

Pensions Committee Minutes

2pm, Wednesday 8 December 2021

Present:

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

Pension Board Members present:

Jim Anderson, Tony Beecher, Nick Chapman, Sharon Dalli, Tom Howorth and Alan Williamson.

Other Attendees:

Andy McKinnell, Independent Professional Observer

Apologies: Darren May, Thomas Carr-Pollock and Brian Robertson.

1. Quorum

The Clerk confirmed that notice of the meeting had been given and that a quorum was present and the meeting was declared 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 2021 as a correct record subject to deleting Councillor Burgess from the list of members present.

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 7 December 2021.

(Reference – Pensions Audit Sub-Committee 7 December 2021)

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 for March and June 2022 was presented.

Decision

- 1) To note the agenda planning document.
- 2) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.
- 3) To note that the report on cyber security, scheduled for the Pensions Audit Sub-Committee meeting on 7 December 2021, would now be issued to Audit Sub-Committee members for review by end December 2021. Members would then decide whether a meeting of the Audit Sub-Committee was required to be held in March 2022.
- 4) To note that an update on the return to physical meetings would be provided in advance of the March 2022 Pensions Committee meeting.

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

8. Stewardship and Engagement

An update was provided on the activity of the Lothian Pension Fund and the Scottish Homes Pension Fund in relation to the stewardship of their invested assets including the approach to environmental, social and governance (ESG) issues.

The LPF Stewardship Report for the calendar year ending December 2020 had been submitted to the Financial Reporting Council for assessment and was set out at appendix 1 of the Chief Investment Officer's report.

The voting and engagement partner for the Fund had been re-tendered in 2021 and the contract was re-awarded to EOS at Federated Hermes following an assessment of five providers.

Decision

- 1) To note the stewardship and engagement update.
- 2) To note that further progress updates on responsible investment by investee companies and appointed managers relating to climate change would be included in future reporting.

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

9. Operating Plan and Budget Update

An update was provided on progress against the 2021-2022 operating plan. This quarter the update focussed on performance indicators, employer performance against the Pensions Administration Strategy, membership, cashflow monitoring and investment strategy and Stewardship Code.

Decision

- 1) To note progress of the Fund against the 2021-2022 Operating Plan.
- 2) To approve the extension of the global custody services contract with The Northern Trust Company by way of a waiver of the Council's Contract Standing Orders for the period from 1 March 2022 to 30 September 2022 until the conclusion of anticipated restructuring of the Fund at an estimated cost of £665,000.
- 3) To note that an update on potential use of the Pensions Admin Strategy to charge for poor performance would be provided to the Audit Sub-Committee as soon as possible.

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

10. Risk Management Summary

In line with the Lothian Pension Fund's (LPF) ongoing risk management procedures, an overview was provided of LPF's risk analysis.

The Risk Management Group continued to meet regularly to assess all elements of the LPF Group's risk framework including the risk appetite, register, overall assurance position and any more granular risks escalation from other sub-groups.

The Pensions Audit Sub-Committee had reviewed the in-depth paper at its meeting on 7 December 2021.

Decision

- 1) To note the quarterly risk overview as at 3 November 2021.
- 2) To note the Statement of Risk Appetite.

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

11. Project Forth

The Sub-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 1.3 and 6 of Schedule 7(A) of the Act.

An update was presented setting out the parameters for a proposed collaboration within the Local Government Pension Scheme.

Decision

Detailed in the confidential schedule, signed by the Convener, with reference to this minute.

(References – Pensions Committee 29 September 2020 (item 18) and 29 September 2021 (item 13); report by the Chief Executive Officer, LPF, submitted)

Note: Councillor Burgess requested that his dissent be recorded to the above decision as set out in the confidential schedule.

12. IT Migration

The Sub-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 1.3 and 6 of Schedule 7(A) of the Act.

An update was provided on progress towards completion of the IT Migration project as part of LPF's digital transformation strategy.

Decision

Detailed in the confidential schedule, signed by the Convener, with reference to this minute.

(References – Pensions Committee 26 January 2021 (item 6); report by the Chief Executive Officer, LPF, submitted)

13. Employer Covenant Review 2021

The Sub-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 1.3 and 6 of Schedule 7(A) of the Act.

An overview was provided of the recent employer covenant analysis undertaken by the Fund as part of the 2020 Actuarial Valuation.

Decision

Detailed in the confidential schedule, signed by the Convener, with reference to this minute.

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