

Pensions Committee

2.30pm, Tuesday 23 September 2014

Present

Councillor Rankin (Convener), John Anzani, Councillor Child, Councillor Cook, Councillor Orr and Councillor Rose (Chair for items 9-12).

Consultative Panel Members Present:

Charlie Boyd, Helen Carter, Eric MacLennan, Owen Murdoch and John Rodgers

1. Minutes

Decision

To approve the minute of the Pensions Committee of 17 June 2014 as a correct record.

2. Referrals and Recommendations from the Audit Sub-Committee

Councillor Rose advised the Committee of the discussion and decisions taken at the Pensions Audit Sub-Committee the previous day.

Decision

To note the update.

(Reference – Pensions Audit Sub-Committee, 22 September 2014.)

3. Agenda Planning

An indication was provided of potential reports for future Pensions Committee and Pensions Audit Sub-Committee meetings in December 2014 and March 2015.

Decision

To note the report.

(Reference – report by the Director of Corporate Governance, submitted.)

4. Audited Annual Report 2014 of the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund

Details were provided on the Annual Report for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund which had now been considered by Audit Scotland.

Decision

- 1) To note the External Auditor's report on the audit of the Annual Report for the year end 31 March 2014 for the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund.

- 2) To note the Audited Annual Report 2014 for the Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

(Reference – report by the Director of Corporate Governance, submitted.)

5. Review of Investment Options

A summary was provided on the key matters in relation to the investment controls and development of the in-house investment operations. There had been significant progress in reviewing and implementing the recommendations of the external consultant following their review of the in-house investment operations in December 2013. The Fund was also pursuing Financial Conduct Authority authorisation in order to strengthen internal controls and facilitate further development of the in-house investment function.

Decision

To note the progress in implementing the recommendations of the external consultant and in seeking Financial Conduct Authority (FCA) authorisation.

(Reference – report by the Director of Corporate Governance, submitted.)

6. Pensions Fund Investment Staffing

The risk from the lack of remuneration benchmarking and short notice periods for investment staff was highlighted and potential options to manage the risk were outlined. Approval was sought to create a special purpose vehicle to employ certain staff.

Decision

- 1) To agree option 4 in principle as outlined in the Director of Corporate Governance's report, subject to Council approval, to set up a special purpose vehicle.
- 2) To recommend to Council that a special purpose vehicle, separate to the Council, is created to employ certain pension fund investment staff.
- 3) To note that consultation with staff and trade unions would take place following any approval.
- 4) To recommend to the Council that the Convener of the Pensions Committee is appointed as a Board member of the special purpose vehicle.
- 5) To request the Director of Corporate Governance to report back to the Pensions Committee on progress including whether it is possible to include all the Pension and Investment staff in a phase two.

(Reference – report by the Director of Corporate Governance, submitted.)

7. Service Plan 2014 – 2017 Update

Details were provided on the first quarter of the 2014 –2017 Service Plan, performance indicators and the key actions to enable the Fund to meet its key objectives. Approval

was sought for a contingency budget provision in the event that the investment management function could no longer be operated in-house.

Decision

- 1) To note the progress of the Fund against the 2014 – 2017 Service Plan.
- 2) To approve the provision of an annual contingency budget of £10 million for external investment fees to be used in the event of significant team departures.

(Reference – report by the Director of Corporate Governance, submitted.)

8. Chair

At this point in proceedings Councillor Rankin vacated the chair and Councillor Rose was appointed to chair the remainder of the meeting.

9. Update on Employers Participating in Lothian Pension Fund

An update was provided on employers who are currently looking to join the Fund, employers leaving the Fund and the review of the covenant with individual employees.

Decision

- 1) To note the changes to the employers participating in the Lothian Pension Fund.
- 2) To note the work being carried out to review the covenant of employers and its use in the 2014 actuarial valuation.

(Reference – report by the Director of Corporate Governance, submitted.)

10. Overpayment of Pension

Approval was sought to write-off an overpayment of pension amounting to £3,121.59.

Decision

Committee agreed not to pursue recovery of an overpayment of pension amounting to £3,121.59.

(Reference – report by the Director of Corporate Governance, submitted.)

11. Update on Reform of Local Government Pension Scheme in Scotland and Regulatory Update

An update was provided outlining the progress made towards implementation of a new Local Government Pension Scheme (LGPS) in Scotland and further regulations covering scheme governance that would follow over the coming months.

Decision

To note the regulatory update.

(Reference – report by the Director of Corporate Governance, submitted.)

12. Risk Management

A summary was provided on the Lothian Pensions Fund's risk management procedures, including details on the operational risk register and quarterly risk overview.

Decision

To note the report.

(Reference – report by the Director of Corporate Governance, submitted.)