

Item 4.1 - Minutes

Pensions Committee

2.00pm, Monday 16 December 2015

Present

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

Pensions Board Members Present:

Eric Adair, Jim Anderson, Thomas Carr-Pollock, Darren May, Linda McDonald, Jim Rodgers and Catrina Warren

1. Minutes

Decision

To approve the minute of the Pensions Committee of 16 November 2015 as a correct record.

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

An issue was raised regarding the late arrival of the committee papers and that this did not provide sufficient time for Pension Board members to properly scrutinise the papers.

Decision

To note the concerns raised by the Board regarding the late circulation of hard copies of the papers and to ask that all efforts are made to minimise the risk of this happening in the future

3. 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.

4. Agenda Planning

Details were provided of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings in March and June 2016.

Decision

To note the agenda planning document.

(Reference – report by the Deputy Chief Executive, submitted.)

5. Lothian Pension Fund – Investment Strategy Review and Update

An update was provided on the investments of the Lothian Pension Fund to 30 September 2015 and the outcome of the recent review of strategy undertaken by the Investment Strategy Panel.

Decision

- 1) To note the investment update of strategy implementation and performance.
- 2) To agree that progress towards the investment strategy for 2012-17 should continue.
- 3) To note the recent Investment Strategy Panel discussion reviewing benchmarks, in particular for the Alternative investments with the decision to retain the existing benchmark of RPI +3.5%.

(Reference – report by the Deputy Chief Executive, submitted.)

6. Lothian Buses Pension Fund – Investment Strategy Review Update

An update was provided on the investments and the investment strategy review of the Lothian Buses Pension Fund.

Decision

To note the investment update and the progress of the investment strategy review of the Lothian Buses Pension Fund.

(Reference – report by the Deputy Chief Executive, submitted.)

7. Scottish Homes Pension Fund – Investment Strategy Review and Update

An update was provided on the investments of the Scottish Homes Pension Fund and the outcome of the recent review of strategy undertaken by the Investment Strategy Panel.

Decision

To note the update on discussions with the Scottish Government on funding options, and the investment strategy review, investment performance, funding level and asset allocation of the Scottish Homes Pension Fund.

(Reference – report by the Deputy Chief Executive, submitted.)

8. Investment Controls and Compliance

Details were provided of the key matters in relation to investment controls and the development of the in-house investment operations. These matters were investment controls, Financial Conduct Authority authorisation, investment pooling and wider financial services regulation.

Decision

- 1) To note the progress made in relation to implementing the recommendations of the external consultant, the establishment of a Financial Conduct Authority authorised structure, the Fund's involvement in the investment pooling discussions and the potential impact of new financial service regulation on the Fund.
- 2) To note that a briefing would be arranged on investment pooling.

(Reference – report by the Deputy Chief Executive, submitted.)

9. Pension Fund Cost Benchmarking

Details were provided of the benchmarking of investment for Lothian Pension Fund and pension administration costs for Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

Decision

- 1) To note the report.
- 2) To note that CEM Investment Benchmarking Analysis 2014 and the CIPFA Pensions Administration Benchmarking 2015 comparator reports had been provided, on a confidential basis, to the Convener of the Pensions Committee, Convener of the Pensions Audit Sub-Committee and the Independent Professional Observer.

(Reference – report by the Deputy Chief Executive, submitted.)

10. Environmental Social and Governance Activity Report Update (including class actions)

An annual update was provided on the activity of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund in regard to environmental, social and governance issues. In addition, the Funds' class action activity was detailed.

Decision

- 1) To note the report.
- 2) To endorse Councillor Rose's nomination to stand for re-election to the Local Authority Pension Fund Forum (LAPFF) Executive and also for the position of Vice Chair at the January 2016 AGM.

(Reference – report by the Deputy Chief Executive, submitted.)

Declaration of Interest

Richard Lamont declared a non-financial interest in the above item as a friend of the Chief Executive of Hermes Equity Services.

11. Service Plan Update

An update was provided on progress against the 2015-18 Service Plan, performance indicators and the key actions of the Fund.

Decision

- 1) To note the progress of the Fund against the 2015-2018 Service Plan.
- 2) To note the Fund's change to the customer care service standard for paying retirement lump sums.

(Reference – report by the Deputy Chief Executive, submitted.)

12. Communications Policy and Pensions Administration Strategy Update

The Lothian Pension Fund, as a result of the Local Government Pension Scheme, is required to formulate and publish a statement setting out its policy on communicating with certain key stakeholders. Details were also provided of the Pensions Administration Strategy which had been reviewed for regulatory changes and to further enhance data quality and service standards.

Decision

- 1) To approve the Communications Policy as attached in Appendix 1 to the Deputy Chief Executive's report.

- 2) To note that the Fund had consulted with employers on the proposed changes to the Pensions Administration Strategy.
- 3) To approve the revised Pensions Administration Strategy as attached in appendix 2 of the Deputy Chief Executive's report subject to an error referencing a piece of legislation being amended and fines not being applied in the first year to those employer members who provide their year-end contribution information by the end of April. The deadline though should remain 19 April.

(Reference – report by the Deputy Chief Executive, submitted.)

13. Risk Management Summary

An overview of the pension funds' risk analysis for quarter 3 of 2015/16 was provided.

Decision

To note the Quarterly Risk Overview.

(Reference – report by the Deputy Chief Executive, submitted.)