

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 June 2014 commencing at 10.10 am and finishing at 1.17 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)

Councillor Lynda Atkins

Councillor Surinder Dhese

Councillor Jean Fooks

Councillor Nick Hards

Councillor Richard Langridge

Councillor Sandy Lovatt

Councillor Neil Owen

District Council Representatives: District Councillor Jerry Patterson

By Invitation: Paul Gerrish (Beneficiaries Observer)
Peter Davies (Independent Financial Adviser)

Officers:

Whole of meeting L. Baxter, D. Ross and J. Dean (Chief Executive's Officer); S. Collins and S. Fox (Environment & Economy)

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.

24/14 ELECTION OF CHAIRMAN FOR 2014/15

(Agenda No. 1)

Councillor Stewart Lilly was elected as Chairman for this municipal year 2014/15 until the first meeting of the next municipal year 2015/16.

25/14 ELECTION OF DEPUTY CHAIRMAN 2014/15

(Agenda No. 2)

Councillor Patrick Greene was elected as Deputy Chairman for the municipal year 2014/15 until the first meeting of the next municipal year 2015/16.

26/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

An apology was received from District Councillor Hywel Davies

27/14 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 4)

Councillors Atkins, Fooks, Lilly, Owen and Patterson each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

28/14 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 14 March 2014 were approved and signed as a correct record.

Matters Arising

Minute 13/14(b) - Mr Collins reported the UBS timescales for returning to money invested in Hedge Funds. All £35m should be back by September 2014. He also reported that Mercer had been appointed to act as a consultant for the selection of a Diversified Growth Fund Manager. A meeting was planned for July to list possible funds.

Minute 19/14(p) – Mr Collins reported that officers were still seeking the best way forward on this matter and were hoping for clarity between now and the next meeting. He undertook to circulate the information to members when this was arrived at.

29/14 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 6)

There were no requests to submit a petition or to address the meeting.

30/14 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 7)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2014 (PF7).

Mr Davies reported that the value of the Fund had risen by a further £30m since 31 March 2014 which comprised of mostly equities, together with a small increase in bonds. *Overall, based on relative figures, the Fund had performed:*

5.2% above benchmark over the quarter

0.8% below benchmark over 12 months

0.3% below benchmark over last 3 years

~~*1.4% above the benchmark over the quarter, 6.7% over 12 months, and 0.3% over the last 3 years.*~~ *

Mr Collins undertook to ask WM if it would be possible to provide data analysis on a year by year basis separating out the performance of previous Fund Managers.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind insofar as they related to items 9, 10, 11, 12 and 13 on the Agenda.

* Amendment as shown in bold strikethrough and italics agreed at the meeting held on 5 September 2014.

31/14 EXEMPT ITEMS

(Agenda No. 8)

It was **AGREED** that the public be excluded for the duration of items 7, 8, 9,10,11,12,13,14 and 15 in the Agenda since it was likely that if they were present during those items there would be a disclosure of exempt information as defined under Part 1 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.

32/14 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 9)

The Committee considered a report of the Independent Financial Adviser (PF9) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

The public were 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 is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs 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 the oral report of the Independent Financial Adviser and to bear his conclusions in mind when considering the Fund Manager's reports.

33/14 UBS

(Agenda No. 10)

The representatives, Malcolm Gordon, Nick Irish and Jackie Auger reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March.

The public were 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 is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs 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 report.

34/14 LEGAL & GENERAL

(Agenda No. 11)

The representatives, Jonathan Cloke and Nick Griffiths reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March 2014.

The public were 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:

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

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs 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 report

35/14 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 12)

The Independent Financial Adviser reported (PF12) on the officer meetings with Baillie Gifford and Wellington and updated the Committee on any other issues relating to the Fund Managers not present.

This item also included a report (PF12) which highlighted potential issues surrounding a decision of HM Revenue & Customs (HMRC) to remove the Venture Capital Trust (VCT) status from one of the Fund's investments and sought the Committee's views on a draft letter to be sent to the HMRC on behalf of the Committee.

The public were 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 is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs 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:

- (a) note the main issues arising from the reports on the officer meetings with Baillie Gifford and Wellington and to take any necessary action if required; and
- (b) note the key issue set out in the report arising from one of the Fund's investments and to request Mr Collins to send the attached draft response to the HMRC and to send a copy of the response to the Exchequer Secretary of the Treasury.

36/14 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 13)

The public were 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 is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs 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.*

The Independent Financial Adviser reported that no summary was required.

37/14 URGENT DECISION BY CHIEF EXECUTIVE UNDER DELEGATED POWERS - APPLICATION FOR RELEASE OF A DEFERRED BENEFIT

(Agenda No. 14)

The Committee had before them a report of a decision made by the Chief Executive under her delegated powers in respect of an urgent request to grant payment of deferred benefits on the grounds of ill-health (PF14).

