

Item 4.1 - Minutes

Pensions Committee

2.30pm, Wednesday 24 June 2015

Present

Councillor Rankin (Convener), John Anzani, Councillor Child, Councillor Cook, Richard Lamont and Councillor Rose

Pensions Board Members Present:

Eric Adair, Jim Anderson, Thomas Carr-Pollock, Darren May, Linda McDonald, John Rodgers, Rucelle Soutar, Graham Turnbull and Catrina Warren.

In attendance:

Councillor Booth

1. Statement of Investment Principles

(a) Deputation by Friends of the Earth Scotland

Ric Lander, Finance Spokesperson for Friends of the Earth Scotland requested that the Lothian Pension Fund should consider further responsible investments and exclude investment in irresponsible companies. Fund beneficiaries should also be consulted on environmental, social and governance standards so as to allow for their views to be incorporated into a revised Statement of Principles.

In response to concerns over the fiduciary duties of committee members, it was highlighted that when considering investments, board and committee members' first responsibility was to ensure the long term interests of fund beneficiaries, and companies that were irresponsible could be damaging financially in the long term.

(b) Report by the Director of Corporate Governance

The City of Edinburgh Council on 12 March 2015 had requested a report on the potential impact to the Funds of divesting in fossil fuels. The potential impact was outlined as was a revised Statement of Investment Principles.

Councillor Booth attended and spoke on the matter, in his capacity as the mover of the original motion at the Council.

Gordon Bagot, Independent Adviser, attended to assist in the consideration of this item.

Decision

- 1) To agree the importance of understanding the risks of environmental, social and governance factors and their impact on the funds' investments.
- 2) To note the significant analysis undertaken by officers to investigate the impact of potential disinvestment from fossil fuels and the recent training on the subject undertaken by Committee.
- 3) To agree that the funds' investment managers should incorporate a wide range of issues affecting risk and return into decision making, including consideration of environmental, social and governance issues.
- 4) To instruct the Director of Corporate Governance to continue to ensure that the funds' investment managers continue to take environmental, social and governance factors into account.
- 5) To agree that the funds should, subject to confidentiality issues, publish details of its investments (including sustainable investments) on its website.
- 6) To note the potential impact of divestment from fossil fuels.
- 7) To adopt the revised Statement of Investment Principles.

(Reference – Act of Council 15 of 12 March 2015; report by the Director of Corporate Governance, submitted.)

2. Minutes

Decision

To approve the minute of the Pensions Committee of 25 March 2015 as a correct record.

3. Considerations and matters to be raised by the Pensions Board regarding any items on the agenda

Decision

To note that no issues were raised.

4. Referrals and recommendations from the Pensions Audit Sub-Committee

Councillor Rose advised the Committee of the discussion and decisions taken at the Pensions Audit Sub-Committee the previous day.

Decision

To note the update.

5. Agenda Planning

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

Decision

To note the agenda planning document.

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

6. Appointments – Pensions Audit Sub-Committee

Appointments were sought for the membership of the Pensions Audit Sub-Committee.

Decision

- 1) To appoint Councillors Bill Cook, Orr and Rose as members of the Pensions Audit Sub-Committee.
- 2) To appoint Councillor Rose as the Convener of the Pensions Audit Sub-Committee.
- 3) To note that Eric Adair and Catrina Warren had been appointed as the Pensions Board's observer representatives to the Pensions Audit Sub-Committee.

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

7. Funding Strategy – Employer Appeals and Cessations

14 of the 27 employers affected by the decision of the Pensions Committee to allow certain employers the right to appeal against the funding strategy had notified of their intention to appeal and the progress of these would be reported to the Pensions Committee.

Decision

- 1) To note the update on funding appeals including the communication to, and engagement with employers, the update on the progress of appeals; and the cessation of membership of the Lothian Pension Fund of two other employers with effect from 31 March 2015.

- 2) To note that the basis for cessation valuation was being debated across the UK Local Government Pensions Scheme.

(Reference – Pensions Committee 25 March 2015 (Item 2); report by the Director of Corporate Governance, submitted.)

8. Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2015 (& Accounts) Unaudited

The Unaudited Annual Report for the year ended 31 March 2015 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund was provided.

Decision

- 1) To note the Unaudited Annual Report for the year ended 31 March 2015 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.
- 2) To add further information to the Annual Report regarding the actuarial valuation and the option for employers to appeal.

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

9. Investment Strategy Panel Activity

An update was provided on the activity of the Investment Strategy Panel which had focussed on the implementation of the investment strategies for the three pension funds. The Panel also oversees the performance and asset allocation of the investments.

Gordon Bagot, Independent Adviser, attended to assist in the consideration of this item.

Decision

To note the activities of the Investment Strategy Panel during the financial year 2014/15.

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

10. Annual Investment Update – Lothian Pension Fund

An update was provided on the investments and funding position of the Lothian Pension Fund to 31 March 2015. The Fund had produced a return of 16.5% over the year.

Decision

To note the performance, funding update and asset allocation of the Lothian Pension Fund.

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

11. Annual investment Update – Lothian Buses Pension Fund

An update was provided on the investments and funding position of the Lothian Buses Pension Fund to 31 March 2015. The Fund had produced a return of 15.1% over the year.

Decision

To note the performance, funding update and asset allocation of the Lothian Buses Pension Fund.

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

12. Annual Investment Update – Scottish Homes Pension Fund

An update was provided on the investments and funding position of the Scottish Homes Pension Fund to 31 March 2015. The Fund had produced a return of 19.7% over the year.

Decision

To note the performance, funding update and asset allocation of the Scottish Homes Pension Fund.

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

13. Risk Management Summary

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.)