

AGENDA ITEM 3 (b)

FALKIRK COUNCIL

MINUTE of MEETING of the PENSIONS COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 6 JUNE 2013 at 9.30 A.M.

PRESENT: Depute Provost Patrick; Baillie Paterson; Councillors Blackwood, Coleman and C Martin, and, A Redpath (Pensions Representative).

CONVENER: Depute Provost Patrick.

ATTENDING: Chief Finance Officer; Pensions Manager, Pensions Accountant and Senior Committee Services Officer.

ALSO IN

ATTENDANCE: B Miller (Lothian Pension Fund); L Selman (Hymans Robertson); J Haywood and A MacDougall (PIRC), G Parker and A Swan (M&G Investments), and, William van Eesteren – (Wilshire Associates).

PE32. APOLOGIES

Apologies were received from Councillors Campbell (Employers Representative) and Carleschi.

PE33. DECLARATIONS OF INTEREST

None declared.

PE34. MINUTES

- (a) Minute of Meeting of the Pensions Committee held on 7 March 2013 was submitted and **APPROVED**, and
- (b) Minute of Meeting of the Pensions Panel held on 23 May 2013 was submitted and **NOTED**.

PE35. 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.

NOTED the contents of the letter.

PE36. LOCAL GOVERNMENT PENSION SCHEME - ADMINISTERING AUTHORITY DISCRETIONS

There was submitted Report (circulated) dated 8 May 2013 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.

AGREED to approve the following proposed changes to the scheme discretions and delegated powers:-

- (1) amend the abatement policy so that any reduction or suspension of pension only occurs after the pensioner member has been in 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.

PE37. 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.

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

NOTED the contents of the Report.

PE38. 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.

AGREED to approve the Cash Management Policy and its adoption.

PE39. 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.

AGREED to approve the Pension Fund Risk Register and its adoption, and that the subject matter be a standing item on all future Pension Committee agendas.

PE40. 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.

PE41. 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.

NOTED the developments.

PE42. 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 investment in tobacco assets and corporate governance matters generally.

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

- Consequences of an ethical investment strategy
- Long term impact of maintaining investments or de-investing
- Extent to which Statement of Principles needed updating

AGREED:-

- (i) to allow Managers their existing flexibility to continue to invest in tobacco, and
- (ii) that the Statement of Investment Principles be the subject of a further report to the Committee with a view to the section on Socially Responsible Investment being expanded.

PE43. FUND MANAGER REVIEWS

The Committee received presentations from M&G Investments and Wilshire Associates.

Gary Parker and Andrew Swan from M&G Investments presented on the UK Companies Financing Fund, examining the following matters:-

Funds objectives and position
Overview and Performance
Performance vs Benchmark
Current portfolio

The Convener thanked Messrs Parker and Swan for their presentation.

William van Eesteren of Wilshire Associates presented on the following matters:-

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

The Convener thanked Mr van Eesteren for his presentation.

PE44. 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, both of which were addressed in detail in the presentations given by both companies (as referred to in paragraph PE43, above)

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.

AGREED to a:-

- (i) £10million investment in the M&G UK Companies Financing Fund II, and
- (ii) \$15million investment in Wilshire Associates Private Market Global Fund IX.

PE45. 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.

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

PE46. 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)

NOTED the Managers Performance and the action taken by them during the quarter to 31 March 2013, in accordance with their investment policies.