

DRAFT

FALKIRK COUNCIL

MINUTE of JOINT MEETING of the PENSIONS COMMITTEE/PANEL held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 11 DECEMBER 2014 at 9.30 A.M.

PRESENT:

Councillors:
Jim Blackwood
Steven Carleschi
Tom Coleman
Depute Provost Patrick (Convener)
Dr Craig R Martin

Andrew Douglas, Unison
Sandy Harrower, UCATT
Mary Keggan, Unison
Gordon Laidlaw, Scottish Autism
Susan MacKay, Clackmannanshire Council
Alistair Redpath, Pensioner Representative
Jennifer Welsh, SEPA

ATTENDING:

Alastair McGirr, Pensions Manager
Bryan Smail, Chief Finance Officer
Antonia Sobieraj, Committee Services Officer

**ALSO IN
ATTENDANCE:**

Bruce Miller, Investment Manager, Lothian Pension Fund
George Murphy, Stirling Council
Catherine McFadyen and Lorna Lyon, Hymans Robertson
Jim Rundell and Louise Dodds, Audit Scotland
Claire Watson, Graeme Rutter and Anthony Doherty, Schroders

PE29. APOLOGIES

Apologies were intimated on behalf of Councillor Campbell, Stirling Council; Councillor Drummond, Clackmannanshire Council; Ian McLean, Pensioner Representative; Ed Morrison, Scottish Children's Reporter Administration's (SCRA); and Jim Boyle, Stirling Council.

PE30. DECLARATIONS OF INTEREST

No declarations were made.

PE31. MINUTES

Decision

- (a) The minute of the meeting of the Pensions Panel on 11 September 2014 was approved; and**
- (b) The minute of the meeting of the Pensions Committee held on 25 September 2014 was approved.**

PE32. PENSION FUND ANNUAL AUDIT REPORT - 2013/14

The Committee considered a report by the Chief Finance Officer presenting Audit Scotland's Annual Report on the 2013/2014 Falkirk Council Pension Fund Audit.

Decision

The Committee noted Audit Scotland's Pension Fund Annual Report on the 2013/14 Pension Fund Audit.

PE33. 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 following:-

- Social Housing;
- Local Infrastructure;
- Prudential Additional Voluntary Contributions (AVC's);
- Staff Transfer - Sign Factory; and
- The Local Authority Pension Fund Forum (LAPFF) of 58 local authority Pension Funds.

Decision

The Committee noted the report.

PE34. PENSION FUND - VALUATION AND STRATEGIC REVIEW

The Committee considered a report by the Chief Finance Officer providing an update on the progress of the 2014 Fund Valuation together with consideration of the pending review of the Fund's investment strategy.

The report indicated:-

- The requirement for a Pension Fund valuation by an independent actuary on a three yearly basis in line with the rules of the Local Government Pension Scheme;
- The valuation's purpose to establish the financial position of the Fund in relation to assets and liabilities and, for this valuation, to set an appropriate rate of employers' contribution for the three years' commencing 1 April 2015;
- The valuation of the Fund being conducted as at 31 March 2014 by the Fund's Actuary, Hyman Robertson; and
- The funding considerations and objectives.

The Committee also heard from Catherine McFadyen and Lorna Lyon, Hyman's Robertson and circulated the Actuarial Valuation Initial Results for 2014.

The Convener thanked Ms McFadyen and Ms Lyon for the comprehensive information.

Decision

The Committee noted the report and associated presentations.

PE35. PENSION FUND - GOVERNANCE ARRANGEMENTS

The Committee considered a report by the Chief Finance Officer providing an update on the recent developments in relation to the governance arrangements in respect of the ongoing reform of the Local Government Pension Scheme (LGPS) through the Public Service Pensions Act 2013 with effect from 1 April 2015.

The report confirmed:-

- That Falkirk Council was designated an Administering Authority within Local Government Pension Scheme legislation with responsibility for maintaining and managing the Pension Fund;
- The provisions of the Public Service Pensions Act 2013 including the requirements for a Scheme Manager – the legally constituted decision making body and a Pension Board - a supporting entity;
- That at a national level the requirement for the overseeing of the Scheme to be undertaken by an Advisory Board comprising Employer and Trades Union representatives;
- The recently issued consultative draft Regulations and the Falkirk Council response on behalf of the Fund detailed in Appendix A to the report;
- The statutory requirements and the practical considerations relating to the operation of the Pensions Board;
- The guidance within the Governance Heads of Agreement and Model Constitution authorised by the Scottish Local Government Pensions Advisory Group (SLOGPAG);
- The publishing of the final Governance Regulations in late January 2015; and
- The overseeing national governance arrangements through the national Advisory Board.

