

FALKIRK COUNCIL

**MINUTE OF MEETING OF THE PENSIONS PANEL
THURSDAY 28 NOVEMBER 2013 AT 9.30 A.M.
MUNICIPAL BUILDINGS, FALKIRK**

PRESENT:- **Officers – Falkirk Council**

Jason Koumides, Pensions Accountant
Alastair McGirr, Pensions Manager
Brian Smail, Chief Finance Officer
Antonia Sobieraj, Committee Services Officer

Organisations

Andrew Douglas, Unison
Councillor Archie Drummond, Clackmannanshire Council
Mary Keggan, Unison
Gordon Laidlaw, Scottish Autism (Convener)
Ian McLean, Pensioner Representative
Susan MacKay, Clackmannanshire Council
William Watson, Stirling Council
Jennifer Welsh, SEPA

Attending

Anne Marie Gillon and Chris Murphy, Baillie Gifford
Bruce Miller, Investment Manager, Lothian Pension Fund,
Julie Pine and Stewart Methven, Aberdeen Asset Management

1. 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 Panel to take the Chair for the duration of the meeting. Gordon Laidlaw, Scottish Autism thereafter took the Chair with the consent of members present.

2. APOLOGIES

Apologies were intimated on behalf of Councillor Callum Campbell, Stirling Council, Ed Morrison, Scottish Children's Reporter Administration's (SCRA), Alistair Redpath, Pensioner Representative and Alison Stewart, Head of Finance, Forth Valley College.

3. DECLARATIONS OF INTEREST

No declarations were made.

4. MINUTES

Decision

- (a) The minute of the Joint Meeting of the Pensions Committee and Pensions Panel held on 5 September 2013 was approved; and**
- (b) The minute of the Special Joint Meeting of the Pensions Committee and Pensions Panel held on 10 September 2013 was approved.**

5. PENSION FUND ACCOUNTS 2012/13 - AUDIT REPORT

The Panel considered a report by the Chief Finance Officer presenting Audit Scotland's Annual Report on the 2012/2013 Falkirk Council Pension Fund Audit.

Decision

The Panel:-

- (1) noted Audit Scotland's Annual Report on the 2012/2013 Local Government Pension Funds Audit; and**
- (2) requested that a report on the fund Manager Management Fees be submitted to the next meeting.**

6. LGPS 2015 - HEADS OF AGREEMENT

The Panel considered a report by the Chief Finance Officer on the Local Government Pension Scheme 2015 - Heads of Agreement setting out the terms of the agreement reached by the Scottish Local Government Pensions Advisory Group (SLOGPAG) and related content and operation of a new Local Government Pension Scheme (LGPS) 2015 for Scotland.

The Agreement provided ensured that consideration take place on various governance issues arising from the Local Government Pension Scheme (Scotland) Act 2015 including:-

- The role of the four governance bodies identified by the Act;
- The membership and constitution of the Scheme Advisory Board;
- The operation of the cost control mechanism; and
- The requirements of the Pensions Regulator.

Decision

The Panel noted the developments relating to the Local Government Pension Scheme 2015 - Heads of Agreement in terms of the new Local Government Pension Scheme (LGPS) 2015 for Scotland.

6. PENSION FUND - FUNDING UPDATE

The Panel considered a report by the Chief Finance Officer on the latest funding position in relation to the Falkirk Council Pension Fund as at 31 October 2013.

Decision

The Panel noted the latest funding position in relation to the Falkirk Council Pension Fund as at 31 October 2013.

7. LONGEVITY ANALYSIS - CLUB VITA

The Panel considered a report by the Chief Finance Officer on the proposal by the Pension Fund Actuary, Hymans Robertson to carry out an in depth analysis of the Pension Fund's membership data, the compilation a bespoke model of life expectancy for the Fund and the founding of the limited partnership "Club Vita" in 2007 with approximately 160 participants and data for over 1.8 million pensioners.

.

Decision

The Panel:-

- (1) noted the proposal from Hymans Robertson/Club Vita to undertake a detailed analysis of the Fund's longevity experience; and**
- (2) agreed that any reduction in contributions was welcomed although some concern was expressed on a possible conflict of interest by the Fund actuary.**

8. PENSIONS ADMINISTRATION SYSTEM

The Panel considered a report by the Chief Finance Officer on the proposals for the procurement of a replacement computerised system for the administration of the Falkirk Local Government Pension Scheme.

Discussion took place on the following issues:-

- The importance of a robust administrative system and the compatibility of computer systems;
- The possibility of sharing a system with another body;
- The imperatives of sound financial management and data security; and

- The tight timescales for implementation.

