

## 2024 PEC 40

### THE FIFE COUNCIL - PENSIONS COMMITTEE – BLENDED MEETING

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

28 March 2024

10.00 am – 1.10 pm

**PRESENT:** Committee - Councillors David Dempsey (Convener), David Alexander, James Calder, Jane Ann Liston and Gordon Pryde.  
Fife Pension Board - Councillor Tom Adams, Gail Dunn, Robert Graham, Ross Hugh, Colin Paterson, Thomas Templeman and Vicki Wyse.

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

**ALSO ATTENDING:** Rob Bilton and Greer Flanagan, Actuary, Hymans Robertson LLP; Albert Chen and Stan Pearson, Lothian Pension Fund; Karen Jones, Andrew Ferguson and Thomas McCormick, Azets (External Auditor) and Clare Scott, Independent Professional Observer.

**APOLOGIES FOR ABSENCE:** Committee – Councillor Naz Anis-Miah

Fife Pension Board - Councillor Lynn Ballantyne-Wardlaw

#### 90. DECLARATIONS OF INTEREST

Vicki Wyse, Fife Pension Board made a transparency statement relating to Para 95 – Fife Pension Fund - Actuarial Valuation - during the consultation period she represented her employer in the negotiation and discussion process regarding employer contribution rates.

#### 91. CHANGE TO COMMITTEE MEMBERSHIP

The Convener, on behalf of the committee, noted the update to the membership of the committee and welcomed Councillor James Calder to the meeting. Appreciation was extended to Councillor Johny Tepp for his contribution during his time as a member on the committee.

#### 92. MINUTE

(a) The committee considered the minute of the meeting of the Pensions committee of 14 December 2023.

**Decision**

The committee agreed to approve the minute.

- (b) The committee considered the minute of the meeting of the Fife Pension Board of 14 December 2023

**Decision**

The committee noted the minute.

**93. FIFE PENSION FUND - BUSINESS PLAN UPDATE TO 31 DECEMBER 2023**

The committee considered a report by the Head of Finance providing an update on the activities undertaken by the wider pension team during the third quarter of 2023-24. The report was divided into 3 sections, updating on the development activities identified in the Business Plan, on administration activity undertaken and concluded with more in-depth consideration of the performance of the Pensions Administration team by providing details of the agreed key performance indicators.

**Decision**

The committee:-

- (1) acknowledged the progress of key Business Plan activities;
- (2) noted the range of additional activities carried out by the team over the last quarter; and
- (3) acknowledged the level of quarterly performance relative to the target and to the same quarter of the previous year.

**94. FIFE PENSION FUND - FUNDING STATEMENT STRATEGY**

The committee considered a report by the Head of Finance providing the Funding Strategy Statement, prepared alongside the 2023 Actuarial Valuation. The statement detailed funding issues, contribution rates for individual employers, funding strategy and investment strategy and statutory reporting arrangements.

**Decision**

The committee:-

- (1) noted, following concerns raised by the Fife Pension Board around transparency relating to the decision to advance the contribution stability mechanism, a full response was provided by the Head of Finance, to give additional assurance around the decision. The Fife Pension Board members acknowledged the response provided and agreed it alleviated the concerns they had raised;
- (2) noted the updates made to the Funding Strategy Statement; and
- (3) agreed to approve the Funding Strategy Statement.

**95. FIFE PENSION FUND - ACTUARIAL VALUATION**

The committee considered a report by the Head of Finance, providing the final Report on the Actuarial Valuation Report as at 31 March 2023.

**Decision**

The committee:-

- (1) noted the contents of the Valuation Report;
- (2) agreed the Head of Finance would provide members of the committee with details of correspondence received from members of the Pension Fund expressing their concerns regarding reducing employers contribution rates. The response from the Head of Finance to the Pension Fund members would also be provided for awareness. Communications would also be shared more widely (including with all employers in the Fund) to provide reassurance that members benefits would be guaranteed by regulation; and
- (3) agreed to approve the contribution rates per the Rates and Adjustment certificate detailed in Appendix 5 of the attached valuation report.

**96. FIFE PENSION FUND INVESTMENT STRATEGY**

The committee considered a report by the Head of Finance providing conclusions on the review of the long-term investment strategy of the Fife Pension Fund (the Fund), and the Strategic Asset Allocation (SAA) of the Fund. The report also detailed the recommended strategy following review and input from the Fund's investment advisers with the recommended SAA having minor amendments compared with the existing strategy as well as name changes for two policy groups.

