

FALKIRK COUNCIL

MINUTE of MEETING of the PENSIONS COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 5 JUNE 2014 at 9.30 A.M.

PRESENT: Councillors
Jim Blackwood
Colin Campbell
Steven Carleschi
Tom Coleman
Depute Provost Patrick (Convener)
Mary Keggan
Alistair Redpath

ATTENDING: Alastair McGirr, Pensions Manager
Bryan Smail, Chief Finance Officer
Brian Pirie, Democratic Services Manager, Committee Services Officer

ALSO IN ATTENDANCE: Bruce Miller, Investment Manager, Lothian Pension Fund
Stephen Docherty, Victoria MacLean and Natalie Winterfrost, Aberdeen Asset Management
Roger Pim, SL Capital Partners

PE1. APOLOGIES

An apology was intimated on behalf of Councillor C Martin, Falkirk Council.

PE2. DECLARATIONS OF INTEREST

No declarations were made.

PE3. MINUTES

Decision

- (a) The minute of the meeting of the Pensions Committee held on 6 March 2014 was approved;
- (b) The minute of the meeting of the Pensions Committee held on 17 March 2014 was approved; and
- (c) The minute of the meeting of the Pensions Panel held on 29 May 2014 was noted.

PE4. LOCAL GOVERNMENT PENSION SCHEME - 2015 UPDATE

The Committee considered a report by the Chief Finance Officer providing an update on the ongoing work as part of the reform of the Local Government Pension Scheme (LGPS).

The report summarised the current position in regard to the development of enabling legislation and advised that, following the development of a Heads of Agreement on scheme design, a Heads of Agreement on Governance was being developed. In terms of Governance arrangements, no agreement had been reached in regard to the relationship between the proposed Pensions Committees and Boards and discussions were ongoing between employers and Unions.

The report then summarised developments in England and Wales; in particular the findings of a report by Hymans Robertson on behalf of the Department of Communities and Local Government on the future structure of the LGPS. The report had concluded that significant savings could be achieved if Funds invested collectively, made greater use of passive management and moved away from all “Fund of Fund” structures.

Decision

The Committee noted report.

PE5. PENSION FUND - GENERAL GOVERNANCE MATTERS

The Committee considered a report by the Chief Finance Officer presenting an update on various matters associated with the governance of the Falkirk Council Pension Fund. The areas covered within the report included:-

- The impact of the UK Government’s budget on defined contribution Pension Schemes;
- New powers from HM Revenue to investigate pension liberation fraud;
- The implications of the Pensions Act 2014
- The risk arising from falling asset values and of the decision by Clackmannanshire Council to cut the pay of its employees; and
- The role of the Local Authority Pension Fund forum and its research and engagement partner PIRC.

Decision

The Committee noted the report and agreed to update the risk register to reflect the adverse impact of rising interest rates on asset values but the potentially beneficial effect of rising rates on fund liabilities.

PE6. INVESTMENT IN SOCIAL/AFFORDABLE HOUSING

The Committee considered a report by the Chief Finance Officer providing an update on its decision to invest in social housing and in affordable housing.

The Committee agreed on 17th March 2014 (ref PE99) to appoint Hearthstone plc to manage a £30m investment in social housing and affordable housing, with equal investments in each sector. The report provided further information on the investment process, with £30m being invested in Hearthstone plc's Housing Fund for Scotland and made available to Castle Rock Edinvar (CRE), Hearthstone's strategic partner in the venture. It was proposed that investment in social housing would be delivered by means of a loan to CRE while the investment in affordable housing will be through the purchase of newly built properties.

Decision

The Committee noted the report.

PE7. FUND MANAGER PERFORMANCE REVIEW

The Committee considered a report by the Chief Finance Officer reviewing the overall performance of the Fund and of the undernoted Fund Managers:-

- Aberdeen Asset Management;
- Baillie Gifford Bonds;
- Baillie Gifford Diversified Growth;
- Legal and General;
- Newton Investment Management;
- Schroder Investment Management UK Equities; and
- Schroder Investment Management Property.

Decision

The Committee noted the Fund Managers' performance and the action taken by them during the quarter to 31 March 2014, in accordance with their investment policies.

PE8. PRIVATE EQUITY AND ALTERNATIVES UPDATE

The Committee considered a report by the Chief Finance Officer on the progress of the Pension Fund's private equity and alternatives programme arising from the Investments Programme of SL Capital (Standard Life), Wilshire Associates, Grosvenor Capital and M&G for the quarter ending 31 March 2014.

In considering the various reports the Committee was invited to consider committing to a new infrastructure fund being launched by Grosvenor CM (and, if so, the amount to be committed).

Decision

The Committee agreed to delay its decision in regard to the Grosvenor CM option until it had considered the report on Investment in UK/Scottish Infrastructure later in the agenda.

PE9. ORDER OF BUSINESS

In terms of Standing Order 14.2(i), Depute Provost Patrick advised of a variation to the order of business from that detailed on the agenda for the meeting. The following items have been recorded in the order that they were taken.

PE10. 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 item of business on the ground that it would involve the likely disclosure of exempt information as defined in Paragraph 9 of Part 1 of Schedule 7A to the said Act.

PE11. INVESTMENT IN UK/SCOTTISH INFRASTRUCTURE

The Committee considered a report by the Chief Finance Officer setting out the details of a potential investment in UK and Scottish infrastructure.

The Committee and panel had previously considered investing in UK/Scottish infrastructure and had, in December 2013 (ref PE), requested further information on a proposal from the Lothian Pension Fund that it and the Fund collaborate.

The report set out the proposal by Lothian Pension Fund together with an appraisal by Hymans Robertson.

The report highlighted issues, and in particular:-

- the pace of deployment of capital;
- the strong likelihood of investments being made from the PFI/PPP universe;
- the timing of deals which means that in practical terms the investment decision; and requires to be delegated to the Chief Finance Officer.

Bruce Miller left the meeting during consideration of this item.

Decision

The Committee agreed to:-

- (1) collaborate with Lothian Pension Fund in making infrastructure investments in the UK to the value of £30m;**

- (2) delegate the investment decision to the Chief Finance Officer; and
- (3) request that the Chief Finance Officer reports on investments made in relation to this mandate.

Bruce Miller rejoined the meeting at this point.

PE12. PRIVATE EQUITY AND ALTERNATIVES UPDATE (continued)

Decision

The Committee agreed not to commit to the new infrastructure fund being launched by Grosvenor CM.

PE13. FUND MANAGER REVIEW

The Committee heard a presentation by Stephen Docherty, Victoria MacLean and Natalie Winterfrost of Aberdeen Assets Management.

The presentation covered:-

- The management team's equity approach;
- Investment process;
- Fund valuation and diversity;
- Fund performance.

The Convenor thanked Mr Docherty, Miss MacLean and Miss Winterfrost for their comprehensive presentation.

Decision

The Committee noted the presentation.

PE14. FUND MANAGER REVIEW

The Committee heard a presentation by Rodger Pim of SL Capital Partners.

The presentation covered:-

- The background to SL Capital Partners and its structure;
- SL Capital's platform and one team approach;
- Overview of Falkirk Council's commitments with SL Capital Partners.

The Convenor thanked Mr Pim for his detailed presentation.

Decision

The Committee noted the presentation.