

DRAFT

FALKIRK COUNCIL

MINUTE of JOINT MEETING of the PENSIONS COMMITTEE/BOARD held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 24 SEPTEMBER 2015 at 9.30 A.M.

PRESENT:

Committee:-
Councillors Falkirk Council:
Jim Blackwood
Tom Coleman
Steven Carleschi
Craig Martin
Dr Craig R Martin
Depute Provost John Patrick (Convener)

Councillor Colin Campbell, Stirling Council
Ian McLean, Pensioner Representative

Board:-
Susan Crook, Unison
Sandy Harrower, UCATT
Gordon Laidlaw, Scottish Autism
Herbie Schroder, UNITE

ATTENDING:

Justyna Korszen-Bennett, Accountant
Bryan Smail, Chief Finance Officer
Antonia Sobieraj, Committee Services Officer

**ALSO IN
ATTENDANCE:**

Bruce Miller, Investment Manager, Lothian Pension Fund
Claire Watson, Graeme Rutter, Neil Turner and Andrew Lyddon, Schroder Investment Management
Alan MacDougall, Managing Director, PIRC Ltd
Jim Rundell and Louise Dodds, Audit Scotland
Linda Selman, Hymans Robertson
Kieran Quinn, Chair of Local Authority Pensions Fund Forum (LAPFF)

PE14. APOLOGIES

Apologies were intimated on behalf of Councillor Archie Drummond, Clackmannanshire Council; Jennifer Welsh, SEPA and Ed Morrison, Scottish Children's Reporter Administration's (SCRA).

PE15. DECLARATIONS OF INTEREST

No declarations were made.

PE16. MINUTE

Decision

The minute of the joint meeting of the Pensions Committee and Board on 26 June 2015 was approved.

PE17. GENERAL GOVERNANCE MATTERS

The Committee and Board considered a report by the Director of Corporate and Housing Services presenting an update on various matters associated with the governance of the Falkirk Council Pensions Fund.

The areas covered within the report included the following:-

- The Internal Audit Report;
- The Class Actions;
- The Local Government Pension Scheme Advisory Board;
- The Pensions Regulator; and
- The Local Authority Pension Fund Forum (LAPFF) of 58 local authority Pension Funds.

Decision

The Committee and Board noted the report.

PE18. FALKIRK COUNCIL PENSION FUND - ANNUAL ACCOUNTS 2014/15

The Committee and Board considered a report by the Director of Corporate and Housing Services on the Falkirk Pension Fund's Annual Accounts for 2014/2015 in terms of Regulation 31A of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, which required administering authorities to publish a Pension Fund Annual Report, recognising that Pension Fund accounts were separate from other accounts of the administering authority, and referring (a) to the incorporation of the ISA 260 report within the annual Report; and (b) attaching as an appendix for inspection, a copy of the Fund's Audited Accounts for 2014/15.

Decision

The Committee agreed to approve the Audited the Pension Fund Annual Report and Accounts for 2014/15 as detailed in the Appendix to the report.

Councillor Coleman left and re-entered the meeting during consideration of the following item of business.

PE19. FALKIRK COUNCIL PENSION FUND - REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2014/15 AUDIT

The Committee and Board considered a report by the Director of Corporate and Housing Services on a report by Audit Scotland issued in accordance with the International Standard on Auditing (ISA 260) "Report to those charged with Governance on the 2014/15 Audit".

The report indicated that Regulation 31A of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 required administering authorities to publish a Pension Fund Annual Report and Accounts which were separate from the other accounts of the administering authority. The report and associated accounts were also subject to a separate audit. The Pension Fund's Unaudited Annual Report and Accounts for 2014/15 were submitted for audit on 19 June 2015 in line with the required statutory deadline.

Under the International Standard on Auditing 260 (ISA 260), auditors, before certifying the accounts, were required to communicate matters relating to the audit to those charged with governance. The report, referred to as the ISA 260, was to be provided in sufficient time to enable remedial action to be taken if necessary.

The ISA 260 reported that, subject to a final review, the audit would be unqualified.

The matters worthy of note included:-

- The revision of the Annual Governance Statement since presenting the Unaudited accounts to reflect feedback from external audit; and
- The incomplete year end reconciliation between annual returns from employing bodies and the ledger due to not all admitted bodies having submitted returns. All the main admitted bodies had now submitted annual returns and any variances highlighted by the reconciliation were not material. All admitted bodies would be reminded to submit their annual returns timeously.

