

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 September 2019 commencing at 10.00 am and finishing at 12.55 pm.

Present:

Voting Members: Councillor Kevin Bulmer – in the Chair

Councillor Nicholas Field-Johnson (Deputy Chairman)
Councillor Ian Corkin
Councillor Mark Lygo
Councillor Charles Mathew
Councillor John Sanders
Councillor Roz Smith
Councillor Alan Thompson
District Councillor Alaa Al-Yousuf
District Councillor Jo Robb

Other Members in Attendance: Councillor Bob Johnston, Local Pension Board

District Council Representatives (voting): District Councillor Alaa Al-Yousuf
District Councillor Jo Robb

By Invitation: Peter Davies, Independent Financial Advisor

Officers: Mr Sean Collins, Ms Sally Fox, Mr Gregory Ley and Mrs Deborah Miller (Resources).

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

46/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

An apology for absence was received from Councillor Lawrie Stratford.

47/19 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 7 June 2109 were approved and signed as an accurate record of the Meeting.

In relation to Minute 35/19, Mr Collins reported that the Climate Change Workshop would be held on 8 November 2019. The Agenda and invite would be sent out as soon as a suitable location to hold the event had been found.

Councillor Mark Lygo had been asked to put the following question to the Committee on behalf of Fossil Free Oxfordshire:

“The government has recently passed legislation committing the UK to be carbon neutral by 2050, while Oxfordshire County Council has committed Oxfordshire to be zero carbon by 2030 under their Climate Emergency motion.

Obviously, these critical ESG decisions should set the terms of reference for any ESG climate policy decisions that will go into Oxfordshire Pension Fund’s new Investment Strategy document to be published in March 2020. Similarly, these government and county-level decisions should set the terms of reference for the climate change workshop. Could the Chair confirm that these ESG climate change red lines are communicated to the climate change workshop facilitator, so any discussions reflect them?”

The Chairman confirmed that the answer was ‘yes’.

48/19 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 12 July 2019 as set out in the Addenda for the Meeting were noted.

49/19 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

The Committee had before it the latest report by the Independent Chairman of the Local Pension Board (PF6). Councillor Bob Johnston, a Board Member, spoke to the report on the Board’s behalf, which invited the Committee to respond to the key issues contained within it.

In relation to paragraph 7 of the report (value for money from investment fees), Mr Collins confirmed that that the intention was to bring a similar report before the Pension Fund Committee in the near future for discussion.

RESOLVED: to note the comments of the Board and:

- (a) note that the Committee would consider the option of investing in the passive low carbon portfolio, and the value for money of active management when is considered the fundamental asset allocation report in March 2020; and

- (b) note that the support for mandatory training for Committee Members alongside the introduction of named substitutes was for consideration elsewhere on the agenda.

50/19 IMPROVEMENT PLAN

(Agenda No. 7)

The Committee had before then the latest report which gave an update on progress against achieving the Plan to the date of publication, together with a verbal update regarding final performance against the statutory deadline.

Accordingly, Mr Collins, Service Manager Pensions reported that 99.3% of the active Annual Benefit Statements and 99% of the deferred Annual Benefit Statements had been issued by 31 August 2019, which equated to 18,840 out of 19,000 being issued, and was sufficient to avoid a breach of regulation report, though one employer would be reported to the pension regulator for failure to issue the majority of its Statements.

In respect of data quality scores, Mr Collins reported that the scores from the latest run were 95.3% for common data and 96.3% for scheme specific data, which was at the top end across the LGS funds. The Fund actuary had confirmed that the quality of the data was exceptional.

In response to a question from members regarding fines being relatively low, Mr Collins confirmed that previously fines were bigger and had been determined by the Committee in relation to the size of the employer. However, fines were not to make money and were now set to cover the cost of any additional work that may have arisen and that although the fines appeared small, they did add up and that any fines received went into 'the pot' and reduced the overall cost of the pension fund.

Following debate, Councillor Bulmer proposed and Councillor Lygo seconded and it was agreed, that a formal vote of thanks be given to the pension fund managers and staff for their performance and excellent results.

RESOLVED: (nem con)

- (a) to note the latest position with regard to the implementation of the Improvement Plan;
- (b) give a formal vote of thanks to Managers and Staff for their performance and excellent results.

51/19 REVIEW OF THE ANNUAL BUSINESS PLAN 2019-20

(Agenda No. 8)

The Committee had before them a report (PF8) which set out progress against the key objectives set out in the business plan for the Pension Fund for the current financial year.

Mr Collins reported that the funds currently managed by Wellington should transition by the end of 2019 to the new Global High Alpha and Emerging Market portfolios, and that after Christmas Brunel would be responsible for managing most of the

Council's money. Accordingly, Brunel was holding an 'Engagement Day' in November for members, details of which would be emailed round to members shortly. Mr Collins requested that the Committee email him with any requests of what paperwork members would find useful in advance of the workshop.

