

Pensions Committee

2.00pm, Wednesday 26 September 2018

Present:

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

Pension Board Members Present:

Jim Anderson, Thomas Carr-Pollock, Sharon Cowie, Sharon Dalli, Tom Howarth, Darren May, Tony Pearson and Brian Robertson.

Independent Professional Observer:

Andy McKinnell

1. Minutes

Decision

To approve the minute of the Pensions Committee of 27 June 2018 as a correct record.

2. Referrals/recommendations from the Pensions Audit Sub-Committee

Councillor Rose advised the Committee of the discussion and decisions taken at the Pensions Audit Sub-Committee meeting on 25 September 2018.

Decision

To note the updates in relation to Pensions Data Quality and Fraud Prevention and that Councillor Rose would raise any specific issues as each agenda item was considered.

(Reference – Minute of Pensions Audit Sub-Committee Committee, 25 September 2018)

3. Agenda Planning

Details were provided of potential reports for future meetings of the Pensions Committee and Pensions Audit Sub-Committee including meetings in December 2018 and March 2019.

Decision

- 1) To note the agenda planning document.
- 2) To agree that as part of the investment strategy review, to consider more frequent reporting from the Investment Strategy Panel to the Committee.

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

4. Audited Annual Report 2018 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 2018 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.

Decision

- 1) To note the report by Scott-Moncrieff “Lothian Pension Funds 2017/18 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 note the audited Annual Report for the year ended 31 March 2018 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 2018, of both the wholly-owned companies, LPFE Limited and LPFI Limited, were approved by the respective Board of Directors in May 2018 as detailed in Appendix 3 and Appendix 4 to the report by the Executive Director of Resources.

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

5. Annual Report on LPFE Limited and LPFI Limited

In support of the administration of the pension funds that it administered, an update on the business and operation of LPFE Limited and LPFI Limited was provided.

Motion

To note the business update on the operations of LPFE Limited and LPFI Limited.

- moved by Councillor Rankin, seconded by John Anzani

Amendment

- 1) To note the business update on the operations of LPFE Limited and LPFI Limited.
- 2) To request the circulation of LPFE and LPFI Board minutes to members of the Pension Board and Pension Committee for information.

- moved by Councillor Miller, seconded by Councillor Neil Ross

Voting

For the motion - 5 votes

For the amendment - 2 votes

(For the motion – Councillors Child, Rankin and Rose; John Anzani and Richard Lamont.

For the amendment – Councillors Miller and Neil Ross.)

Decision

To approve the motion by Councillor Rankin.

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

6. Webcasting

At its meeting of 3 May 2018, the Council had agreed that webcasting services should be offered to the Pensions Committee should it wish to begin webcasting its meetings. Details were provided on the aspects considered in relation to the introduction of webcasting.

Motion

To agree not to webcast meetings as the Committee considered its current practices, including the involvement of the Pension Board, to be open and transparent and relevant for the pension fund's stakeholders.

- moved by Councillor Rankin, seconded by John Anzani

Amendment

- 1) To note that Pensions Committee meetings were held in public.
- 2) To note that the City of Edinburgh Council had offered to provide webcasting of the meeting and which would allow pension fund members and employers to watch Committee meetings remotely.
- 3) To accept the offer of webcasting and to instruct officers to liaise with Committee Services on a plan for introducing the service, including support and training for all members of the Board and Committee to enable smooth transition.

- moved by Councillor Miller, seconded by Councillor Ross

Voting

For the motion - 6 votes

For the amendment - 1 vote

(For the motion – Councillors Child, Rankin, Rose and Neil Ross; John Anzani and Richard Lamont.

For the amendment – Councillor Miller.)

Decision

To approve the motion by Councillor Rankin.

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

7. Appointments of Providers

The Committee was required to be informed of appointments and to approve various contracts with providers for services to the pension fund. The appointment of an Independent Professional Observer had been made and approval was sought for the award of contracts for an investment front office software system and actuarial services.