The matters on which the auditor had specifically commented were as follows: -

- That the Pensions Committee should receive a copy of internal audit plans, specifying any pensions related items, to ensure that the scope of work was significant, to allow the Committee to obtain independent assurance on internal controls and risk management;
- The Local Authority Accounts (Scotland) Regulations 2014 introduced a new requirement from 2014-15 for all local authorities (including pension funds) to undertake an annual review of their control system and report this in an annual governance statement. Pension Committee should obtain an annual assurance report from Internal Audit giving their opinion on the control environment including the new pensions system;
- The Internal audit plan for the financial year 2014-2015 did not include any pension specific work. However, this was rectified by including specific pension

work in the 2015/16 internal audit plan, submitted to the council's Audit Committee in April 2015. Subsequently the work was undertaken in early 2015-16 and reported to the management on the 15 July 2015. The Internal Audit report is covered in the General Governance Matters report; and

- The concerns about the staffing level in the Pension Administration Team and the permanent Accountant post.

The Fund's external auditors, Audit Scotland, had completed their report to those charged with governance and anticipated being able to issue an unqualified audit certificate. Matters arising from the 2013-14 report were subsequently addressed during 2014/15.

Decision

The Committee agreed to approve the proposed Annual Audit Report, incorporating the ISA 260 report to those charged with governance from Audit Scotland.

PE20. INVESTMENT STRATEGY REVIEW - PROGRESS UPDATE

The Committee and Board considered a report by the Chief Finance Officer providing an update on the work of the Sub Group reviewing the Pension Fund's Investment Strategy.

The Pensions Committee had agreed on 26 June 2015 to the establishment of an Investment Strategy Sub Group, the purpose being to review the Fund's Investment Strategy and make appropriate recommendations to the Committee. The Group would take forward a de-risking plan within the context of a wider review of the Strategy.

The Sub Group had to date held three meetings and the minutes of meetings were attached as an Appendix to the report. The report also detailed the subject matter to be covered at future meetings.

Decision

The Committee and Board noted the report.

PE21. FUND MANAGER PERFORMANCE REVIEW

The Committee and Board 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 (Bond Mandate);
- Baillie Gifford (Diversified Growth);
- Legal and General;
- Newton Investment Management; and
- Schroder Investment Management (UK Equities and Property).

Decision

The Committee and Board noted the Fund Managers' performance and the action taken by them during the quarter to 30 June 2015, in accordance with their investment policies.

PE22. PRIVATE EQUITY AND ALTERNATIVES UPDATE

The Committee and Board considered a report by the Director of Corporate and Housing Services on the progress of the Pension Fund's private equity and alternatives investment programme for SL Capital (Standard Life), Wilshire Associates, Grosvenor Capital, M&G, Hearthstone and Lothian Co- Investments for the quarter ending 30 June 2015.

Decision

The Committee and Board noted the progress of the Pension Fund's private equity and alternatives investment programme for the quarter ending 30 June 2015.

PE23. PRESENTATION - CORPORATE GOVERNANCE

The Committee and Board received a presentation by Councillor Kieran Quinn, Chair of Local Authority Pensions Fund Forum (LAPFF) and Alan MacDougall, Managing Director, PIRC Ltd on shareholder engagement in relation to corporate governance of the local authority Funds.

The presentation covered the undernoted:-

- The value and effectiveness of shareholder engagement;
- The reforms following the global financial crisis;
- The carbon risk strategic resilience resolutions;
- The Board diversity;
- The engagement accountability; and
- The reform of Investment Regulations.

The Convener thanked Councillor Quinn and Mr MacDougall for their comprehensive presentation.

Councillors Carleschi left and re-entered the meeting prior to consideration of the following item of business.

Councillors Dr C R Martin and C Martin left the meeting during consideration of the following item of business.

PE24. PRESENTATION - SCHRODER INVESTMENT MANAGEMENT

The Committee and Board received a presentation by Claire Watson, Graeme Rutter, Neil Turner and Andrew Lyddon, Schroder Investment Management.

The presentation covered the undernoted:-

- Private Market Approach to Infrastructure;
- Customised Infrastructure Strategies, Overview and Portfolio;
- Comprehensive Alternative Investment; and
- Drivers of Infrastructure Opportunities.

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