

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

Minutes of Meeting of the **Pensions Committee and Pension Board** held Remotely on **Wednesday 22 September 2021 at 10.30am.**

**Present:**

**Pensions Committee**

Mr R Gale  
Mr A Jarvie  
Mr B Lobban  
Mr D Louden  
Mr C Munro  
Mr P Saggars  
Mr B Thompson

**Pension Board**

Mrs C Caddick, The Highland Council  
Mr R Fea, Representative for other Employers  
Mr E Macniven, GMB

**Non-Members in Attendance**

Mr A Henderson

**Officials in attendance:**

Mr E Foster, Head of Corporate Finance and Commercialism, Resources & Finance Service  
Mr S Fraser, Joint Secretary (Scheme Manager's Joint Secretary)  
Mr C MacCallum, Payroll & Pensions Manager, Resources & Finance Service  
Mrs M Grigor, Finance Manager (Corporate Budgeting, Treasury and Taxation), Resources & Finance Service  
Ms C Stachan, Accountant, Resources & Finance Service  
Ms D Sutherland, Corporate Audit Manager, Performance & Governance Service  
Mr J Campbell, Senior Auditor, Performance & Governance Service  
Mrs L Dunn, Principal Administrator, Performance & Governance Service  
Mr A MacInnes, Administrative Assistant, Performance & Governance Service

**Also in attendance:-**

Mr J Boyd, Audit Director, Grant Thornton  
Mr K Ettles, AON Hewitt, Investment Principal and Actuary

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

**Mr R Gale in the Chair**

**BUSINESS**

**1. Apologies for Absence  
Leisgeulan**

Apologies for absence were intimated on behalf of Mr R Bremner, Mrs H Carmichael and Mr C Fraser of the Pensions Committee and Mrs M Paterson, Mr C Nicolson, Comhairle nan Eilean Siar of the Pension Board and Mr J Gibson, Joint Secretary (Trade Unions' Side).

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

There were no declarations of interest.

**3. Governance Policy Statement 2021/22  
Poileasaidh Riaghlaidh 2021/22**

There was circulated Report No. PC/10/21 by the Head of Corporate Finance & Commercialism which provided a copy of the Highland Council Pension Fund Governance Policy Statement to Committee for approval. The Statement set out the governance policy statement that applied to the Highland Council Pension Fund.

Following consideration, the Committee **APPROVED** the Highland Council Pension Fund Governance Policy Statement.

**4. Pension Fund Contributions and Administration  
Tabhartasan agus Rianachd Maoin Peinnsein**

There was circulated Report No. PC/11/21 by the Head of Corporate Finance and Commercialism which provided an update on matters relating to the administration of The Highland Council Pension Fund.

In particular, it was advised that to be eligible for the new Shared Cost Additional Voluntary Contribution Scheme (salary sacrifice scheme), the participants earnings could not go below the minimum wage. Also, one of the main benefits was to earn tax relief, so if an individual was not earning enough to gain tax relief then this scheme would not be appropriate for them. Otherwise the scheme was open to all members of the Highland Council.

The Committee **NOTED** the contents of the report.

**5. Application for Admitted Body Status  
Iarrtas airson Inbhe Buidhne Inntrigte**

There was circulated Report No. PC/12/21 by the Head of Corporate Finance and Commercialism which invited Members to approve an application for Admitted Body Status by West Highland College subject to the appropriate financial safeguards.

It was noted that some other colleges that were part of the University of The Highlands and Islands were already admitted bodies to the Fund and it was queried if any others would request to join. It was advised that historically further education came under the local authority remit but this changed in the late 90's with the Further and Higher Education Act and colleges had more autonomy. Colleges that were formed prior to the Act had an automatic right to remain in the local government pension fund. Any colleges formed after the Act would have to apply to join the Fund. It was advised that there were no further applications from Colleges for admitted body status at present.

Regarding representation from admitted bodies on the Pensions Committee, it was advised that in terms of the legislation there was no entitlement to a place on the Committee. The Highland Council was the responsible authority for administering the pension fund. There were representatives for the other Employers on the Pension Board and the Investment Sub Committee.

Thereafter, the Committee **APPROVED** an application for Admitted Body Status by West Highland College to the Highland Council Pension Fund, subject to appropriate financial safeguards being agreed by Fund Officers.

