

Item 4.1 - Minutes

Pensions Committee

10.00am, Monday 24 June 2013

Present

Councillor Child (Convener), Councillor Bill Cook, Darren May, Councillor Orr, Councillor Rankin and Councillor Rose.

Consultative Panel Members Present:

Charlie Boyd and Eric MacLennan.

1. Minutes

Decision

To approve the minute of the Pensions Committee of 13 March 2013 as a correct record.

2. Lothian Pension Funds Annual Report 2013 Unaudited

Approval was sought for the unaudited Annual Report for the year ended 31 March 2013 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.

The Lothian Pension fund valuation was £4,094.6m, the Lothian Buses Pension Fund was £311.9m and the Scottish Homes Pension Fund valuation was £140.1m.

Decision

To approve the unaudited Lothian Pension Funds' Annual Report for the year ended 31 March 2013.

(Reference –report by the Director of Corporate Governance, submitted.)

3. Investment Strategy Panel Terms of Reference

Approval was sought for the Terms of Reference for the Investment Strategy Panel. The Panel oversees investments and the internal team, and advises the Director of Corporate Governance on the investments of the pension funds.

Decision

To approve the Terms of Reference of the Investment Strategy Panel.

(Reference – report by the Director of Corporate Governance, submitted.)

4. Investment and Funding Update – Lothian Buses Pension Fund

An update was provided on the investments and funding position of the Lothian Pension Fund to 31 March 2013.

Decision

To note the performance, funding level and asset allocation of the Lothian Pension Fund at 31 March 2013.

(Reference – report by the Director of Corporate Governance, submitted.)

5. Investment and Funding Update – Lothian Buses Pension Fund

An update was provided on the investments and funding position of the Lothian Buses Pension Fund to 31 March 2013.

Decision

To note the performance, funding level and asset allocation of the Lothian Buses Pension Fund at 31 March 2013.

(Reference – report by the Director of Corporate Governance, submitted.)

6. Annual Investment and Funding Update – Scottish Homes Pension Fund

An update was provided on the investments and funding position of the Scottish Homes Pension Fund to 31 March 2013.

Decision

- 1) To note the performance, funding level and asset allocation of the Scottish Homes Pension Fund at 31 March 2013.

- 2) To note that the Convener of the Pensions Committee and the Director of Corporate Governance would write to the Scottish Government expressing their concerns and the need for further dialogue on funding.

(Reference – report by the Director of Corporate Governance, submitted.)

7. Statement of Investment Principles

The Funds' revised Statement of Investment Principles was outlined. This was a requirement of the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010.

Decision

To adopt the revised Statement of Investment Principles.

(Reference – report by the Director of Corporate Governance, submitted.)

8. Risk Management

Recent developments in the approach to risk management were outlined. These included refining the risk register to include more operational detail and highlighting significant risks to the Committee and the Pensions Audit Sub-Committee.

Decision

To note that the Investment and Pensions division would continue to refine and implement the Operational Risk Register and provide the Committee and the Pensions Audit Sub-Committee in future with a risk summary.

(Reference – report by the Director of Corporate Governance, submitted.)

9. Collective Procurement and Appointment of Provider

Details were provided on the use of shared procurement frameworks and Lothian Pension Fund's approach to utilising these frameworks. Information was also outlined on the search for a specialist investment software system to allow comprehensive quantitative screening and back-testing of potential investment strategies.

Decision

- 1) To note the efforts to undertake collective procurement.
- 2) To note the appointment of FactSet for the provision of specialised investment software.

(Reference – report by the Director of Corporate Governance, submitted.)

10. Individual Member Transfers

Pensions Funds and the public had been warned by the Pension Regulator, HM Revenue and Customs, the Financial Conduct Authority and the Serious Fraud Office on the dangers of those seeking to encourage members of pension funds to transfer their funds to the detriment of the member. In some cases this involved unlawful 'liberation fraud' which involved the release of sums accrued in breach of the relevant rules.

Decision

- 1) To note the increasing incidences of potential liberation fraud and that the officers were putting in place appropriate procedures to ensure that the Members were aware of this risk and that the exercise of discretion in approving any such transfers was done on as informed a basis as possible..
- 2) To request that the Director of Corporate Governance undertakes analysis on the persons targeted by 'liberation fraud' and that the information was provided to Committee members.

(Reference – report by the Director of Corporate Governance, submitted.)

11. Reform of the Local Government Pension Scheme in Scotland and Regulatory Update

An update was provided on the Public Service Pensions Act 2013, the reform of the Local Government Pension Scheme in England and Wales, progress towards scheme specific regulations for Scotland and the Pension Bill 2013 proposal on flat rate state pensions.

Decision

To note the regulatory update, the significant implications for the Lothian Pension Fund and Lothian Buses Pension Fund of the Public Service Pensions Act 2013 and the tight timescales for the implementation of a new Local Government Pension Scheme in Scotland.

(Reference – report by the Director of Corporate Governance, submitted.)

12. Committee and Consultative Panel Training

Details were provided of the recent training undertaken by the Pensions Committee and the Consultative Panel.

Decision

To note the attendance record in the context of the training policy minimum for Committee members of three days training per year.

(Reference – report by the Director of Corporate Governance, submitted.)

13. Independent Professional Observer Objectives

Approval was sought for the objectives of the Independent Professional Observer following a series of one-to-one meetings with members of the Pensions Committee.

Decision

To approve the objectives for the role of Independent Professional Observer as outlined in the report by the Director of Corporate Governance subject to the following amendments:

- a) To amend the first bullet point in objective 4 to read:- ‘ To inform rather than dominate Committee discussions and highlight areas of particular interest so members have a greater understanding of the implications of Committee decisions.’
- b) To add that the Consultative Panel would also be assisted by the IPO.
- c) That the IPO would encourage plain English in officer reports to Committee and the Consultative Panel.

(Reference – report by the Director of Corporate Governance, submitted.)