

2023 PEC 18

THE FIFE COUNCIL - PENSIONS COMMITTEE – BLENDED MEETING

Committee Room 2, 5th Floor, Fife House, North Street, Glenrothes.

28th March, 2023

10.00 a.m. – 12.40 p.m.

PRESENT: Committee - Councillors Dave Dempsey (Convener), Sean Dillon, Lynn Mowatt, Sarah Neal, Nicola Patrick, Gordon Pryde and Jonny Tepp.

Fife Pension Board - Cllr Lynn Ballantyne-Wardlaw, Ian Dawson, Gail Dunn, Robert Graham, Ross Hugh and Colin Paterson.

ATTENDING: Elaine Muir, Head of Finance; Laura C Robertson, Finance Operations Manager; Pamela Redpath, Service Manager - Audit and Risk Management Services; Anne Bence, Accountant; Karen Balfour, Lead Officer - Banking and Investment; John Mackie, Team Manager - Transactions Team; Fiona Clark, Pensions Specialist, Financial Services; Helena Couperwhite, Manager - Committee Services and Wendy MacGregor, Committee Office, Legal and Democratic Services.

ALSO ATTENDING: Nick Bennett, Engagement Lead, Azets; Albert Chen, Portfolio Manager and Bruce Miller, Chief Investment Officer, Lothian Pension Fund and Clare Scott, Independent Professional Observer.

APOLOGIES FOR ABSENCE: Fife Pension Board - Councillor Tom Adams and Vicki Wyse.

Prior to the start of Committee business, the Convener welcomed Councillor David Alexander as a new Committee member, having replaced Councillor Stefan Hoggan-Radu, and thanked Councillor Hoggan-Radu for his contribution to date.

38. DECLARATIONS OF INTEREST

No declarations were submitted in terms of Standing Order No. 7.1.

39. MINUTE

The Committee considered:-

- (a) the minute of the meeting of the Pensions Committee of 13th December, 2022.

Decision

The Committee agreed to approve the minute of the Pensions Committee meeting of 13th December, 2022; and

(b)/

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- (b) the Fife Pension Board comments arising from the meeting on 13th December, 2022.

Decision

The Committee noted:-

- (1) the comments from the Fife Pension Board from the meeting of the Pensions Committee on 26th September, 2022;
- (2) in relation to point 4, that data collected showing the number of paper copies of Pension statements sent out to members and the number of members receiving email copies of Pension Statements via the Pension Portal, would be included as part of the Key Performance Indicators (KPI) and further analysis would be reported to the next meeting of the Committee. The Head of Finance advised that the information would be circulated to members in advance of the next Committee meeting; and
- (3) in relation to point 5, the documentation in relation to Admitted Bodies exit arrangements from Fife Pension Fund , was prepared by Hymans Robertson LLP and that the Finance Operations Manager would confirm with the Actuary, Hymans Robertson, whether a redacted version of this information could be shared with the members of Fife Pension Board.

40. FIFE PENSION BOARD - REVISED CONSTITUTION

The Committee considered a report by the Executive Director - Finance and Corporate Services providing a revised version of the Fife Pension Board Constitution.

Decision

The Committee agreed to approve the revised Fife Pension Board Constitution detailed at Appendix 1 to the report, subject to changes in legislation.

41. FIFE PENSION FUND BUSINESS PLAN

The Committee considered a report by the Head of Finance providing the Business Plan 2023-24 for Fife Pension Fund. The document was the first business plan for the fund and was intended as the basis for future plans.

Decision

The Committee:-

- (1) acknowledged the content of the Business Plan;
- (2) approved the Indicative Budget 2023-24 detailed in Appendix 2 of the Business Plan; and
- (3) approved the Business Plan 2023-24.

42. PENSION ADMINISTRATION - PERFORMANCE MONITORING REPORT

The Committee considered a report by the Head of Finance providing monitoring information on the performance of the Pensions Administration Team and an update on other activities undertaken by the Team over the quarter to 31st December 2022.

Decision

The Committee:-

- (1) acknowledged the level of quarterly performance relative to the target and to the same quarter of the previous year;
- (2) noted the range of additional activities carried out by the team over the last quarter; and
- (3) welcomed the use of the revised Key Performance Indicators, which would be established in the future, to improve reporting statistics for the performance of the Pensions Administration Team.

43. ASSET POLICY GROUPS AND BENCHMARKS

The Committee considered a report by the Head of Finance providing information on the strategic benchmarks used and to make recommendations for revised performance measures that were more closely related to the objectives of the funds and the implementation approach. The topic of strategic benchmarks was considered by the Joint Investment Strategy Panel and this report took account of the recommendations made.