The public were 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 is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

RESOLVED: to:

- (a) note the report; and
- (b) delegate future urgent cases to the Chief Finance Officer following consultation with the Chairman of this Committee.

38/14 EMPLOYER UPDATE

(Agenda No. 15)

The Committee had before them a report (**PF15**) which gave an update on closures of recent scheme employers.

The public should be 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 is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

RESOLVED: to note the progress of cessation cases.

39/14 DCLG CONSULTATION PAPER - OPPORTUNITIES FOR COLLABORATION, COST SAVINGS AND EFFICIENCIES

(Agenda No. 16)

The report (**PF16**) provided details of the Government's current consultation document on the future structure of the Local Government Pension Scheme, and the potential implications for the on-going discussions with the Buckinghamshire and Berkshire Funds. The Committee were asked for their views and invited to agree a response for submission to the consultation.

Views and concerns expressed at the meeting for incorporation into the final response were as follows:

- The Hyman's report had not addressed tracking and its variability, particularly in respect of bonds;
- Uncertainty about where a collective vehicle for alternatives fits into the report. Would there be reliance on one manager to choose them?
- There was a need for further information about whether common investment vehicles would make the envisaged savings, not that having one fund would make more savings on the passive side;
- There was no guarantee that Pension Funds would not be facing additional fees in the event of a merger. Nor was there any conclusive evidence that there would be benefits to having a larger Fund; and
- A merger might give an opportunity for more specialised committees, for example, one looking at investments and one at administration aspects.

Lorna Baxter undertook to circulate a presentation given by Hymans at a recent seminar she attended.

RESOLVED: to

- (a) note the report;
- (b) request the officers to continue with the joint work with the Buckinghamshire and Berkshire Funds to the extent that it is consistent with the approach included in the consultation response; and
- (c) delegate to the Service Manager (Pensions, Insurance and Money Management) the authority to finalise and submit the response to the consultation, having consulted with all members of the Committee on the final draft.

40/14 ANNUAL REVIEW OF PENSION FUND POLICIES

(Agenda No. 17)

The Committee undertook the annual formal review of its major policy documents held in line with the LGPS Regulations. The last such comprehensive review of policies was in September 2013. The report (PF17) provided an update of any key changes since that date, including the introduction of an Administration Strategy for the Fund.

RESOLVED: to approve the revised policy documents as set out in Annexes 1-7 to the report PF17, noting the main changes in the documents as discussed in the covering report; subject to Members' comments in relation to Annex 2 – Draft Administration Strategy, being sent to Sally Fox by Monday 30 June 2014.

41/14 CORPORATE GOVERNANCE

(Agenda No. 18)

Members of the Committee had before them a (PF18) which set out the latest advice regarding the Administering Authority's fiduciary duty and which provided a summary of voting activity for 2013.

The Committee **RESOLVED** to:

- (a) note the Opinion of Nigel Giffin QC, provided to the Local Government Association, on the duties of administering authorities under the Local Government Pension Scheme; and
- (b) note the proxy voting activity of the Fund Managers during 2013 provided in annexes 1 and 2 of the report.

42/14 EMPLOYER UPDATE

(Agenda No. 19)

The Committee considered a report (PF19) which sought approval for any new admissions to the Fund. The report also updated members on the status of any current employer which impacted on future Scheme membership.

RESOLVED: to

- (a) note the progress of previously approved applications for admitted body status; and
- (b) approve the application for admitted body status by Proclean Limited subject to either pass through arrangements or bonds being put in place.

43/14 WRITE OFFS

(Agenda No. 20)

Members of the Committee had before them a report (PF20) which gave summary details of the amounts written off in the last quarter in accordance with the Financial Regulations of the Fund.

RESOLVED: to note the report.

44/14 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

There were no issues concerning Corporate Governance and Socially Responsible Investment raised by the Chief Finance Officer for this quarter. It should be noted that all the managers have included pages within their valuation reports which provided details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

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The Committee noted that the Chairman had responded to representations made by Oxford City Council, via the Oxford Mail, to Oxfordshire County Council to sell off any investment in fossil fuels. In brief, the response given referred to the Opinion given by Nigel Giffin's QC (see Agenda Item 18 above) ie. that the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the Fund. Further, that Oxfordshire Council could not impose their views on the Oxfordshire Pension Fund Committee as Administering Authority.

45/14 ANNUAL PENSION FORUM

(Agenda No. 22)

Members of the Committee were asked to give some thought to some pertinent issues they would like to see explored at the annual Pension Fund Forum to be held at Unipart House on Friday 12 December commencing at 10.00am.

..... in the Chair

Date of signing