

Item 4.1 - Minutes

Pensions Committee

2.30pm, Wednesday 25 March 2015

Present

Councillor Rankin (Convener), John Anzani, Councillor Child, Councillor Cook, Darren May, Councillor Orr and Councillor Rose

Consultative Panel Members Present:

Eric Adair, Helen Carter, Sharon Dalli, Eric MacLennan and Owen Murdoch

1. Minutes

Decision

To approve the minute of the Pensions Committee of 17 December 2014 as a correct record.

2. Funding Strategy Statement

(a) Deputation by Centre for the Moving Image and Festival City Theatres Trust

Ken Hay, Chief Executive (Centre of the Moving Image), Duncan Hendry, Chief Executive (Festival City Theatres Trust), Ian Dickson, Finance Director (Centre for the Moving Image) and Iain Ross, Finance Director (Festival City Theatres Trust) advised the Committee that the proposed funding strategy would discriminate against a group of charitable organisations and would lead to a significant impact on their ability to deliver their charitable objectives. The proposals would treat 27 Community Admission Bodies as high risk and would result in significant additional costs from April 2015 which in some cases could see employers' contributions quadrupling by 2017/18.

The deputation asked that the implementation of the funding strategy be postponed to allow for sufficient time for reconsideration of the approach, to consider alternatives with the City of Edinburgh Council, to commission an economic and social impact study and to meet formally with the group of affected small charitable employers.

(b) Report by the Director of Corporate Governance

Approval was sought for the revised Lothian Pension Funds' Funding Strategy Statement which had been reviewed as part of the actuarial valuation process. The review of the Funding Strategy Statement took into account the actuarial valuation results, consultation feedback from Fund employers, results of the review of the employer covenant, revised guidance from CIPFA and the forthcoming changes to the Local Government Pension Scheme.

Decision

- 1) The Pensions Committee notes the responses received as part of the consultation process.
- 2) Whilst fully endorsing the proposed funding strategy as a prudent measure to protect the interests of Lothian Pension Fund and its employers, Pensions Committee also recognises that the lower-risk investment contribution strategy may have significant cashflow implications. Accordingly, the revised Funding Strategy Statement is approved subject to the following paragraph being inserted into section 8.2:

“If there are specific circumstance where an employer may assert that the lower-risk funding strategy would place its future existence in jeopardy and therefore a less prudent funding strategy should prove advantageous to Lothian Pension Fund and the employer, then an appeal may be submitted to Lothian Pension Fund no later than 15 months after the date of the actuarial valuation. An appeal should include an alternative funding proposal recognising the need for the employer to meet their pension liabilities. Any such appeal would be considered by the Director of Corporate Governance in consultation with the Convener of the Pensions Committee, Convener of the Pensions Audit Sub-Committee and the Independent Professional Observer and the decision reported subsequently to the Pensions Committee. In order for any appeal to be upheld, support from any respective “aligned body” or guarantor would be required, together with approval of the Fund’s Actuary. Should such appeal be successful, then a revised “Rates and adjustments certificate” would be issued. Pending determination of any appeal, the actuarial valuation “Rates and adjustments certificate” would remain applicable.”

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

3. Agenda Planning

Details were provided of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings in June and September 2015.

Decision

To note the agenda planning document.

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

4. External Audit – Annual Audit Plan 2014-15

Audit Scotland, the external auditor, had outlined its planned programme of work to support the statutory audit in 2014/15.

A representative from Audit Scotland attended for this item.

Decision

- 1) To note the Annual Audit Plan 2014-15, as submitted by Audit Scotland.
- 2) To note the formal reliance placed on the work of Internal Audit.
- 3) To note that suitable provision had been made in the approved budget 2014-15 for the audit fee.
- 4) To note that progress against the Annual Audit Plan 2014-15 would be reported to future meetings of the Pensions Audit Sub-Committee and the Pensions Committee.

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

5. Internal Audit Plan for 2015-16

Details were provided of the planned Internal Audit activities for the financial year 2015/16 which had been designed to focus on the key areas of risk faced by the Pension Fund.

Decision

To note the planned audit activity for 2015/16.

