

Pensions Committee

2.30pm, Wednesday 17 December 2014

Present

Councillor Rankin (Convener), John Anzani, Councillor Child, Councillor Cook, Councillor Orr and Councillor Rose

Consultative Panel Members Present:

Helen Carter, Eric MacLennan, Owen Murdoch and John Rodgers

1. Minutes

Decision

To approve the minute of the Pensions Committee of 23 September 2014 as a correct record.

2. Referrals and Recommendations from the Audit Sub-Committee

Councillor Rose advised the Committee of the discussion and decisions taken at the Pensions Audit Sub-Committee the previous day.

Decision

To note the update.

(Reference – Pensions Audit Sub-Committee, 16 December 2014.)

3. Agenda Planning

Details were provided of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings in March and June 2015.

Decision

To endorse the recommendation of the Pensions Audit Sub-Committee that in future:

- i) EU tax claims reports should be considered only by the Sub-Committee.
- ii) Reports on class actions should be incorporated into the Environmental Social and Governance reports and only reported to the main committee and not the Sub-Committee.

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

4. Consultative Panel and Pensions Committee Membership

Due to the upcoming changes to the Fund's governance arrangements in April 2015 the Consultative Panel's nominated members to the Committee had been extended to 1 April 2015.

Decision

To note the extension of the appointment of the two current external members, John Anzani and Darren May, to the Pensions Committee until 1 April 2015.

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

5. Report by the External Auditor on the Annual Report 2014 of Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund

The annual report from Audit Scotland on the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund was provided.

The corresponding management actions in response to the identified issues or risks were also considered.

A representative from Audit Scotland attended for this item.

Decision

- 1) To note the Annual Report on the 2013/14 audit of the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.
- 2) To note the Action Plan at appendix 2 of the external auditor's report and seek appropriate updates on progress.
- 3) To agree that the plans for internal and external audit were developed in consultation with the Convener of the Pensions Audit Sub-Committee prior to consideration by the Pensions Committee in March 2015.

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

6. New Scheme Update (Governance)

Due to the implementation on 1 April 2015 of the Public Services Pensions Act 2013 and the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014, changes were required to the governance of the pension funds. Approval was sought for the relevant governance documentation.

The Committee discussed each of the documents individually and a vote was taken on the number of members making up the Pensions Board

Motion

That the membership of the Pension Board should comprise of four employer and four employee members

- Moved by Councillor Rose, seconded by Councillor Orr

Amendment

That the membership of the Pension Board should comprise of five employer and five employee members

- Moved by Councillor Rankin, seconded by Councillor Child

Voting

The voting was as follows:

For the Motion – 2 votes

For the Amendment – 4 Votes

Decision

- 1) To note the Lothian Pension Fund response to the draft 2014 Regulations.
- 2) To approve the Nomination Procedure for external members of the Pensions Committee and members of the Pension Board subject to:
 - i) Amending paragraph 1.5 to include the Convener of the Pensions Committee and a senior officer of the Scheme Manager in the Review Panel.
 - ii) Amending paragraphs 1.6 and 3.5 to state that ‘in the event of a tied vote, a nomination or appointment will be made by drawing lots.’
- 3) To approve the constitution for the Lothian Pension Fund Pension Board subject to:
 - i) Amending paragraph 4.2 to state that ‘the quorum of the Board will be four (comprising at least two employer and two employee members).’
 - ii) Amending paragraph 5.2 to clarify that it is not only the Chair of the Pensions Board who can speak at the meeting.
- 4) To agree that the membership of the Pension Board should comprise of five employer and five employee members.
- 5) To approve the updated Training Policy for the Pensions Committee and Pension Board subject to amending paragraph 3.1 to require that members of the Pensions Board must attend a minimum of two of its four quarterly meetings.
- 6) To use the word ‘substitute’ in place of ‘alternates’ throughout the documents.

- 7) To agree that the Director of Corporate Governance in consultation with the Convener is authorised to approve, on behalf of the Committee, any changes to the Constitution, Nomination Procedure or Training Policy required to address (a) subsequent amendments to the 2014 Regulations (b) any changes that may be deemed necessary for the purposes of satisfying the requirements of the 2014 Regulations, the 2013 Act and/or the Council's own requirements and/or (c) necessary improvements or other amendments to resolve any errors or ambiguities .
- 8) To refer the report to the City of Edinburgh Council for information.
(Reference – report by the Director of Corporate Governance, submitted.)

7. Reform of the Local Government Pension Scheme in Scotland and Regulatory Update (excluding Governance)

An update was provided on progress in implementing a new Local Government Pension Scheme in Scotland from 1 April 2015.

Decision

To note the report.

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

8. Pension Fund Cost Benchmarking

A report benchmarking investment costs and pension administration costs had highlighted that Lothian Pension Fund's investment costs were low compared to the global peer group and that administration costs were within the expected range, although higher than the selected local authority peer group.

Decision

- 1) To note the report.
- 2) To note that the CEM Investment Benchmarking Analysis and the CIPFA (Chartered Institute of Public Finance and Accountancy) Pensions Administration Benchmarking 2014 comparator reports had been provided, on a confidential basis, to the Convener of the Pensions Committee, Convener of the Pensions Audit Sub-Committee and the Independent Professional Observer.

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

9. Scottish Homes Pension Fund – 2014 Actuarial Valuation and Investment Strategy

An update was provided on the actuarial valuation for the Scottish Homes Pension Fund. Approval was also sought for a revised investment strategy for the Fund.

Decision

- 1) To approve the 2014 actuarial valuation for the Scottish Homes Pension Fund.
- 2) To note that the funding level of the Scottish Homes Pension Fund at 31 March 2014 was 88.8% and that Scottish Government would pay contributions of £675,000 per annum to the Fund for three years starting from April 2015.
- 3) To approve the revised investment strategy for the Fund as detailed in paragraph 3.12 of the Director of Corporate Governance's report.

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

10. EU Tax Claims

A summary was provided of the activity on EU tax claims made on behalf of Lothian Pension Fund. A further £207.2k had been settled since the previous update.

Decision

To note the progress made in reclaiming EU taxes suffered on dividends.

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

11. Environmental Social and Governance Activity Update

An update was provided on recent activity on environmental, social and governance issues.

The Local Authority Pension Fund Forum was established in 1990 and promotes the long term interests of local authority pension funds and aims to maximise their influence.

Decision

- 1) To note the report.
- 2) To endorse Councillor Cameron Rose's nomination to stand for re-election to the Local Authority Pension Fund Forum (LAPFF) Executive and for the position of Vice Chair, at the January 2015 AGM.

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

12. Class Actions

A class action was when an investor agreed to act as a lead plaintiff in a case against a company. Details were provided of the recent activity in regard to class actions which

could affect the Lothian Pension Funds. The numbers of class actions had reduced recently and were expected to continue to reduce as a result of a court ruling in 2010.

Decision

To note the update on class actions.

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

13. Service Plan Update 2014-2017

An update was provided on the progress against performance indicators and key actions required to enable the Fund to meet its key objectives.

Decision

To note the progress of the Fund against the 2014-2017 Service Plan.

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

14. Risk Management

A summary was provided on the Lothian Pensions 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 Director of Corporate Governance, submitted.)