

FALKIRK COUNCIL

MINUTE OF MEETING OF THE PENSIONS PANEL
THURSDAY 23 MAY 2013
MUNICIPAL BUILDINGS, FALKIRK

ATTENDING:

Officers – Falkirk Council

B Smail – Chief Finance Officer

A McGirr – Pensions Manager

J Koumides – Pensions Accountant

D Kelly – Senior Committee Services Officer

Organisations

Councillor C Campbell – Stirling Council – Chair

A Douglas – Unison

Councillor A Drummond – Clackmannanshire Council

G Laidlaw – Scottish Autism

S MacKay – Clackmannanshire Council

W Watson – Stirling Council

J Welsh - SEPA

Attending

A Johnston – Hymans Robertson

B Miller – Investment Manager – Lothian Pensions Fund

J Rundell – Audit Scotland

J Haywood – PIRC

A MacDougall – PIRC

William Van Eesteren – Wilshire Associates

1. APOLOGIES

Apologies were received from G Eals, M Keggan, J McAuley, I McLean, E Morrison, A Redpath and A Stewart.

2. DECLARATIONS OF INTEREST

None declared.

3. MINUTES

(a) Minute of Meeting of the Pensions Panel held on 21 February 2013 was submitted and **APPROVED**, and

(b) Minute of Meeting of the Pensions Committee held on 7 March 2013 was submitted and **NOTED**.

4. **FALKIRK COUNCIL PENSION FUND – AUDIT 2012/13**

There was submitted Report (circulated) dated 13 May 2013 by the Chief Finance Officer summarising the contents of the letter dated 7 May 2013, issued by Audit Scotland on “Systems of Internal Central”, a copy of which was attached as an appendix to the Report.

The Panel **NOTED** the contents of the letter.

5. **LOCAL GOVERNMENT PENSION SCHEME - ADMINISTERING AUTHORITY DISCRETIONS**

There was submitted Report (circulated) dated 8 May by the Chief Finance Officer (a) summarising the discretionary powers which fall to the administering authorities, and (b) seeking consent to make changes to a number of policies and delegations so that operationally, there is better use of Pensions Section resources and greater clarity and speed surrounding the decision making process.

Discretion Under Consideration

- Abatement of Pension on Re-deployment
- Re-instatement of Spouse’s Pension
- Payment of Child’s Pension after break in full time education
- Payment of Child’s Pension to disabled child
- Treatment of pension overpayments on death

The Panel **NOTED** the contents of the Report and had no adverse observations in respect of the recommendations to:-

- (1) amend the abatement policy so that any reduction or suspension of pension only occurs after the pensioner member has been re-employment for 6 months;
- (2) re-instate a spouse’s pension unless the Chief Finance Officer considers it would be unreasonable to re-instate the pension;
- (3) pay a child’s pension on re-commencement of full-time education unless the Chief Finance Officer considers it would be unreasonable to pay the pension and to delegate to the Chief Finance Officer, the decision on whether or not a child’s pension should be paid during the period of any break in full-time education;
- (4) pay a child’s pension in circumstances where the child is deemed disabled within the meaning of the Disability Discrimination Act 1995, and
- (5) authorise the treatment of pension overpayments on death on the basis set out in the report.

6. PENSION FUND - GENERAL GOVERNANCE MATTERS

There was submitted Report (circulated) dated 8 May 2013 by the Chief Finance Officer presenting an update on the undernoted matters associated with the business of Falkirk Council Pension Fund.

- Auto Enrolment
- Police and Fire Services
- Pensions Liberation
- Record Keeping
- Corporate Governance
- Local Authority Pension Fund Forum (LAPFF)
- Financial Services Authority
- National Fraud Initiative

The Panel **NOTED** the contents of the Report and requested that information be posted on the Pension Fund website pertaining to Pensions Liberation.

7. FALKIRK COUNCIL PENSION FUND - CASH MANAGEMENT POLICY

There was submitted Report (circulated) dated 13 May 2013 by the Chief Finance Officer presenting the draft Cash Management Policy document, prepared in relation to the Pension Fund.

The Panel **NOTED** the contents of the draft Cash Management Policy and requested that changes to the Approved List of Counterparties and future Breaches of the Policy be reported back to the Panel.

8. PENSION FUND RISK REGISTER

There was submitted Report (circulated) dated 8 May 2013 by the Chief Finance Officer presenting the draft Pension Fund Risk Register.

