

The background of the slide features the coat of arms of the Government of Nunavut. It is a shield divided into four quadrants. The top-left quadrant shows a yellow sun with rays. The top-right quadrant shows a white caribou head with antlers. The bottom-left quadrant shows a white sailing ship on blue wavy lines representing water. The bottom-right quadrant shows a white eagle with spread wings. Above the shield is a crown with four white flowers. Below the shield is a banner with the text "ANE FOR A'".

## **Agenda Item 6**

### **General Governance Matters**

**FALKIRK COUNCIL**

**Subject: General Governance Matters**

**Meeting: Joint Meeting of Pensions Committee and Pension Board**

**Date: 24 August 2017**

**Submitted by: Director of Corporate and Housing Services**

**1. Purpose of Report**

- 1.1 This report updates the Board and Committee on miscellaneous matters associated with the business of Falkirk Council Pension Fund.

**2. Recommendation**

- 2.1 **The Pensions Committee and Board are invited to note the content of this report.**

**3. Risk Register**

- 3.1 This section highlights areas of heightened risk for the Fund currently:

<b>Identified Risk per Risk Register</b>	<b>Reason for Change in Risk Rating</b>
Asset values affected by political uncertainty	<p>Asset values may be affected by geopolitical tensions involving the U.S and North Korea.</p> <p><i>Mitigation – As a long term investor with a well-diversified portfolio of investments and no immediate cash flow requirement, the Fund generally has the capacity to weather short term market noise. Investment strategy, including the impact of global events, remain under regular review by the Joint Investment Strategy Panel and can be adjusted if better sources of risk adjusted return are identified.</i></p>

Investment strategy is inappropriate	<p>Failure to agree with Fund managers that the Fund can be classified as a professional investor by 3 January 2018 means assets may no longer satisfy the manager's compliance requirements and require to be liquidated or transitioned.</p> <p><i>Mitigation – A separate report to Committee seeks approval for the Fund to claim professional client status and proceed with the submission of applications to fund managers. The remaining timescale should permit the application process to be completed by the January deadline.</i></p>
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#### **4. Actuarial Services Tender**

- 4.1 The Scheme rules require that “An administering authority must obtain an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2017 and on 31st March in every third year afterwards”.
- 4.2 A new five year contract for actuarial services has been tendered to cover both the 2017 and 2020 valuations. Following the tendering exercise, Hymans Robertson has been re-appointed as the Fund Actuary. The tender was carried out by running a mini-competition between suppliers drawn from the National Local Government Pension Scheme (LGPS) Framework for actuarial services.
- 4.3 Hymans Robertson scored highest of the 3 firms tendering in all categories assessed – price, quality and service fit.
- 4.4 Total spend will depend on the specific services required over the contract period, however this is expected to be in the region of £70k per annum, though some of this will be recovered from employers for accounting calculations provided to them by the actuary.

#### **5. State Pension Age**

- 5.1 Following a review of State Pension Age arrangements, the DWP has proposed that the rise in State Pension Age (SPA) to age 68 should happen in 2039 rather than 2046, affecting those currently aged between 39 and 47. This has still to be approved by the UK Parliament.
- 5.2 Increases to State Pension Age have added significance for LGPS members as any changes feed through directly to the Normal Pension Age of scheme members.
- 5.3 The increase, if approved, will have a mildly beneficial effect on employer costs of between 0.1 and 0.2% of pay.

## **6. Corporate Governance Issues**

- 6.1 The Fund discharges its obligations as a responsible investor by monitoring the engagement efforts of its Managers and by being a member of the Local Authority Pension Funds Forum (LAPFF). It has also engaged PIRC Ltd to exercise voting of shares on its behalf.
- 6.2 Recent activity has seen LAPFF engage on issues including audit practices, cyber security, mergers and acquisitions, and remuneration.
- 6.3. In particular, LAPFF representatives:
- met with the chairs of Aberdeen Asset and Standard Life to discuss their merger;
  - reviewed audit practices with BT;
  - discussed remuneration packages with Smith & Nephew; and .
  - challenged Tesco on cyber security
- 6.4 At the recent round of company AGMs taking place during April to June, the main resolutions on which PIRC voted against were:
- Excessive Executive Pay
  - Auditors in place for 10 years or more
  - Level of fees paid to auditors for non audit activities
  - Board members in place for 9 years or more
  - Companies seeking authority to extend scope for share buy backs
  - Companies seeking to issue new share capital without adequate justification
  - Combined Chair and Chief Executive Officer
  - No shareholder vote on level of dividend
- 6.5 Copies of recent manager engagement reports have been uploaded to the Objective Connect portal.

## **7. Training**

- 7.1 A training event for Committee and Board members has been arranged for 31 October at the offices of COSLA, Edinburgh. This is a joint event being held with the Committee and Board of the Lothian Pension Fund. Further details will be provided in due course.

## **8. Future Meetings**

8.1 Future meetings of the Committee and Board are scheduled for:

- 21 September
- 7 December

PP **Director of Corporate & Housing Services**

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### **Appendices**

None

### **List of Background Papers:**

None