

**FALKIRK COUNCIL**

**MINUTE of MEETING of the PENSIONS COMMITTEE held in the offices of ABERDEEN ASSET MANAGEMENT, 40 PRINCES STREET, EDINBURGH on THURSDAY 7 MARCH 2013 at 10.30a.m.**

**PRESENT:** Depute Provost Patrick; Councillors Blackwood, Coleman and Carleschi; Councillor C Campbell (Employers Representative); and A Redpath (Pensioner Representative).

**CONVENER:** Depute Provost Patrick.

**ATTENDING:** Pensions Manager and Committee Services Officer (A Sobieraj).

**ALSO IN ATTENDANCE:** J Rundell (Audit Scotland); B Miller (Lothian Pension Fund); and L Selman (Hymans Robertson).

**PE32. APOLOGIES**

Apologies were intimated on behalf of Councillors C Martin and Paterson and Mr G Eals.

**PE33. DECLARATIONS OF INTEREST**

No declarations were made.

**PE34. URGENT ITEMS**

Depute Provost Patrick advised that, in accordance with Standing Order 9.1, he had **AGREED** to accept urgent items regarding the Annual Audit Plan for financial year 2012/13 and Pension Fund - Affordable Housing Seminar on 28 February 2013.

**PE34. MINUTE**

There was submitted (circulated) and **APPROVED** Minute of Meeting of the Pensions Committee held on 6 December 2012, and **NOTED** Minute of Meeting of the Pensions Panel held on 21 February 2013.

### **PE35. PENSION FUND - GENERAL GOVERNANCE MATTERS**

There was submitted Report (circulated) dated 6 February 2013 by the Chief Finance Officer presenting an update on General Governance matters in relation to the Falkirk Council Pension Fund as undernoted:-.

Areas covered by the Report included:-

- Auto Enrolment;
- LGPS Regulations Made;
- Government White Paper: State Pension Arrangements;
- Retail Price Index;
- National Fraud Initiative;
- Local Authority Pension Fund Forum (LAPFF); and
- Tobacco Investment.

**NOTED.**

**AGREED** to instruct the Chief Finance Officer to submit a Report on the issue of Socially Responsible Investment (SRI) to the next meetings of the Committee and Panel.

### **PE36. PENSIONS REFORM**

There was submitted Report (circulated) dated 8 February 2013 by the Chief Finance Officer presenting an update on the latest proposals for the Public Sector Pensions Reform.

**NOTED.**

### **PE37. ORDER OF BUSINESS**

In terms of Standing Order 15.2(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.

### **PE38. PENSION FUND - ANNUAL AUDIT PLAN**

There was submitted Report (circulated) dated 28 February 2013 by the Chief Finance Officer on the Annual Audit Plan for the financial year 2012/13 as proposed by Audit Scotland in its capacity as auditor to the Falkirk Council Pension Fund.

**NOTED.**

#### **PE39. EXCLUSION OF PUBLIC**

**RESOLVED** in terms of Section 50A (4) of the Local Government (Scotland) Act 1973, to exclude from the meeting the press and public 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 of the said Act.

#### **PE40. PENSION FUND - AFFORDABLE HOUSING SEMINAR, CALLENDAR HOUSE 28 FEBRUARY 2013**

There was submitted Report (circulated) dated 4 March 2013 by the Chief Finance Officer on the Affordable Housing Seminar held on 28 February 2013.

**AGREED** that officers, in liaison with Hyman Robertson submit a Report to a joint meeting of the Committee and Panel on the potential for investment in Affordable Housing.

Councillor Coleman left the meeting prior to consideration of the following item of business.

#### **PE41. SCHRODER'S PROPERTY MANDATE - UNDER-PERFORMANCE**

There was submitted Report (circulated) dated 8 February 2013 by the Chief Finance Officer (a) referring to the Pension Fund's Property Mandate managed by Schroder Investment Management; (b) advising that the Mandate had been performing below benchmark for some period of time and the subject of a Report to the previous meetings of the Committee and Panel, and (c) recommending appropriate action to address the performance situation.

**AGREED** to **CONTINUE** consideration of the matter until after the representatives from Schroders were heard under minute item PE42. The application would be considered following the next item on the agenda.

#### **PE42. FUND MANAGER REVIEW**

Presentation by Schroders.

C Watson, G Rutter and A Docherty from Schroders gave a presentation covering the following areas:-

- Portfolio position as at 31 December 2012;
- History of Portfolio;
- Re-positioning Strategy;
- Continental European Fund; and
- Investment Outlook.

**NOTED.**

The Chair thanked Ms Watson, Mr Rutter and Mr Docherty for their informative presentation.

**PE43. CONTINUED ITEM - SCHRODER'S PROPERTY MANDATE - UNDER-PERFORMANCE**

With reference to Paragraph PE41, there was submitted Report (circulated) dated 8 February 2013 (a) referring to the Pension Fund's Property Mandate managed by Schroder Investment Management; (b) advising that the Mandate had been performing below benchmark for some period of time and the subject of a Report to the previous meetings of the Committee and Panel, and (c) recommending appropriate action to address the performance situation.

**AGREED:-**

- (1) to retain the Fund Manager, and
- (2) to instruct the Chief Finance Officer to write formally to Schroders to express disappointment with the performance of the portfolio and advise that a further review would be undertaken within the next twelve months.

The Convener agreed a 30 minute recess at 12.55 p.m. prior to consideration of the following item of business. The meeting reconvened at 13.20 p.m. with all Members present as per the sederunt, with the exception of Councillor Coleman.

**PE44. FUND MANAGER REVIEW**

Presentation by Aberdeen Asset Management.

J Pine and S Methven from Aberdeen Asset Management gave a presentation covering the following areas:-

- Portfolio position as at 31 December 2012;
- Philosophy and process;
- Recent Portfolio Changes;
- Fund Performance; and
- Investment Outlook.

**NOTED.**

The Chair thanked Ms Pine and Mr Methven for their informative presentation.

#### **PE45. FUND MANAGER PERFORMANCE REVIEW**

There was submitted report (circulated) dated 11 February 2013 by the Chief Finance Officer reviewing the overall performance of the Fund and of the undernoted Fund Managers:-

- Aberdeen Asset Management;
- Baillie Gifford Bonds;
- Baillie Gifford Diversified Growth;
- Legal and General;
- Newton Investment Management; and
- Schroder Investment Management.

**NOTED** the performance and actions taken by the Managers, in accordance with the investment policies, for the quarter ending 31 December 2012.

#### **PE46. PRIVATE EQUITY AND ALTERNATIVES UPDATE**

There was submitted report (circulated) dated 12 February 2013 by the Chief Finance Officer updating on progress and events arising from the Investment Programme of SL Capital (Standard Life), Wilshire Associates, Credit Suisse (CFG) and M&G for the quarter ending 31 December 2012.

**NOTED:-**

- (1) the progress of the Private Equity, Infrastructure and Credit Market Programmes as at 31 December 2012; and
- (2) the new investment opportunities with Wilshire Associates and M&G.