Mr Collins further reported that people were now logging in on line, which meant that they could provide more useful services to its members such as pension projections.

In response to members' questions in relation to paragraph 13 of the report, Mr Collins explained that Dawn Turner had stepped down as Chief Executive to allow for someone with more Investment experience to take the company forward as it moved into business as usual and that the new post would be within the existing management budget.

RESOLVED: to note the progress against the key service priorities included within the 2019/20 Business Plan.

52/19 RISK REGISTER

(Agenda No. 9)

At its meeting in March 2016, the Committee had agreed that the risk register should form a standard item for each quarterly meeting. This Committee had before it a report (PF9) which set out any progress on the mitigation actions agreed for those risks not yet at target and identified any changes to the risks which had arisen since the register was last reviewed. At its June meeting, the Committee asked for a column indicating direction of travel for the risk and a RAG status to be reintroduced, and this was now included in the report accordingly.

Mr Collins explained the RAG rating to the Committee, explaining that red required urgent attention; Amber required oversight and Green meant there was no action required. Given the long-term nature of pensions work, it was possible for the highest rated risks to be scored as green if there was mitigation action underway, and the risk was seen as long term in nature.

Currently, the register showed risk 6 and 13 as Amber and both those issues were being dealt with separately on the Agenda. Currently, there were no red status.

RESOLVED: to note the changes to the risk register and offer any further comments

53/19 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee had before it a report (PF10) which gave an update of those administration issues which were not covered under the Improvement Plan.

Ms Fox reported that since writing the report, 2 members of staff had left. However, with the impact of iConnect, Member Self Service and changes to working practices, it had been decided, that going forward there was need to only replace 1 member of staff.

In relation to paragraph 14 of the report, Ms Fox reported that the procurement process had now been finalised; the responses reviewed, and the outcome was that the Council would be staying with the same supplier.

The Committee noted the business as usual status and that there was no longer a backlog and congratulated staff on their new working practices.

RESOLVED: to note the report.

54/19 2019 VALUATION

(Agenda No. 11)

Under the current regulatory framework, the Pension Fund was required to arrange for a Valuation of the Pension Fund every three years. The latest Valuation was based on the position as at 31 March 2019, with a requirement for the Fund Actuary to produce their report and certify the employer contribution rates for 2020/21 onwards by 31 March 2020.

In completing the Valuation, the Fund Actuary had to have regard to the Committee's approved Funding Strategy Statement which set out the key policies to be followed in determining the approach to the Valuation. As this was the first Valuation for Oxfordshire to be completed by Hymans Robertson, they had reviewed the current Funding Strategy Statement to bring it into line with their preferred approach to the Valuation.

The Committee had before them a report (PF11) which provided information on the work done to date on the 2019 Valuation and discussed key changes likely to be proposed to the Funding Strategy Statement. The revised Funding Strategy Statement itself would be presented to the December meeting of this Committee via the Pension Board meeting on 25 October 2019, to be agreed for formal consultation with all scheme employers. The final Funding Strategy Statement and Valuation results would be presented to the March meeting of this Committee.

Mr Collins reported that Brookes had agreed to inject a one-off contribution into the fund to enable them to take advantage of the new risk base. Work to date suggested district councils were in different positions. Officers were currently working with Hymans Robertson to find a solution for all employers within a risk framework. In December there would be a redrafting of the funding strategy which would then go out to formal consultation with employers.

The Actuary would be attending the Employers Forum on the 12 December 2019.

In response to members concerns around a number of pensions fund being caught out by the impact of longevity, Mr Collins assured members that longevity was a key element of valuation, and that local evidence would be applied to national figures.

RESOLVED: to note the latest position with regard to the 2019 Valuation and the key changes planned for the Funding Strategy Statement.

55/19 ANNUAL REPORTS AND ACCOUNTS 2018/19

(Agenda No. 12)

The Committee had before it the Annual Report and Accounts 2019 for noting and feedback.

The Committee noted the fund as a whole returned 6.8% against a benchmark of 6.7% and the out-performance from the Private Equity Managers who achieved returns of 13.1% in the year, and congratulated the fund managers for very good performance in such a difficult year.

RESOLVED: to note the report.

56/19 BUDGET OUTTURN 2018/19

(Agenda No. 13)

The Committee had before it the Pension Fund Budget Outturn report for the year ended 31 March 2019. The report sets out the outturn position against the Committee's agreed budget for 2018/19, including explanations for any material variations.

RESOLVED: to receive the report and note the out-turn position.

57/19 CONSTITUTION OF THE PENSION FUND COMMITTEE

(Agenda No. 14)

At its June 2019 meeting, the Committee had reviewed their previous decision to amend its Governance Policy to require all Committee Members to participate in a training programme to ensure the Committee had the necessary skills and knowledge to fulfil its responsibilities, and to remove the right for substitute members. These changes to the Policy had not been presented to full Council for endorsement and had therefore not been implemented.

