

**FALKIRK COUNCIL**

**Subject: GENERAL GOVERNANCE MATTERS**  
**Meeting: PENSIONS COMMITTEE**  
**Date: 25 SEPTEMBER 2014**  
**Author: CHIEF FINANCE OFFICER**

**1. INTRODUCTION**

- 1.1 This report updates the Pensions Committee on various matters associated with the business of Falkirk Council Pension Fund.

**2. RISK REGISTER**

- 2.1 The Committee has asked officers to provide a regular update on any significant changes in risk. The following items are considered worthy of reporting:

<b>Identified Risk per Risk Register</b>	<b>Reason for Change in Risk Rating</b>
Funding position affected by falling asset values	<p>Rising geopolitical tensions in Ukraine and the Middle East have been impacting on financial markets.</p> <p>This is partly mitigated by the facts that a) the Fund is a long term investor in the assets it holds and has the capacity to “ride out most storms” and b) not all of the Fund’s assets are exposed to this risk.</p>
Retention of key staff	The Pension Fund Accountant is moving to a post with City of Edinburgh Council. Discussions are taking place with the Lothian Fund to ascertain whether there is an option for them to provide accounting support.

**3. SOCIAL HOUSING**

- 3.1 The legal documentation relating to the Social/Affordable Housing mandate is close to completion. Once concluded, this will enable the initial investment of £15m to be made to the Hearthstone Housing Fund for Scotland. The Committee will recall that the first £15m is to be used to secure a Bond from the Places for People Group /Castle Rock Edinvar to deliver Social Housing. The remaining £15m will be drawn down as opportunities for investment in affordable housing materialise.

- 3.2 A presentation on mandate developments will be given at today's meeting by Christopher Down, Chief Executive of Hearthstone Investments.

#### **4. LOCAL INFRASTRUCTURE**

- 4.1 At its meeting of 5 June 2014, the Pensions Committee took the decision to invest £30m in UK infrastructure projects in conjunction with the Lothian Pension Fund (LPF), using LPF specialist skills to identify potential investments and undertake the necessary due diligence. The final decision as to whether or not the Fund should invest in a particular project has been delegated to the Chief Finance Officer.
- 4.2 A resourcing agreement, being the vehicle through which LPF staff will be able to provide investment advice to Falkirk without contravening Financial Services regulations, has been drafted and reviewed by an independent firm of Solicitors. This will shortly be available for sign off, at which point the Fund will be in a position to make its first investment.

#### **5. PRUDENTIAL – ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)**

- 5.1 Prudential were formally appointed as one of the Fund's AVC Providers during the summer.
- 5.2 In an effort to promote the AVC facility, Prudential have been delivering a number of information sessions to the scheme members of SEPA, Falkirk and Clackmannanshire Councils. Sessions have covered both AVCs and LGPS benefits generally and have been very well received.

#### **6. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)**

- 6.1 The LAPFF represents the interests of 58 local authority pension funds with combined assets of around £120 billion. Its mission is to promote the highest standards of corporate responsibility amongst the companies in which member funds invest.
- 6.2 The LAPFF is supported by PIRC Ltd, who are the Forum's company research and engagement partner. PIRC are also the Falkirk Fund's proxy voting agents and advisers on Environmental, Social and Governance matters. PIRC will be delivering a presentation at today's meeting.
- 6.3 During the last quarter, LAPFF activity has included:
- attending AGMs of Barclays and Glaxosmithkline to challenge the company over governance and executive remuneration;
  - speaking in support of the resolution co-filed at the National Express AGM on human capital management at US operations;
  - addressing the BP and Shell Chairs on diversification into low carbon energy and carbon asset risk management; and
  - meeting the Chair of Trinity Mirror over issues of media standards and ethics

**7. RECOMMENDATION**

- 7.1 The Pensions Committee is asked to note the contents of this report and invited to comment as appropriate.**

**Chief Finance Officer**

**Date: 12 September 2014**

**Contact Officer: Alastair McGirr**

**LIST OF BACKGROUND PAPERS**

NIL