

FALKIRK COUNCIL

MINUTE of MEETING of the PENSIONS COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on THURSDAY 6 DECEMBER 2012 at 9.30 A.M.

PRESENT: Depute Provost Patrick; Councillors Blackwood, Coleman, Carleschi; Councillor C Campbell (Employers Representative) and A Redpath (Pensions Representative).

CONVENER: Depute Provost Patrick.

ATTENDING: Chief Finance Officer; Pensions Manager and Senior Committee Services Officer.

ALSO IN ATTENDANCE: A Craik (Audit Scotland) B Miller (Lothian Pension Fund) and L Selman (Hymans Robertson).

PE16. APOLOGIES

Apologies were intimated on behalf of Councillors Paterson and Mr G Eals.

PE17. DECLARATIONS OF INTEREST

There were no declarations made.

PE18. MINUTE

There was submitted (circulated) and **APPROVED** Minute of Meeting of the Pensions Committee held on 13 September 2012, and **NOTED** Minute of Meeting of the Pensions Panel held on 22 November 2012.

PE19. FALKIRK COUNCIL PENSION FUND - AUDITED ANNUAL REPORT AND ACCOUNTS 2011/12

There was submitted Report (circulated) dated 1 November 2012 by the Chief Finance Officer (a) advising that administering authorities of local government pension funds are required to publish a pension fund annual report and pension fund accounts that are separate from the other accounts of the administering authority, and (b) presenting as appendices to the Report copies of both the Falkirk Council Pension Fund Annual Report and Accounts 2011/12 and the Annual Report on the 2011/12 Audit as prepared by Audit Scotland.

NOTED:-

- (1) the completion of the 2011/12 Accounts process, and
- (2) the presentation by Audit Scotland of the Annual Report on the 2011/12 Pension Fund Audit.

PE20. PUBLIC SECTOR PENSIONS REFORM

There was submitted Report (circulated) dated 5 November 2012 by the Chief Finance Officer presenting an update on the latest proposals for public sector pensions reform.

NOTED.

PE21. PENSION FUND - GENERAL GOVERNANCE MATTERS

There was submitted Report (circulated) dated 1 November 2012 by the Chief Finance Officer presenting an update on the undernoted matters associated with the business of Falkirk Council Pension Fund.

Areas covered by the Report:-

- Auto Enrolment
- LGPS Regulations Made
- LGPS Regulations in Draft Form
- Consumer Price Index
- National Fraud Initiative
- Local Authority Pension Fund Forum

NOTED.

PE22. FUNDING AND INVESTMENT STRATEGY UPDATE

There was submitted Report (circulated) dated 9 November 2012 by the Chief Finance Officer presenting the latest funding position of the Falkirk Council Pension Fund.

Ms Linda Selman of Hymans Robertson gave a presentation on the Funds Funding and Investment Strategy.

NOTED the content of the Report and the details presented by Ms Selman.

PE23. PENSION FUND CASH MANAGEMENT

With reference to the Meeting of the Pensions Panel held on 30 August 2012 when discussion took place on the investment of short term cash with the Clydesdale Bank and Northern Trust, there was submitted Report (circulated) dated 7 November 2012 by the Chief Finance Officer addressing the issue and providing details of the Pension Fund's current approach to Cash Management.

NOTED the Fund's practices in relation to the management of cash.

AGREED that a Cash Management Strategy be prepared for the Fund.

PE24. EXCLUSION OF PUBLIC

RESOLVED in terms of Section 50A (4) of the Local Government (Scotland) Act 1973, to exclude from the meeting the press and public for the following items of business on the ground that they would involve the likely disclosure of exempt information as defined in Paragraph 9 of Part 1 of Schedule 7A of the said Act.

PE25. SCHRODERS UK EQUITY MANDATE – OVERSEAS ELEMENT

With reference to the meeting of the Pensions Panel held on 30 August 2012 when discussions took place on extending the mandate of Schroders Investment Management to include an overseas dimension, there was submitted Report (circulated) dated 6 November 2012 by the Chief Finance Officer presenting the arguments for and against extending the mandate.

NOTED.

AGREED that the mandate should continue to be limited to UK Equities only.

PE26. SCHRODERS PROPERTY MANDATE – UNDER-PERFORMANCE

There was submitted Report (circulated) dated 8 November 2012 by the Chief Finance Officer (a) referring to the Pension Fund's Property Mandate which is managed by Schroder Investment Management; (b) advising that the Mandate has been performing below benchmark for some period of time, and (c) outlining options which could assist in improving performance.

NOTED.

AGREED:-

- (1) that officers and the Investment Consultant engage with Schroders regarding the management of the Property Mandate, and

- (2) to invite Schroders to the next meeting of the Pensions Panel to discuss the Property Mandate performance in detail.

PE27. GROUP ACTION – ROYAL BANK OF SCOTLAND

There was submitted Report (circulated) dated 8 November 2012 by the Chief Finance Officer (a) referring to the participation in 2008 by the Falkirk Council Pension Fund in a Rights Issue made to shareholders by the Royal Bank of Scotland (RBS); (b) outlining the allegations that the financial information supporting the Rights Issue misled investors to the bank's true financial position; (c) detailing the position of the Fund in respect of the civil action being co-ordinated against RBS, and (d) presenting an update on the current status of the action.

AGREED to withdraw from the civil action being coordinated against RBS

PE28. PENSION FUND - INFRASTRUCTURE INVESTMENT

With reference to the meeting of the Pensions Committee held on 13 September 2012, there was submitted Report (circulated) dated 12 November 2012 by the Chief Finance Officer presenting information about current developments involving local authority pension funds, local investment and infrastructure, and how, in particular, these developments might be utilised to benefit the local economy.

AGREED that a seminar be arranged comprising Members of the Committee, Panel, Scottish Government and interested other bodies including Housing Associations to consider and discuss the matter in full.

PE29. PERFORMANCE AND MANAGEMENT REVIEW

There was submitted Report (circulated) dated 12 November 2012 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

NOTED the performance and actions taken by the Managers, in accordance with the investment policies, for the period ending 30 September 2012.

PE30. PRIVATE EQUITY AND ALTERNATIVES UPDATE

There was submitted report (circulated) dated 8 November 2012 by the Chief Finance Officer, updating on the progress and events arising from the Investments Programme of SL Capital, Wilshire Associates, Credit Suisse and M&G for the quarter ending 30 September 2012.

NOTED the progress of the Private Equity and Alternatives Programmes as at 30 September 2012.

PE31. FUND MANAGER REVIEW

Presentation by Baillie Gifford

Laurence Linklater and Anne-Marie Gillon from Baillie Gifford gave a presentation covering the following areas:-

- Portfolio position as at 30 September 2012
- Asset Allocation
- Fund Value and Distribution
- Changes occurred during past 6 months
- Fund Performance
- Investment Views
- Positioning of Physical Bonds and Cash
- Corporate Bond Holdings

The Chair thanked Mr Linklater and Ms Gillon for their informative presentation.