

**FALKIRK COUNCIL**

**Subject: GENERAL GOVERNANCE MATTERS**  
**Meeting: JOINT MEETING OF THE PENSIONS PANEL AND COMMITTEE**  
**Date: 11 DECEMBER 2014**  
**Author: CHIEF FINANCE OFFICER**

**1. INTRODUCTION**

1.1 This report updates the Panel and Committee on miscellaneous issues associated with the business of Falkirk Council Pension Fund.

**2. RISK REGISTER**

2.1 The Committee has asked officers to provide a regular update on any significant changes in risk. The following item is considered worthy of reporting:

<b>Identified Risk per Register</b>	<b>Reason for Change in Risk Rating</b>
<p>Member data is inaccurate</p> <p>Confidential data is lost</p>	<p>The process of migrating data from the in house pensions administration system to the “Altair” system has begun. This involves successive transmissions of data between Falkirk Council and the contractor Heywood. Around 48,000 member records require to be uploaded. The risk is that data is inaccurately transferred or is lost or infected in transit.</p> <p>Risk is mitigated by the fact that Heywood have considerable experience in undertaking data transfers. Before data is accepted by Haywood, it is subject to a series of validations to ensure that the record is clean and properly constructed. Reconciliations are scheduled to ensure that key components such as dates of birth and service are synchronised between the two systems. A data sharing agreement is in place between Falkirk and the contractor and the actual data transmission is made via a secure point to point web connection.</p>

**3. SOCIAL HOUSING**

3.1 The legal documentation relating to the Social/Affordable Housing mandate has now been completed and the initial drawdown of £15m made at the beginning of November. This is being used to secure a Bond from the Places for People Group / Castle Rock Edinvar (CRE) which in turn will be used to deliver the Social Housing part of the mandate. The remaining £15m will be

drawn down as opportunities for investment in affordable housing materialise. It is noted that discussions between the three local Councils, CRE and Scottish Government are ongoing.

#### **4. LOCAL INFRASTRUCTURE**

- 4.1 In relation to the decision of the Pensions Committee at its meeting of 5 June 2014 to invest £30m in UK infrastructure projects in collaboration with the Lothian Pension Fund (LPF), paperwork relating to the joint venture is in the process of being signed. Identification of a suitable investment is now awaited.

#### **5. PRUDENTIAL – ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)**

- 5.1 Prudential were formally appointed as one of the Fund's AVC Providers during the summer.
- 5.2 In an effort to promote the AVC facility, Prudential have been delivering a number of information sessions to the scheme members of SEPA, Falkirk and Clackmannanshire Councils. Sessions have covered both AVCs and LGPS benefits generally and have been very well received.
- 5.3 Since their appointment around 50 members have signed up to pay AVCs with Prudential.

#### **6. STAFF TRANSFER – SIGN FACTORY**

- 6.1 Agreement has been reached in principle for staff of the Falkirk Council Sign Factory to be transferred to Haven Products Limited. Haven is a not for profit social enterprise, which specializes in providing disabled individuals with workplace opportunities. They already have a significant presence in Scotland and employ over 200 disabled persons across their packaging, textile, recycling and logistics businesses in Hillington, Stirling and Inverness.
- 6.2 Falkirk Council, in its capacity as a fund employer, wishes to protect the pension rights of the dozen staff involved by allowing them continued access to the Local Government Pension Scheme. To this end, Falkirk Council has agreed to act as guarantors of Haven's admission to the Scheme and has accepted responsibility for all pension liabilities of transferred staff. This includes any underpayment by Haven of employer contributions and any current or future funding deficit.
- 6.3 Where a local authority employer is entering into a contract with a third party such as Haven and the local authority wishes its staff to have continued access to the Scheme, then the Fund is obliged to agree to access being given.
- 6.4 As Falkirk Council has accepted responsibility for Haven's participation in the Scheme, there is no financial risk to other fund employers as a result of this staff transfer.
- 6.5 A draft admission agreement has been prepared by the Pensions Section and is with Haven and Falkirk Council for comment.

## **7. LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)**

- 7.1 The LAPFF represents the interests of 58 local authority pension funds with combined assets of around £120 billion. Its mission is to promote the highest standards of corporate responsibility amongst the companies in which member funds invest.
- 7.2 The LAPFF is supported by PIRC Ltd, who are the Forum's company research and engagement partner. PIRC are also the Falkirk Fund's proxy voting agents and advisers on ESG matters.
- 7.3 During the last quarter, LAPFF activity has included:
- attending AGMs of Vodafone, BT Group and Burberry to challenge the company over excessive executive remuneration;
  - engaging with Palm Oil producers to better manage environmental risks
  - addressing the Chairs of British Land and National Grid on the extent to which climate risk has been considered in developing business objectives; and.
  - meeting the Chair of BAE to discuss pay, anti-corruption processes and gender diversity
- 7.4 The LAPFF are also in the process of meeting with Shell and BP as part of the "Aiming for A" coalition of UK asset owners and mutual fund managers that have been engaging with the ten largest UK-listed extractives and utilities companies to assess and encourage them to make preparations for a low carbon operating environment.

## **8. RECOMMENDATION**

- 8.1 **The Pensions Committee is asked to note the contents of this report and invited to comment as appropriate.**

**Chief Finance Officer**

**Date: 27 November 2014**

**Contact Officer: Alastair McGirr**

### **LIST OF BACKGROUND PAPERS**

NIL