

**STRATHCLYDE PENSION FUND
BOARD'S MINUTES.**

Glasgow, 27th February 2019.

Item 2

6th March 2019

Strathclyde Pension Fund Board.

Present: Mark Dickson, Scottish Water (Chair); James Corry, UNISON; and Stephen Kelly, UNISON.

Apologies: Councillor Tom Fisher, North Lanarkshire Council; Brian Gallagher, UNITE; Councillor John Shaw, Renfrewshire Council; Councillor Collette Stevenson, South Lanarkshire Council; and Andy Thompson, GMB.

Attending: A Wyber (Clerk); R McIndoe, Director of Strathclyde Pension Fund; J Gillies, I Jamison, R Keery and L Sweeney (Strathclyde Pension Fund Office); and S Tough (Financial Services).

Appointment of Chair approved.

1 In the absence of the Chair and Vice-Chair, the Board agreed to appoint Mr Mark Dickson to Chair the meeting.

Brian Gallagher – Resignation noted.

2 The Board noted that as a result of Mr Brian Gallagher no longer being the pensions representative for UNITE, he had had to intimate his resignation as UNITE's representative on this Board.

Declarations of interest.

3 The Board noted that

- (1) there were no declarations of interest; and
- (2) under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, a Board member must provide the scheme manager with details of any conflicts of interest(s) and that all members of the Board would shortly be sent a Register of Interest form for 2019/20 which should be completed and returned as soon as possible.

Training etc noted.

4 The Director of Strathclyde Pension Fund reported on a number of training opportunities for members of this Board.

After consideration, the Board noted that

- (1) the Public Toolkit Service was available at:
<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>; and
- (2) the Director of Strathclyde Pension Fund had circulated to members of this Board details of the Pensions and Lifetimes Savings Association conference entitled “Investing on the Brink” which would be held in Edinburgh from 6th to 8th March 2019.

Investment Manager Compliance with Voluntary Codes – Principles for responsible investment noted etc.

5 Richard Keery, Investment Manager, Strathclyde Pension Fund orally reported on the principles for responsible investment.

After consideration, the Board

- (1) noted that
 - (a) all Strathclyde Pension Fund’s investment managers were signatories to the principles for responsible investment; and
 - (b) Strathclyde Pension Fund Office would continue to encourage Investment Managers within the Direct Investment Portfolio to become signatories to the principles for responsible investment; and
- (2) requested that reports be submitted to the Board on a regular basis on the progress made in encouraging Investment Managers to become signatories to the principles for responsible investment.

Cost Transparency – Presentation noted.

6 The Board noted a presentation by Jacqueline Gillies, Chief Investment Officer regarding cost transparency advising

- (1) of the development of the Local Government Pension Scheme (LGPS) code of transparency;
- (2) of the LGPS code of transparency code;
- (3) of the work and recommendations of the Institutional Disclosure Working Group (IDWG) which had been established with the objective of gaining agreement on disclosure templates for the asset management services provided to institutional investors;

- (4) that the Cost Transparency Initiative (CTI) was launched to take forward the work of the IDWG and the CTI were currently running a pilot with a number of pension schemes including Strathclyde Pension Scheme.

Scheme Advisory Board - Scheme Cost Cap - Position noted.

7 The Board noted a verbal report by the Director of Strathclyde Pension Fund regarding the cost cap, advising that

- (1) a scheme cap was a control mechanism was intended to protect the taxpayer and employers from changes to their pension costs; and
- (2) as a result of a legal challenge having been made by a Fire Fighter Scheme that the cost cap discriminated against age, the Scheme Advisory Board had put the matter on hold until the outcome of the legal issues had been concluded.

Pension implications of equal pay settlements noted.

8 The Board noted a verbal report by the Director of Strathclyde Pension Fund regarding the pension implications of the equal pay settlement and that one of the priorities within the proposed Business Plan for 2019/20 included equal pay settlements and an extensive review of the administration function.

Responsible Investment – DXC Technology and Hewlett Packard Enterprise – Position noted.

9 With reference to the minutes of 29th August 2018 noting a reporting by the Director of Strathclyde Pension Fund, on behalf of the scheme manager, detailing Global Engagement Services (GES) comments on the full extent of DXC Technology and Hewlett Packard Enterprise (HPE) involvement in Israel's occupation of Palestinian Territories and whether such activities were compatible with Strathclyde Pension Fund's stated responsible investment policy, the Director of Strathclyde Pension Fund orally reported on Strathclyde Pension Fund's position in relation to this matter.

After a lengthy discussion, the Board noted

- (1) the concerns and comments by Mr James Corry, UNISON regarding DXC Technology and HPE, whom he felt may be breaching international law;
- (2) the comment by Mr Stephen Kelly, UNISON that this issue should be considered further by the Board;
- (3) Strathclyde Pension Fund's position in relation to DXC Technology and HPE activities and their compatibility with the Fund's responsible investment policy; and

- (4) the Director of Strathclyde Pension Fund's comments on the matter and his conclusion that the Board and the Pension Fund had fulfilled their responsibilities in relation to DXC Technology and HPE involvement in Israel's occupation of Palestinian Territories.

