

Item 4.1 - Minutes

Pensions Committee

11.00am, Wednesday 27 September 2017

Present:

Councillors Rankin (Convener), Child, McVey, Miller and Rose; John Anzani and Richard Lamont.

Pension Board Members Present:

Jim Anderson, Sharon Dali, Diane Hogarth, Thomas Carr-Pollock, Darren May, Catrina Warren and Alan Williamson.

1. 'We call on the City of Edinburgh Council to do everything within its powers and remit to require that Lothian Pensions Trust divest from all investments concerning arms manufacture'

(a) Deputation – Edinburgh Peace and Justice Centre and Edinburgh Campaign Against Arms Trade

The Committee agreed to hear a deputation from Mark Bittel and Melanie Scott on behalf of Edinburgh Campaign Against Arms Trade and Helen Skulina who received a pension from Lothian Pension Fund.

The deputation requested that the Pensions Committee agree that a strategy be developed over the next two years to divest from companies involved in the arms trade, and that this strategy would explore alternative investments which would contribute to the social good such as affordable housing and renewable energy. They sought evidence that the strategy of engagement with companies that the Fund was invested in, produced corporate change particularly in the realm of companies that manufactured weapons and participated in the arms trade.

They asked for a commitment to be made within the next year to commission an independent survey of Lothian Pension Fund members concerning their consent or not of investment in the weapons trade. Finally, they requested that a full discussion be undertaken at a meeting of the City of Edinburgh Council within a year.

(b) Referral from the Petitions Committee

The Petitions Committee had considered the petition 'We call on the City of Edinburgh Council to do everything within its powers and remit to require that

Lothian Pensions Trust divest from all investments concerning arms manufacture'. The Committee had referred the petition to the Pensions Committee for consideration.

Decision

- 1) To thank the deputation for their presentation.
- 2) To write to the deputation to summarise the debate and the points that had been raised by the Committee.
- 3) To note that the Stewardship and Engagement report would be considered at the December Pensions Committee.

(References – Petitions Committee, 30 March 2017 (item 4(b)); report by the Petitions Committee, submitted.)

2. Minutes

Decision

To approve the minutes of the Pensions Committee of 20 March 2017 as a correct record.

3. Referrals/recommendations from Pensions Audit Sub-Committee

Councillor Rose advised the Committee of the discussion and decisions taken at the Pensions Audit Sub-Committee on 26 September 2017.

Decision

To note the update and that Councillor Rose would raise any specific issues as each agenda item was considered.

(Minute of Pensions Audit Sub-Committee Committee 26 September 2017)

4. 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 was considered.

5. Agenda Planning

Details were provided of potential reports for future meetings of the Pensions Committee and Pensions Audit Sub-Committee including meetings in December 2017 and March 2018.

Decision.

To note the agenda planning document.

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

6. Statement of Investment Principles

The revised Statement of Investment Principles (SIP) for Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund was presented. This replaced the SIP that had been agreed by the Pensions Committee in June 2016.

Decision

- 1) To adopt the revised Statement of Investment Principles.
- 2) To hold a training session to cover the issues raised by Committee members in relation to an introductory statement of beliefs and the wording of section 6 'Responsible Investment' with a view to possible inclusion in a future version of the statement.

(References – Pensions Committee, 27 June 2016 (item 7); report by the Executive Director of Resources, submitted.)

7. 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 and the internal team had looked at restructuring and reducing the equity exposure, increasing the allocation to alternative investments, researching bond-related investments and making changes to Scottish Homes Pension Fund in line with its funding approach.

Decision

To note the activities of the Investment Strategy Panel during the financial year 2016/17.

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

8. Annual Investment Update – Lothian Pension Fund

An update was provided on the investments and funding position of the Lothian Pension Fund to 31 March 2017. The Fund had produced a return of 21.7% over the year.

Decision

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

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

9. 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 2017. The Fund had produced a return of 23.7% over the year.

Decision

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

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

10. 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 2017. The Fund had produced a return of 18.9% over the year.

Decision

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

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

11. Audited Annual Report 2017 of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund, including Annual Report by External Auditor

The Audited Annual Report for the year ended 31 March 2017 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund was provided. The unaudited Annual Report had been considered by the external auditor Scott-Moncrieff and their annual report to Members and the Controller of Audit was

presented. The audited financial statement for the wholly-owned companies LPFE Limited and LPFI Limited were also provided.

Councillor Rose reported that the Pensions Audit Sub-Committee had discussed the revised Chartered Institute of Finance and Accountancy guidance. The Sub-Committee had recommended that the Pensions Committee note that the Pension Funds meet CIPFA guidance and provided a level of transparency beyond what was required.

A representatives from Scott-Moncrieff was present for this item.

