

DRAFT

FALKIRK COUNCIL

MINUTE of JOINT MEETING of the PENSIONS COMMITTEE/PANEL held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 12 MARCH 2015 at 9.30 A.M.

PRESENT:

Councillors:

Jim Blackwood

Tom Coleman

Depute Provost John Patrick (Convener)

Dr Craig R Martin

Councillor Colin Campbell, Stirling Council

Councillor Archie Drummond, Clackmannanshire Council

Jim Boyle, Stirling Council

Gordon Laidlaw, Scottish Autism

Ian McLean, Pensioner Representative

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

Catherine McFadyen and Linda Selman, Hymans Robertson

Jim Rundell and Louise Dodds, Audit Scotland

Patrick Edwardson and Chris Murphy, Baillie Gifford

PE40. APOLOGIES

Apologies were intimated on behalf of Councillors Carleschi and C Martin, Falkirk Council.

PE41. DECLARATIONS OF INTEREST

No declarations were made.

PE42. MINUTE

Decision

The minute of the joint meeting of the Pensions Committee and Panel on 11 December 2014 was approved.

PE43. PENSION FUND ANNUAL AUDIT PLAN

The Committee considered a report by the Chief Finance Officer presenting Audit Scotland's Annual Audit Plan for 2014/2015.

A verbal update was provided by Audit Scotland representatives highlighting areas which were likely to be significant during the audit. These included Investment Management Expenses, preparations for the new CARE Scheme and the vacant Pensions Accountant post. The Committee and Panel members considered that these issues were important areas of oversight.

Decision

The Committee and Panel noted the issuing of Audit Scotland's Annual Audit Plan for 2014/15 consistent with the audit of the Falkirk Pension Fund Annual Report and Accounts for that year.

PE44. PENSION FUND - FUNDING STRATEGY STATEMENT

The Committee considered a report by the Chief Finance Officer on the Pension Fund's Funding Strategy Statement.

The report detailed that the Funding Strategy Statement had been updated to take account of the 2014 Actuarial Valuation process and included information on the governance arrangements.

Decision

The Committee and Panel noted the report.

The Committee approved the revised Funding Strategy Statement of the Falkirk Pension Fund.

PE45. PENSION FUND - ACTUARIAL VALUATION AS AT 31 MARCH 2014

The Committee considered a report by the Chief Finance Officer providing information on the detail of the valuation of the Pension Fund as at 31 March 2014 produced by the Fund Actuary, Hymans Robertson in accordance with Regulation 32 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008.

The report indicated:-

- The purpose of the valuation to establish the financial position of the Fund and set an appropriate rate of employers' contribution for the next three years (i.e. from April 2015 to March 2018); and
- The signed valuation report on the whole Fund position and the contribution rates by each of the Fund's participating employers.

The Committee also heard from Catherine McFadyen and Linda Selman, Hyman's Robertson in clarification.

The Convener thanked Ms McFadyen and Ms Selman for the comprehensive information presented.

Decision

The Committee and Panel noted the report and associated presentations.

PE46. PENSION FUND - REVIEW OF INVESTMENT STRATEGY

The Committee considered a report by the Chief Finance Officer providing an update on the progress of the Pension Fund's Investment Strategy.

The report confirmed:-

- The level of risk associated with various investment strategies, the options for reducing that risk and how the chosen investment strategy can be put into practice;
- The attached an explanatory Appendix from the Fund Actuary Hymans Robertson;
- That the Committee on 11 December 2014 agreed that the Strategy review should proceed to determine:-
 - the level of risk that the Committee was prepared to tolerate;
 - the mix of growth and defensive assets that the Fund should target;
 - the mix of assets the Fund should hold to meet its objectives; and
 - the asset management arrangements; and.
- The required input from the in house Investment Team;
- The Strategy and associated Risk Management;
- The objective for a 100% fully funded Fund by 2035;
- The details of the Hymans Robertson Actuarial modelling;
- The market influences;
- The balance between active and passive management; and
- The implementation of the Strategy.

