

**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 31 August 2017 at 10.30 am.

Present:

Pensions Committee

Mr R Bremner (by VC)
Mrs H Carmichael
Mr C Fraser
Mr R Gale
Mr A Jarvie
Mr B Lobban
Mr D Louden
Mr A MacKinnon
Ms L Munro (substitute)
Mr P Saggars
Mr L Fraser (substitute)

Pension Board

Mrs C Caddick, Highland Council
Mr R Mackay, Comhairle nan Eilean Siar
Ms L Leonard, representative for the other Employers
Ms L MacKay, Unison
Mr D Macdonald, Unison

Officials in attendance:

Mr D Yule, Director of Finance
Mr E Foster, Head of Corporate Finance, Finance Service
Mr S Fraser, Joint Secretary (Employers Side)
Mr C MacCallum, Payroll & Pensions Manager, Finance Service
Ms C Stachan, Accountant, Finance Service
Ms D Sutherland, Corporate Audit Manager, Finance Service
Mrs L Dunn, Principal Administrator, Corporate Development Service
Mr A MacInnes, Administrative Assistant, Corporate Development Service

Also in attendance:-

Ms J Brown, Engagement Leader, Grant Thornton (External Auditor)

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. Appointment of Chair
Cathraiche Eadar-amail**

The Clerk invited Members of the Pensions Committee to appoint a Chair.

Thereafter, it was **AGREED** to appoint Mr R Gale as Chair of the Committee.

**2. Apologies for Absence
Leisgeulan**

Apologies for absence were intimated on behalf of Mr B Thompson of the Pensions Committee and Mr E Macniven of the Pension Board.

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

There were no declarations of interest.

**4. Recess Powers
Cumhachdan Fosaidh**

The Committee **NOTED** that the Recess Powers granted by the Council at its meeting on 29 June 2017 had not been used in respect of this Committee.

**5. Governance Policy Statement 2017/18
Aithris Poileasaidh Riaghlaidh 2017/18**

There had been circulated Report No. PC/05/17 dated 23 August 2017 by the Director of Finance.

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

**6. Training Policy and Training Plan 2017/18
Poileasaidh Trèanaidh agus Plana Trèanaidh 2017/18**

There had been circulated Report No. PC/06/17 dated 21 August 2017 by the Director of Finance.

The Committee:-

- i. **NOTED** the assessment and training resources provided by the Pensions Regulator and the requirement for newly appointed Board and Committee members to complete induction training (section 5 and section 7);
- ii. **NOTED** the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework (section 6), including the self-assessment matrix (section 8 and Appendix 2);
- iii. **NOTED** the training delivered to date on pension fund matters (Appendix 3); and
- iv. **AGREED** the training policy and programme for 2017/18 set out within the report (section 10).

**7. Internal Audit
In-Sgrùdaidh**

**7.a Internal Audit Report 2016/17
Aithris air In-Ùghdarras 2016/17**

There had been circulated Report No. PC/07/17 dated 21 August 2017 by the Corporate Audit Manager.

With reference to the terms 'Substantial and Reasonable assurance' given in audit opinions, it was explained that 'Reasonable assurance' was the standard term used as no system of control could provide an absolute assurance against material loss and this applies to a snapshot in time. In addition, all individual audit reports contain an audit opinion ranging from full to no assurance.

The Committee **NOTED** the content of the report and the audit opinion provided.

**7.b Internal Audit Annual Plan 2017/18
Agus Plana In-Sgrùdaidh 2017/18**

There had been circulated Report No. PC/08/17 dated 21 August 2017 by the Corporate Audit Manager.

The Committee **APPROVED** the 2017/18 Audit Plan.

In accordance with Standing Order 18, with the consent of the meeting, item 9 on the agenda was taken at this point.

**9. Implementation of the "Markets in Financial Instruments Directive"
(MiFID II)**

Buileachadh "Riaghailt Mhargaidhean ann an Ionnsramaidean Ionmhasail"

There had been circulated Report No. PC/11/17 dated 22 August 2017 by the Director of Finance.

In discussion, the following points were made:-

- it was queried what other institutions, apart from Local Authorities, could apply to be treated as professional clients. Information on this would be provided to Councillor C Caddick; and
- It was queried what were the quantitative and qualitative qualifications that the Council had to meet to be treated as a professional client, and assurance was sought that Officials were confident that the Council could meet these qualifications for all the financial institutions working with the Fund. Also, there were 31 other Employers who were admitted bodies in the Pension Fund and it was queried if they had to meet the qualifications to gain professional client status. It was confirmed that the Highland Council as Administering Authority for the Pension Fund, acted on behalf of all the admitted bodies in the Fund. It was advised that applications for elected professional client status would be shared with Members of the Committee and Officials were confident that these applications would be made within the deadline.