Decision

- 1) To note the report by Scott-Moncrieff “Lothian Pension Funds 2016/17 Annual Audit Report to Members and the Controller of Audit” as detailed in Appendix 1 to the report by the Executive Director of Resources.
- 2) To approve the audited Annual Report for the year ended 31 March 2017 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund as detailed in Appendix 2 to the report by the Executive Director of Resources.
- 3) To note that the audited financial statements, for the year ended 31 March 2017, of both the wholly-owned companies, LPFE Limited and LPFI Limited, were approved by the respective Board of Directors in June 2017 as detailed in Appendix 3 and Appendix 4 to the report by the Executive Director of Resources.
- 4) To note that Scott-Moncrieff had made no comment in respect of the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance “Accounting for Local Government Pension Scheme Management Costs”, as revised in June 2016, and its failure to reflect full transparency of investment management fees, specifically through “fund of fund arrangements”.
- 5) To note that the Pension Funds meet CIPFA guidance providing a level of transparency beyond what was required.
- 6) To refer the report by the Executive Director of Resources, to the City of Edinburgh Council, in its role as administering authority of the Pension Funds.

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

12. Actuarial Valuation 2017

An update was provided on preparations for the actuarial valuation as at 31 March 2017. This included responses from employers to the consultation on proposed changes to the Funding Strategy Statement which was issued in July 2017.

Decision

- 1) To note the update on preparations for the actuarial valuation as at 31 March 2017.
- 2) To note the responses by employers to the consultation on proposed changes to the Funding Strategy Statement, which was issued in July 2017.
- 3) To adopt the proposed changes as the Fund progressed the 2017 actuarial valuations over the coming months.

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

13. Employers Participating in Lothian Pension Fund

An update was provided on current matters affecting employers participating in the Fund. The number of employers leaving the fund and efforts made to recover exit payment was highlighted.

Decision

- 1) To note the changes in the employers participating in Lothian Pension Fund.
- 2) To note the Fund's proposed action in relation to pensioners who were in receipt of compensation following an award of additional membership on retirement.

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

Declaration of Interests

Councillor McVey declared a non-financial interest in the above item as a member of the Management Committee of the Citadel Youth Centre.

14. Lothian Pension Fund Staffing Update

An update was provided on arrangements to transfer the remaining pension fund staff to LPFE Limited. Consultation with staff and trade unions was in progress with a proposed transfer date of 31 October 2017.

Decision

To note the report by the Executive Director of Resources.

(References – Pensions Committee, 20 March 2017 (item 7); report by the Executive Director of Resources, submitted.)

15. Service Plan Update

Progress against the 2016-2018 Service Plan, performance indicators and the key actions to enable the Fund to meet its four key objectives was detailed. Overall progress was being made against the service plan objectives with all but one of the performance indicators meeting the target so far for 2017/18. An underspend was projected for the financial year. An update was provided regarding the Additional Voluntary Contributions (AVC) administration service.

The Committee was asked to consider whether the services of an Independent Professional Observer would be required after February 2018.

Decision

- 1) To note the progress of the Fund against the 2016-18 Service Plan.
- 2) To note the update on the Additional Voluntary Contributions (AVCs) funds' administration service.
- 3) To agree that the services of an Independent Professional Observer would be required after February 2018 and to tender for this role.

(References – Pensions Committee, 20 March 2017 (item 9); report by the Executive Director of Resources, submitted.)

Declaration of Interests

Sarah Smart (Independent Professional Observer) declared a financial interest in the above item as the current Independent Professional Observer and left the room during consideration of the item.

16. Overpayment of Pension

Approval was sought not to pursue recovery of overpayment of pensions.

Decision

- 1) To note that the report by the Executive Director of Resources was considered by the Pensions Audit Sub-Committee on 26 September 2017.
- 2) To agree not to pursue recovery of overpayment of pension totally £34,563.21.

(References – Pensions Audit Sub-Committee, 26 September 2017 (item 6); report by the Executive Director of Resources, submitted.)

17. Risk Management Summary

An overview was provided of the Lothian Pension Fund's risk analysis and the material risks facing the Fund.

Decision

To note the Quarterly Risk Overview.

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

18. 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 6 and 9 of Schedule 7(A) of the Act.

19. Employers leaving Lothian Pension Fund and related issues

An update regarding attempts made to recover payment of cessation debt in respect of employers who had left the Fund and non-payment of strain on fund costs was provided.

Decision

To note the progress made by the Fund in engaging with employers to recover cessation debts and strain costs.

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

20. Fiduciary Duty and Procurement Policy

Approval was sought to deviate from the Council's standard procurement approach in respect of the tender process for services for the pension funds due to the fiduciary duty owed to its members and employers.

Decision

To deviate from the Council's standard procurement process as detailed in the report by the Executive Director of Resources in order to act in the best interests of its members and employers, and in accordance with its statutory fiduciary duty, provided always that both Community Benefits and Fair Working Practice considerations were borne in mind at the outset of any procurement process to the extent that they would not have an adverse impact on the Fund's stakeholders.

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