



Pensions Committee

2.00pm, Wednesday, 20 March 2024

Governance Update

Item number 6.1

1. Recommendations

The Pensions Committee (Committee) is requested to:

- 1.1 note that the Pension Board members are invited to comment on agenda items during Committee meetings;
- 1.2 note the agenda planning document set out in Appendix 1 to this report;
- 1.3 note that the Pension Board Chair, Jim Anderson, steps down from the Pension Board at the end of March 2024, having made a significant contribution to Lothian Pension Fund and the Pension Board over the last 9 years;
- 1.4 note the Pension Board Chair arrangements from 1 April 2024 to 31 March 2025;
- 1.5 note the appointment process for the non-elected Pension Committee members;
- 1.6 note the update on members training hours and the development of training; and
- 1.7 note the expected introduction of the Pensions Regulator new general code with effect from 27 March 2024.

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Governance Update

2. Executive Summary

- 2.1 At its meeting in December 2023, the Pensions Committee requested that officers provide regular updates on governance matters, including compliance with the Nomination and Appointments and Training and Attendance Policies, as well as any other relevant matters arising, in addition to the usual agenda planner. This report seeks to provide that fuller update.
- 2.2 Work is underway to appoint new members for current and anticipated vacancies in the Pension Board and Pensions Committee.
- 2.3 All four Committee Members and eight Pension Board Members have met the training requirement. The remaining Committee Members have confirmed their intention to meet the requirement before the period end. Appendix 2 of the report provides detail of Committee and Board training hours undertaken over the year.
- 2.4 A gap analysis has commenced to assess LPF's compliance against the new The Pensions Regulator (TPR) code with the results and implications being reported to Committee in June.
- 2.5 Appendix 1 of the report provides the proposed agendas for future meetings of the Pensions Committee and Audit Sub Committee.

3. Background

- 3.1 Committee meetings are held on a quarterly basis and additionally as required; the Audit Sub Committee meetings are held at least three times a year.
- 3.2 To provide an overview of the content of those future meetings, and an awareness of the annual cycle of items, an agenda planning document is submitted each quarter. The content of the agenda planning document arises from several sources: (a) standing items for each meeting, (b) re-occurring items at a specific cadence (quarterly, annually, biennially, for example), and (c) ad hoc or stand-alone items, where those arise. The agenda planning document is maintained by LPF's Company Secretariat and governance team and presented as a standing item at each meeting for noting.

4. Main Report

Future Dates and Agenda Planning

- 4.1 The Committee meeting dates for 2024/25 are set out below and calendar invites have been issued. These meetings will be held in person with the option, if required, to attend virtually.

Pensions Committee	Audit Sub Committee
<ul style="list-style-type: none"> • Wednesday 26 June 2024 at 2pm • Wednesday 25 September 2024 at 2pm • Thursday 5 December 2024 at 2pm • Wednesday 26 March 2025 at 2pm • Wednesday 25 June 2025 at 2pm 	<ul style="list-style-type: none"> • Monday 24 June 2024 at 2pm • Tuesday 24 September 2024 at 2pm • Tuesday 3 December 2024 at 2pm • Tuesday 25 March 2025 at 2pm (provisional) • Monday 23 June 2025 at 2pm

- 4.2 The proposed agendas for the June and September 2024 meetings are set out in the following tables, based on the usual Committee cycle plus any additional and intra-cycle requests. The current annual agenda planning document is set out in Appendix 1.
- 4.3 Specifically in respect of the Pension Committee, the agenda for June includes a paper on the approach to responsible investment. The Convenor of the Pension Committee shall provide an update at the Committee in March regarding the Pension Board review request.
- 4.4 In respect of the Audit Sub Committee, the agenda for June includes the two papers deferred from the December meeting. These were the AVC Review Update and a report regarding Global Custody Services Performance. While it had been reported that the former would be brought to the Audit Sub Committee in March, this has not been possible. A fuller update regarding the status of the AVC Review is provided in the Business Plan and Budget report, with a provisional hold for the AVC Review scheduled for the Audit Sub-Committee's meeting in June. The Global Custody Services Performance will be available for LPF to report in June.
- 4.5 There will, of course, be specific matters and papers which need to be brought to the attention of the Committee in addition to those set out herein.

June 2024

<p>Pensions Committee</p> <ul style="list-style-type: none"> • Referrals / recommendations from Pensions Audit Sub Committee • Annual Report and Accounts of Lothian Pension Fund and Scottish Homes Pension Fund (unaudited) • Internal Audit Annual Report and Opinion • Statement of Investment Principles • Joint Investment Strategy Panel Activity • Annual Investment Update – Lothian Pension Fund • Annual Investment Update - Scottish Homes • Annual LPF Group Governance Update • Approach to Responsible Investment • Risk and Compliance Update 	<p>Audit Sub Committee</p> <ul style="list-style-type: none"> • Annual Report and Accounts of Lothian Pension Fund and Scottish Homes Pension Fund (unaudited) • Internal Audit Annual Report and Opinion • Internal Audit Update • AVC Review (provisional) <p>Private agenda</p> <ul style="list-style-type: none"> • Global Custody Services Performance • IT Information Security Update • Risk and Compliance Update
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September 2024

