

Pensions Committee Minutes

2pm, Wednesday 9 December 2020

Present:

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

Pension Board Members present:

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

Other Attendees:

Andy McKinnell, Independent Professional Observer

1. Quorum

The Clerk confirmed that notice of the meeting had been given and that a quorum was present and the Convener declared the meeting open.

2. Order of Business

The Clerk advised there was no change to the order of business.

3. Declaration of Interests

To note there were no declarations of interest.

4. Minutes

Decision

To approve the minute of the Pensions Committee of 29 September 2020 as a correct record subject to inserting the words “net assets” into the last sentence of paragraph 2 of item 8 – LPF Audited Annual Report and Financial Statements 2020.

5. 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 8 December 2020 as they related to items of business at this meeting.

(Reference – Pensions Audit Sub-Committee 8 December 2020)

6. Pension Board oversight

The Chair of the Pension Board advised the Committee of the relevant discussion and decisions taken at the Pension Board meeting and confirmed that the Pension Board would provide comment on other relevant matters during the meeting.

7. Agenda planning

An overview of proposed reports for future Pensions Committee and Pensions Audit Sub-Committee meetings and the annual cycle was presented.

Decision

- 1) To note the agenda planning document.
- 2) To note that pensions board members were invited to comment on agenda items during committee meetings.

(Reference – report by the Chief Risk Officer, LPF, submitted.)

8. Stewardship and Engagement

The annual update was presented on the activity of the Lothian Pension Fund and the Scottish Homes Pension Fund (LPF) in relation to the stewardship of the assets of LPF including the approach to environmental, social and governance (ESG) issues.

LPF had been a signatory to the Principles for Responsible Investment (PRI) since 2008 and a summary was provided LPF's Responsible Investment (RI) activities, including the PRI assessment and feedback for 2020.

LPF also participated in collaborative shareholder engagements through organisations including the Local Authority Pension Fund Forum (LAPFF), EOS at Federated Hermes (EOS) and Climate Action 100+.

LPF also continued to be represented on the LAPFF Executive Committee and an update paper had also been provided to members from the Committee's representative on that body.

Members were advised that the contract for the voting and engagement provider would be tendered during 2021.

An overview of the service providers and voluntary initiatives that supported and enabled LPF's commitment to responsible investment was also presented.

Decision

To note the stewardship and engagement update.

Dissent

Councillor Burgess requested that his dissent be recorded to the above decision.

(Reference – report by the Chief Investment Officer, LPF, submitted.)

9. Operating Plan Update

An update was provided on progress against the 2020-2021 Operating Plan, performance indicators and the actions carried out to enable the Fund to meet its key objectives. The Plan centred around the following six broadly defined strategic goals and formed the basis of the work ahead of the Fund in 2020/21:

- Provide secure and affordable benefits for our members
- Reduce complexity
- Manage our risks
- Create a place where people do great work
- Influence the LGPS of the future
- Be responsible

Decision

- 1) To note progress of the Fund against the 2020-2021 Operating Plan.
- 2) To note the specific updates on performance indicators, Pension Regulator standards and compliance and membership and cashflow monitoring.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

10. Risk Management Summary

In line with LPF's ongoing risk management procedures, an overview was provided of its risk analysis. Information was also provided on the enhancement of the LPF Group's operating model and the extension of its service delivery to other LGPS funds. In doing so, the Group had taken on additional operational risk in order to achieve fundamental benefits for its stakeholders.

The Chief Risk Officer advised members that a new risk had been added around Group culture and staff engagement and adapting to current level scenarios in line with the FCA emphasis on culture and control.

Members also discussed the inter-dependencies between failure of IT systems, cyber security and business continuity. Members also commented on the changing situation and legislation relating to reporting on climate change as part of investment portfolios and received assurance that the LPF Group were alert to this potential reporting requirement.

More granular risks arising from the pandemic had also been identified and closely managed at an operational level by the Recovery Group established expressly for this purpose.

The overall position remained stable and within appetite in the context of the longer-term risk reduction benefits of the ongoing transformation projects and the circumstances of the global pandemic.

Councillor Rose advised that, following an in-depth discussion into the full risk register at the Pensions Audit Sub-Committee meeting on 8 December 2020, members had noted the importance of having a clear indication of what the risk appetite was and that a paper was scheduled to be presented to Committee in either the March or June 2021 cycle of meetings.

The issue of risk appetite had also been considered by Pension Board members at their meeting held on 9 December 2020.

Pensions Sub-Committee members had also considered the impact of Brexit and recommended to this Committee that a report be requested on this issue setting out information on measures taken and details of the route map going forward.

Decision

- 1) To note the quarterly risk overview and the LPF Group's approach to risk management.
- 2) To note that a paper on risk appetite would be presented to either the March or June 2021 cycle of meetings.
- 3) To request officers to present an update to the March 2021 meeting of the Committee on the impact of Brexit, measures taken and the route map going forward.
- 4) To agree that an additional meeting of the Pensions Committee be arranged for a date in January 2021 to consider the proposed new ICT managed services provider contract award.

(Reference - report by the Chief Risk Officer, LPF, submitted.)

11. Governance Update

The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following item of business on the grounds that it would involve the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

An update was provided on the operation of the LPF Group's legal, regulatory and governance structures including the activities of LPFI Ltd and LPFE Ltd.

Decision

- 1) To note the governance update and progress on implementing the outcomes from the LPF Governance Review 2019/20.
- 2) To approve the updated LPF Nomination and Appointments Policy and to delegate authority to the Chief Executive Officer, LPF in consultation with the Convener to make minor adjustments to the Policy as necessary and as discussed at this meeting.
- 3) To request an update on Project Forth to the March meeting of the Committee.

(Reference – report by the Chief Risk Officer, LPF, submitted.)

