

Pensions Committee Minutes

2pm, Wednesday 22 March 2022

Present:

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

Pension Board Members present:

Jim Anderson, Thomas Carr-Pollock, Nick Chapman, Sharon Dalli (Chair), Tom Howorth and Darren May.

Other Attendees:

Andy McKinnell, Independent Professional Observer, Lesley Newdall, Chief Internal Auditor, City of Edinburgh Council and Nick Bennett, Azets, External Auditor

Apologies:

Tony Beecher, Brian Robertson and Alan Williamson.

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 8 December 2021 as a correct record.

5. 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.

6. Agenda planning

An overview of proposed reports for future Pensions Committee and Pensions Audit Sub-Committee meetings for June and September 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 cyber security maturity assessment report would be submitted to the June 2022 meeting of the Pensions Audit Sub-Committee.

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

7. Lothian Pension Fund – Internal Audit Update as at 28 February 2022

Details were provided of the progress of IA assurance activity on behalf of Lothian Pension Fund (LPF) performed by the City of Edinburgh Council's Internal Audit team.

Delivery of the four audits included in the 2021/22 IA annual plan was in progress, with three audits completed and one in progress.

As at 28 February 2022, LPF had 5 open IA findings (1 High; 3 Medium; 1 Low) and 7 supporting agreed management actions (1 High; 5 Medium; 1 Low) raised in the Bulk Transfers, Cessations and Custodian Services reviews. Of these, one medium rated finding raised in the Custodian Services audit was overdue. Implementation progress for this overdue finding would be considered as part of the current Risk Management audit.

Reports detailing the outcomes of the Technology Model Development (some improvement required), Capital Calls (effective) and Receipt of Employer Contributions (effective) reviews were submitted the Committee's review and scrutiny.

Decision

- 1) To note progress with delivery of the Lothian Pension Fund 2021/22 Internal Audit Annual Plan.
- 2) To note progress with implementation of agreed management actions to support closure of Lothian Pension Fund internal audit findings raised.

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

8. Lothian Pension Fund – Proposed Internal Audit Plan for 2022/23

The Lothian Pension Fund (LPF) proposed Internal Audit (IA) plan for the period 1 April 2022 to 31 March 2023 was presented to the Committee for review and approval.

Two large scale reviews had been included in the proposed plan that focussed on Project Forth design and implementation readiness, and the adequacy and effectiveness of LPF's technology security assurance arrangements. Whilst this was a lower number of audits in comparison to previous years, these reviews should provide assurance on LPF's most significant risks.

The plan would also include ongoing IA follow up on implementation of previously raised findings, and LPF also may be included within the scope of any relevant City of Edinburgh Council thematic reviews included in the Council's 2022/23 IA plan.

Decision

To approve the proposed Lothian Pension Fund 2022/23 Internal Audit plan.

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

9. External Audit Annual Plan for 2021/22

Azets, the external auditor to Lothian Pension Fund and Scottish Homes Pension Fund presented its detailed planned programme of work to support the statutory audit 2021/22 as set out in full at Appendix 1 of the report by the Chief Finance officer, Lothian Pension Fund.

Progress against the plan would be reported to future meetings of the Pensions Audit Sub-Committee and thereafter the Committee.

Nick Bennett, Azets presented an overview of the key highlights and themes in the planned programme of work.

Decision

- 1) To note the planned programme of work to support the statutory audit 2021/22 set out in Appendix 1 of the report - "Lothian Pension Fund External Audit Annual Plan 2021-22" by Azets.
- 2) To note that progress against the Lothian Pension Fund External Audit Annual Plan 2021-22 would be reported to future meetings of the Pensions Audit Sub-Committee and the Committee.

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

10. Pensions Administration Strategy Update

The Lothian Pension Funds' Pensions Administration Strategy (PAS) had been reviewed to include references to new guidance and documentation produced by the Scottish Public Pensions Agency (SPPA) regarding ill-health retirement.

The compliance certificate appended to the PAS had been amended to highlight key employer obligations. In addition, the Fund had introduced a new process for the provision of member forms from employers using the existing employer portal, i- Connect and the PAS has been amended to reflect this change.

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

Decision

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

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

11. Pensions Dashboard

On the 31 January 2022, the Department of Work and Pensions published the draft Pensions Dashboard Regulations, with the consultation period running until 13 March 2022.

Information was provided to Members of the ongoing work by the Fund to prepare for connection to the Pensions Dashboard ecosystem.

Decision

To note the report.

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

12. Lothian Pension Fund Cost Benchmarking

Information was provided about the annual results from benchmarking of investment costs for the Lothian Pension Fund and pension administration costs for Lothian Pension Fund and Scottish Homes Pension Fund (collectively known as LPF).

LPF's annual report for 2020/21 identified £43.9 million of total management expenses, with investment costs (£36.7 million) representing by far the largest proportion of the total as expected.

Benchmarking had been undertaken to help identify areas where improvements could be made to deliver better value for money.

Decision

- 1) To note the report.
- 2) To note that the CEM Investment Cost Effectiveness Analysis (to 31 March 2021) and the interim CEM Pension administration benchmarking report 2021 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 Chief Executive Officer, LPF, submitted)

13. Operating Plan Update

An update was provided on progress against the 2021-2022 operating plan. This quarter the update focussed on performance indicators, pensions administration performance indicators, accreditation, freedom of information requests, employers' survey, web and digital services, pensioner members' survey, amendments to the Local Government Pension Scheme (Scotland) Regulations 2021, membership and cashflow monitoring and an investment strategy update.

Decision

To note the progress of the Fund against the 2021-22 strategy and business plan.

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

14. 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.

Decision

- 1) To note the quarterly risk overview as at 15 February 2022.
- 2) To note the ongoing strategy and development around the Group's risk management framework.

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

15. 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), 29 September 2021 (item 13) and 8 December 2021 (item 11); report by the Chief Executive Officer, LPF, submitted)

16. Strategy and Business Plan Including Operating Plan and Budget for 2022/23

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.

Information was provided on the Lothian Pension Fund's Strategy and Business Plan which set out the proposed medium-term strategy for the Fund and the business priorities for calendar years 2022-23. The Plan also incorporated the budget and performance targets for the financial year 2022-23.

Decision

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

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

17. Employers Participating in Lothian Pension Fund

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 of employers participating in Lothian Pension Fund.

Decision

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

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

18. Lothian Pension Fund Contract Awards Update

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 of contract awards for various services for the Lothian Pension Fund.

Decision

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

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

19. Valedictory Remarks by the Convener and Chair of the Pension Board

The Convener advised that Councillor Maureen Child would not be standing in the forthcoming local elections and he extended thanks on behalf of Committee members to her as a longstanding member of the Pensions Committee and for the invaluable support and experience she had brought to the role.

The Pension Board Chair added her thanks on behalf of Pension Board members to Councillor Child for all her support during her tenure as a Pensions Committee member.