Decision

The Committee and Panel noted the report including the range of Strategies set out in paragraph 3. 5 of the report and the risks associated with these Strategies.

The Committee agreed:-

- (1) that a de-risking plan be put in place to allow risk to be further reduced as the funding level improved;
- (2) to establish a sub-group of the Committee to make recommendations regarding the implementation of the Strategy and the range of asset classes, asset allocations and managers to be deployed by the Fund; and
- (3) that the Chief Finance Officer submit a report on progress to the aforementioned meeting in June.

PE47. 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 comprised:-

- Pension Fund Governance Arrangements including:-
 - that the Pensions Panel be discontinued from 1 April 2015;
 - the establishment of the Pension Board,
 - the terms of the final Regulations;
 - the preparation of a Board constitution based on the model constitution agreed by the Scottish Local Government Pensions Advisory Group;
 - the employers and Trades Unions being invited to make nominations to the Pension Board;
 - the first meeting of the Joint Pensions Committee and Pension Board on 26 June 2015; and
 - the proposals for initial training for new Board members in late May/early June followed by ongoing training as appropriate; and
- The risk register;
- The progress of the social and affordable housing investment with Hearthstone plc;
- The local infrastructure in relation to collaboration with Lothian Pension Fund;
- The data matching exercise known as the National Fraud Initiative;
- The abolition of contacting out;
- The staff transfer in relation to the Advice Service Partnership;
- The work of the Local Authority Pension Fund Forum (LAPFF) and its Conference in Bournemouth from 2 to 4 December 2015; and

- The Pension Fund's Annual Conference on Thursday 16 April 2015 at Callendar House, Falkirk.

Decision

The Committee and Panel noted the report.

The Committee agreed that should members of the Committee be interested in attending the LAPFF Conference in Bournemouth in December 2015 contact be made with Pensions Manager for appropriate representation.

PE48. PENSION FUND – BUDGET 2015/16

The Committee considered a report by the Chief Finance Officer the Pension Fund Budget for 2015/16.

Decision

The Committee and Panel noted the report.

PE49. CLASS AND GROUP ACTIONS

The Committee considered a report by the Chief Finance Officer providing information on two litigations in which the Pension Fund may be eligible to participate in terms of Class and Group Actions.

The report indicated:-

- The circumstances where Pension Funds considered it necessary to progress legal action against companies in which they had invested;
- The companies if considered in this instance being Petroleo Brasileiro (Petrobras) and Tesco plc;
- The Class or Group Actions undertaken in conjunction with other investors;
- The Fund's litigation adviser indicating the contemplated legal action in these cases; and possibly within coming weeks;
- The issues associated with the Fund agreeing to join one or other of the actions and an assessment of risk and return;
- The benefits of investors working collectively to obtain a better settlement than actions on an individual basis and in maintaining good standards of corporate governance.
- That the respective Fund Managers, Schroder and Aberdeen, should be consulted to determine their intentions regarding legal action;
- The legal complexities of constructing an action and the short notice for a final decision for participation; and
- The details of the companies concerned and the associated issues relating to the complaint allegations against each company.

Decision

The Committee and Panel noted the report.

The Committee agreed to delegate the final decision on participating to the Chief Finance Officer.

PE50. 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.

PE51. FUND MANAGER REVIEW

The Committee received a presentation by Patrick Edwardson and Chris Murphy, Baillie Gifford.

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

- Performance and Valuation;
- Government Bonds;
- Infrastructure;
- Commodities;
- Listed Equities; and
- High Yield Credit;

The Convener thanked Mr Edwardson and Mr Murphy for their comprehensive presentation.

Decision

The Committee and Panel noted the presentation.

PE52. 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 and Panel noted the Fund Managers' performance and the action taken by them during the quarter to 31 December 2014, in accordance with their investment policies.

PE53. 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, M&G and Hearststone for the quarter ending 31 December 2014.

Decision

The Committee and Panel noted the progress of the Pension Fund's private equity, infrastructure and credit markets programme for the quarter ending 31 December 2014.