

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant contains a beaver. The bottom-right quadrant shows a grizzly bear standing on its hind legs. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "A NE FOR A".

Agenda Item 3

Minute

Draft

FALKIRK COUNCIL

Minute of Joint Meeting of the Pensions Committee/Board held in the Municipal Buildings, Falkirk on Thursday 21 June 2018 at 9.30 a.m.

Present:

Committee:-

Councillors Falkirk Council:-

Provost William Buchanan

Jim Blackwood

Niall Coleman

Adanna McCue (Convener)

John Patrick

Pat Reid

Ian McLean, Pensioner Representative

Board:-

Susan Crook, Unison

Sandy Harrower UCATT

Simon Hunt, Scottish Autism

Gordon Irvine, Unite

Tommy Murphy, GMB

Attending:

Jack Frawley, Committee Services Officer

Justyna Korszen-Bennett, Senior Accountant (Pension Fund)

Alastair McGirr, Pensions Manager

Brian Pirie, Democratic Services Manager

Bryan Smail, Chief Finance Officer

Graham Templeton, Senior Auditor

Also in

Attendance:

Rob Jones, Ernst and Young (External Audit)

Bruce Miller, Chief Investment Officer, Lothian Pension Fund

Olga Potapova, Ernst and Young (External Audit)

PE1. Apologies

Apologies were intimated on behalf of Councillor Brisley, Andy Douglas and Jennifer Welsh.

PE2. Declarations of Interest

There were no declarations of interest.

PE3. Minute

Decision

The minute of the joint meeting of the Pensions Committee and Board on 15 March 2018 was approved.

PE4. Internal Audit Annual Assurance Report 2017/18

The Committee and Board considered a report by the Audit Manager which provided an update on internal audit work undertaken in respect of the Falkirk Council Pension Fund during 2017/18. Assurance on arrangements for risk management, governance, and control based on that work was also provided.

Decision

The Committee and Board noted that Internal Audit provided Substantial Assurance in respect of the Fund's arrangements for risk management, governance, and control for the year to 31 March 2018.

PE5. Internal Audit Plan 2018/19

The Committee and Board considered a report by the Audit Manager which sought approval of a Falkirk Council Pension Fund Internal Audit Plan for 2018/19.

Annual Internal Audit coverage was based on discussion with the Pensions Manager, review of relevant documentation (eg the Pension Fund Risk Register, Governance Policy), and Internal Audit's own assessment of risk also taking account of the work planned by the external auditors. Additionally Internal Audit reviewed, on an ongoing basis, emerging and developing risks, and these were built into the Audit Needs Assessment for consideration in current and future years' Internal Audit Plans.

Internal Audit's work during 2018/19 would include Pension Fund Transactional Testing. The purpose would be to ensure that:-

- new member contributions to the Pension Fund were properly calculated;
- the correct values of pension rights either transferred into, or out of, the Pension Fund have been received or paid;
- the correct pension payments were paid to retiring Fund members;
- the correct lump sum payments were made in respect of deceased Fund members; and

- the controls around i-Connect (electronic transfer of data from employers creating starters and leavers) are operating effectively.

On an annual basis, an Internal Audit Annual Assurance Report would be presented to the Pensions Committee and Pension Board. This would give an overall opinion on the Falkirk Council Pension Fund's risk management, governance, and control arrangements.

Decision

The Committee and Board:-

- (1) **agreed the proposed Falkirk Council Pension Fund Internal Audit Plan 2018/19, and**
- (2) **noted that an Annual Assurance Report will be provided.**

PE6. Unaudited Annual Report and Accounts 2017/18

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided the Unaudited Fund Annual Report and Accounts 2017/18 and the Fund Annual Governance Statement for consideration.