**Decision**

The committee:-

- (1) agreed to amend the investment strategy as outlined in paragraphs 2.21 to 2.25 of the report; and
- (2) agreed to update the Fund's Statement of Investment Principles (SIP) to reflect the agreed changes to the strategy, detailed at Appendix 1 to the report.

*The committee adjourned at 11.35 am and reconvened at 11.45 am*

**97. FIFE PENSION FUND BUSINESS PLAN AND BUDGET 2024-25**

The committee considered a report by the Head of Finance providing details of the Business Plan 2024-25 for Fife Pension Fund, based on the format of last year's business plan with some additional contextual information added.

**Decision**

The committee:-

- (1) acknowledged the Business Plan;
- (2) agreed to approve the Business Plan 2024-25, which included the Indicative Budget 2024-25 as detailed in Appendix 2 of the report;
- (3) supported the establishment of a Senior Officer post, with responsibility for the governance of the Pension Fund, including development and management of the delivery of the Pensions function. Support was also expressed to ensure that adequate resources would be provided to manage all future developments and change as required; and
- (4) agreed to include the Pensions Team Structure in a future version of the Business Plan and that the Pensions Team Structure would be circulated to members of the Pensions Committee and Fife Pension Board.

**98. UPDATE ON 2023/24 FIFE PENSION FUND INTERNAL AUDIT PLAN**

The committee considered a report by the Service Manager, Audit and Risk Management Services, updating on progress towards delivering the 2023/24 Fife Pension Fund Internal Audit Plan.

**Decision**

The committee noted the update on progress towards the delivery of the 2023/24 Internal Audit Plan at Appendix A to the report.

**99. AZETS - ANNUAL AUDIT PLAN FIFE PENSION FUND**

The committee considered a report by the Head of Finance providing members with details of Azets External Annual Audit Plan for Fife Pension Fund for the financial year 2023/24 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 2023/24.

**100. POST AUDIT REVIEW**

The committee considered a report by the Service Manager, Audit and Risk Management Services, providing an update on progress towards implementing internal audit recommendations previously reported to and agreed by Management.

**Decision**

The committee noted the contents of the report and the progress made in implementing recommendations.

**101. PENSIONS COMMITTEE WORK PLAN AND TRAINING PLAN**

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. The report also highlighted the proposed internal training sessions designed to complement committee meetings, which would allow members more time to explore topics in depth.

**Decision**

The committee :-

- (1) acknowledged the agenda planning document; and
- (2) noted the scheduled training dates.

**102. QUARTERLY RISK**

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) noted the contents of the report;
- (2) noted that the risks were reviewed on a regular basis and reports would be brought forward on a quarterly basis; and
- (3) reminded members of the Committee and Fife Pension Board there was a mandatory requirement in terms of compliance with attendance at committee meetings and training events and that Party Group Leaders or relevant organisations would be informed if members were not participating as necessary.

*Councillor Tom Adams, Fife Pension Board left the meeting during consideration of the above item.*

**103. ANNUAL REVIEW OF SHARED SERVICES AGREEMENT (PRIVATE REPORT)**

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.

The committee considered a report by the Head of Finance providing an update to the Terms of Reference for the Joint Investment Forum (JIF) and an update in relation to the shared service arrangement between the Fife Pension Fund (FPF) and the Lothian Pension Fund (LPF) and gives assurance of continued progress and benefits of collaboration.

**Decision**

The committee:-

- (1) recognised the continued benefits of collaborative working with Lothian and Falkirk Pension Funds;
- (2) endorsed continued collaborative working; and
- (3) noted the update to the Terms of Reference reflecting the evolving relationship between the Funds.

**104. FIFE PENSION FUND INVESTMENT UPDATE (PRIVATE REPORT)**

The committee considered a report by the Head of Finance providing a quarterly overview of the Fund's investments at 31 December 2023. A verbal update of manager monitoring activity was provided at the meeting. The triennial actuarial valuation and investment strategy review were detailed in separate reports.

**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 December 2023 after returning +5.4% over the quarter;
- (3) that the Fund's strategic policy group allocations were within the permitted allocation ranges;
- (4) that longer term absolute returns were strong and relative returns were above the liability benchmark; and
- (5) that a short life working group would be established to review the content of the investment performance update report with a view to making changes to assist future scrutiny. Members of the committee and board interested in participating in the working group should contact the Head of Finance.