

The background of the slide features a large, faint, light blue watermark of the City of Vancouver coat of arms. The crest includes a crown at the top with four maple leaves, a shield divided into four quadrants (top-left: a saltire, top-right: a stag's head, bottom-left: a sailing ship, bottom-right: an eagle), and a banner at the bottom with the motto "ANNE FOR A".

## **Agenda Item 10**

# **General Governance Matters**

**Falkirk Council**

**Subject: General Governance Matters**

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

**Date: 6 December 2018**

**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**

- (1) The Pensions Committee and Board are invited to note the contents of this report.**

**3. Data Quality Audit**

- 3.1 For the first time since assuming responsibility for public sector pension schemes, the Pensions Regulator has required schemes to report on the quality of their member data.
- 3.2 The Regulator categorises data as either “common” or “scheme specific” data. Common data is data that should be held for every member (e.g. name, date of birth, address, etc.). Scheme specific data is data that ideally should be held depending on the scheme and member’s individual circumstances.
- 3.3 Based on data at 28 August 2018, Falkirk’s common data score is 91.3% (i.e. 91.3% of records had no single data inconsistency). The majority of “fails” relate to i) deferred members who have not advised us of their new address and ii) various other minor inconsistencies which do not impact on scheme benefits.
- 3.4 In relation to scheme specific data, the Falkirk score is 76.1%. Areas generating the lower score were the recording of transfers-in and missing starting salaries. Many of these “fails”, however, relate to legacy deferred and pensioner records where the data, if ever held electronically, is no longer material as benefits have already been calculated.
- 3.5 The Pensions team will prioritise the areas for improvement most likely to deliver tangible benefits for scheme members. An obvious example would be to

undertake a member tracing exercise to re-unite "gone away" deferred members with their benefits.

#### **4. Annual Benefit Statements for Members**

- 4.1 Annual benefit statements need to be issued to scheme members by 31 August each year. Employers are asked to provide year end data by 30 April to enable data to be validated and statements prepared in good time.
- 4.2 One employer did not submit data until 27 September. This meant a material number of statements were not issued by the due date of 31 August. As a result the matter was reported to the Pensions Regulator.
- 4.3 The Regulator subsequently asked for details of the Fund's engagement with the employer in question; the total number of statements issued on time; the total number not issued on time; and the Fund's plan for achieving compliance.
- 4.4 The numbers issued on time were 10,909. The numbers not issued (i.e. relating to the late employer submission) were 2,662. The outstanding statements were issued to members on the 30<sup>th</sup> October.
- 4.5 The Pensions Manager responded to the Regulator's points and advised that the Fund was holding an employer training event on 27<sup>th</sup> November to underline the importance of timely and accurate data. A spokesperson for the Regulator has agreed to deliver a presentation on employer obligations at the meeting.
- 4.6 The Regulator indicated that they were satisfied with the actions taken by the Fund. A copy of the Regulator's letter is attached as an appendix to this report.

#### **5. Small Admitted Bodies Initiative**

- 5.1 Following the 2017 Fund valuation, a number of smaller Fund employers indicated that they would like to leave the Fund in view of the high costs of scheme membership.
- 5.2 Following a Fund led initiative, Clackmannanshire, Falkirk and Stirling Councils have agreed to act as guarantors of the (fund) liabilities of these organisations should they wish to exit. The existence of guarantors means that most of the organisations will now be able to exit the Fund without having to make a cessation payment.
- 5.3 So far, four bodies have taken up the offer to leave – Stirling Enterprise Park Ltd, Seamab School, McLaren Community Leisure Trust and Central Carers Ltd. The Fund is working with the Actuary and the four employers to bring matters to a conclusion. This will include advising those members leaving the Fund with details of their exit benefits.

## 6. Pension Fund Budget

6.1 The Pension Fund budget for 2018/19 was agreed at the Committee and Board meeting of 15 March 2018.

6.2 The table below shows the differences between the expected outturn and the budget.

	<b>Budget 18-19</b>	<b>Forecast 18-19</b>	<b>Variance 18-19</b>
<b>Administration</b>			
Employee costs	461,700	420,000	(41,700)
GMP reconciliation	50,000	50,000	0
IT Expenditure	213,830	213,830	0
Payslip printing and postage	58,000	62,400	4,400
Central Support Recharges	44,630	44,630	0
Other	16,090	33,600	17,510
Rechargeable income	(16,250)	(16,460)	(210)
<b>Total Administration</b>	<b>828,000</b>	<b>808,000</b>	<b>(20,000)</b>
<b>Oversight &amp; Governance</b>			
Employee costs	138,950	118,000	(20,950)
Shared Services	208,000	208,000	0
Actuarial fees	140,000	140,000	0
Investment Advice	24,000	24,000	0
Legal fees	53,840	53,840	0
Tax Advice	40,000	40,000	0
Performance Measurement	40,000	37,000	(3,000)
Central Support Recharges	52,390	52,390	0
Other	54,320	60,000	6,000
Rechargeable Actuarial fees	(30,000)	(33,000)	(3,000)
<b>Total Oversight &amp; Governance</b>	<b>721,500</b>	<b>700,230</b>	<b>(20,950)</b>
<b>Total Investment Management</b>	<b>6,125,500</b>	<b>5,895,500</b>	<b>(230,000)</b>
<b>Pension Fund Total</b>	<b>7,675,000</b>	<b>7,403,730</b>	<b>(270,950)</b>

