

Information request

Under the provisions of the Local Government (Scotland) Act 1973, members of the public can ask to “inspect the accounts to be audited and all books, deeds, contracts, bills, vouchers and receipts” relating the accounts of Local Authorities. Lothian Pension Fund falls within the scope of the requirements due to its relationship with City of Edinburgh Council.

On 8th July 2024, Joan Forehand made an inspection request relating to Investment Consultants the funds contracts with as well as Hymans Robertson, the fund actuary.

Senior members of the fund worked with Hymans Robertson to assess what documentation was relevant to the request and covered by legislation, including work done on the impact of potential Investment Strategies. The total invoiced cost of the work undertaken was £4k, which will be borne by the fund. As the fund does not utilise Investment Consultants, that aspect of the request could not be satisfied.

A response was provided to the requestor on 23rd July 2024, providing documents relevant to the requests, in a redacted state, to protect commercial confidentiality, as permitted by the legislation.

No acknowledgement of the response has been provided to date.

Objection

Under the provisions of the Local Government (Scotland) Act 1973, members of the public can object to the accounts of a local authority by sending the objection to the auditor. Lothian Pension Fund within the scope of the requirements due to its relationship with City of Edinburgh Council.

On 21st July 2024, the same member of the public, Joan Forehand, objected to the Annual Accounts on the grounds that fund “had not adequately disclosed the awareness of the LPF Pension Committee and officers to the significant risk that climate change is being significantly underestimated in the financial modelling for the LPF undertaken by its advisors”.

The objection went onto detail the objector’s position on the accuracy/acceptability of the models used in the actuarial valuation as they relate to climate change assumptions, and the awareness of the LPF Pension Committee to this. Furthermore, the objection postulated that professional advisors have been providing misleading climate change risk advice to pension funds and that investment consultants should be regulated.

Senior members of the fund worked with Azets, the fund auditor, to provide more information to allow them to assess the objection. As part of this work, the fund suggested the inclusion of some additional narrative in the risk section of the annual report which provide more information on the results of the stress testing of the current actuarial model, providing caveats to the assumptions used. Additionally, advising readers of the Annual Report that work continues to enhance models in advance of the next triennial valuation. This additional wording has been included in the updated Annual Report.

Chris Brown, Partner with Azets, responded to the objection on 8th August 2024, advising of the proposal to augment the wording in the risk section, and the augmented wording addressed the concerns raised in the objection.

A response has now been received to this communication, which Azets and the objector continue to work together to resolve. A verbal update may be possible at the Pension Committee meeting on 25th September.

On 9th August 2024 a Joan Forehand, from the campaign group Divest Lothian, was quoted in a Scotsman article “Exclusive: Revealed: How a council pension fund has increased fossil fuels investment despite a pledge to scale back”. Neither the Committee nor the Fund has made such a commitment.