



Notice of Meeting and Agenda

Pensions Committee

2.00 pm Tuesday, 29th September, 2020

Virtual Meeting - via Microsoft Teams

This is a public meeting.

The law allows the Committee to consider some issues in private. Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

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1. Quorum Check

- 1.1 The Convener will check to ensure a quorum is in attendance to ensure the meeting can proceed.

2. Order of Business

- 2.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

3. Declaration of Interests

- 3.1 Members of the Committee and members of the Pensions Board should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

4. Deputations

- 4.1 If any

5. Minutes

- 5.1 Minute of Pensions Committee of 24 June 2020 - submitted for approval as a correct record 9 - 18

6. Reports

- 6.1 Recommendations from Pensions Audit Sub-Committee

6.2	Agenda Planning – Report by the Chief Risk Officer, Lothian Pension Fund	19 - 26
6.3	LPF Audited Annual Report (and Financial Statements) 2020 – Report by the Chief Finance Officer, Lothian Pension Fund	27 - 342
6.4	LPF Contract Awards – Report by the Chief Executive Officer, Lothian Pension Fund	343 - 350
6.5	McCloud and Goodwin Discrimination Judgements - Update – Report by the Chief Executive Officer, Lothian Pension Fund	351 - 370
6.6	Operating Plan Update – Report by the Chief Finance Officer, Lothian Pension Fund	371 - 380
6.7	Risk Management Summary – Report by the Chief Risk Officer, Lothian Pension Fund	381 - 402

7. Motions

7.1 By John Anzani – Appointment of Representative to the Local Authority Pension Funds Forum

“The Pensions Cttee agrees to nominate John Anzani for election to the Executive Committee of the Local Authority Pension Funds Forum [LAPFF] for the period 2020/21 (as defined by LAPFF Constitution).”

7.2 By John Anzani – Funding Strategy Statement

“The Committee notes:

1. The Pension Cttee passed a revised Funding Strategy Statement at its meeting of 24th June 2020. The main thrust of the report concerned the adoption of a “risk based” approach to employer covenant and provisions to replace the previous “Small employer pool”.

2. Employer exit is not mentioned in the Executive Summary. The Background section of the report confirms that the “coverage” of the statement includes “employers leaving the fund”.
3. The Main report has a subsection on “Employer exits” of only two clauses of the Statement [4.9 & 4.10] [Pages numbered as 402/3 or page 382/3 of pdf copy]. Neither mentions the potential of any refund of a “surplus” from the fund.
4. The possibility of such a refund has only existed since May 2018. The fund has only had one instance since the introduction the provision and a repayment was made to an exiting employer in 2019. The fund is aware that other funds may also have made such repayment[s].
5. Appendix C of the Statement gives the detail of the “Policy on Employers leaving the Fund”. Section 2.2 [436 or page 416 of pdf copy] contains the sentence “Where an exit valuation identifies that an employer is in surplus, this surplus will be returned to the employer”.
6. This is the only mention of how the surplus is to be repaid, or to whom, in the entire Strategy and Appendices.
7. The issue of this aspect was not covered in the introduction to the report at committee nor in any of the comments/contributions made during the debate on the item.

The Committee further notes:

1. Payments to the fund on behalf of active members are drawn from two separate sources: a. The Employee’s contribution deducted from the wages of the employee b. The Employer’s contribution paid from the resources of the employer
2. The fact that the Employer organises these payments does not alter the fact that two different tributaries feed the cashflow.
3. Depending on the nature of the payments the element deriving from deductions from wages could be in the region of 20% of the total payments made. The payment made by the fund referred to above was close to £550,000.

The Committee believes as a point of principle and equity that refunds

should flow back to all the sources of the original payments into the fund.

The Committee resolves to add to Section 2.2 of Appendix C the following text immediately after the sentence quoted in Notes 5 of this motion.