The Committee wanted a further report to cover some of the practical implications including what would be the minimum level of training prescribed, how long would new members be given to complete the training and were there options to allow named substitutes. The Committee had before them a report which provided further information on the options for changing the constitution of the Pension Fund Committee to ensure all members had the relevant skills and knowledge to undertake the responsibilities of the role.

Mr Collins reported that there was growing pressure with the publication of two national reports for members of the Pension Fund Committee to have the same training requirement of that of members of the Local Pension Board. It was proposed that this requirement could be filled in 2 ways, the 3-day LGA Fundamentals Training Course or the on-line training through the Pension Regulators website, which consisted of 5 core modules, and 4 modules specific to defined benefit schemes. Mr Collins sought the Committee's view on what training they would like to see and in relation to that, whether or not they thought there should be named substitutes or no substitutes at all due to the training requirements.

Following debate, in which there were differing views as to whether there should be named substitutes or not, the committee put the question to the vote, and it was:

RESOLVED: to note the content of the report and:

- (a) ask Officers to draw up a Training Policy consistent with the proposals contained in the report and summarised in paragraph 18 above;
- (b) agree to amend their Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy;
- (c) (by 6 votes to 4) determine its approach to substitutions as being no substitutions allowed;
- (d) recommend Council via the Audit & Governance Committee to make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements;
- (e) ask Officers in consultation with the Chairman, Deputy Chairman and spokesperson to amend their Governance Policy/Terms of Reference to ensure that the independence and impartiality of the Pension Fund Committee Members is assured.

58/19 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 15)

The Independent Financial Adviser reviewed the investment activity during the past quarter, presented a summary of the Fund's position as at 30 June 2019, and highlighted key performance issues, with reference to Tables and Graphs. He further reported on the annual performance report from PIRC which compared the Fund's performance to that of its peers.

Mr Davies reported that during the latest quarter, PIRC had compiled detailed performance statistics for 64 of the LGPS funds, with a combined value of £193bn. The statistics showed that the Fund as a whole had been above the median for the 1,3, 5 and 10 year periods.

DGF and Insight had shown very good performance. The asset allocation as at March 2019 was broadly similar to that of the median LGPS fund at asset class level.

RESOLVED: to receive the report, tables and graphs and that information contained in them be borne in mind insofar as they related to Agenda Items 18, 19 and 20 on the agenda.

59/19 EXEMPT ITEMS

(Agenda No. 16)

The Committee RESOLVED that the public be excluded for the duration of items 17,18,19, 20 and 21 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public

interest in maintaining the exemption outweighed the public interest in disclosing the information.

60/19 OVERVIEW AND OUTLOOK FOR INVESTMENTS MARKETS

(Agenda No. 17)

The Committee had before it a report (PF17) of the Independent Financial Adviser which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. The Independent Financial Adviser would also report orally and any information reported orally will be exempt information.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and*

since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to receive the report, tables and graphs and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

61/19 LEGAL & GENERAL

(Agenda No. 18)

The Independent Financial Advisor reported orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 14 and 17.

The representatives Chris Lyons and Tom Carr of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the

information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the main issues arising from the presentation.

62/19 REPORT ON THE MAIN ISSUES ARISING FROM THE REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 19)

The Committee considered a report from the Independent Financial Advisor (PF19) on the main issues arising from the officer meeting with Wellington Management and UBS in conjunction with the information contained in the tables at Agenda Item 17 (Overview and Outlook for investments Markets), and the latest position on investments with Brunel.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the report.

63/19 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 20)

The Independent Financial Advisor reported that no further summary was required.

64/19 ANNUAL REVIEW OF THE AVC PROVISION

(Agenda No. 21)

The Local Government Pension Scheme Regulations required the Administering Authority to appoint an Additional Voluntary Contributions (AVC) provider, to fulfil the statutory requirement of section 12 of the Social Security Act 1986. The authority must provide facilities whereby members may elect to pay additional contributions, within Her Majesty's Revenue and Customs limits, to provide additional benefits at retirement or in the event of death in service. These additional contributions do not form part of the Oxfordshire County Council Pension Fund and do not require an employer's contribution.

The Council appointed The Prudential Assurance Company Limited (Prudential) in 1998 to provide its AVC scheme. The Administering Authority was responsible for

determining and periodically reviewing the performance of the range of fund options from which the members could select. A review of Oxfordshire County Council Pension Fund's AVC provider was conducted annually and the now had before it a report (PF21) which provided the findings of the review undertaken in 2019. In 2018 a full review of the Fund's AVC arrangements had been undertaken by Aon Hewitt.

The public was excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved.

RESOLVED: to note the report and to confirm the continued use of Prudential as the Council's AVC provider.

65/19 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 22)

No further issues were raised.

..... in the Chair

Date of signing