

Item 4.1 Minutes

Pensions Committee

2.00pm, Tuesday 15 March 2016

Present

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

Pensions Board Members Present:

Eric Adair, Jim Anderson, Thomas Carr-Pollock, Darren May, John Rodgers and Rucelle Soutar.

Minutes

Decision

- 1) To approve the minute of the Pensions Committee of 16 December 2016 as a correct record.
- 2) To note Sarah Smart's appointment as a non-executive director on the board of the Pensions Regulator (TPR)

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

Decision

To note that no issues were raised by the Pensions Board regarding any items of the agenda.

3. Agenda Planning

Details were provided of potential reports for future meetings of the Pensions Committee and Pensions Audit Sub Committee.

Decision.

To note the agenda planning document.

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

4. External Audit – Annual Audit Plan 2015-16

Audit Scotland, the external auditor, had outlined its planned programme of work to support the statutory audit in 2015/16.

A representative from Audit Scotland attended for this item.

Decision

- 1) To note the formal reliance placed on the work of Internal Audit.

- 2) To note that suitable provision had been made in the approved budget 2015-16 for the audit fee.
- 3) To note that progress against the Annual Audit Plan 2015-16 would be reported to future meetings of the Pensions Audit Sub-Committee and the Pensions Committee.

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

5. Investment Strategy Review - Lothian Buses Pension Fund

The Lothian Buses Pension Fund's Investment Strategy 2012-17 is being implemented gradually, with a reduction in the equity weighting accompanied by an increased allocation to index-linked gilts and alternative investments. Approval was sought for a revised investment strategy which aims to reduce risk further, over the next 5 years.

Decision

- 1) To note the outcome of the review of investment strategy for the Lothian Buses Pension Fund undertaken by the Investment Strategy Panel.
- 2) To approve the revised investment strategy for the Lothian Buses Pension Fund.
- 3) To agree that the option for Lothian Buses Pension Fund to be merged into Lothian Pension Fund, and the most appropriate timing, is explored further in consultation with stakeholders. (Reference – report by the Acting Executive Director of Resources, submitted.)

6. Investment Strategy Review - Scottish Homes Pension Fund

Details were provided on the review of the investment strategy of the Scottish Homes Pension Fund. The resulting proposals had been submitted to the Scottish Government for discussion.

Decision

- 1) To note progress on the review of the Scottish Homes Pension Fund investment and funding strategy which proposes:
 - To change the agreement which governs the funding and investment for the Fund.
 - To remove the direct link between the funding level of the Fund at the date of the triennial actuarial valuation and the contributions required from the Scottish Government.
 - To introduce a more flexible, income focussed investment strategy to reduce the current requirement for regular asset sales.
 - To provide a longer-term projection of Scottish Government contributions at the time of the actuarial valuation.
- 2) To approve that the Acting Executive Director of Resources concludes an updated funding agreement with Scottish Government accordingly, in consultation with the Actuary, Investment Strategy Panel and Convener of the Pensions Committee.

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

7. Governance Update

Details were provided on the rotation of the Pension Board chair and training activities over 2015/16.

Decision

- 1) To note Eric Adair's contribution as the first chair of the Pension Board.
- 2) To note that Jim Anderson was the newly appointed chair of the Pension Board effective from 1 April 2016 to 31 March 2017. To note the training hours over 2015/16.

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

8. Appointments – Pensions Audit Sub-Committee

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

Decision

- 1) To appoint Councillors Cook, Orr and Rose as members of the Pensions Audit Sub-Committee subject to confirmation of their appointment as members of the Pensions Committee at the meeting of the City of Edinburgh Council on 2 June 2016.
- 2) To appoint Councillor Rose as Convener of the Pensions Audit Sub-Committee.

(Reference – report by the Chief Executive)

9. Internal Audit – Annual Audit Plan 2016-17

Details were provided of the planned Internal Audit activities for the financial year 2016/17 which had been developed using a risk based methodology to ensure that assurance activity is focussed on the key areas of risk faced by the Fund.

Decision

To note the planned audit activity for the year 2016/17

(Reference – report by the Chief Internal Auditor)

10. Appointment of Providers

Details were provided on the appointment of providers for services to the pension fund and approval was sought to extend the contracts with Hermes Equity Ownership (for stewardship services) and State Street (for investment services to the Scottish Homes Pension Fund)

Decision

- 1) To note the appointment of the providers for the pension funds.
- 2) To agree to the extension of the contract with Hermes Equity Ownership until March 2017.
- 3) To agree the extension of the contract with State Street to March 2017.

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

11. 2015-2018 Service Plan Update

Details were provided on progress against the 2015 – 2018 Service Plan, performance indicators and the key actions to enable the Fund to meet its four key objectives, Customer First, Honest and Transparent, Working Together; and Forward Thinking.

Decision

To note the progress of the Fund against the 2015 – 2018 Service Plan.

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

12. 2016-2018 Service Plan and Budget

Approval was sought for the Service Plan 2016-18 and the budget for 2016-17. The Service Plan included details of the pension fund's key challenges.

Decision

- 1) To approve the two-year Service Plan for 2016-2018.
- 2) To approve the budget for 2016-2017.
- 3) To note the indicative budget for 2017-2018.

13. Employers Participating in the Lothian Pension Fund and updates to the Funding Strategy Statement

Details were provided of Employers who are currently looking to join the Fund, those leaving the Fund, current matters affecting employers participating in the Fund and The Fund's revised Funding Strategy Statement.

Decision

- 1) To note the changes to the employers participating in Lothian Pension Fund.
- 2) To note the change to the Funding Strategy Statement.

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

14. Risk Management Summary

An overview of the pension funds' risk analysis for quarter 4 of 2015/16 was provided.

Decision

To notes the Quarterly Risk Overview

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

15. Resolution to consider in private

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following items of business on the grounds that they involved the disclosure of exempt information as defined in Paragraph 6 of Schedule 7(A) of the Act.

16. Employers cessation and update on appeals against Funding Strategy, Actuarial Valuation 2014

Details were provided of cessation valuations recently carried out in respect of employers that had left the Fund and steps taken in relation to repayment of cessation debt.

Decision

- 1) To note that following the November 2015 meeting of the Pensions Committee, actuarial advice had been taken and that a revised 'Rates and adjustments certificate' had been issued by the Fund Actuary and circulated to employers.
- 2) To note that appropriate follow-up actions had been undertaken by Lothian Pension Fund as agreed at the November 2015 meeting.
- 3) To note that the Fund would pursue securitisation of assets to improve employer covenant.

(Reference – Pensions Committee 16 November 2015 (item 4); report by the Acting Executive Director of Resources, submitted.)

17. Investment Workshop

Details were provided the UK Governments policy of effective collaboration of LGPS funds in England and Wales regarding the pooling of their investments. Approval was sought to explore the potential for investment collaboration.

Decision

Detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

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