Decision

The Committee:-

- (1) approved the introduction of a weighted average policy group benchmark as the strategic benchmark consistent with the policy group structure and investment strategy;
- (2) approved the use of a risk-adjusted benchmark to measure Equities (MSCI ACWI 0.9x);
- (3) approved the use of a risk adjusted benchmark for the Real Assets Policy Group (MSCI ACWI 0.7x);
- (4) approved the revision of benchmarks for non-gilt debt and LDI Investment;
- (5) approved the amendment of the performance reporting and Fund hierarchy information held by Northern Trust to reflect the Policy Group structure; and
- (6) agreed consideration would be given on whether the use of ethical benchmarks would be appropriate due to the complexity and variety available, an update would be provided to Committee at a future date.

44. FIFE PENSION FUND - STATEMENT OF RESPONSIBLE INVESTMENT PRINCIPLES

The Committee considered a report by the Head of Finance proposing necessary changes to the Statement of Responsible Investment Principles (SRIP). The SRIP had been in existence for approximately 18 months and was still in its infancy. The SRIP was attached to the report at Appendix 1 and was intended to complement the Statement of Investment Principles (SIP) which was a statutory document.

Decision

The Committee agreed:-

- (1) to update the Statement of Responsible Investment Principles (SRIP) with the changes highlighted in the SRIP;
- (2) to remove the reference to academic research (Cooper. 2019) described at Paragraph 1.8 on Page 51; and
- (3) that the Head of Finance would circulate a report which had been submitted to the Superannuation Fund and Pensions Committee during 2021 reporting on issues around engagement verses divestment.

The Committee adjourned at 11.28 a.m.

The Committee reconvened at 11.38 a.m.

45. AZETS - EXTERNAL AUDIT PLAN FOR FIFE COUNCIL

The Committee considered a report by the Head of Finance providing details of Azets External Annual Audit Plan for Fife Pension Fund for the financial year 2022/23, setting out the risks highlighted, planned work, audit scope and timing.

Decision

The Committee noted the content of the Azets External Annual Audit plan for 2022/23.

46. UPDATE ON 2022/23 FIFE PENSION FUND INTERNAL AUDIT PLAN AND 2022/23 ISSUED AUDIT REPORTS

The Committee considered a report by the Service Manager, Audit and Risk Management Services providing an update on progress towards delivering the 2022/23 Pension Fund Internal Audit Plan and which included a summary of findings from the Internal Audit Reports finalised since the last meeting of the Pensions Committee on 13th December, 2022.

Decision/

Decision

The Committee noted the contents of the report, including the update on progress towards delivering the 2022/23 Internal Audit Plan at Appendix A and summary of findings at Appendix B appended to the report.

47. RISK MANAGEMENT - QUARTERLY REVIEW

The Committee considered a report by the Head of Finance providing a quarterly update on the Risk Register for Fife Pension Fund. The risks associated with the Fund had been reviewed and updated scores were provided to reflect the internal controls in place.

Decision

The Committee:-

- (1) noted the contents of the report;
- (2) noted that risks were reviewed on a regular basis and would be reported on a quarterly basis; and
- (3) requested that where adjustments were made to risk register scores in the Risk Register, that the previous score be included for comparison.

48. PENSIONS COMMITTEE WORK PROGRAMME

The Committee considered a report by the Head of Finance providing an overview of the proposed agendas for future meetings of the Pensions Committee and the annual cycle.

Decision

The Committee noted:-

- (1) the contents of the agenda planning document; and
- (2) that the work plan would be updated to include a report outlining the new Key Performance Indicators (KPIs) which would be submitted to the Committee for approval in June 2023 prior to the introduction of the new KPIs in September, 2023.

The Committee agreed to resolve, under Section 50(a)(4) of the Local Government (Scotland) Act 1973, as amended, to exclude the public and press from the meeting for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 6 of part 1 of schedule 7a of the Act.

49. FIFE PENSION FUND INVESTMENT UPDATE

The Committee considered a report by the Head of Finance providing an overview of the Fund's investments at 31st December, 2022. A verbal update of manager monitoring activity and of investment strategy was provided.

Decision/

Decision

The Committee noted:-

- (1) the Fund's strategic asset allocation and current allocations relative to target;
- (2) the value of the Fund's assets 31st December, 2022 after returning 1.8% over the quarter;
- (3) that the Fund was making steady progress towards its target allocations; and
- (4) that longer term absolute returns were strong and relative returns were above both the asset and liability benchmarks.

50. ANNUAL REVIEW OF SHARED SERVICES AGREEMENT

The Committee considered a report by the Head of Finance providing an annual review of the effectiveness of the Terms of Reference for the Joint Investment Strategy Panel (JISP) and an update in relation to the shared service arrangement between the Fife Pension Fund (FPF) and the Lothian Pension Fund (LPF) to give assurance of continued progress and benefits of collaboration.

Decision

The Committee:-

- (1) noted the outcome of the annual review of the Terms of Reference of the JISP;
 - (2) acknowledged the benefits of collaborative working with Lothian and Falkirk Pension Funds; and
 - (3) endorsed continued collaborative working.
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