

THE FIFE COUNCIL - PENSIONS COMMITTEE – BLENDED MEETING

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

23 June 2023

10.00 am – 12.30 pm

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

Fife Pension Board - Councillor Tom Adams, Councillor Lynn Ballantyne-Wardlaw, Ian Dawson, Gail Dunn; Robert Graham and Vicki Wyse.

ATTENDING: Eileen Rowand, Executive Director of Finance and Corporate Services; Elaine Muir, Head of Finance; Laura Robertson, Finance Operations Manager; Pamela Redpath, Service Manager - Audit and Risk Management Services; Anne Bence; Accountant; John Mackie, Team Manager - Transactions Team; Karen Balfour, Lead Officer - Banking and Investment; Martin Kotlewski, Service Manager - BTS Solutions and Service Assurance and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

ALSO ATTENDING: Rob Bilton, Actuary, Hymans Robertson LLP; Albert Chen, Portfolio Manager and Bruce Miller, Chief Investment Officer, Lothian Pension Board; John McCallum, Glasgow City Council and Clare Scott, Independent Professional Observer.

APOLOGIES FOR ABSENCE: Committee - Councillors Colin Davidson and Sean Dillon.

Fife Pension Board - Ross Hugh and Colin Paterson.

51. DECLARATIONS OF INTEREST

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

52. MINUTE

The Committee considered:-

- (a) the minute of the meeting of the Pensions Committee of 28 March 2023.

Decision

The Committee agreed to approve the minute of the Pensions Committee meeting of 28 March 2023.

- (b) the Fife Pension Board comments arising from the meeting on 28 March 2023.

Decision

The Committee:-

- (1) noted the comments from the Fife Pension Board from the meeting of the Pensions Committee on 28 March 2023; and
- (2) requested any suggestions for avenues in which the Pension Fund could invest locally, preferably within Fife, be submitted to the Head of Finance, with the caveat that the investment must be able to generate a return.

53. 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 summary of findings from the Internal Audit Reports finalised since the last meeting of the Pensions Committee.

Decision

The Committee:-

- (1) noted the contents of the report; and
- (2) acknowledged the update on progress towards delivery of the 2022/23 Internal Audit Plan at Appendix A to the report and summary of findings at Appendix B to the report.

54. COST TRANSPARENCY AND CEM BENCHMARKING

The Committee considered a report by the Head of Finance providing an annual update in respect of Cost Transparency for Fife Pension Fund, detailing the disclosure in the Annual Report and Accounts and participation in the Cost Transparency Initiative (CTI). Also included in the report were details of the Fund's results from the annual CEM Benchmarking.

Decision

The committee noted the contents of the report.

55. PENSION FUND TRAINING AND DEVELOPMENT

The Committee considered a report by the Head of Finance which reviewed performance and progress in respect of implementation of the training policy for members of the Pensions Committee and Fife Pension Board and highlighted the requirement for all pension committee and board members to undertake the Pension Regulator online learning toolkit.

Decision

The Committee:-

- (1) noted that a varied training programme had been provided over the last financial year on a range of topics;

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- (2) noted the requirement for members of the Committee and the Board to meet the minimum level of 14 hours training ;
- (3) agreed to undertake the required level of training and to provide details of doing so, including the Pension Regulators toolkit; and
- (4) noted that options in respect of adherence to the training policy would be considered at a future meeting.

56. **EXTERNAL QUALITY ASSESSMENT (EQA) OF FIFE COUNCIL'S AUDIT SERVICES**

The Committee considered a report by the Service Manager, Audit and Risk Management Services presenting a report by Aberdeenshire Council's Chief Internal Auditor on the External Quality Assessment of Fife Council's Audit Services.

Decision

The Committee noted the content of the External Quality Assessment report, submitted to Fife Council's Standards, Audit and Risk Committee meeting on 25 May 2023.

57. **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 provided to reflect the internal controls in place.

Decision

The Committee:-

- (1) reviewed and acknowledged the contents of the report; and
- (2) noted that the risks were reviewed on a regular basis and that reports would be submitted to this Committee on a quarterly basis.

58. **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 agenda planning document; and
- (2) that Fife Pension Board would consider formalising a workplan for the Board's reporting structure, that could be fed into the Committee reporting cycle.

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The Committee resolved, 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.

59. COST TRANSPARENCY

The Committee considered a report by the Head of Finance, which complemented the previous report considered at Paragraph 54 above – Cost Transparency and CEM Benchmarking - and provided a more detailed analysis of the Pension Fund Management Costs by providing a breakdown per manager.

Decision

The Committee:-

- (1) noted the contents of the report; and
- (2) noted the actions taken in respect of fees.

60. FIFE PENSION FUND INVESTMENT UPDATE

The Committee considered a report by the Head of Finance providing an overview of the Fund's investments and performance at 31 March 2023. A verbal update highlighting any exceptional items following manager monitoring activity was provided.

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 on 31 March 2023 after returning 2.7% 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.

The Committee adjourned at 11.40 am and reconvened at 11.50 am.

61. FIFE PENSION FUND ACTUARIAL VALUATION 31 MARCH 2023 - ASSUMPTIONS

The Committee considered a report by the Head of Finance outlining progress in relation to the triennial actuarial valuation and provided the planned timeline to ensure that the valuation was completed and agreed by the statutory deadline of 31 March 2024. The report also outlined work done on reviewing valuation assumptions and the recommended approach to assumption setting.

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Decision

The Committee: -

- (1) noted the work carried out in preparation for the actuarial valuation as at 31 March 2023; and
- (2) agreed the recommended assumptions set out on page 3 of Appendix 1 to the report, as listed below, which included an amendment to the recommendation for the Assumption - Discount rate, to read – ‘in excess of 1.9% above the risk free rate’:-

Assumption	Recommendation
Future Investment return	Based on Hymans Robertson ESS model updated to latest market condition
Discount rate	In excess of 1.9% above the risk free rate
CPI inflation	Based on Hymans Robertson ESS model
Salary Increases	Retain 0.5% above CPI
Baseline longevity	Based on club vita analysis updated to reflect non-COVID experience
Future improvements in longevity	Updated to CMI 2021 model with 10% weight on 2020 & 2021 data with long term improvement of 1.5%
Demographic assumptions	Adopt Hymans proposed demographic assumptions