**6. Highland Council Pension Fund: Monitoring of Retirements**  
**Maoin Peinnein Chomhairle na Gàidhealtachd: Sgrùdadh Cluaineis**

There was circulated Report No. PC/13/21 by the Head of Corporate Finance and Commercialism which provided information relating to retirements from The Highland Council Pension Fund for the year ended 31 March 2021.

The Committee **NOTED** the details of the retirements as outlined in the appendices to the report.

**7. Training Policy and Training Plan 2021/22**  
**Poileasaidh Trèanaidh agus Plana Trèanaidh 2021/22**

There was circulated Report No. PC/14/21 by the Head of Corporate Finance & Commercialism which set out the training policy for the Pension Fund, applying to both officers responsible for supporting the Fund, and members of the Pension Board, Pensions Committee and Investment Sub Committee.

In terms of personal development records, it was confirmed that Members were requested to advise officers of any pensions training they had undertaken and this was reported in the Pension Fund Annual Accounts.

It was highlighted that the Responsible Investment workshop held recently had been excellent and members of the Committee/Board were encouraged to attend such workshops to enhance their understanding of responsible investing.

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;
- ii. **NOTED** the adoption of the CIPFA Local Pensions Boards Technical Knowledge and Skills framework, including the self-assessment matrix and the guide for local pension boards issued by CIPFA;
- iii. **NOTED** the training delivered to date on pension fund matters;
- iv. **AGREED** the training policy and programme for 2020/21 set out within the report; and
- v. **NOTED** that details of individual attendance at Pensions Committee, Investment Committee and training would be reported in the Pension Fund Annual Report and Annual Accounts 2021/22.

**8. Risk Management Update**  
**Fios às Ùr mu Rianachd Chunnairt**

There was circulated Report No. PC/15/21 by the Head of Corporate Finance and Commercialism which provided an update on the Fund's risk register and compliance with the Pension Fund Regulator requirements on internal controls.

The Committee, having been advised that there were no significant changes to the risk register, **NOTED** the updated risk register extract and compliance with the Pension Fund Regulator requirements.

**9. Internal Audit  
In-Sgrùdadh**

**9a Highland Council Pension Fund Internal Audit Annual Report 2020/21  
Aithisg In-Sgrùdaidh**

There was circulated Report No. PC/16/21 by the Corporate Audit Manager which included an assessment of the Pension Fund's framework of governance, risk management and control, and the associated opinion which provided information for the Fund's Annual Governance Statement.

It was highlighted that this was a very positive report and the Committee **NOTED** the content of the report and the audit opinion provided.

**9b Highland Council Pension Fund Internal Audit – Audit of Investments  
Plana In-Sgrùdaidh Bliadhnail Maoin Peinnsein Chomhairle na Gàidhealtachd  
2021/22**

There was circulated Report No. PC/17/21 by the Corporate Audit Manager which provided details of the audit review of Pension Fund investments.

It was noted that the contract for Investment Advisor and Custodian had not been tendered for in recent years and it was confirmed that these two services would be reviewed and put to tender with a target date of 31 December 2022. In particular, there were a number of changes to the investment strategy of the Fund and it was prudent not to change the Advisor until these changes had been completed. While these services were operational matters and did not require member involvement in the procurement process, on reflection given the importance of the Investment Advisor to the Fund an undertaking was given to consider if the Investment Sub Committee should have a role in this specific procurement.

In terms of the frequency of Pensions Committee/Board meetings (2 per year), it was generally accepted that this was adequate for the amount of business required to be considered and there was also the ability to arrange a special meeting if required. Further, the Investment Sub committee did meet quarterly, but their minutes were not published until the next meeting of the Pensions Committee/Board meaning a long delay which was not helpful in terms of transparency of decision making on investments. It would be checked if Investment Sub Committee minutes could be submitted to full Council should there be no intervening Pensions Committee/Board.

The Committee **NOTED**:-

- i. the terms of the report;
- ii. it would be checked if Investment Sub Committee minutes could be submitted to full Council for approval if there was no intervening Pensions Committee/Board; and
- iii. Officers would consider whether the procurement of the Pension Fund's Investment Advisor should have Investment Sub Committee involvement.

