

# Minutes

## Pensions Audit Sub-Committee of the Pensions Committee

**2.00pm, Tuesday 10 December 2019**

**Present:**

Councillors Rose (Convener) and Child; John Anzani.

**Pensions Board Members:**

Jim Anderson

**Independent Professional Observer**

Andy McKinnell

### 1. Minutes

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**Decision**

To approve the minute of the Pensions Audit Sub-Committee of the Pensions Committee of 24 September 2019 as a correct record.

### 2. Agenda Planning

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An overview of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings for December 2019 and March 2020 was presented.

**Decision**

- 1) To note the agenda planning document.
- 2) To note that the Pension Board were invited to comment on agenda items during Committee meetings.
- 3) To note there may be a requirement for an additional meeting of the Audit Sub-Committee in March 2020 to consider Internal Audit plans.

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

### 3. EU Tax Claims and Other Income Tax Recoveries

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A summary was provided on activity on EU and other special tax claims made on behalf of the Lothian Pension Fund. During the period since the last report, no additional claims had been paid and the amount recovered to date remained at £1.37m.

Progress was also reported on outstanding claims. The main developments were further progress with the Manninen and Manufactured Overseas Dividend claims and tax had made additional Fokus claims in Germany and Denmark on a no win no fee basis.

### **Decision**

To note the report.

(References – Pensions Audit Sub-Committee 11 December 2018 (item 3); report by the Executive Director of Resources, submitted)

## **4. Investment Income Review Cross Border Withholding Tax**

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Information was provided on a benchmarking assurance review prepared by Deloitte into the effectiveness of the procedures in place to manage the tax exposure on the investment income of the Lothian Pension Fund and the Scottish Homes Pension Fund.

The review showed that Northern Trust was generally applying the correct withholding tax rates on investment income. Recovery claims were being processed and reclaims received but Deloitte had advised that the time taken appeared to be longer than the market standard for refunds particularly for Switzerland and Germany.

A summary of opportunities and issues identified was provided.

### **Decision**

To note the report.

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

## **5. Global Custody Services Performance**

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Key performance indicators for the 12-month period ended 30 September 2019 provided by the Lothian Pension Fund's custodian, Northern Trust, were presented.

The data concluded that Northern Trust's services were currently meeting the needs of the Fund and Scottish Homes Pension Fund.

### **Decision**

To note the report.

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

## **6. Lothian Pension Fund ICT Update**

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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 6 and 9 of Schedule 7(A) of the Act.

Following approval by the Pensions Committee on 26 June 2019, an update was provided on the implementation of the Lothian Pension Fund ICT pathway.

**Decision**

To note the update on the implementation of the Lothian Pension Fund ICT pathway.

(References – Pensions Committee 24 September 2019 (item 9); report by the Executive Director of Resources, submitted)

**7. Risk Management In-Depth Review**

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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 6 and 9 of Schedule 7(A) of the Act.

The Lothian Pension Fund’s operational risk register, as at 30 October 2019, was presented which set out all the risk identified and assessed by officers on an ongoing basis, the degree of risk associated in each case and the Fund’s action to mitigate these risks.

**Decision**

To note the operational risk register and quarterly risk overview as at 30 October 2019.

(References – Pensions Committee 26 June 2019 (item 5); report by the Executive Director of Resources, submitted)