<p>Pensions Committee</p> <ul style="list-style-type: none"> • Audit Sub Committee Convenor’s Annual Update, including any referrals / recommendations from Pensions Audit Sub Committee • Employer Covenant Review • Discretions Policy • Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund (including the Annual Audit Report and Opinion by the External Auditor) • Stewardship Report • Operating Plan and Budget Update • Contract Awards Update • Risk and Compliance Update <p>Private agenda</p> <ul style="list-style-type: none"> • Employers participating in the scheme 	<p>Audit Sub Committee</p> <ul style="list-style-type: none"> • Lothian Pension Fund Annual Report and Accounts (Audited) • Internal Audit Update including any key audit finding reports completed in the reporting period • Fraud Prevention <p>Private agenda</p> <ul style="list-style-type: none"> • Risk and Compliance Update
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Rotation of the Pension Board Chair & Membership of the Pension Board

- 4.6 The current Pension Board Chair, Jim Anderson, steps down from the Pension Board at the end of March. Jim has been a dedicated member of the Pension Board since its inception in March 2015. This report wishes to formally note and record thanks and gratitude to Jim for his significant contribution to the Pension Board.
- 4.7 In respect of the position of Pension Board Chair, the Pension Board constitution states that ‘the chair of the Pension Board will be rotated on an annual basis’ (with provision for the Chair’s tenure to be extended for one further year, subject to approvals). As Jim was drawn from the member representation, the 2024/25 Chair is, accordingly, required to be drawn from the employer membership of the Pension Board.
- 4.8 The Pension Board are scheduled to meet in advance of the March Pensions Committee. It is, therefore, expected that the Pensions Board shall provide a verbal update to the Committee regarding the Chair appointment for 2024/25.
- 4.9 More broadly, regarding Pension Board membership, a panel met to interview an applicant for an employer representative vacancy on Wednesday 6 March. In accordance with the Nomination and Appointments Policy (“Appointments Policy”), the panel comprised (a) the Chair of the Pension Board, (b) the Convenor of the Pensions Committee, (c) the Independent Professional Observer, and (d) Kimberley Russell (deputising for LPF’s Chief Executive Officer). The panel unanimously supported the appointment, which is being taken forward in accordance with the Appointments Policy. A verbal update on the appointment shall be provided at the Committee for noting. It is worthy of note that a few minor amendments to the Appointments Policy may be useful for clarity, and will be proposed as part of the annual governance update in June.
- 4.10 The Pension Board constitution provides that it will comprise five employer members and five employee members. With the appointment noted at paragraph 4.9 and Jim’s departure, the membership of the Pension Board, at the time of writing this report, is four employee representatives and four member representatives. Activity to fill vacancies, being one employer representative and, following Jim’s departure, one member representative, drawn from the trade Union Unison membership continues.

Non-Elected Members of the Pensions Committee

- 4.11 As set out in the LPF Nominations and Appointments Policy, non-elected members of the Pension Committee can serve a maximum of three consecutive years before either standing down or submitting themselves as a candidate for further election. The current non-elected Pension Committee members will come to an end of their tenure the end of June. LPF commenced the recruitment and appointment process

in February and details of the process was communicated to both Committee and Pension Board members at that time. A verbal update on progress will be made to the Committee at the meeting.

Training hours 2023/24 for the Pensions Committee and Pension Board

- 4.12 In accordance with the Fund’s Training Policy the expected training hours for members of the Pensions Committee and Pension Board is a minimum of three days (21 hours), with the annual training cycle being 1 April to 31 March. The Pensions Regulator also requires those involved with the governance of local government pension schemes to develop and build sufficient knowledge to effectively carry out their role.
- 4.13 Appendix 2 provides a breakdown of training hours of the Pensions Committee and Pension Board notified and recorded by the Company Secretariat team.
- 4.14 At the time of writing this report all Pension Board members have either met or exceeded the training requirement. Four of the Pension Committee Members have met the requirement. It is expected that all Pensions Committee members will fully achieve the minimum training requirement by the end of March.
- 4.15 Committee and Pension Board members have recently been given access to LPF’s the Learning Management (training) System (LMS) enabling members to view recorded training sessions. It is also expected that members shall have access to update their training hours directly via the system from 1 April 2024.

The TPR General Code

- 4.16 The Pensions Regulators new general code (Code) was laid before Parliament in January this year and expected to come into force on 27 March. Set to replace ten of The Pension Regulators current codes of practice into a series of modules (related to five themes: the governing body; funding and investment; administration; communications and disclosure; and reporting), work has commenced to review the Code to identify any potential gaps in existing policies and practices. The Committee shall be updated in June on the output of that analysis.

5. Financial impact

- 5.1 None.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report.

7. Background reading/external references

- 7.1 [City of Edinburgh Council, Committee Terms of Reference \(sections 13 and 24\)](#)

8. Appendices

Appendix 1 – LPF’s Annual Agenda Planning Cycle

Appendix 2 – Training Log 2023/2024