6.3 Overall, the Fund's costs are projected to have an underspend of circa £270k. The main contribution to this is the lower than budgeted investment management expenses. A breakdown of the manager fees against budget is contained in the manager update report taken under private business.

6.4 Other material points are:

- a projected underspend in Employee Costs relating to staff vacancies.
- a projected overspend in Other costs reflecting the intention to undertake some additional record scanning or address tracing work before the year end.

## **7. Corporate Governance Issues**

- 7.1 The Fund discharges its obligations as a responsible investor:
- by voting its shares;
  - by monitoring the engagement efforts of its Managers; and
  - by being a member of the Local Authority Pension Funds Forum (LAPFF).
- 7.2 LAPFF is supported by PIRC Ltd, who are the Forum's research and engagement partner. PIRC are also the Fund's voting agents and advisers on ESG matters.
- 7.3 During the last quarter. LAPFF engaged with 63 companies: including:
- Sainsbury on cyber security and its planned merger with Asda
  - Pearson re eliminating plastics from packaging
  - United Utilities and Severn Trent on sustainable and efficient water stewardship
  - General Electric on its proposed purchase of a coal fired power plant in Africa – seemingly at odds with its public pronouncements on climate change.
  - BP on its management of methane emissions in the US where it is the lead producer.
  - Rio Tinto on its continuing reliance on coal energy in Mongolia and South Africa despite its strategic aim to reduce reliance on coal
- 7.4 LAPFF recommended voting against various resolutions at the Sports Direct AGM due to unresolved employment issues and against Ryanair at its AGM due to perceived customer service failure and poor employee relations.
- 7.5 Copies of recent manager engagement reports have been uploaded to the Objective Connect portal.
- 7.6 Committee and Board members will be saddened to learn of the untimely death of Councillor Ian Greenwood in November. Councillor Greenwood was currently the Chair of LAPFF, having previously served as both Chair and Vice Chair. He was a respected and passionate champion of LAPFF's aims and objectives and a strong advocate of better standards of corporate behaviour.

## **8. Voting**

- 8.1 Details of how Fund votes have been cast across various categories during the last complete quarter (Quarter 3) are attached at Appendix 2.

## **9. Sharefile**

- 9.1 From next quarter. Manager reports etc will no longer be uploaded to the Objective Connect portal but will instead be uploaded to Sharefile. Committee

and Board members who do not already have access to Sharefile will therefore receive invitations to access the facility. Manager reports in paper format will be discontinued.

## **10. Pensions Committee Vacancy**

- 10.1 The pensioner representative on the Pensions Committee. Mr Ian McLean, has tendered his resignation with effect from 28<sup>th</sup> December, 2018. Details of the vacancy will be publicised on the Fund website and also via the messaging facility on monthly pension advice slips.
- 10.2 Ian has continuously been a member of the Pensions Committee and before that the Pensions Panel since 2012. I am sure that Committee and Board members will wish to record their thanks to Ian for his contribution over the years and wish him all the very best for the future.

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### **Director of Corporate & Housing Services**

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Date: 20 November 2018

### **Appendices**

Appendix 1 – Pensions Regulator letter dated 7 November 2018

Appendix 2 – Falkirk Council Pension Fund – Quarter 3 – Voting Record (extract)

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

Quarter 3 – Voting report PIRC Ltd

# The Pensions Regulator

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Brighton  
BN1 4DW

[www.trusteetoolkit.com](http://www.trusteetoolkit.com)  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

The Scheme Manager of Falkirk Council  
Pension Fund – LGPS (Scotland)  
FAO Mr A McGirr  
Pensions Section  
PO BOX 14882  
Falkirk Council  
Municipal Buildings  
Falkirk  
FK1 5ZF  
United Kingdom

Our ref: E125562443

07 November 2018

Scheme name: Falkirk Council Pension Fund - Local Government Pension Scheme (Scotland) (the Scheme)

**PSR: 12011314**

Dear Scheme Manager

We received a breach of law report on 12 October 2018 regarding the Scheme Manager's failure to provide Annual Benefit Statements (ABSs) to all of the relevant members of the Scheme by 31 August 2018. We have since been informed that you have provided the outstanding ABSs to the Scheme's eligible members on 30 October 2018.

