



# Agenda Item 3

## Minute

Draft

**FALKIRK COUNCIL**

**Minute of Special Joint Meeting of the Pensions Committee and Board held remotely on Thursday 13 August 2020 at 9.30 a.m.**

**Present:**

Committee:-

Councillors - Falkirk Council:-

Niall Coleman

Adanna McCue (Convener)

John Patrick

Pat Reid

Councillor Donald Balsillie, Clackmannanshire Council

Andy Douglas, Unison

Board:-

Tony Caleary, Unison, Stirling Council

Sandy Harrower, Unite.

Simon Hunt, Scottish Autism

Ed Morrison, SCRA

George Murphy, Stirling Council

Jennifer Welsh, SEPA

David Wilson, Unison, Clackmannanshire Council

**Attending:**

Justyna Korszen-Bennett, Senior Accountant

Debbie McCrae, Pensions Officer

Alastair McGirr, Pensions Manager

Gordon O'Connor, internal Audit, Risk and Corporate  
Fraud Manager

Brian Pirie, Democratic Services Manager

Bryan Smail, Chief Finance Officer

Antonia Sobieraj, Committee Services Officer

**Also in  
Attendance:**

Scott Jamieson, Independent Advisor to the Pension  
Fund

Bruce Miller, Lothian Pension Fund

Stuart Piotrowicz, Lothian Pension Fund

Julie West, Hymans Robertson

Rachel Wynne, Ernst and Young

**PE1. Apologies**

Apologies were intimated on behalf of Councillor Blackwood, Falkirk Council and Douglas Macnaughtan, Pensioner Representative.

## **PE2. Declarations of Interest**

There were no declarations.

## **PE3. Minute**

### **Decision**

**The minute of the joint meeting of the Pension Committee and Board held on 13 January 2020 was approved.**

## **PE4. Pension Board Appointments**

The Committee and Board considered a report by the Director of Corporate and Housing Services advising of recent changes to the membership of the Pension Board.

### **Decision**

**The Committee and Board noted the report.**

**The Committee agreed to the continuation of Simon Hunt as Chair of the Board for a further year until 30 June 2021.**

## **PE5. Coronavirus - Risk Register Update**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing a perspective on the Coronavirus (Covid-19) outbreak as related to the Pension Fund and seeking approval for the updating of the Fund's risk register associated with the unique circumstances of the pandemic.

The report detailed the major impact of the coronavirus pandemic on the way of life and that of the Pension Fund. These included claiming many lives, causing severe restrictions on normal daily activity, the Fund's team predominately moving to remote working and the volatility of financial markets. It would also be necessary to meet the significant challenges ahead and to update the Fund's risk register as detailed in the appendix to the report including:-

- investment considerations in recognition of the value of the Fund reducing from £2.3bn at 31 March 2020 from £2.5bn at 31 March 2019;
- operational arrangements such as remote working and pensioner deaths; and
- governance including resilience, resourcing, administration, regulation, funding and technical support.

## **Decision**

**The Committee and Board noted the report.**

**The Committee agreed the updating of the risk register as detailed in the appendix to the report.**

### **PE6. Pension Fund – External Audit Annual Audit Plan for 2019/20**

The Committee and Board considered a report by the Director of Corporate and Housing Services on the Annual Audit Plan for the Falkirk Pension Fund for 2019/20 and the Annual Audit Plan Addendum which related in particular to the additional risks arising from the Covid-19 pandemic.

## **Decision**

**The Committee and Board noted the report and associated addendum.**

### **PE7. Internal Audit Annual Assurance Report 2019/20**

The Committee and Board considered a report by the Internal Audit, Risk, and Corporate Fraud Manager on the Internal Audit work undertaken on the Falkirk Pension Fund during 2019/20 and associated arrangements for risk management, governance and control.

## **Decision**

**The Committee and Board noted the report.**

### **PE8. Internal Audit Plan 2020/21**

The Committee and Board considered a report by the Internal Audit, Risk, and Corporate Fraud Manager on the Falkirk Pension Fund Internal Audit Plan for 2020/21.

The report detailed that the plan for 20/21 must be considered within context of the Covid-19 coronavirus pandemic and recognise that the Pension Team's priorities, resource and capacity would fluctuate and change over the course of 2020/2021. Contingency measures had therefore been activated to protect the wellbeing of staff resulting in the introduction of new working practices due to staff home working. The plan therefore focussed on providing assurance on key control areas. The purpose of the Fund's Transactional Testing would ensure:-

- 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 had 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) were operating effectively.

The work would also include a review of the Fund's Operational Cash Management Arrangements.

## **Decision**

**The Committee and Board noted the report and that an Annual Assurance Report would be provided.**

**The Committee agreed the proposed Falkirk Council Pension Fund Internal Audit Plan 2020/21.**

## **PE9. Unaudited Annual Report and Accounts 2019/20**

The Committee and Board considered a report by the Director of Corporate and Housing Services on the Unaudited Fund Annual Report and Accounts 2019/20 and Fund Annual Governance Statement

The statements had been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and other statutory guidance.