The key points from the Annual Report and Accounts 2017/18 were:-

- Assets were £2.3bn (£2.2bn in 16/17)
- Liabilities were £2.5bn (£2.4bn in 16/17)
- Funding level was 91% (92% per the valuation of 31/3/2017)
- Administration costs were £23.90 per member (£19.25 in 16/17 - increase was mainly due to additional posts filled in 17/18)
- 23 Freedom of Information requests were answered
- Scheme membership was 31,344 (30,258 in 16/17). Over 5 years there has been an 18% increase in aggregate membership
- 1 year return was 3.1% against a benchmark of 2.5%
- Annualised 5 year return was 8.8% against a benchmark of 7.7%
- Votes were cast on 1,917 motions at 126 company meetings
- Contributions of £80m were paid in (£82m in 16/17)
- Benefits of £68m were paid out (£66m in 16/17)
- Employee contributions were £18m against £62m paid by employers
- Direct investment management expenses of £10m (£9.8m in 16/17)

Decision

The Committee and Board:-

- (1) **noted the Unaudited Accounts and Annual Report and the Annual Governance Statement.**

The Committee:-

- (1) approved the Fund Annual Governance Statement, and**
- (2) noted the Unaudited Annual Report and Accounts 2017/18 of the Falkirk Council Pension Fund.**

PE7. General Data Protection Regulations (GDPR)

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided an update on the actions taken in response to the introduction of the General Data Protection Regulations.

As a body which is required by law to operate the Local Government Pension Scheme, the Fund held vast quantities of personal data relating to over 30,000 scheme members. Data was held in both in paper and electronic format. Data in paper format was contained within a secured area of the Municipal Buildings. Data held electronically was either stored i) on Council servers and therefore protected by the Council's IT security arrangements or ii) on servers maintained by the supplier of the Pensions Administration System.

Following consultation with the Council's legal team, a Fund Privacy Notice was compiled and published on the Fund website. Pensioners were advised of the Privacy Notice via a message on their May pension advice slip. Other members would be advised of the Notice when benefit statements were next issued. Various letters and emails were amended to carry a reference to the Privacy Notice. In addition, Memoranda of Understanding were issued to the 35 employers participating in the Fund. These set out the data protection standards that were expected of employers as well as the standards that the Fund would apply. Similar documents were exchanged with key contacts and service providers such as the Fund Actuary and the suppliers of the Pensions Administration System.

Decision

The Committee and Board noted the contents of the report.

PE8. Pension Fund Delegation

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided an update on the delegations in relation to Pension Fund business.

Decision

The Committee and Board noted the contents of the report.

PE9. General Governance Matters

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided an update on miscellaneous matters associated with the business of the Falkirk Council Pension Fund.

Decision

The Committee and Board noted the contents of the report.

PE10. Market Review and Fund Manager Performance

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided an update on recent investment market developments; the Fund's strategic allocation and performance, and monitoring activity of the Fund's investment mandates during the most recent quarter.

Decision

The Committee and Board noted:-

- (1) recent investment market developments;**
- (2) the Fund's strategic allocation;**
- (3) the Fund's performance for the period ending 31 March 2018, and**
- (4) the investment monitoring activity of the Joint Investment Strategy Panel.**

PE11. Exclusion of Public

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.

PE12. Commentary on Fund Manager Performance

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided further details on individual manager mandates, including current developments and issues identified through the wider monitoring process to the period 31 March 2018.

Decision

The Committee and Board noted the contents of the report.

PE13. Joint Investment Strategy Panel Update

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided an update on the key points arising from the meeting of the Joint Investment Strategy Panel held on 12 June 2018.

Decision

The Committee and Board noted the contents of the report.

PE14. Investment in Bank Hapoalim

The Committee and Board considered a report by the Director of Corporate and Housing Services which provided an update regarding the position relating to disinvestment from Bank Hapoalim.

Decision

The Committee and Board noted:-

- (1) the contents of the report including the request to divest and the Fund's response in line with its agreed investment beliefs, and**
- (2) that the investment manager was in the process of selling the Fund's holdings in Bank Hapoalim on the basis that the risks outweighed the potential returns.**