Discussion took place on the following:-

- Measures to combat under-performance of Fund Managers
- The matrix used for measuring risk
- Ability of Risk Register to measure the impact of erroneous advice from advisers (e.g. actuarial recommendations)

The Panel **NOTED** the contents of the draft Pension Fund Risk Register.

9. EXCLUSION OF PUBLIC

RESOLVED in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude from the meeting the press and public for the following items of business on the ground that they would involve the likely disclosure of exempt information as defined in Paragraph 9 of Part 1 of Schedule 7A of the said Act.

10. INVESTMENT IN AFFORDABLE HOUSING – UPDATE

There was submitted Report (circulated) dated 13 May 2013 by the Chief Finance Officer presenting an update on the latest developments regarding the possibility of the Fund making an investment in Social and affordable housing.

Discussion took place on investment opportunities and the experiences of other Funds in this area. Specific comment was made in relation to a potential investment by a Welsh Pension Fund to a house building programme in Alva.

The Panel **NOTED** the developments.

11. INVESTMENT IN TOBACCO ASSETS

There was submitted Report (circulated) dated 6 May 2013 by the Chief Finance Officer (a) outlining the arguments for and against the Pension Fund investing in the tobacco industry; (b) advising that the arguments were to be considered within the context of the Fund's approach to environmental, social and governance matters as set out in the Statement of Investment Principles, and (c) intimating that recent publicity surrounding local authority investment in tobacco products had placed the matter in the public eye.

Prior to Members discussing the matter, Alan MacDougall and Janice Heyward of PIRC gave a comprehensive presentation looking at corporate governance matters generally.

Following the presentation, Panel Members assessed the various areas associated with the matter and these included:-

- Consequences of an ethical investment strategy
- Potential loss of financial returns
- Long term impact of maintaining investments or de-investing
- Desirability of consultation with Fund members
- Recent legal issues – Dundee City Council – Opinion of Counsel
- Extent to which Statement of Principles needed updating

To assist in determining the initial feelings of the Panel Members prior to the meeting of the Pensions Committee, the Chair sought, by a show of hands, an indication of views in relation to the 3 recommendations contained within the Report.

To supplement this, the Chair requested the Clerk of the Panel to also seek the views of those Panel Members not in attendance.

The Panel **NOTED** the contents of the Report and agreed that the Chair would reflect the views of all the members at the meeting of the Pensions Committee

12. FUND MANAGER PERFORMANCE REVIEW

There was submitted Report (circulated) dated 15 May 2013 by the Chief Finance Officer reviewing the overall performance of the fund and of the undernoted fund Managers:-

- Aberdeen Asset Management
- Baillie Gifford (Bond Mandate)
- Baillie Gifford (Diversified Growth)
- Legal and General Investment Management
- Newton Investment Management
- Schroder Investment Management (UK Equities)
- Schroder Investment Management (Property)

The Panel **NOTED** the Manager's performance and the action taken by them during the quarter to 31 March 2013, in accordance with their investment policies.

13. PRIVATE EQUITY AND ALTERNATIVES UPDATE

There was submitted Report (circulated) dated 15 May 2013 by the Chief Finance Officer updating on the progress and events arising from the Investments Programme of SL Capital, Wilshire Associates, Credit Suisse and M&G for the quarter ending 31 March 2013.

The Panel **NOTED** the progress of the Private Equity and Alternative Programmes as at 31 March 2013.

14. M&G/WILSHIRE ASSOCIATES – POTENTIAL INVESTMENT

There was submitted Report (circulated) dated 15 May 2013 by the Chief Finance Officer outlining potential investments in the M&G UK Companies Financing Fund II and in the Wilshire Associates Private Markets Global Fund IX.

The M&G Fund seeks to provide secured loan finance to mid-sized UK companies that have strong balance sheets, low levels of debt and limited access to capital markets.

The Wilshire Fund seeks to finance a series of private equity investments focusing globally on overlooked and niche market areas.

Prior to considering the recommendations contained within the Report, the meeting agreed to take the next item of business first, a presentation by William van Eesteren of Wilshire Associates.

15. FUND MANAGER REVIEW

The Panel received a presentation by William van Eesteren of Wilshire Associates.

Areas covered by the presentation included:-

Wilshire Private Markets Update
Private Equity
Portfolio Review
Wilshire Private Markets Fund IX

Mr van Eesteren was asked about investments within Scotland.

The Chair thanked Mr van Eesteren for his comprehensive presentation.

After hearing Mr van Eesteren, the Panel referred back to the previous item on the agenda – M&G/Wilshire Associates – Potential Investment – and NOTED the comments within the report.