

Minutes

Pensions Committee

2.00pm, Wednesday 27 March 2019

Present:

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

Pension Board Members Present:

Jim Anderson, Thomas Carr-Pollock, Sharon Cowle, Sharon Dali, Tom Howarth, Darren May.

Independent Professional Observer:

Andy McKinnell

1. Valedictory Remarks

The Committee recorded its thanks and appreciation to Clare Scott who was retiring from the Lothian Pension Fund for her leadership and commitment to the ongoing work and governance of the Fund during her tenure as Chief Executive Officer.

2. Minutes

Decision

To approve the minute of the Pensions Committee of 12 December 2018 as a correct record.

3. Agenda Planning

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

Decision

- 1) To note the agenda planning arrangements set out in the report.
- 2) To note that the Pensions Audit Sub-Committee previously arranged for 26 March 2019 had been cancelled and that the internal audit reports would be considered at the June meeting.
- 3) To note that the Pension Board members were invited to comment on agenda items during Committee meetings.

- 4) To agree that the draft ICT report and draft Investment Control report be shared with members of the Audit Sub-Committee for review and comment in advance of their issue for the June Pensions Committee.

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

4. Audit Plans (External)

The External Auditor presented a summary of the work plan for the 2018/19 external audit of Lothian Pension Fund, Lothian Buses Pension Fund and the Scottish Homes Pension Fund.

Core elements of the work included:

- An audit of the 2018/19 annual report and accounts and related matters
- A review of the Funds' arrangements for governance and transparency, financial management, financial sustainability and value for money
- Any other work requested by Audit Scotland.

Decision

- 1) To note the planned programme of work to support the statutory audit 2018/19 as set out in Appendix 1 "Scott-Moncrieff Annual Audit Plan 2018-19".
- 2) To note that provision had been made in the approved budget 2018-19 for the audit fee.
- 3) To note that progress against the Annual Audit Plan 2018-19 would be reported to future meetings of the Pensions Audit Sub-Committee and the Committee.

(Reference – report by Scott Moncrieff, External Auditor, submitted)

5. Lothian Pension Fund – Proposed Internal Audit Plan for 2019/20

Approval was sought for the proposed Internal Audit Plan for Lothian Pension Fund (LPF) for the period 1 April 2019 to 31 March 2020. The plan had been developed with the LPF senior management team to ensure that Internal Audit (IA) assurance activity was focused on the most relevant risks for LPF.

Three reviews and ongoing Internal Audit follow up on implementation of previously raised findings were included in the proposed plan which was in line with Internal Audit coverage in previous years.

It was also noted that LPF also may be included within the scope of any relevant Council wide thematic reviews included in the 2019/20 Internal Audit plan.

Decision

- 1) To approve the Lothian Pension Fund Internal Audit Plan for 2019/20.

- 2) To agree that future reporting should include comparators with previous years on management actions undertaken.

(Reference – report by the Chief Internal Auditor, submitted)

6. Policies and Strategies

The Lothian Pension Funds' Communications Policy had been reviewed to update regulatory references following the introduction of the new Local Government Pension Scheme from 1 June 2018. Further clarification was also provided on requirements under the Pension Regulator's Code of Practice 14 'Governance and Administration of Public Sector Schemes'.

The Lothian Pension Funds' Pensions Administration Strategy (PAS) had been also reviewed to update regulatory references. The Fund had also introduced new secure portals for the exchange of information with employers and the revised PAS included references to the new portals, i-Connect and Go Anywhere.

As required under the Local Government Pension Scheme (Scotland) Regulations, a consultation exercise would be carried out with the Fund's employers.

Decision

- 1) To approve the draft revised Communications Policy.
- 2) To note that the Fund intended to consult with employers on the revised Pensions Administration Strategy.
- 3) To approve the draft revised Pensions Administration Strategy, subject to any further amendment arising from the forthcoming employer consultation being reported to the Pensions Committee at its next meeting.

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

7. Funding Strategy Statement

The Lothian Pension Funds' Funding Strategy Statement had been reviewed to enhance Appendix B (Bulk Transfers) to ensure it included coverage of all types of transfer and that key risks were addressed. In revising the policy, due consideration had been given to current issues and guidance from the Fund's actuary.