Decision

The Panel:-

- (1) noted the proposals for the procurement of a replacement computerised system for the administration of the Falkirk Local Government Pension Scheme; and
- (2) expressed some reservations at the overall costs and timing of replacing the existing system and agreed that the options for sharing systems should be further clarified.

9. PENSION FUND - GENERAL GOVERNANCE MATTERS

The Panel 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:-

- The issues associated with Auto Enrolment;
- The Pension Fund's Risk Register; and
- The transfer to the Scottish Public Pensions Agency from 1 April 2015 of responsibility for the pensions of uniformed officers within Police Scotland and the Scottish Fire and Rescue Service.

Decision

The Panel noted the report.

10. INVESTMENT IN SOCIAL/AFFORDABLE HOUSING

The Panel considered a report by the Chief Finance Officer presenting an update on the latest developments regarding the possibility of the Fund making an investment in social and affordable housing.

At the Special Joint Meeting of the Committee and Panel on 10 September 2013 it was agreed as undernoted:-

- (1) That an investment in social housing should be progressed;
- (2) That a manager search be undertaken, consistent with procurement rules;
- (3) That the final decision to invest remain dependent on identifying a suitable manager and fund;

- (4) That whilst examining the market within the UK as a whole, any mandate to a suitably appointed manager should require that consideration is given to both the Scottish and local (pension fund area) dimensions;
- (5) That any investment should be made gradually and limited to not more than £30m; and
- (6) That the Chief Finance Officer would report on progress to the next round of Panel/Committee meetings.

The updated report provided an update on the progress of measures to ensure the widest possible interest in the post of Manager would be forthcoming and included information on the placing of a notice within the Official Journal of the European Union on 18 November 2013 and interviews in mid March 2014.

Decision

The Panel noted the actions taken in relation to investment in social and affordable housing.

11. INVESTMENT IN UK INFRASTRUCTURE

The Panel considered a report by the Chief Finance Officer on the latest developments in identifying options for investing in UK infrastructure projects.

At the Special Joint Meeting of the Committee and Panel on 10 September 2013 it was agreed as undernoted:-

- (1) That investment in local infrastructure (to include Central Scotland, Scotland and the UK as a whole) should be further progressed;
- (2) That an assessment of the following 3 options should be undertaken in determining the best way to proceed:-
 - to invest in one or more of the available UK Infrastructure Funds;
 - to collaborate with other LGPS funds (or other investor) to establish a segregated account run by an external investment manager and focusing on UK/Scottish Infrastructure; and
 - to invest in individual projects, relying on larger fund advisers to undertake due diligence.
- (3) The final decision to invest remains dependent on identifying a suitable Fund or manager;
- (4) Any investment is limited to not more than £30m;
- (5) If direct investment is to be pursued, a protocol governing such investments be established, and

- (6) The Chief Finance Officer report on progress to the next round of Panel/Committee meetings.

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

- The establishment of collaborative arrangements with the Lothian Pension Fund;
- The setting up of a Segregated Fund for Falkirk Council; and
- The tendering for an Investment Manager to manage the Pension Funds.

Decision

The Panel:-

- (1) noted the various options available in relation to making an investment in UK infrastructure projects; and
- (2) agreed that the Panel's preferred option was the establishment of collaborative arrangements with the Lothian Pension Fund.

12. FUND MANAGER PERFORMANCE REVIEW

The Panel 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;
- Schroder Investment Management (Accounting Report); and
- Schroder Investment Management Report (Equities and Property).

Decision

The Panel noted the Fund Managers' performance and the action taken by them during the quarter to 30 September 2013, in accordance with their investment policies.

13. PRIVATE EQUITY AND ALTERNATIVES UPDATE

The Panel 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 2013.

Decision

The Panel noted the progress of the Pension Fund's private equity and alternatives programme for the quarter ending 30 September 2013.

14. FUND MANAGER REVIEW

The Panel received a presentation by Anne Marie Gillon and Chris Murphy of Baillie Gifford.

The areas covered by the presentation included:-

- Fund Valuation and Distribution;
- Investment Views, Corporate Bonds, Rates and Currency Positions;
- Diversified Growth; and
- Portfolio Review.

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

Decision

The Panel noted the presentation.

15. FUND MANAGER REVIEW

The Panel received a presentation by Julie Pine and Stewart Methven of Aberdeen Asset Management.

The areas covered within the presentation included:-

- Global Equities;
- Stock Attribution; and
- Portfolio Review.

The Convener thanked Ms Pine and Mr Methven for their comprehensive presentation.

Decision

The Panel noted the presentation.

16. ANY OTHER COMPETENT BUSINESS

The Clerk to the Panel confirmed the meetings during 2014 at 9.30 a.m. as undernoted:-

- Thursday 20 February;
- Thursday 22 May;
- Thursday 11 September; and
- Thursday 27 November.