

Pensions Audit Sub-Committee of the Pensions Committee

2.00pm, Tuesday 11 December 2018

Present

Sub-Committee Members:

Councillors Rose (Convener) and Child; John Anzani

Independent Professional Observer:

Andy McKinnell

1. Minutes

Decision

To approve the minute of the Pensions Audit Sub-Committee of the Pensions Committee of 25 September 2018 as a correct record.

2. Agenda Planning

An overview of planned reports for future Pensions Committee and Pensions Audit Sub-Committee meetings in March and June 2019 were outlined.

Decision

- 1) To note that arrangements had been made to hold an additional meeting of the Pensions Audit Sub-Committee on Tuesday 26 March 2019.
- 2) To otherwise note the agenda planning document and that Pension Board members were invited to comment on agenda items during Committee meetings.

(Reference – report by the Executive Director of Resources, submitted.)

3. EU Tax Claims and Other Income Tax Recoveries

Information was provided on EU and other special tax claims made on behalf of Lothian Pension Fund. During the period since the last report, no additional claims had been paid and the amount recovered to date remained at £1.3 million.

Progress on outstanding claims were set out in detail in the report. The main developments were:

- Legal success on the Manninen and Manufactured Overseas Dividend claims
- Appointment of a new provider to make additional tax recovery claims on a no win no fee basis
- Appointment of Deloitte to recover withholding tax on Taiwanese dividends.

Decision

To note the report.

(Reference – report by the Executive Director of Resources, submitted.)

4. Investment Income Review Cross Border Withholding Tax

Information was provided on a benchmarking study prepared by Deloitte into the effectiveness of the procedures in place to manage the tax exposure on the investment income of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

The report showed that Northern Trust was generally applying the correct withholding tax rates on investment income. Recovery claims were being processed and reclaims received. Deloitte had advised that the time taken seemed to be longer than the market standard for refunds particularly for Switzerland and Germany.

A summary of the opportunities and issues identified was provided.

Decision

- 1) To note the report.
- 2) To include an update on progressing tax recovery claims for the Fund in the next e-bulletin.

(Reference – report by the Executive Director of Resources, submitted.)

5. Global Custody Services Performance

An update was presented on the key performance indicator report for the 12 months ended 30 September 2018 provided by the Funds' custodian, Northern Trust.

The report highlighted that the indicator for Corporate Actions elected within deadline had remained red for the year. During the period there had been an improvement in the timeliness of receipt for the monthly asset valuation and financial reporting of the Fund. Previous delays had been caused in the production of final valuation reports due to queries raised by the Fund.

It had been concluded that Northern Trust's services were currently meeting the needs of the three Pension Funds.

Decision

To note the report.

(Reference – report by the Executive Director of Resources, submitted.)

6. Risk Management In Depth Review

The Sub-Committee agreed under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 8 and 11 of Part 1 of Schedule 7A of the Act.

The operational risk register and quarterly risk overview as at 31 October 2018 were presented.

Decision

- 1) To note the report.
- 2) To circulate the ICT scoping and viability document to members for information together with the interim report on ICT provision for review/comment prior to submission of the finalised report to the March meeting of the Committee.
- 3) To add further explanatory text in future reports to the risk on adverse movement against non-investment funding assumptions.

(Reference – report by the Executive Director of Resources, submitted.)