

The background of the slide features the official coat of arms of the City of Vancouver. It is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on the water. The top-right quadrant shows a stag's head with antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant shows a grizzly bear. Above the shield is a crown with four maple leaves. Below the shield is a banner with the motto "A NE FOR A".

AGENDA ITEM

3

MINUTE

DRAFT

FALKIRK COUNCIL

MINUTE of JOINT MEETING of the PENSIONS COMMITTEE/BOARD held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 10 DECEMBER 2015 at 9.30 A.M.

PRESENT:

Committee:-
Councillors Falkirk Council:-
Jim Blackwood
Steven Carleschi
Dr Craig R Martin (Convener)

Andrew Douglas, Unison
Ian McLean, Pensioner Representative

Board:-
Susan Crook, Unison
Gordon Laidlaw, Scottish Autism
Tommy Murphy, GMB
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 and Andrew Imrie, Portfolio Manager, Lothian Pension Fund
Louise Dodds, Audit Scotland
William Marshall and Linda Selman, Hymans Robertson
Anne Marie Gillon and Steven Hay, Baillie Gifford
Robin Hay and David Moylett, Newton Investment Management

PE25. CONVENERSHIP OF MEETING

In terms of Standing Order 12.1, the Clerk presided at the start of the meeting in the absence of the Convener and invited a member of the Committee to take the Chair for the duration of the meeting. Councillor Dr Craig R Martin, Falkirk Council thereafter took the Chair with the consent of members present.

PE26. APOLOGIES

Apologies were intimated on behalf of Depute Provost John Patrick and Councillor Tom Coleman, Falkirk Council; Councillor Archie Drummond, Clackmannanshire Council; Councillor Colin Campbell, Stirling Council; Sandy Harrower, UCATT; Herbie Schroder, UNITE; and Ed Morrison, Scottish Children's Reporter Administration's (SCRA).

PE27. DECLARATIONS OF INTEREST

No declarations were made.

PE28. OPENING REMARKS

Prior to the formal commencement of business, the Chief Finance Officer advised of the impending retirement of Linda Selman, Hymans Robertson as adviser to the Committee, former Panel and Board over many years. The Committee and Board thanked Linda for her sterling support and commitment to the work of the Pension Fund and wished her well for the future.

PE29. MINUTE

Decision

The minute of the joint meeting of the Pensions Committee and Board on 24 September 2015 was approved, subject to the amendment at item 3 (PE16) to record that the 31 March 2014 funding level quoted in paragraph 3.4 of the report to the Committee on 26 June 2015 should have been 84.8% and not 86%.”

PE30. 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 Pension Fund.

The areas covered within the report included the following:-

- The Pensions Increase;
- The Proposed Scheme Changes;
- The Local Government Pension Scheme Advisory Board;
- The Scottish Parliament Infrastructure Report;
- The Pensions and Lifetime Savings Association; and
- The Local Authority Pension Fund Forum (LAPFF) of 58 local authority Pension Funds including work relating to the Fund supporting LAPFF as it bid to file a resolution on carbon disclosure at the next AGM of Anglo American.

Decision

The Committee and Board noted the report.

PE31. PENSION FUND - INVESTMENT SUB GROUP 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 four meetings and the minute of the meeting on 2 October 2015 were attached as an Appendix to the report. The next meeting of the Sub Group would be held in late January/early February 2016 when the Group would review the decision taken to date and work towards producing coherent draft proposals.

Decision

The Committee and Board noted the report.

PE32. 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 Investment Management;
- 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 September 2015, in accordance with their investment policies.

PE33. 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, Hearststone and Lothian Co-Investments for the quarter ending 30 September 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 September 2015.

The Committee agreed:-

- (1) a further commitment of \$80m to Grosvenor Capital's CIS II Fund; and**
- (2) a commitment of £30m to the Fund's collaboration in infrastructure investment with Lothian Pension Fund.**

The meeting adjourned at 11.15 a.m. and reconvened at 11.25 a.m., with all those present as per the sederunt.

PE34. UK INFRASTRUCTURE

The Committee and Board considered a report by the Director of Corporate and Housing Services on the latest developments in identifying options for investing in UK infrastructure projects.

The report provided options for progressing investment in UK infrastructure including:-

- The Fund's commitment is £30m and being envisaged that monies would be invested in approximately 5 or 6 separate projects and providing appropriate diversification across the portfolio;
- That potential investment opportunities were sourced and analysed by the in-house investment team based in Edinburgh;
- That due diligence process included preliminary and final investment review meetings;
- The final investment decision being made by the Chief Finance Officer on a project by project basis; and
- That whilst investments were predominantly UK/Scottish, it is noted that some individual projects may contain a small element of continental European exposure.

The investments during 2015 included approximately 150 infrastructure investment opportunities were entered into the deal pipeline, of which 40 were deemed suitable, meeting the Fund's investment strategy criteria. 27 of these opportunities were rejected, while 9 remain in the deal pipeline. 4 investments were completed in 3 new investments and 1 follow-on investment.

The 3 new investments were classified under the Availability and Regulated risk type and involved assets in the UK (with 2 investments in Scotland). They were forecast to have target net returns of 7-9% per annum and were partially correlated with inflation, structured as single asset funds and led by different external specialist managers, whilst progressed alongside Lothian Pension Fund

Decision

The Committee and Board noted the report.

PE35. PRESENTATION - BAILLIE GIFFORD

The Committee and Board received a presentation by Anne Marie Gillon and Steven Hay, Baillie Gifford.

The presentation covered the undernoted:-

- Fund Valuation and Distribution;
- Performance;
- Corporate Bonds;
- Investment - Rates and Currency Positions;
- Diversified Growth Performance and Valuation; and
- Portfolio Positioning.

The Convener thanked Ms Gillon and Mr Hay for their comprehensive presentation.

PE36. PRESENTATION - NEWTON INVESTMENT MANAGEMENT

The Committee and Board received a presentation by Robin Hay and David Moylett, Newton Investment Management.

The presentation covered the undernoted:-

- Investment Performance and Performance Attribution;
- Impact of State Intervention;
- Data Revolution;
- Transaction Highlights 2015;
- Portfolio Positioning;
- Investment Outlook;
- Performance Attribution;
- Shaping the Portfolio; and
- Global Equities and opportunities Strategy;

The Convener thanked Mr Hay and Mr Moylett for their comprehensive presentation.