Failure to provide eligible scheme members with an ABS may affect their confidence in the Scheme as well as their ability to plan and make decisions about their retirement. It is also indicative of possible wider governance and administrative failings.

However, on the basis of the information you have provided, we do not intend to take enforcement action at this time, in relation to this breach of law. We reserve the right to review our decision regarding regulatory action if any further information received warrants it.

We thank you for the submission of the breach of law report and trust you will continue to take this approach in future reporting.

Yours faithfully

The Pensions Regulator

TPR is a data controller for the purposes of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA). We hold and process personal data in accordance with the principles set out in the GDPR in carrying out our statutory functions/duties. For further information about how we process personal data, please see our privacy notice at [www.thepensionsregulator.gov.uk/docs/fair-processing-notice.pdf](http://www.thepensionsregulator.gov.uk/docs/fair-processing-notice.pdf)



# 1 Resolution Analysis

- Number of resolutions voted: 185 (note that it MAY include non-voting items).
- Number of resolutions supported by client: 121
- Number of resolutions opposed by client: 45
- Number of resolutions abstained by client: 19
- Number of resolutions Non-voting: 0
- Number of resolutions Withheld by client: 0
- Number of resolutions Not Supported by client: 0

## 1.1 Number of meetings voted by geographical location

Location	Number of Meetings Voted
UK & BRITISH OVERSEAS	6
EUROPE & GLOBAL EU	1
USA & CANADA	3
REST OF THE WORLD	1
TOTAL	11

## 1.2 Number of Resolutions by Vote Categories

Vote Categories	Number of Resolutions
For	121
Abstain	19
Oppose	45
Non-Voting	0
Not Supported	0
Withhold	0
US Frequency Vote on Pay	0
Withdrawn	0
<b>TOTAL</b>	<b>185</b>

### 1.3 Number of Votes by Region

	For	Abstain	Oppose	Non-Voting	Not Supported	Withhold	Withdrawn	US Frequency Vote on Pay	Total
UK & BRITISH OVERSEAS	92	3	27	0	0	0	0	0	122
EUROPE & GLOBAL EU	14	0	5	0	0	0	0	0	19
USA & CANADA	14	10	10	0	0	0	0	0	34
REST OF THE WORLD	1	6	3	0	0	0	0	0	10
<b>TOTAL</b>	<b>121</b>	<b>19</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>185</b>

### 1.4 Votes Made in the Portfolio Per Resolution Category

	Portfolio						
	For	Abstain	Oppose	Non-Voting	Not Supported	Withheld	Withdrawn
All Employee Schemes	0	0	1	0	0	0	0
Annual Reports	6	1	9	0	0	0	0
Articles of Association	1	0	1	0	0	0	0
Auditors	13	2	2	0	0	0	0
Corporate Actions	1	0	0	0	0	0	0
Corporate Donations	4	0	1	0	0	0	0
Debt & Loans	0	0	0	0	0	0	0
Directors	71	16	14	0	0	0	0
Dividend	6	0	0	0	0	0	0
Executive Pay Schemes	0	0	1	0	0	0	0
Miscellaneous	5	0	1	0	0	0	0
NED Fees	0	0	0	0	0	0	0
Non-Voting	0	0	0	0	0	0	0
Say on Pay	0	0	3	0	0	0	0
Share Capital Restructuring	0	0	0	0	0	0	0
Share Issue/Re-purchase	14	0	12	0	0	0	0
Shareholder Resolution	0	0	0	0	0	0	0

## 1.10 List of all meetings voted

Company	Meeting Date	Type	Resolutions	For	Abstain	Oppose
MARKS & SPENCER GROUP PLC	10-07-2018	AGM	19	17	1	1
NEX GROUP PLC	11-07-2018	AGM	18	14	0	4
SAINSBURY (J) PLC	11-07-2018	AGM	21	16	0	5
EXPERIAN PLC	18-07-2018	AGM	19	14	0	5
NUTRIEN LTD	19-07-2018	AGM	19	8	9	2
QINETIQ GROUP PLC	25-07-2018	AGM	20	16	0	4
VODAFONE GROUP PLC	27-07-2018	AGM	25	18	0	7
CA TECHNOLOGIES	08-08-2018	AGM	12	5	1	6
CHECK POINT SOFTWARE TECHN	20-08-2018	AGM	10	1	6	3
CA TECHNOLOGIES	12-09-2018	EGM	3	1	0	2
DIAGEO PLC	20-09-2018	AGM	19	11	2	6