report No. PC/08/16 comprising covering memo and the draft Annual Report on the 2015/16 Audit, by the Senior Audit Manager, Audit Scotland.

The Senior Audit Manager advised that the key messages arising from the audit were as follows:-

- the independent auditor's report on the 2015/16 financial statements was unqualified;
- the unaudited accounts were submitted for audit in line with the agreed timetable, and were of a good standard;
- the audited accounts were adjusted to reflect the dates of early departures of staff from The Highland Council in 2015/16, ensuring these were recorded in the correct financial year;

- the pension fund's net assets increased by £20.5m (1.4%) during 2015/16; estimated pension liabilities had reduced by £105m (0.3%) due to an increase in the discount rate used to estimate their current value;
- the pension fund was relatively well funded; it was 96.2% funded at the triennial valuation in March 2014 and deficits were being recovered over a 20 year period;
- the pension fund had coped well with the new governance arrangements which arose from the LGPS 2015 with the establishment of a Pensions Board in 2015;
- there was a satisfactory level of control in place within pension investments and administration; control weaknesses had been identified in the fund's bank and intercompany reconciliation processes, and the general ledger and accounts payable modules of the new financial system; and
- the pension fund had outperformed its one, three and five year performance benchmarks.

The Chair on behalf of the Committee and Board thanked Audit Scotland for a good report and acknowledged the hard work of the Audit Scotland team and the Finance Service in the audit process.

The Committee/Board **NOTED** the report.

**c. Audited Accounts 2015/16  
Cunntasan Sgrùdaichte 2015/16**

The Audited Statement of Accounts (Report No. PC/09/16) for the financial year 2015/16 and which were available for viewing at the following weblink:-

<http://www.highlandpensionfund.org/themes/highland/scheme%20documents/Annual%20Report.pdf>

The Committee/Board **APPROVED** the audited accounts.

**8. Risk Management Review and Update Report  
Poileasaidh agus Ro-innleachd Rianachd Cunnairt Maoin Peinnsein**

There had been circulated Report No. PC/10/16 by the Director of Finance which provided an update on the Fund's risk register and compliance with the Pension Fund Regulator requirements on internal controls.

The Committee/Board **NOTED** the updated risk register extract and compliance with the Pension Fund Regulator requirements.

**9. Governance Policy Statement  
Aithris Poileasaidh Riaghlaidh**

There had been circulated Report No. PC/11/16 by the Director of Finance which provided a copy of the updated Highland Council Pension Fund Governance Policy Statement to Committee for approval.

The Committee/Board **APPROVED** the updated Highland Council Pension Fund Governance Policy Statement to Committee.

#### **10. Training Policy and the CIPFA Knowledge and Skills Framework Aithris Poileasaidh Trèanaidh**

There had been circulated Report No. PC/12/16 by the Director of Finance which set out an updated training policy for the Highland Council Pension Fund, applying to both officers responsible for supporting the Fund, and members of the Pension Board, Pensions Committee and Investment Sub-Committee.

In presenting the report, the Finance Manager provided details of the free online learning assessment tool and training resources provided by the Pension Regulator which were designed to help Members to identify any training requirements and any knowledge gaps. She also advised that if required the training programme could be revised going forward based on Member feedback and self-assessment of needs. An updated training programme for 2017/18 would be brought back to a future meeting of the Committee.

The Committee/Board:

- i. **NOTED** the assessment and training resources provided by the Pensions Regulator (section 5);
- ii. **NOTED** the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework (section 6), including the self-assessment matrix (Appendix 2);
- iii. **NOTED** the training delivered to date on pension fund matters (Appendix 3); and
- iv. **AGREED** the training policy and programme for 2016/17 set out within the report (paras 8.1 and 8.2).

#### **11. Highland Council Pension Fund: Monitoring of Retirements Maoin Peinnsein Chomhairle na Gàidhealtachd: Sgrùdadh Cluaineis**

There had been circulated Report No. PC/13/16 by the Director of Finance which provided information relating to retirements from The Highland Council Pension Fund for the year ended 31 March 2016.

The Committee **NOTED** the report.

#### **12. Request for Admitted Body Status Iarrtas airson Inbhe Buidhne Ceadachte**

The Committee/Board was advised that NHS Highland was an Admitted body in the Highland Council Pension Fund.

It was the intention of NHS Highland to outsource a small sheltered care provision to the independent sector. If the proposal went ahead a small number of employees would be TUPE transferred to the successful bidder.

NHS Highland had requested that under Fair deal for Pension provisions, Admitted body status be granted to the successful bidder to safeguard pension continuity for the staff concerned.

The NHS had agreed to act as the Guarantor required in the pension regulations and subject to these financial safeguards being in place Members were asked to approve the application in principle.

During discussion clarification was provided that the guarantee was not time limited and was expected to continue to have effect in the event of any restructuring of NHS boards. In response to a question it was confirmed that a more detailed report would be provided on the available options in respect of those staff transferring to the independent sector.

Thereafter, the Committee/Board **APPROVED** the application in principle, subject to the appropriate financial safeguards being in place.

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

The Minutes of meeting of the Investment Sub-Committee held on 4 March 2016; 3 June 2016; and 2 September 2016 were **NOTED**.

The meeting closed at 2.25 p.m.