

Pensions Committee

2.00pm, Wednesday 12 December 2018

Present:

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

Pension Board Members Present:

Jim Anderson, Thomas Carr-Pollock, Sharon Cowie, Sharon Dalli and Alan Williamson.

Independent Professional Observer:

Andy McKinnell

1. Minutes

Decision

To approve the minute of the Pensions Committee of 26 September 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 11 December 2018.

Decision

- 1) To note that it was planned to schedule an additional meeting of the Pensions Audit Sub-Committee in March 2019 to consider and examine the outcomes of the internal audit reporting.
- 2) To note the updates in relation to EU Tax Claims and Other Recoveries and that Councillor Rose would raise any specific issues as each agenda item was considered.

(Reference – Minute of Pensions Audit Sub-Committee Committee, 11 December 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 arrangements set out in the report.
- 2) To note that the Pension Board members were invited to comment on agenda items during Committee meetings.

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

4. Governance Update – Revised Pension Board Constitution

Approval was sought to amend the Pension Board constitution to allow the tenure of the Pension Board Chair to be extended by one further year (a continuous tenure of two years) when required.

Approval was also sought to amend the term “Chairman” to “Chair” throughout the Pension Board constitution.

Decision

- 1) To approve the amendment to the Pension Board constitution to allow the tenure of the Pension Board Chair to be extended by one further year when required.
- 2) To approve the amendment of the term “Chairman” to “Chair” throughout the Pension Board constitution.

(References – Pension Board 26 March 2018; report by the Executive Director of Resources, submitted)

5. Lothian Pension Fund Investment Strategy

The conclusions of the review of the investment strategy of the Lothian Pension Fund were submitted. The proposed strategy remained broadly unchanged from the current strategy. However, it was proposed to monitor the impact of bond yields on the funding level. Opportunities to reduce risk should be considered if bond yields and funding levels increased significantly.

Approval was sought for the investment strategy for the next five years.

Motion

To agree the amendments to the Investment Strategy as outlined in paragraphs 3.24 to 3.26 of the report.

- moved by Councillor Rankin, seconded by John Anzani

Amendment

- 1) To agree the amendments to the Investment Strategy as outlined in paragraphs 3.24 to 3.26 of the report.

- 2) To request a report or briefing, as appropriate, on:
 - (a) cash flow findings by Fund's Actuary as outlined at paragraph 3.28 of the report; and
 - (b) the change of bond yields that would signal the Joint Investment Strategy Panel to implement these recommendations.

- moved by Councillor Miller, seconded by Councillor Neil Ross

Voting

For the motion - 5 votes

For the amendment - 1 vote

(For the motion – Councillors 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.)

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.

Information was also provided on the governance arrangements for the implementation of the strategy and the assurances provided.

The Pensions Committee had previously agreed to consider more frequent reporting from the Joint Investment Strategy Panel. Any additional reporting should be focused on greater assurance on governance and/or long term outcomes.

Decision

To adopt the revised Statement of Investment Principles.

(References – Pensions Committee 26 September 2018 (item 3); report by the Executive Director of Resources, submitted)

7. Scheme Advisory Board Consultation Response

In June 2018, the Scottish LGPS Scheme Advisory Board's Consultation on Structure was launched which set out the following four options for the future of the Scottish LGPS:

- retain the current structure of 11 Scottish Local Government Pension Scheme Funds
- promote greater co-operation in administration and investing between the 11 Funds

- pool investments between the 11 Funds
- merge the 11 Funds into one or more new Funds.

The purpose of the review was to determine whether the long-term interests of scheme members and employers could be served better by changing the current structure.

The interim proposed response by Lothian Pension Fund to Scottish LGPS Scheme Advisory Board's Consultation on Structure was submitted.

Decision

To approve the Fund's response to the Scheme Advisory Board's consultation on the structure of the Scottish Local Government Pension Scheme.

(References – Pensions Committee 26 September 2018 (item 15); report by the Executive Director of Resources, submitted.)

8. Stewardship and Engagement

An annual update was presented on activity of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund in relation to the stewardship of the assets of the Funds, including the approach to environmental, social and governance issues.

A summary was also provided of the Principles for Responsible Investment (PRI) assessment and feedback for 2018.

Motion

- 1) To note the report.
 - 2) To agree to continue to monitor governance arrangements at the Local Authority Pension Fund Forum.
- moved by Councillor Rankin, seconded by John Anzani

Amendment 1

- 1) To note the report.
 - 2) To agree to continue to monitor governance arrangements at the Local Authority Pension Fund Forum.
 - 3) To request a report or briefing, as appropriate, on:
 - impact of voting and engagement undertaken
 - action plans to improve stewardship and engagement
 - evaluation of implementing CalPERS method of measurement
 - evaluation of PRI Inevitable Policy Response to Climate Change recommendations for investors.
- moved by Councillor Miller, seconded by Councillor Neil Ross

Amendment 2

- 1) To note the report.
 - 2) To agree to continue to monitor governance arrangements at the Local Authority Pension Fund Forum.
 - 3) To call for a report on the Environment, Social and Governance (ESG) policies with further action plans as appropriate.
- moved by Councillor Rose, seconded by Richard Lamont

Voting

For the motion	-	2 votes
For Amendment 1	-	2 votes
For Amendment 2	-	2 votes

(For the motion – Councillor Rankin and John Anzani.
For Amendment 1 – Councillors Miller and Neil Ross.
For Amendment 2 – Councillor Rose and Richard Lamont.)

In terms of Standing Order 23.4, there being an equal number of votes cast for each proposal, the Convener used his casting vote to determine that Amendment 2 should be dropped and a second vote was taken between the motion and Amendment 1.

Voting

For the motion	-	4 votes
For Amendment 1	-	2 votes

(For the motion – Councillors Rankin and Rose; John Anzani and Richard Lamont.
For Amendment 1 – Councillors Miller and Neil Ross.)

Decision

To approve the motion by Councillor Rankin.

(References – Pensions Committee 12 December 2017 (item 4); report by the Executive Director of Resources, submitted.)

9. 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. All three Funds' expenditure cashflows were anticipated to continue to exceed cashflow income.

Decision

To note the progress of the Fund against the 2018-2020 Service Plan.

(References – Pensions Committee 26 September 2018 (item 10); report by the Executive Director of Resources, submitted.)

10. Risk Management Summary

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

Councillor Rose advised that the full risk register had been considered by the Pensions Audit Sub-Committee at its meeting on 11 December 2018. The Sub-Committee had agreed that the interim report on ICT would be circulated to members for review prior to submission of the full report being submitted to its March meeting.

Decision

To note the Quarterly Risk Overview.

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

11. Investment Collaboration Update – Shared Service Cost Apportionment

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.

(References – Pensions Committee 26 September 2018 (item 14); report by the Executive Director of Resources, submitted.)