Decision

- 1) To note the contract for an Independent Professional Observer for the Lothian Pension Fund that had been awarded to Andy McKinnell Limited.
- 2) To approve the contract for the delivery of an 'Investment Front Office Software system' to Charles River Development (subject to agreement regarding mutually acceptable terms and conditions); together with requisite approval of the both the additional capital budget in 2018/19 of £43,000 and future years' additional annual revenue budget of £346,000, with £80,000 being in respect of 2018/19, as detailed at paragraph 5.2 of the report by the Executive Director of Resources.
- 3) To approve the contract for Actuarial Services for the Lothian Pension Fund to Hymans Robertson LLP.
- 4) To note the delay in the procurement process for Stewardship services and that, in the interim, the current contract had been extended to 30 June 2019.

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

8. Irrecoverable Overpayment of Pensions – Decisions Made under Delegated Authority

Delegated authority had been granted to the Executive Director of Resources to write-off pension overpayments up to £3,000, in certain circumstances. Details were given of pension overpayments that had been deemed irrecoverable during the period 1 September 2017 to 31 August 2018.

Decision

To note that the total value of pension overpayments written off between 1 September 2017 and 31 August 2018 was £1,860.33.

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

9. 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 to the employers participating in Lothian Pension Fund.
- 2) To agree to amend the Funds' Funding Strategy Statement in line with revised Scheme Regulations as outlined in paragraphs 3.10 and 3.12 of the report by the Executive Director of Resources.
- 3) To amend the wording in the Funding Strategy Statement to read "Where a cessation valuation identifies that an employer is in surplus on the low risk funding basis, as appropriate, this surplus will be returned to the employer."

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

10. 2018/2020 Service Plan Update

Progress against the 2018-2020 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 the majority of the performance indicators meeting the target so far for 2018/19. An underspend was projected for the financial year.

Decision

To note the progress of the Fund against the 2018-20 Service Plan.

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

11. Risk Management Summary

A summary was provided of the Lothian Pension Fund's risk management procedures, including details on the operational risk register and the Fund's action to mitigate these risks.

Decision

To note the Quarterly Risk Overview.

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

12. ICT Update

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 8 and 11 of Schedule 7(A) of the Act.

An update was provided on work being undertaken to improve ICT platform systems and service provision.

Decision

To note the report.

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

13. Employers Leaving Lothian Pension Fund

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 8 and 11 of Schedule 7(A) of the Act.

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

As detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

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

Declarations of interest

Councillor Child declared a non-financial interest as a Director of Edinburgh World Heritage Trust.

John Anzani declared a non-financial interest as he had recently met with a friend who was a senior member of staff at one of the employers mentioned in the report.

14. Collaboration Update

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 8 and 11 of Schedule 7(A) of the Act.

An update was provided on investment collaboration work which was being progressed with other Local Government Pension Scheme funds.

Decision

As detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

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

15. Scheme Advisory Board Consultation Response

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 8 and 11 of Schedule 7(A) of the Act.

The Scheme Advisory Board was carrying out a consultation on the structure of the Scottish Local Government Pension Scheme. The Lothian Pension Fund's proposed interim response was presented to the Committee for approval.

Decision

- 1) To approve the Fund's interim response to the Scheme Advisory Board's consultation on the structure of the Scottish LGPS.
- 2) To note that the Fund would engage with employers and trade unions over the coming months and gather further feedback.
- 3) To note that the final response would be considered by the Pensions Committee on 12 December 2018.
- 4) To agree that information on investments would be included in the final response.
- 3) To note the Chief Executive Officer's undertaking to include the points discussed at the meeting in the final response.

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

16. Lothian Pension Fund Staffing Update

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 8 and 11 of Schedule 7(A) of the Act.

A transfer of pension fund staff to LPFE Limited had been completed on 1 February 2018 and a comprehensive review of policies, procedures and practices had been undertaken.

Decision

As detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

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