The report also indicated (a) the current governance arrangements by Falkirk Council through the Pensions Committee and Panel; and (b) recommended (i) that the Falkirk

Pension Fund's business continue to be delegated to the Pensions Committee; and (ii) that the Pensions Panel discontinue with effect from 1 April 2015 with alternative governance arrangements to be put in place.

Circulated at the meeting were options for the future composition of the Committee and the Board issued (i) for information to Panel members; and (ii) for consideration by the Committee.

Decision

The Committee and Panel noted the report.

The Committee thereafter agreed:-

(1) to recommend to Council that:-

- (a) the Pensions Panel be discontinued from 1 April 2015;
- (b) the Pensions Committee should continue to operate as at present (i.e. with 6 elected members from Falkirk Council and 3 co-opted members representing Employer, Trade Unions and Pensioners;
- (c) in the event that the legislation remains as presently drafted, there should be a Pensions Board of 8 members consisting of 4 Employer and 4 Trade Union representatives or in the event that the legislation permits non Trade Union member representation, there should be a Pensions Board of 10 members with 5 Employer representatives, 4 Trade Union representatives and 1 non Trade Union member representative; and
- (d) the allocation of Board (dependant on the legislation at (c) above) seats to Employers and Trades Unions as detailed below:-

	Committee	Board
1.	<p>9 Members</p> <p>6 Falkirk Council Elected members + 3 Non-Falkirk Council members</p> <ul style="list-style-type: none"> - 1 Employer representative + - 1 Trade Union representative + - 1 Pensioner representative <p>For example:</p> <ul style="list-style-type: none"> - 1 x Stirling Council (1) - 1 x Unison - 1 x Pensioner representative <p><u>Comment</u></p>	<p>8 Members</p> <p>4 Employer representatives + 4 Member representatives</p> <p>1 x Clackmannanshire Council 1 x SEPA 1 x SCRA 1 x Scheduled or Admitted Body</p> <p>1 x Unison (2) 1 x GMB 1 x Unite 1 x UCATT</p> <p><u>Comment</u> (2) It would be open to the Trade</p>

	(1) Where the seat on the Committee is taken by Stirling Council, Clackmannanshire Council would be represented on the Board and vice versa.	Unions to agree an alternative composition among them.
2.	As above	<p>10 Members</p> <p>5 Employer representatives + 5 Member representatives</p> <p>2 x Local Authority (3) 1 x SEPA 1 x SCRA 1 x Scheduled or Admitted Body</p> <p>1 x Unison 1 x GMB 1 x UCATT 1 x Unite 1 x Non Union Member Representative</p> <p><u>Comment</u> (3) One of the local authority representatives would be appointed by Falkirk Council.</p>

and

- (2) that the final meeting of the Pensions Panel would be a joint meeting with the Committee and Panel on 12 March 2015.

PE36. 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.

Councillor Dr C R Martin left the meeting prior to consideration of the following item of business.

PE37. FUND MANAGER REVIEW

The Committee received a presentation by Claire Watson, Graeme Rutter and Anthony Docherty, Schroders.

The presentation covered the UK Equity and Property mandates and included information as undernoted:-

- The “Value” philosophy of the UK Equity Team;
- The rationale for recent sales and purchases;
- An overview of the underlying property funds, including the Continental European Fund, and
- The threats and opportunities in the property market.

The Convener thanked Ms Watson, Mr Rutter and Mr Docherty for their comprehensive presentation.

Decision

The Committee noted the presentation.

PE38. 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 30 September 2014, in accordance with their investment policies.

PE39. 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 30 September 2014.

The Committee agreed that the information contained in the Appendix to the report contained exempt information as defined in Paragraph 9 of Part 1 of Schedule 7 of the Local Government (Scotland) Act 1973 and resolved that, to the extent that there was confidential information in relation to new Grosvenor Infrastructure Fund.

Decision

The Committee:-

- (1) noted the progress of the Pension Fund's private equity, infrastructure and credit markets programme for the quarter ending 30 September 2014; and**
- (2) agreed not to invest in the new Grosvenor Fund at this point in time ahead of the Investment Strategy Review.**