

Pensions Committee Minutes

2pm, Wednesday 28 September 2022

Present:

Councillors Watt (Convener), Burgess, Doggart, Nicolson and Neil Ross; John Anzani and Richard Lamont.

Pension Board Members present:

Jim Anderson, Tony Beecher, Thomas Carr-Pollock, Nick Chapman, Sharon Dalli, Tom Howorth and Darren May, Brian Robertson and Alan Williamson.

Other Attendees:

Andy McKinnell (Independent Professional Observer), Laura Calder (Senior Audit Manager, City of Edinburgh Council) and Nick Bennett, Azets Audit Services (External Auditor).

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 confirmed that there was no change to the order of business.

3. Declaration of Interests

Decision

John Anzani declared a non-financial interest in item 12 below as his wife was a non-Executive Director of Enjoy Leisure East Lothian.

4. Minutes

Decision

To approve the minute of the Pensions Committee of 29 June 2022 as a correct record.

5. Referrals and recommendations from Pensions Audit Sub Committee

John Anzani advised the Committee of the discussion and decisions taken at the Pensions Audit Sub-Committee meeting on 27 September 2022 as follows:

- 1) To note that if there was sufficient business a meeting of the Pensions Audit Sub-Committee would be arranged for March 2023.
- 2) To note that the Audit Sub-Committee would receive an update report from internal audit to each meeting going forward.
- 3) To note that the Audit Sub-Committee had agreed to review its remit and terms of reference of and its relationship with internal audit and CEC as part of CEC review of political management arrangements and to facilitate an internal session to look at the process going forward.
- 4) To note that the Audit Sub-Committee had agreed to include an update on IT security as a regular item of business on future agendas with IT security information to also be included in the main risk register.

(Reference – Pensions Audit Sub-Committee 27 September 2022)

6. Agenda Planning

An overview of proposed reports for Pensions Committee and Pensions Audit Sub-Committee meetings for December 2022 and March 2023 was presented.

Decision

- 1) To agree that an additional meeting of the Pensions Committee be arranged for November 2022 to consider Project Forth.
- 2) To note the agenda planning document.
- 3) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.

(Reference – report by the Chief Risk Officer, Lothian Pension Fund, submitted.)

7. Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund

An overview and details of the Audited Annual Report and Accounts for the year ended 31 March 2022 for Lothian Pension Fund and Scottish Homes Pension Fund was presented to members by the Chief Financial Officer, LPF and the Fund's external auditor, Nick Bennett from Azets Audit Services.

Nick Bennett presented the audit findings to members including the audit opinion, key findings on audit risks, audit adjustments and accounting systems and internal controls.

Azets Audit Services had provided an unqualified opinion on the financial statements and other prescribed matters for Lothian Pension Fund and Scottish Homes Pension Fund and had also confirmed that there were no matters on which it was required to report by exception.

Key points within the Audit Report included confirmation that work had been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

Decision

- 1) To note the report by Azets Audit Services “Lothian Pension Funds 2021/22 Annual Audit Report to Members of the Pensions Committee and the Controller of Audit” (at Appendix 1).
- 2) To note the audited Annual Report (and Financial Statements) for the year ended 31 March 2022 for Lothian Pension Fund and Scottish Homes Pension Fund (at Appendix 2).
- 3) To note that the audited financial statements for the year ended 31 March 2022 of both the wholly owned companies, LPFE Limited and LPFI Limited, had been approved by the respective Boards of Directors in July 2022 (at Appendices 3 and 4).
- 4) To note the Letter of Representation (ISA 580) by the Chief Finance Officer, Lothian Pension Fund (at Appendix 5).
- 5) To note the appointment of Audit Scotland as auditor for future years 2022-2027.
- 6) To express recognition and gratitude to Nick Bennett, Partner, Azets Audit Services for his work and that of his team for the audit assurance provided since 2015/16.

(Reference - report by the Chief Finance Officer, Lothian Pension Fund, submitted.)

8. Lothian Pension Fund - Internal Audit Update as at 31 August 2022

Details were provided of the progress of internal audit’s (IA) assurance activity on behalf of Lothian Pension Fund performed by the City of Edinburgh Council’s internal audit function.

