

# Minutes

## Pensions Committee

**2.00pm, Monday 28 September 2016**

**Present:**

Councillors Rankin (Convener), Child and Orr; John Anzani and Richard Lamont.

**Pensions Board Members Present:**

Eric Adair, Jim Anderson, Sharon Dali, Thomas Carr-Pollock, John Rodgers, Paul Ritchie and Alan Williamson.

### **1. Declaration of Interest**

---

Councillor Orr declared a general non-financial interest as a director (treasurer) of Friends of the Earth Scotland.

Councillor Rankin declared a general non-financial interest as a director of LPFE.

### **2. Deputation: Divest Lothian**

---

The Committee agreed to hear a deputation from Matthew Crighton, a campaign organiser for Divest Lothian.

Mr Crighton stressed the importance of taking environmental and social governance issues into consideration when evaluating investment opportunities. The future wellbeing of pension fund members was considered to be under serious threat from climate change caused by the burning of fossil fuels, of which the Lothian Pensions Fund was an investor. Investment in fossil fuel companies was becoming increasingly risky and overvalued. There was therefore a need to consider other investment opportunities which could drive a shift to a cleaner more stable, low carbon economy.

**Decision**

The Convener thanked the deputation for their presentation and invited them to remain for the Committee's consideration of the report by the Acting Executive Director of Resources at item 3 below.

### 3. Fiduciary Duty

---

The Committee was asked to note that the Scheme Advisory Board (SAB) of the Scottish Local Government Pension Scheme had sought a legal report and opinion regarding Pension Committees in Scotland exercising their fiduciary duty (the Opinion). The Opinion had now been shared with the eleven Scottish administering authorities, together with guidance from the SAB, and sent to the Scottish Ministers for information.

#### Decision

- 1) To note the Legal Opinion and Report on Fiduciary Duty (Opinion) and the guidance from the Scheme Advisory Board (SAB) and its importance in investing pension fund monies.
- 2) To note that the Opinion and guidance from the SAB reaffirmed the present approach taken by the Committee in exercising its fiduciary duty generally and as regards its investment strategy.
- 3) To refer the report by the Acting Executive Director of Resources to the Corporate Policy and Strategy Committee of the City of Edinburgh Council.
- 4) To agree that a report on the Fund's engagement with companies on environmental, social and governance issues would be considered at a future meeting of the Pensions Committee.

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

### 4. Minutes

---

#### Decision

To approve the minute of the Pensions Committee of 27 June 2016 as a correct record.

### 5. Referrals and Recommendations from Pensions Audit Sub Committee

---

Councillor Orr advised the Committee of the discussions and decisions taken at the Pensions Audit Sub-Committee on 27 September 2016.

#### Decision

To note the update.

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

---

#### Decision

To note the issues raised by the Pensions Board.

### 7. Agenda Planning

---

Details were provided of potential reports for future meetings of the Pensions Committee and Pensions Audit Sub-Committee meetings in December 2016 and March 2017.

## **Decision.**

To note the agenda planning document.

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

### **8. Audited Annual Report 2016 of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund Annual Report 2016 (and Financial Statements) Unaudited Accounts**

---

Audit Scotland had undertaken its statutory audit of the Annual Report 2016 of the three pension funds administered by the City of Edinburgh Council. The Accounts showed that the Lothian Pension Fund valuation had increased over the year by 6.4% to £5,434 million and Lothian Buses Pension Fund had increased by 2.2% to £394.4 million. The Scottish Homes Pension Fund had decreased by 2.9% to £150.3 million.

Approval was sought for the annual report and to refer it to the Council for information. The referral to the Council was considered best practice given the Council's statutory role as administering authority of the Lothian Pension Funds.

A representative from Audit Scotland was present for this item.

## **Decision**

- 1) To note the “Audit Scotland 2015/16 annual audit report to Members and the Controller of Audit” attached at Appendix 1 to the report by the Acting Executive Director of Resources.
- 2) To approve the audited Annual Report for the year ended 31 March 2016 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund attached at Appendix 2 to the report by the Acting Executive Director of Resources.
- 3) To communicate, to the Chartered Institute of Public Finance and Accountancy (CIPFA), Audit Scotland and the Scheme Advisory Board (of the Local Government Pension Scheme in Scotland), the Committee's concerns with the relaxation of the principle of full cost transparency of investment management fees, as explicit in CIPFA's revised guidance “Accounting for Local Government Pension Scheme Management Costs”, dated March 2016.
- 4) To refer the report by the Acting Executive Director of Resources, for information, to the City of Edinburgh Council, in its role as administering authority of the Pension Funds.

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

## 9. Annual Report on LPFE Limited and LPFI Limited

---

Further to the establishment of LPFE Limited and LPFI Limited, as wholly owned and controlled subsidiaries of the City of Edinburgh Council an update on the business and operation of those entities was provided.

### Decision

- 1) To note that the remit of the Pensions Audit Sub-Committee had been amended by Council to include scrutiny of the Council companies associated with the pension fund.
- 2) To note the LPFE Limited annual accounts and the updates on LPFE and LPFI provided in the report by the Acting Executive Director of Resources.

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

## 10. Update on Governance

---

Approval was sought for changes to the Pension Board Constitution and the Attendance and Training Policy. Approval was also sought for the appointment of three new employer representatives to the Pension Board.

### Decision

- 1) To approve the Constitutional Updates.
- 2) To note and ratify the recent appointment of three new employer representatives to the Pension Board and the contribution of previous employer representatives, Linda Macdonald and Rucelle Soutar.

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

## 11. Funding Update and Preparation for 2017 Actuarial Valuation

---

The Committee was asked to approve the continued use of the Contribution Stability Mechanism (CSM) for long-term secure employers within Lothian Pension Fund for the 2017 actuarial valuation. An update on the funding positions for Lothian Buses Pension Fund and Scottish Homes Pension Fund was also provided.

### Decision

- 1) To approve the continued use of the Contribution Stability Mechanism (CSM) for long-term secure employers within Lothian Pension Fund for the 2017 actuarial valuation.
- 2) To note the advice from the Actuary to review the Contribution Stability Mechanism at the 2020 actuarial valuation.
- 3) To note the updated funding positions for the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.
- 4) To note that greater oversight and scrutiny of pension funding plans by Scottish Ministers is expected and this could influence the approach to the 2017 actuarial valuation.

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

## **12. Employers Participating in Lothian Pensions Fund**

---

An update was provided on employers who were looking to join the fund, those employers leaving 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 Acting Executive Director of Resources, submitted.)

## **13. 2016–2018 Service Plan Update**

---

Details were provided on progress against the 2016–2018 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 2016 – 2018 Service Plan.

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

## **14. Risk Management Summary**

---

A summary was provided on the Lothian Pension 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 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. Collaboration Update**

---

An update concerning the approach taken regarding investment collaboration with other LGPS funds was provided.

### **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.)

## **17. Employers leaving Lothian Pension Fund – Update on Age Scotland**

---

An update on attempts made to recover payment of the cessation debt in respect of Age Scotland, a former Fund employer, was provided.

### **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.)