

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

Minutes of Meeting of the **Pensions Committee and Pension Board** held remotely on **Monday 14 February 2022 at 10.30am.**

**Present:**

**Pensions Committee**

Mr R Gale  
Mr J Gray  
Mr A Jarvie  
Mr B Lobban  
Mr D Louden  
Mr C Munro  
Mr P Siggers

**Pension Board**

Mrs M Paterson, The Highland Council  
Mr A MacLeod, Comhairle nan Eilean Siar (substitute)  
Mr R Fea, Representative for other Employers  
Ms L MacKay, Unison  
Mr D MacSween, Unison  
Mr E Macniven, GMB

**Non-Member in Attendance**

Mr A Henderson

**Officials in attendance:**

Mr E Foster, Head of Corporate Finance, Resources & Finance Service  
Mr J Gibson, Joint Secretary (Trade Unions' Side)  
Mr C MacCallum, Payroll & Pensions Manager, Resources & Finance Service  
Ms C Stachan, Accountant, Resources & Finance Service  
Ms D Sutherland, Corporate Audit Manager, 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 and Mrs H Carmichael of the Pensions Committee and Mrs C Caddick of the Pension Board.

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

There were no declarations of interest.

At this point, the Chairman advised that Mr Charlie MacCallum, Payroll & Pensions

Manager and Mr Stuart Lorimer, Assistant Payroll & Pensions Manager would be retiring soon and on behalf of the Committee/Board the Chairman gave recognition to their hard work and dedication to the Council over many years of service and in particular to the Pensions Committee/Board and the Pension Scheme. Both Charlie and Stuart were wished a long and happy retirement.

**3. Service Plan 2022/23  
Plana Seirbheis 2022/23**

There was circulated Report No. PC/1/22 by the Head of Corporate Finance relating to the Pension Fund Service Plan and detailed the Fund's priorities over the next year alongside the budget and performance targets for the year ahead.

It was highlighted that due to the planned retirement of the Payroll and Pension Manager and the Assistant Payroll and Pensions Manager, appropriate interim arrangements would be put in place pending a decision on the long term structure. The review of the overall team structure would focus on all levels of staffing across the team with a focus on senior management elements. In this respect, there would be consideration as to whether Payroll and Pensions functions should remain combined or whether it would be better to separate these functions. Management was very confident that the staff currently in the team had the relevant experience and technical expertise for a smooth transition once the Senior Officers retired.

Thereafter, the Committee **APPROVED** the:-

- i. Pension Fund Service Plan 2022/23; and
- ii. Pension Fund staffing structure and budget for 2022/23, noting the intention to review these in the early part of the year.

**4. Highland Council Pension Fund Responsible Investment Policy  
Poileasaidh Tasgadh Cunntachail Maoin Peinnsein Chomhairle na Gàidhealtachd**

There was circulated Report No. PC/2/22 by the Head of Corporate Finance which provided a copy of the Responsible Investment policy for the Highland Council Pension Fund for approval.

A point was made that the Committee had a duty to get the best Investment results for the Pension Fund and it seemed that an additional layer of bureaucracy was being introduced in what was proposed in the Investment Policy. It was felt the policy was setting out conditions for what managers could invest in. It was already expected that the Fund's Investment Managers would take environmental, social and governance matters into consideration in their investment decision making and achieve the best results for the Fund. Therefore, it was felt extra costs were being added to administration by having the policy in place.

It was explained that significant work had gone into developing the proposed Responsible Investment Policy and this included engagement in workshops with Pensions Committee/Board members, Officers and the Fund Adviser and there had been no dissent in terms of the aims of the Policy. This had resulted in the Policy now before the Committee and would provide a framework in which the Investment Managers would operate. It was not the case that Investment Managers were being told what to invest in, or not invest in. As the Fund Managers were active investors, this would include them holding to account the Boards of companies in which the Fund was invested and ensure they were investing in a responsible way.