**10 External Annual Audit  
Sgrùdadh Bliadhnaile on Taobh A-muigh**

**10a. External Annual Audit Report to Members of the Pensions Committee and the Controller of Audit  
Aithisg In-sgrùdaidh Bhliadhnaile on Taobh A-muigh do Bhuill de Chomataidh nam Peinnean agus Rianadair an Sgrùdaidh**

There was circulated Report No. PC/18/21 by the External Auditor, Grant Thornton on the audit of the Pension Fund for the financial year ended 31 March 2021. There was an unmodified audit opinion on the annual report and accounts.

It was highlighted that the report confirmed that the pension fund was well managed and thereafter, the Committee **NOTED** the terms of the report.

**10b. Letter of Representation 2020/21  
Litir Riochdachaidh 2020/21**

There was circulated Report No. PC/19/21 a copy of the annual audit letter of representation 2020/21.

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

**10c. Audited Accounts 2020/21  
Cunntasan Sgrùdaichte 2020/21**

The Audited Statement of Accounts Report No. PC/20/21 for the financial year 2020/21 had been available for viewing at the following weblink:-

[https://www.highland.gov.uk/downloads/download/714/pension\\_fund\\_accounts](https://www.highland.gov.uk/downloads/download/714/pension_fund_accounts)

It was highlighted that in 2020/21 there had been a positive return in investments of £526m and the net assets of the Pension Fund were now £2.394bn. Pension benefits payable were £74.5m up from £65.1m in the year 2019/20, but the 2020/21 figure was inflated due to a transfer out by Visit Scotland amounting to circa £11.8m. However, benefits that were being paid out were increasing.

Continuing, the number of retirements in 2020/21 was significantly down compared to the previous year and this would be monitored, for example, to see whether this was Covid-19 related.

Pension fund investment performance over 1, 3 and 5 years was above benchmark which was very positive for the Fund. The Actuarial Valuation completed in March 2020 assessed the Fund as 100% funded which was excellent news.

It was highlighted that the audited accounts gave a very positive report on the Highland Council Pension Fund and the work of the Finance team and Investment Fund Managers to make this possible was congratulated.

The Committee **APPROVED** the audited accounts 2020/21.

**11 Amendments to the Statement of Investment Principles  
Atharrachaidhean do dh'Aithris nam Prionnsapalan Tasgaidh**

There was circulated Report No. PC/21/21 seeking approval of amendments to the asset allocation element of the Fund's Statement of Investment Principles which had been supported by the Investment Sub Committee.

The amendment to be made was that the UK equities allocation was removed and replaced with an equivalent increase in the asset allocation to global equities. It was highlighted that the global Investment Manager would have the flexibility to invest in UK companies if it was felt they were likely to generate better returns.

It was highlighted that the Investment Sub Committee also intended to consider the split of the equity allocation between passive and active management with any recommendation for change being brought to the March 2022 Pensions Committee.

A view was expressed that in relation to the increase in allocation to property there may be risks in property investments at present as was apparent from the latest news on the financial problems of the Chinese property company Evergrande. As for the increased investment in private credit, this was a market that could see increased volatility. It was advised that these matters had been discussed at the Investment Sub Committee and the Sub Committee was supportive of the recommendation. In particular, private credit lending, was short term lending at high yields to mid-sized businesses. This added diversification to the portfolio while maintaining high returns.

Thereafter, the Committee **APPROVED** the following amendment to Appendix 2 (Asset Allocation) of the Statement of Investment Principles:-

- the UK equities allocation (set at 8.4% at the March Pensions Committee) is removed and replaced with an equivalent increase in the asset allocation to global equities as shown in the table at 4.2 of the report.

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

The Minutes of meeting of the Investment Sub-Committee held on 12 March and 11 June 2021 were circulated and **NOTED**.

Arising from the minutes of 12 March 2021, the Equity Strategy implementation was highlighted and some of the changes being made were of significant public interest. Also, options for alternative management arrangements of the Inverness Common Good and Associated Funds were to be discussed and this would be relevant to all Elected Members as trustees of these Funds. As mentioned previously in the meeting (Item 9b), it was to be checked if Investment Sub Committee minutes could be published sooner, by submitting them to full Council for approval, which would improve transparency and timeliness of information being made public.

The meeting ended at 11.40 a.m.