Regulatory references had also been updated following the introduction of the Local Government Pension Scheme (Scotland) Regulations 2018. Updates had also been made to reflect the merger of the Lothian Buses Pension Fund into the Lothian Pension Fund.

As required under the Local Government Pension Scheme (Scotland) Regulations, a consultation exercise would be carried out with the Fund's employers.

Decision

- 1) To approve the draft revised Funding Strategy Statement, subject to any further amendment arising from the forthcoming employer consultation being reported to Committee at its next meeting.
- 2) To note that the Fund intended to consult with employers on this revised Funding Strategy Statement.

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

8. Pension Fund Cost Benchmarking

Information was provided on the benchmarking of investment costs for Lothian Pension Fund and of pension administration costs for Lothian Pension Fund, Lothian Buses Pension Fund (now merged with the main fund) and Scottish Homes Pension Fund (the Funds).

The analysis of investment costs had been carried out by an independent provider, CEM Benchmarking Inc.

Decision

- 1) To note the report,
- 2) To note that the CEM Investment Cost Effectiveness Analysis (to 31 March 2018) and the CIPFA Pensions Administration Benchmarking 2018 reports had been provided, on a confidential basis, to the Conveners of the Committee and Audit Sub-Committee and the Independent Professional Observer.

(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 Lothian Pension Fund. Information was also provided on the number of employers leaving the fund and efforts made to recover exit payments and other relevant issues including bulk transfers of employers.

Decision

To note the changes to the employers participating in Lothian Pension Fund.

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

10. Service Plan and Regulatory Update

Decision

- 1) To note progress of the fund against the 2018-2020 Service Plan, together with the regulatory update and specifically:

- the merger of Lothian Buses Pension Fund with Lothian Pension Fund;
 - the update provided in respect of Guaranteed Minimum Pensions (GMPs);
 - the Local Government Pension Scheme (Scotland) cost management update from Scottish Public Pensions Agency (SPPA)
 - the approach used by LPFE Limited (LPFE) to funding the cost of variable pay within the existing loan facility upper limit and to approve its use on future occasions (January pay bills).
- 2) To record the Committee's congratulations to the Fund on their recent award for customer service excellence.

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

11. Lothian Pension Fund Group Budget 2019/20 (and indicative 2020/21)

The proposed Lothian Pension Fund Group budget for 2019/20 and indicative budget for 2020/21 were presented as set out in Appendix 1.

Decision

- 1) To approve the Lothian Pension Fund Group (LPF Group) budget for 2019-20.
- 2) To note the indicative LPF Group budget for 2020-21.
- 3) To note the continuation of the £10m contingency to address any future requirement for externalisation of the investment management service.
- 4) To note the legal opinion in respect of the flexibility applicable to the LPF budget.
- 5) To refer the report to the boards of LPFE Limited (LPFE) and LPFI Limited (LPFI) in relation to their respective budgetary obligations.
- 6) To note that, following approval of the LPF Group budget and consideration by the boards LPFE and LPFI, the updated investment collaboration business case would be reported to the next meeting of the Committee as a private agenda item.

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

12. Global Custody Services – Procurement Waiver

Approval was sought for a procurement waiver for global custody services for a period of two years until the conclusion of the Scottish Government review of the future structure of Local Government Pension Scheme (LGPS) funds. The value of the contract waiver was estimated at c£840,000.

Decision

To approve the extension of the global custody services contracts with the Northern Trust Company (i.e. the master custody and supplemental agreements) for the period 1 March 2020 to 28 February 2022.

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

13. Risk Management Summary

In line with the pension funds' ongoing risk management procedures, an overview of the fund's risk analysis was submitted for consideration.

Decision

To note the Quarterly Risk Overview and that an options appraisal paper for future ICT provision would be submitted to the June meeting of the Committee.

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

14. Governance 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.

Approval was sought for recommendations arising from the Lothian Pension Fund Governance Review 2019.

Decision

To approve the recommendations as detailed in the Confidential Schedule relevant to this minute.

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

15. Overpayment of Pensions

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.

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

Decision

To approve the recommendation as detailed in the Confidential Schedule relevant to this minute.

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

16. Employers Leaving the Lothian Pension Fund and Related Issues

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.

Updates were provided on issues relating to employers who had left the Fund and other related issues.

Decision

To approve the recommendations as detailed in the Confidential Schedule relevant to this minute.

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