

Minutes

Pensions Committee

2.00pm, Monday 20 March 2017

Present:

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

Pension Board Members Present:

Eric Adair, Jim Anderson, Sharon Dali, Thomas Carr-Pollock, Paul Ritchie, Darren May, Catrina Warren and Alan Williamson.

1. Minutes

Decision

To approve the minute of the meeting of 06 December 2016 as a correct record, subject to including Richard Lamont as a member of the Pensions Committee.

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

Decision

To agree to consider issues raised by the Pension Board as each agenda item is considered.

3. Agenda Planning

Details were provided of potential reports for future meetings of the Pensions Committee and Pensions Audit Sub-Committee including meetings in June 2017 and September 2017.

Decision.

To note the agenda planning document.

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

4. Internal Audit Plan for 2017/18

Details were provided of the planned Internal Audit activities for the financial year 2017/18 which had been developed using a risk based methodology to ensure that assurance activity was focussed on the key areas of risk faced by the Fund.

Decision

To note the planned audit activity for the year 2017/18

(Reference – report by the Chief Internal Auditor, submitted.)

5. External Audit – Annual Audit Plan for 2016-17

The external auditor outlined its planned programme of work to support the statutory audit in 2016/17.

Representatives from Scott Moncrieff 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 2016-17 for the audit fee.
- 3) To note that there was sufficient separation between Scott Moncrieff's payroll, taxation advisory and audit services, and that it did not affect the firm's ability to provide an independent audit.
- 4) To approve the continuation of non-audit services of payroll and taxation advice provided by the company's external auditor to the LPF Group.
- 5) To note that progress against the Annual Audit Plan 2016-17 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.)

6. Governance Update

Details were provided on various governance issues including on the rotation of the Pension Board chair and training activities over 2016/17.

Decision

- 1) To note the verbal update from the Pension Board regarding Darren May, the newly appointed Chair of the Pension Board effective from 1 April 2017 to 31 March 2018.

- 2) To thank Jim Anderson for his significant contribution during his tenure as the Chair of the Pension Board and to thank John Rodgers and Graeme Turnbull for their contribution to the Pension Board
- 3) To note the nominations for the non-elected members of the Pensions Committee Richard Lamont (employer representatives) and John Anzani (employee representative).
- 4) To note the update regarding the Pension Board insurance liability.
- 5) To note the update on the recent petition.
- 6) To note the recent release of the report on the Scottish Government's governance review, that it would be circulated to the Committee and that an update regarding the its impact on the Fund would be considered by the Committee later in 2017.
- 7) To note the Accounts Commission's Local Government Pensions supplement overview prepared by Audit Scotland.
- 8) To note the Pension Board's concern that investigations on insurance had not been fruitful and that this would be explored further.

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

7. Lothian Pension Fund Staffing

Approval was sought for the pension fund staff, who are currently employed by the City of Edinburgh Council, to be transferred to LPFE Limited subject to the appropriate consultation with staff and trades unions and any legal and risk analysis being concluded to the Executive Director of Resources' satisfaction.

Decision

To agree that the remaining pension fund staff would be transferred to LPFE Limited subject to the appropriate consultation with staff and trades unions and any legal and risk analysis being concluded to the Executive Director of Resources' satisfaction.

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

8. Investment Controls and Compliance

A summary was provided of the key matters in relation to investment controls and the development of the in-house investment operations, including, investment controls, Financial Conduct Authority (FCA) compliance and wider financial services regulation.

Decision

- 1) To note the update on ongoing compliance, monitoring and other initiatives in relation to potentially enhancing investment controls in relation to the current activity of the LPF group and also with future collaboration in mind.
- 2) To agree that the LPFI Non-Executive Director would be invited to the next meeting of the Pensions Audit Committee.
- 3) To agree that a review of the process undertaken on the first club deal would be reported to the Pensions Audit Committee.

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

9. Additional Voluntary Contributions (AVC) - administration service

Concerns had arisen regarding the administrative performance of both AVC providers to the Fund, Standard Life and Prudential. The concerns have been raised with the companies and both had stated their commitment to progress solutions.

Decision

- 1) To note the administrative concerns in respect of the AVC service provision and that these had been raised by the Fund directly with the Standard Life and Prudential.
- 2) To note that Standard Life had committed “to work with” the Fund “to resolve the issues” and that, similarly, Prudential had stated its attention to expedite solutions.
- 3) To note that, at present, in light of the recent assurances received, the Fund does not intend to raise the issue of contribution monitoring with the Pensions Regulator.
- 4) To note that such delivery of AVC contribution monitoring and UFPLS service provision would be reviewed by the Fund and a further update provided to Committee in September 2017.

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

10. Employers Participating in Lothian Pension Fund

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 review of employer covenant which will be used in the review of the Funding Strategy Statement.

Decision

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

Declaration of interest

Eric Adair declared a non-financial interest in this item as Finance Director and employee of EDI.

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

11. 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 being made against the Service Plan 2016-2018.

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

12. Budget for 2017/18

Approval was sought for the budget for 2017/18, the indicative budget for 2018/19 was also provided.

Decision

- 1) To approve the budget for 2017/2018.
- 2) To note the indicative budget for 2018/2019.

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

13. Risk Management Summary

An overview of the pension funds' ongoing risk management procedures was provided.

Decision

To note the Quarterly Risk Overview.

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

14. 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 Paragraphs 1 and 6 of Schedule 7(A) of the Act.

15. Collaboration Update

An update concerning the approach taken regarding 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.)

16. Employers Leaving Lothian Pension Fund

An update regarding attempts made to recover payment of the cessation debt in respect of employers who have left the Fund 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. LPFE Remuneration Strategy

The remuneration strategy regarding staff employed by LPFE Limited and the proposed remuneration for the Chief Executive was outlined.

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.)