Delivery of the four audits included in the 2021/22 IA annual plan had been completed with the final audit which supported LPF’s 2021/22 annual opinion presented to the Pensions Committee on 29 June 2022.

The 2022/23 IA annual plan had been approved by the Pensions Committee in March 2022 and included a focus on Project Forth and information technology. An update to the plan was proposed to reflect the ongoing progress of Project Forth and to enable assurance across a wider range of LPF risks supporting the 2022/23 IA annual opinion.

As at 31 August 2022, LPF had 13 open IA findings (1 high, 4 medium, 8 low) supported by 15 agreed management actions (1 high, 6 medium, 8 low). One high rated finding raised in the cessations audit completed in November 2021 was overdue.

The report detailing the outcomes of the Risk Management review (Effective) was submitted for review and scrutiny.

Decision

- 1) To note the outcomes of the final audit supporting completion of the Lothian Pension Fund 2021/22 internal audit (IA) annual plan and annual opinion.

- 2) To note the proposed update to the 2022/23 IA plan agreed by Committee in March 2022 to reflect ongoing progress with Project Forth.
- 3) To note progress with implementation of agreed management actions to support closure of Lothian Pension Fund IA findings raised.
- 4) To note that the Chief Executive Officer intended to review the internal audit process over the coming months to look at bringing greater ownership of the process to the Pensions Committee.

(References – Pensions Committee 23 March 2022 (item 7) and 29 June 2022 (item 10); report by the Senior Audit Manager, City of Edinburgh Council, submitted)

9. Business Plan and Budget Update

An update was provided on progress against the 2022-2023 business plan, performance indicators and the actions to enable the Fund to meet its key objectives. The plan formed the basis of the work ahead of the Fund in 2022-23 and would be reviewed annually.

Specific updates presented focussed on annual benefit statements, performance indicators, membership, cashflow monitoring and investment strategy update.

Decision

- 1) To note the progress of the Fund against the 2022-2023 Strategy and Business Plan and the specific updates on:
 - Annual benefit statements
 - Performance indicators
 - Membership and cashflow monitoring
 - Investment strategy update.
- 2) To delegate approval of the Stewardship Code to the Chief Executive Officer (LPF), in consultation with the Convener of the Pensions Committee, subject to Committee review prior to the approval.
- 3) To endorse the nomination of John Anzani to the Executive Committee of the LAPFF.
- 4) To note the appointment of Councillor Watt to the Local Government Scheme Advisory Board (SAB).
- 5) To agree to change the work programme to allow earlier preparation of the strategy and business plan for submission to Committee.
- 6) To note that the stewardship code would be brought forward to a future Committee.

(Reference - report by the Chief Executive Officer, Lothian Pension Fund, submitted.)

10. Funding Strategy Statement Update

The Funding Strategy Statement had been reviewed following the introduction of the Local Government Pension Scheme (Scotland) Amendment Regulations 2022. These amendments included the introduction of further flexibilities for exiting employers, certain of which required administering authorities to outline a policy on the operation of these operations.

The draft revised Funding Strategy Statement was presented to members for consideration.

Decision

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

(Reference – report by the Chief Finance Officer, Lothian Pension Fund, submitted)

11. 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 Chief Risk Officer role had altered and was now a focussed risk and compliance role with governance and legal being the responsibility of the Chief Executive Officer.

Decision

To note the Quarterly Risk Overview at 22 August 2022.

(Reference - report by the Chief Risk Officer, Lothian Pension Fund, submitted.)

12. Employers Participating in the Lothian Pension Fund

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

An update was provided on current matters affecting employers participating in the 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, Lothian Pension Fund, submitted)

13. Overpayment of Pension

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

Information was provided on an overpayment of pension and the circumstances around how this had arisen.

Decision

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

(Reference – report by the Chief Executive Officer, Lothian Pension Fund, submitted)

14. Employer Covenant Review 2022

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 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 in preparation of the 2023 actuarial valuation.

Decision

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

(Reference – report by the Chief Finance Officer, Lothian Pension Fund, submitted)

15. Project Forth

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

The Chief Executive Officer presented an update on the implementation work being undertaken to progress 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 14) and 29 June 2022 (item 18); report by the Chief Executive Officer, Lothian Pension Fund, submitted)