

Item 4.1 - Minutes

Pensions Committee

2.00 pm, Tuesday, 18 December 2012

Present

Councillor Child (Convener), Councillor Bill Cook, Alison Cosgrove, Darren May, Councillor Orr, Councillor Rankin and Councillor Rose.

Consultative Panel Members Present:

Guy Hughes and Eric Maclennan.

1. Minutes

The minute of the Pensions and Trusts Committee of 3 October 2012 was approved by the Council on 25 October 2012.

Decision

To note the minute of the Pensions and Trusts Committee of 3 October 2012.

2. Governance of Lothian Pension Funds and Appointment of Pensions Audit Sub-Committee

A summary of the governance arrangements of the Lothian Pension Funds was provided, in particular, detailing the revisions to the constitution of the Consultative Panel and seeking approval for a tailored code of conduct for the Committee and the Consultative Panel.

Approval was also sought for the appointment of the members of the Pensions Audit Sub-Committee which would undertake the audit scrutiny of the pension funds.

Decision

- 1) To note the external appointments to the Pensions Committee.

- 2) To approve the Code of Conduct for members of the Pensions Committee and the Lothian Pension Funds' Consultative Panel.
- 3) To appoint Councillors Cook, Orr and Rose to the Pensions Audit Sub-Committee.
- 4) To note the progress on appointing an independent observer.

(References – Act of Council No 5 of 22 November 2012; report by the Director of Corporate Governance, submitted.)

3. Annual Report on the 2011/12 Audit of the Lothian Pension Funds

Details were provided of Audit Scotland's annual report on the 2011/12 audit of the Lothian Pension Funds and the service's planned management actions in response to the risks raised.

Decision

- 1) To note the Annual Report on the 2011/12 Audit of the Lothian Pension Funds.
- 2) To note the action plan detailed in appendix B of the report by the Director of Corporate Governance and to note that updates on progress would be provided.

(Reference – report by the Director of Corporate Governance, submitted.)

4. Investment Benchmarks and Objectives

An update was provided on the detailed analysis of investment income and volatility, overall fund investment objectives and the implementation of the revised strategies. Approval was sought for the Funds' investment objectives for the new investment strategies.

The implications of the revised investment strategy in regard to resources were outlined and an additional resource in the alternatives investments area to improve the depth of experience in the Bonds area was proposed.

Decision

- 1) To agree the Funds' objectives as outlined in paragraph 2.5 of the Director of Corporate Governance's report.
- 2) To note the need for a long-term investment perspective and continuity and consistency in the internal investment team.

- 3) To approve the recruitment of a Portfolio Manager to assist with the implementation of the new investment strategies.

(Reference – Pensions and Trusts Committee 3 October 2012 (item 4); report by the Director of Corporate Governance, submitted.)

5. Environmental, Social and Governance Activity Update

An update was provided on the pension funds' activity on environmental, social and governance issues which could affect the financial performance of companies in which the funds invest. Details were also provided of the Local Authority Pension Fund Forum.

Decision

- 1) To note the report.
- 2) To endorse Councillor Cameron Rose's nomination to stand for re-election to the Local Authority Pension Fund Forum Executive and for the position of Chair.

(Reference – report by the Director of Corporate Governance, submitted.)

6. Class Actions

A class action was when an investor agreed to act as a lead plaintiff in a case against a company. Details were provided of the recent activity in regard to class actions which could affect the Lothian Pension Funds.

Decision

To note the report.

(Reference – report by the Director of Corporate Governance, submitted.)

7. Regulatory Update including Public Service Pensions Bill

An update was provided on pension regulations in particular covering the details of the Public Service Pensions Bill and its implications and the changes to the regulations affecting the administration of the Lothian Pension Fund.

Decision

To note the regulatory update in the report by the Director of Corporate Governance, the significant implications for the Lothian Pension Fund of the Public Service Pensions Bill and the tight timescales for implementation on a new Local Government Pension Scheme in Scotland.

(Reference – report by the Director of Corporate Governance, submitted.)

8. Service Plan 2012-2015

Progress against the objectives agreed in the 2012-15 Service Plan was outlined.

Decision

- 1) To note the progress made against the Service Plan.
- 2) To provide a further breakdown of the monthly sickness absence in terms of long and short term sickness.
- 3) To congratulate staff for winning the 'Fund of the Year under £750m' award at the Local Government Chronicle Investment Awards.

(Reference – report by the Director of Corporate Governance, submitted.)