Ruffer – Proposed presentation noted.

10 The Board noted that Ruffer would make a short training presentation on absolute return investing to Strathclyde Pension Fund Committee on 6th June 2016.

Minutes of previous meeting noted.

11 There was submitted and noted the minutes of Strathclyde Pension Fund Board of 27th November 2018.

Direct Investment Portfolio – Albion Community Power Ltd – Investment proposal noted.

12 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposal to invest in Albion Community Power Ltd within the Direct Investment Portfolio, advising

- (1) that Albion Community Power Ltd was a renewable energy firm specialising in acquiring small scale assets via off-market transactions which receive Government subsidies through the Feed in Tariff and Renewable Obligation schemes;
- (2) that Strathclyde Pension Fund in 2014 had invested £10m in Albion Community Power Ltd alongside the Green Investment Bank, Greater Manchester Pension Fund, Merseyside Pension Fund and a number of retail stakeholders and in 2015 Strathclyde Pension Fund had committed a further £10m of funding to Albion Community Power Ltd;
- (3) of their investment proposal; and
- (4) of the expected return from the fund, the main risks and the exit strategy.

After consideration, the Board noted the proposal to invest £20m in Albion Community Power Ltd within the Direct Investment Portfolio.

Private Corporate Debt Manager – Proposed appointment noted.

13 There was submitted and noted an oral report by the Director of Strathclyde Pension Fund regarding the outcome of a tendering exercise for the appointment of a Private Corporate Debt Manager.

Private Real Estate Debt Manager - Proposed appointment noted.

14 There was submitted and noted an oral report by the Director of Strathclyde Pension Fund regarding the outcome of a tendering exercise for the appointment of a Private Real Estate Debt Manager.

Property Portfolio - Proposed appointment of Independent Property Valuer noted.

15 There was submitted a report by the Director of Strathclyde Pension Fund regarding a tendering exercise for an Independent Property Valuer.

After consideration, the Board noted the proposal to recommend the appointment of GVA Grimley Ltd as an Independent Property Valuer.

Revised risk policy and strategy statement and risk register noted.

16 There was submitted a report by the Director of Strathclyde Pension Fund regarding a proposed revised risk policy and strategy statement and risk register, advising

- (1) of a proposed update to the risk policy and strategy statement, as detailed in the report; and
- (2) that as a key part of Strathclyde Pension Fund's risk strategy, a risk register, as detailed in the report had been established and maintained for the Fund and Strathclyde Pension Office and was monitored on an ongoing basis by officers and reviewed periodically by Strathclyde Pension Fund Committee.

After consideration, the Board noted

- (a) the current risk register; and
- (b) the proposed revised risk policy and strategy statement.

Business plan 2019/209 noted.

17 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the proposed terms of a business plan for Strathclyde Pension Fund Office for 2019/20, detailing performance objectives and development priorities

Internal audit – Review of gifts and hospitality noted.

18 There was submitted and noted a report by the Head of Audit and Inspection regarding the outcome of a review by internal audit in relation to gifts and hospitality arrangements within Strathclyde Pension Fund Office, advising of 5 recommendations for improvement that had been identified which were detailed in the report along with the planned management action.

Internal audit – Review of pension payroll process noted.

19 There was submitted and noted a report by the Head of Audit and Inspection regarding the outcome of a review by internal audit in relation to the pension payroll process within Strathclyde Pension Fund Office, advising of 5 recommendations for improvement that had been identified which were detailed in the report along with the planned management action.

Audit plan for 2019/20 noted.

20 There was submitted and noted a report by the Head of Audit and Inspection regarding the proposed terms of an internal audit plan for Strathclyde Pension Fund for 2019/20, detailing the expected direct and indirect audit outputs.

Strathclyde Pension Fund – Investment performance noted.

21 There was submitted and noted a report by the Director of Strathclyde Pension Fund advising of the investment performance of Strathclyde Pension Fund as at 31st December 2018.

Strathclyde Pension Fund – Portfolio summary noted.

22 The Board was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the portfolio summary of Strathclyde Pension Fund as at 31st January 2019.

Investment Advisory Panel – Outcome of meeting noted.

23 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the outcomes of the Investment Advisory Panel meeting held on 14th February 2019.

Responsible investment – Position noted.

24 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the responsible investment policies of Strathclyde Pension Fund, advising of

- (1) the activity for the period to 31st December 2018; and
- (2) the compliance of investment managers in implementing the Fund's policies.

Business plan 2018/19 - Progress noted.

25 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding the progress of the business plan for Strathclyde Pension Fund Office for 2018/19.

Annual Audit Plan for 2018/19 – Position noted.

26 There was submitted and noted a report by the Director of Strathclyde Pension Fund regarding Audit Scotland's Audit Plan for 2018/19 for Strathclyde Pension Fund.