Thereafter, the Committee **APPROVED** the Highland Council Pension Fund Responsible Investment Policy.

**5. Amendment to the Statement of Investment Principles  
Atharrachadh do dh'Aithris nam Prionnsapalan Tasgaidh**

There was circulated Report No. PC/3/22 by the Head of Corporate Finance which sought an amendment to the Statement of Investment Principles for the Highland Council Pension Fund.

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

- the split between active and passive equities is updated to increase the allocation to active and reduce the passive allocation by 5.6%.

**6. Draft Annual Audit Plan 2021/22 (External Audit Report)  
Dreachd Phlana Sgrùdaidh Bliadhnail 2021/22 (Aithisg Sgrùdaidh bhon Taobh A-muigh)**

There was circulated Report No. PC/4/22 by Grant Thornton which presented their draft annual audit plan setting out the work they plan to undertake as part of the audit of the pension fund.

The Committee **NOTED** the report.

**7. Highland Council Pension Fund Internal Audit Annual Plan 2022/23  
Plana In-Sgrùdaidh Bliadhnail Maoin Peinnsein Chomhairle na Gàidhealtachd 2022/23**

There was circulated Report No. PC/5/22 by the Corporate Audit Manager which provided details of audits contained in the 2022/23 Internal Audit Plan.

The Committee **APPROVED** the 2022/23 Audit Plan.

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

There was circulated Report No. PC/6/22 by the Head of Corporate Finance which provided an update on matters relating to the administration of the Highland Council Pension Fund.

In particular, it was highlighted that an initial enquiry had been received from a scheme employer to discuss the possibility of merging employees from other Local Government Pension Schemes into the Highland Fund. This enquiry was at an early stage and any such move would require to be fully guaranteed by the Scottish Government and would not create a risk to the Fund.

It was advised that Employers' contribution rates were determined at the time of the triennial valuation of the Pension Fund.

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

**9. Administration Strategy Statement**

## **Aithris Ro-innleachd Rianachd**

There was circulated Report No. PC/7/22 by the Head of Corporate Finance which provided an update to the Administration Strategy Statement.

It was explained that the Statement set out the responsibilities of the Pension Fund and Scheme Employers and the sanctions that were possible should there be a breakdown in information from Employers to the Fund. Currently there had been no requirement to impose sanctions. Training had been provided to Employers which had been well received and this showed that proactive efforts were being made to try and ensure that no sanctions were necessary against Employers in the Fund.

The Committee **APPROVED** the Administration Strategy Statement.

### **10. Risk Management Update Fios às Ùr mu Rianachd Chunnairt**

There was circulated Report No. PC/8/22 by the Head of Corporate Finance which provided an update on the Fund's risk register and compliance with the Pension Fund Regulator requirements on internal controls.

In discussion, it was explained that in terms of a breakdown of risk to investment returns this was not specifically highlighted in the Risk Register, but covered as part of the risk to the overall investment strategy, primarily through the work of the Investment Sub Committee.

The Risk Register did cover risks to investments as a result of rising inflation. If inflation remained consistently high then pensions payable would be higher. This highlighted the importance to have a diversified range of investments to grow in any market conditions.

In relation to homeworking risks, some staff had returned to the office part time and there had been benefits in terms of team working and training of new staff. There were also benefits for staff working remotely and there was confidence that a hybrid approach to working would benefit the Employer and Employee.

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

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

The Minutes of meeting of the Investment Sub-Committee held on 17 September 2021 and 19 November 2021 were **NOTED** and the minutes of 17 December 2021 were **APPROVED**.

## **Valedictory**

As this was the last Pension Committee/Board meeting prior to the Local Government Election, the Chairman expressed his appreciation to the Officers in the Pension Team and the Fund's Adviser for their significant contribution to the success of the Pension Fund. The Chairman also recognised and acknowledged the work of the Committee/Board over the last term.

The meeting ended at 11.30 a.m.