- i. “That all exit agreements where a surplus is to be repaid should include clause[s] requiring the employer to use their best offices in good faith to pass on the relevant element of the surplus to all of those whose contributions made up part of the payments into the fund.
- ii. Such agreements as made in line with clause [i] above should include provision for reports from the employer after 6 and 12 months regarding progress. If the first report indicates success then the second is not required.
- iii. Where an employer has concluded a negotiated agreement with all affected employees regarding distribution of the surplus then that agreement will be regarded as having satisfied the requirements of clause [i] above.
- iv. Nothing in clauses [i] to [iii] above shall prevent the Committee approving a report that such an approach should be waived due to the small quantum of sums involved. Such a waiver could apply to part of or the entire surplus.”

8. Resolution to Consider in Private

- 8.1** The Committee is requested under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 6 and 9 of Part 1 of Schedule 7A of the Act.

9. Private Reports

- 9.1** Employers Participating in Lothian Pension Fund – Report by the Chief Finance Officer, Lothian Pension Fund 403 - 416

9.2	Employer Covenant Review 2020 – Report by the Chief Finance Officer, Lothian Pension Fund	417 - 430
9.3	ICT Update – Report by the Chief Executive Officer, Lothian Pension Fund	431 - 438
9.4	LGPS Collaborative Update – Report by the Chief Executive Officer, Lothian Pension Fund	439 - 448
9.5	Annual LPF Group Governance Update – Report by the Chief Risk Officer, Lothian Pension Fund	449 - 532

Laurence Rockey

Head of Strategy and Communications

Committee Members

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

Please note that members of the Pensions Board and the Independent Professional Observer will also be invited to attend and participate in the meeting.

Information about the Pensions Committee

The Pensions Committee consists of 5 Councillors and 2 external members and is appointed by the City of Edinburgh Council in its separate capacity as administering authority of the Lothian Pension Fund. The Pensions Committee usually meets 4 times a year (every twelve weeks).

The Pensions Committee usually meets in the City Chambers in Edinburgh. The meeting is open to all members of the public.

Pension Board Members

Alan Williamson, Brian Robertson, Darren May, Jim Anderson, Lesley Henderson, Sharon Dalli, Thomas Carr-Pollock and Tom Howorth.

Information about the Pension Board

The Pension Board consists of 10 members, 5 members from the employer bodies and 5

members from trade unions representing members within the pension funds as set out in the regulations.

The role of the Pension Board is to help ensure that the operation of the pension funds is in accordance with the applicable law and regulation. All Pension Board members attend the Pensions Committee meeting and two members of the Pension Board also attend the Pensions Audit Sub-Committee.

More details regarding the role of the board can be found at the LPF website <https://www.lpf.org.uk/us> .

Independent Professional Observer

Andy McKinnell

Information about the Independent Professional Observer

The Independent Professional Observer is appointed by the Lothian Pension Fund to help strengthen the Lothian Pension Fund's governance. The role is to provide independent observations to the Pensions Committee and Pension Board.

The purpose of the role is to enhance the scrutiny of the decision making and provide the Committee and Board with additional experience and knowledge impartial from the Lothian Pension Fund's Officers.

City of Edinburgh Council Oversight

The City of Edinburgh Council has statutory responsibility to administer the Lothian and Scottish Homes pension funds. In order to most effectively carry out that function (and to reflect the separate statutory responsibilities, and regulation, of the pension funds) the City of Edinburgh Council has delegated management responsibility for the pension funds to the Lothian Pension Fund Group and its two arms-length companies LPFE Limited and LPFI Limited. Critical parent oversight continues to be carried out by the Pensions Committee and Dr Stephen S. Moir, Executive Director of Resources for the City of Edinburgh Council, as the Administering Authority for the Fund, to ensure that its statutory functions are being properly carried out.

Lothian Pension Fund Senior Leadership Team

The senior leadership team responsible and accountable for the business and activities of the Lothian Pension Fund Group are:

Doug Heron, Chief Executive Officer

Bruce Miller, Chief Investment Officer

Struan Fairbairn, Chief Risk Officer
John Burns, Chief Finance Officer
Helen Honeyman, Head of People and Communications

Further Information and Contact

If you have any questions about the agenda or meeting arrangements, please contact Susan Handyside, Governance Manager, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh EH3 8EX, Tel 07771378238, email susan.handyside@edinburgh.gov.uk .