Thereafter, the Committee:-

- i. **NOTED** the potential impact on investment strategy of becoming a retail client with effect from 3 January 2018; and

- ii. **AGREED** to the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it could continue to implement an effective investment strategy.

**8. External Annual Audit
Aithisg In-sgrùdaidh**

**8.a External Annual Audit Report to Members of the Pensions Committee and the Controller of Audit
Aithisg In-sgrùdaidh Bhliadhnail do Bhuill de Chomataidh nam Peinnsean agus Rianadair an Sgrùdaidh**

There had been circulated Report No. PC/09/17 by the External Auditor, Grant Thornton.

In discussion, the following points were raised:-

- It was explained that the figures as at 31 March 2017 for Present Value of Promised Retirement Benefits, net assets and liabilities would be different to the figures in the triennial actuarial valuation which was currently being carried out and would be reported to Committee in February 2018. It was the figures in the actuarial valuation that would be used to define how well the Pension Fund was funded against its liabilities as the valuation would take into account future potential returns from pension fund investments; and
- In relation to the significant increase in Investment Purchases and Investment Sales between 2015/16 and 2016/17, it was advised that this was due to a change in investment strategy.

Thereafter, the Committee **NOTED** the report.

**8.b Letter of Representation 2016/17
Litir Riochdachaidh 2016/17**

There had been circulated a copy of the annual audit letter of representation 2016/17.

The Committee **AGREED** that the letter be signed on behalf of the Highland Council.

**8.c Audited Accounts 2016/17
Cunntasan Sgrùdaichte 2016/17**

The Audited Statement of Accounts (Report No. PC/10/17) for the financial year 2016/17 were available for viewing at the following weblink:-

https://www.highland.gov.uk/downloads/download/714/pension_fund_accounts

Having heard the Head of Corporate Finance highlight key items in the Audited Accounts, the Committee **APPROVED** the accounts.

10. Pension Fund Administration Rianachd Maoin Peinnsein

There had been circulated Report No. PC/12/17 dated 22 August 2017 by the Director of Finance.

In discussion, the following points were raised:-

- It was requested that a forecast of pension costs to date and for the financial year also be included in the pension cost table shown in paragraph 7.1 of the report;
- In relation to how the termination value was calculated for Employers leaving the pension fund, it was explained that this was determined by the Fund's Actuaries and was assessed by determining the benefits accrued by the scheme members of the Employer, compared against the amount of contributions paid in. The difference between the two figures was the termination value and any deficit would require to be paid back by the Employer;
- In terms of the eligibility of bodies to the Fund, it was explained that there was legislation to protect employees who were previously in the pension scheme, but their jobs were outsourced to another Employer. The new Employer was required to provide a pension scheme comparable to the Council's scheme or seek admitted body status to the Council's scheme. There were also safeguards in place to protect the pension fund before an Employer was allowed entry; and
- It was noted that Annual Benefit Statements were now available online to scheme members resulting in a significant saving. It was queried what arrangements were in place to ensure that those who did not have access to electronic devices could also obtain this information. It was confirmed that arrangements were in place by telephone and the issue of paper statements to scheme members who could not access the benefit statements online.

Thereafter, the Committee **NOTED**:-

- i. the details of the report; and
- ii. that a forecast of pension costs to date and for the financial year would be included in future reports.

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

There had been circulated Report No. PC/13/17 dated 22 August 2017 by the Director of Finance.

The Committee **NOTED** the report.

12. Risk Management Update Fios às Ùr mu Rianachd Chunnairt

There had been circulated Report No. PC/14/17 dated 22 August 2017 by the Director of Finance.

In terms of whether there was any Member input into the Risk Register, it was confirmed that in future reports Members would be invited to comment and consider any changes to the Risk Register.

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

**13. Membership of Investment Sub-Committee
Ballrachd na Fo-Chomataidh Tasgaidh**

The Committee **APPROVED** the membership of the Investment Sub-Committee as follows:-

- Investment Sub-Committee (7 Highland Council Members (voting):
Mr B Lobban, Mrs H Carmichael, Mr B Thompson, Mr R Bremner, Mr C Fraser, Mr D Louden, Mr P Saggars
- One representative Comhairle nan Eilean Siar, (non-voting) - Mr R Mackay
- One representative for the trade unions (non-voting) - Mr E Macniven

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

There had been circulated Minutes of Meeting of the Investment Sub-Committee held on 3 March 2017 - the terms of which were **APPROVED**.

The meeting ended at 11.25am.