The report highlighted certain key points from the Annual Report and accounts 2019/20 as follows:-

- Administration costs had been £22.41 per member (£22.32 in 2018/19);
- Fund Assets were £2.3bn (£2.5bn in 2018/19);
- Liabilities were £2.8bn (£2.7bn in 2018/19);
- Estimated Funding Deficit was £0.5bn (£0.2bn at 31/3/2019);
- Funding level was 82% (91% at 31/3/2019);
- Investment 1 year return was -6.6% (+8.5% at 31/3/19);
- Investment 5 year return per annum was +5.0% (+9.1% at 31/3/19);
- Inception return from 2001 per annum was +6.9% (+7.7% at 31/3/19);
- Cashflow contributions and transfers of £92m were received (£98m in 2018/19);
- Cashflow benefits of £84m were paid out (£74m in 2018/19);
- Cashflow net income of £14m (£14m in 2018/19);
- Contributions (Employee) (Ees) £20m (£19m at 31/3/19);
- Contributions (Employer) (Ers) £72m (£68m at 31/3/19);
- Contributions % of Ees to total 22% (22% at 31/3/19);
- Contributions (Average) (Employee) rate 6.1% (6.1% at 31/3/19);
- Costs (Administration) per member £25.96 (£22.41 at 31/3/19);

- Costs (Oversight/Governance) per member £26.53 (£18.51 at 31/3/19); and
- Costs (Direct Investment) £4,819,000 (£5,422,000 at 31/3/19).

The Annual Report and Accounts included an Annual Governance Statement which focussed on the internal controls in place to address the risks associated with funding, contributions and pension payments, investment management and data security. It includes comment on the internal audit work and wider governance, risk and control environments in operation with particular reference to the impact of the Covid-19 coronavirus pandemic.

### **Decision**

**The Committee and Board noted the Unaudited Accounts 2019/20 and Annual Report and Annual Governance Statement.**

**The Committee agreed the Fund Annual Governance Statement.**

## **PE10. Valuation Assumptions**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing a summary of the 2020 Valuation process and the related actuarial assumptions.

The report noted that the Scheme rules require a fund valuation to be held every three years and that a valuation at 31 March 2020 was being conducted by the Fund's actuary, Hymans Robertson. The purpose of the valuation was to establish the financial position of the Fund in terms of its assets and liabilities and, in terms of this valuation, to set employer contribution rates for the three years' commencing 1 April 2021. The valuation required to be signed off by 31 March 2021.

A paper from the Actuary proposing assumptions for the Valuation was appended to the report and made reference to:-

- the discount rate used to determine Fund liabilities;
- the assumptions for inflation and salary growth;
- longevity, including current mortality rates and the scope for future improvements; and
- assumptions for deaths in service, ill health retirements, cash commutation and 50:50 take up.

### **Decision**

**The Committee and Board noted the proposed assumptions and process for completing the 2020 Pension Fund Valuation.**

**The Committee agreed the actuarial assumptions outlined in Section 7 of the report.**

#### **PE11. General Governance Matters**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing an update on a number of miscellaneous matters associated with the business of the Falkirk Council Pension Fund, including:-

- scheme advisory board;
- McCloud judgement;
- Goodwin and Walker cases;
- cost cap;
- pensions increase 2020;
- corporate governance;
- voting; and
- future meeting dates.

#### **Decision**

**The Committee and Board noted the report.**

#### **PE12. Market Review and Fund Manager Performance**

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

#### **Decision**

**The Committee and Board noted:-**

- (1) the recent investment market developments;**
- (2) the Fund's strategic allocation;**
- (3) the Fund's performance for the period ending 31 March 2020; and**
- (4) the investment monitoring activity of the Joint Investment Strategy Panel (JISP).**

**PE13. 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 grounds 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.**

**PE14. Commentary on Fund Manager Performance**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing details on individual manager mandates, including current developments and issues identified through the wider monitoring process for the period to 31 March 2020.

**Decision**

**The Committee and Board noted the report.**

**PE15. Pension Fund Budget 2020/21**

The Committee and Board considered a report by the Director of Corporate and Housing Services providing details of the proposed Pension Fund budget for 2020/21.

**Decision**

**The Committee and Board noted the proposed Pension Fund budget for 2020/21.**

**The Committee agreed the Pension Fund budget for 2020/21.**

**PE16. Joint Investment Strategy Panel Update**

The Committee and Board considered a report by the Director of Corporate and Housing Services summarising the key matters discussed at the virtual meeting of the Joint Investment Strategy Panel (JISP) on 11 June 2020.

**Decision**

**The Committee and Board noted the matters considered by the JISP at its meeting on 11 June 2020.**