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

6. Pension Fund Governance

On 17 December 2014 the Pensions Committee had approved the governance documentation in respect to the new arrangements set to commence on 1 April 2015. Since then the 2015 regulations have been finalised and an update was provided on these developments.

Discussion focussed on the arrangements for appointing the union membership of the Pension Board. It was noted that officers would liaise with Unison to ensure there was clarity on this matter.

Decision

- 1) To note the updates in the report by the Director of Corporate Governance in relation to the implementation of the new governance arrangements by City of Edinburgh Council for the pension funds that it administers.

- 2) To note the updates to the Pension Board Constitution, Nomination and Appointments Procedure and the Training and Attendance Policy.
- 3) To note the appointments of the Member and Employer Representatives as full members of the Committee by the Council on 12 March 2015 and the need for Council to endorse the appointment of Richard Lamont as the Employer Representative, with Darren May instead taking up the position as an employer member on the Pension Board.
- 4) To note that Gary Cross of UNITE had withdrawn his application for the Pension Board and to approve the appointment of the membership of the Pension Board as otherwise set out in the report, and delegate authority to the Director of Corporate Governance to appoint the union members.
- 5) To note the cessation of the Consultative Panel with effect from 31 March 2015 and to thank its members for their significant contributions to the Funds' governance.

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

7. Reform of the Local Government Pension Scheme in Scotland and Regulatory Update (excluding Governance)

An update was provided on progress in implementing a new Local Government Pension Scheme in Scotland from 1 April 2015. Approval was also sought for the Administering Authority (Discretions) Policy Statement which had been updated to include discretions required under the new Scheme.

Decision

- 1) To note the report.
- 2) To approve the Administering Authority (discretions) Policy Statement, as shown at appendix 1 of the Director of Corporate Governance's report and delegate authority to the Director of Corporate Governance to amend section 36 of the policy (transfers) once the national position was clear.

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

8. 2014 Actuarial Valuation for Lothian Pension Fund

The Lothian Pension Fund was required by law to undertake an actuarial valuation every three years. Details were provided of the actuarial valuation of the Lothian Pension Fund on data as at 31 March 2014.

Decision

- 1) To note the results of the 2014 Actuarial Valuation report for the Lothian Pension Fund.
- 2) To agree the investment of an index-linked government bond portfolio alongside the core investment strategy of Lothian Pension Fund, representing the share of assets for certain employers for whom a different investment strategy was to be implemented.

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

9. 2014 Actuarial Valuation for Lothian Buses Pension Fund

The Lothian Buses Pension Fund is required by law to undertake an actuarial valuation every three years. Details were provided of the actuarial valuation of the Lothian Buses Pension Fund on data as at 31 March 2014.

Decision

To note the 2014 actuarial valuation for the Lothian Buses Pension Fund.

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

10. 2015-2018 Service Plan and Budget

Approval was sought for the Service Plan 2015-18 and the budget for 2015-16. The Service Plan included details of the pension fund's key challenges.

Decision

- 1) To approve the Service Plan 2015-2018 and the budget for 2015-16, together with provision of requisite financing to the investment special purpose vehicles.
- 2) To note the indicative budgets for years 2016-17 and 2017-18.

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

11. Internal Investment Controls and FCA Update

A summary was provided of the key matters in relation to the investment controls and the development of the in-house operations.

Decision

To note the progress made in relation to referring its internal controls and in establishing a Financial Conduct Authority (FCA) authorised structure.

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

12. Update on Employers Participating in Lothian Pension Fund

An update was provided on employers who were currently looking to join or leave the Fund and other matters affecting employers participating in the Fund.

Decision

To note the changes to the employers participating in Lothian Pension Fund.

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

13. Overpayment of Pension

Approval was sought not to pursue recovery of an overpayment of pension, which arose on the death of a pensioner.

Decision

To not pursue the recovery of an overpayment of pension amounting to £6,033.45.

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

14. 2014-2017 Service Plan Update

An update was provided on the progress against performance indicators and key actions required to enable the Fund to meet its key objectives.

Decision

To note the progress of the Fund against the 2014-2017 Service Plan.

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

15. Risk Management

A summary was provided on the Lothian Pensions Fund's risk management procedures, including details on the operational risk register and quarterly risk overview.

Decision

To note the Quarterly Risk Overview.

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