



Agenda Item

3

Minute

FALKIRK COUNCIL

Minute of Joint Meeting of the Pensions Committee/Board held in the Municipal Buildings, Falkirk on Thursday 22 September 2016 at 9.30 a.m.

Present:

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

Councillor Callum Campbell, Stirling Council
Andrew Douglas, Unison

Board:-
Donald Balsillie, Clackmannanshire Council
Susan Crook, Unison
Sandy Harrower, UCATT
Tommy Murphy, GMB
Jennifer Welsh, SEPA

Attending:

Justyna Korszen-Bennett, Senior Accountant
Alastair McGirr, Pensions Manager
Bryan Smail, Chief Finance Officer
Antonia Sobieraj, Committee Services Officer

Also in Attendance:

Jim Rundell and Louise Dodds, Audit Scotland
William Marshall and Steven Scott, Hymans Robertson
Bruce Miller, Investment Manager, Lothian Pension Fund
Chris Murphy and Patrick Edwardson, Baillie Gifford.
Rob Hay, Jeff Munroe and David Moylett, Newton Investment Management

PE16. Apologies

Apologies were intimated on behalf of Councillor Jim Blackwood; Ed Morrison, Scottish Children's Reporter Administration's (SCRA); and Ian McLean, Pensioner Representative.

PE17. Declarations

No declarations were made.

PE18. Minute

Decision

The minute of the joint meeting of the Pensions Committee and Board on 23 June 2016 was approved.

PE19. Annual Audit Report 2015/16

The Committee and Board considered a report by the Director of Corporate and Housing Services on the Fund's Annual Audit Report 2015/16.

Decision

The Committee and Board noted:-

- (1) the proposed unqualified audit opinion for the Fund for 2015/16; and**
- (2) the Annual Audit Report for 2015/16 and the proposed management actions.**

PE20. Audited Annual Report and Accounts - 2015/16

The Committee and Board considered a report by the Director of Corporate and Housing Services on the Falkirk Pension Fund's Audited Annual Report and Accounts for 2015/2016 and attaching as an appendix for inspection, a copy of the Fund's Audited Annual Report and Accounts for 2015/16.

Decision

The Committee and Board noted the Audited Falkirk Council Pension Fund Annual Report and Accounts 2015/16.

The Committee agreed the Audited Falkirk Council Pension Fund Annual Report and Accounts 2015/16.

PE21. Funding Update

The Committee and Board considered a report by the Director of Corporate and Housing Services indicating the fund's latest funding position.

The report detailed:-

- The funding positions at the 31 March 2014, 31 March 2016 and 31 August 2016;

- The relevance of the funding aims in setting the Fund's Investment Strategy;
- The deterioration from the 2014 position mainly as a result of the continuing fall in bond yields; and
- The work being undertaken to bring the funding position to employers' attention in anticipation of possible rate increases at the 2017 valuation.

Decision

The Committee and Board noted the funding position at 31 August 2016 and the steps taken to bring the issues contained therein to the attention of Fund managers.

PE22. Order of Business

In terms of Standing Order 14.2(i), Depute Provost Patrick advised of a variation to the order of business from that detailed on the agenda for the meeting. The following items have been recorded in the order that they were taken.

PE23. Presentation - Baillie Gifford

The Committee and Board received a presentation by Chris Murphy and Patrick Edwardson, Baillie Gifford.

The presentation covered the undernoted aspects of the Diversified Growth mandate:-

- The performance and associated risks;
- The active currency; and
- The portfolio hedging and positioning.

The Convener thanked Mr Murphy and Mr Edwardson for their comprehensive presentation.

PE24. Presentation- Newton Investment Management

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

The presentation covered the undernoted aspects of the global equities mandate:-

- The long term performance and attribution;
- The world market; and
- The portfolio positioning.

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

PE25. 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 Risk Register;
- The Annual Benefit Statements;
- The Board Membership and Governance Review;
- The Public Sector Exit Payments;
- The Corporate Governance Issues including the Local Authority Pension Fund Forum (LAPFF) of 58 local authority Pension Funds and the Fund Seminar on Environmental, Social and Governance (ESG) Issues on 24 October 2016; and
- The Training Opportunity.

Decision

The Committee and Board noted the report.

PE26. 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 UK Infrastructure (in conjunction with Lothian Pension Fund) for the quarter ending 30 June 2016.

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 2016.

PE27. Market Review and Fund Manager Performance

The Committee and Board considered a report by the Director of Corporate and Housing Services 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 (L&G);
- Newton Investment Management;
- Schroder Investment Management (UK Equities); and
- Schroder Investment Management (Property).

Decision

The Committee and Board noted the Fund Managers' performance and the actions taken by them during the quarter to 30 June 2016, in accordance with their investment policies.

PE28. Exclusion of Public

The Committee agreed, in terms of section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting 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 to the said Act.

PE29. Commentary and Fund Manager Performance

The Committee and Board considered a report by the Director of Corporate and Housing Services providing commentary and reviewing the overall performance of the Fund and of the undernoted Fund Managers:-

- Aberdeen Asset Management;
- Baillie Gifford (Bond Mandate);
- Baillie Gifford (Diversified Growth);
- Newton Investment Management;
- Schroder Investment Management (UK Equities); and
- Schroder Investment Management (Property).

Decision

The Committee and Board noted the Fund Managers' performance and the action taken by them during the quarter to 30 June 2016, in accordance with their investment policies.

PE30. Investment Strategy – Smart Beta

The Committee and Board considered a report by the Director of Corporate and Housing Services on developments in relation to a proposed £200m smart beta investment.

The areas covered in the update report included:-

- The smart beta investment of £200m, with £100m being allocated to each of the fundamental weighting and low volatility strategies thereby improving the diversity of the Fund's equity structure and offering a solution with lower costs and lower risk than another active mandate;
- The proposed implementation of the smart beta investment through the Fund's existing relationships with Legal and General and Lothian Pension Fund;
- The fundamental weighting part of the smart beta investment in tracking one of Research Affiliates Fundamental Indices (RAFI);
- The investment through Legal and General (LGIM) on the basis of there being an experienced provider of passive equity index funds;
- The smart beta investment based on the low volatility portfolio; and
- The proposals concerning the low volatility strategy being considered at the meeting of the Committee and Board in December 2016.

Decision

The Committee and Board noted the report.

The Committee agreed:-

- (1) the investment of £100m into the Legal and General RAFI All World 300 Equity Index Fund; and**
- (2) the investment funded from the existing Legal and General passive mandate.**