

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 5 September 2014 commencing at 10.10 am and finishing at 3.26 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)

Councillor Surinder Dhesi

Councillor Nick Hards

Councillor Sandy Lovatt

District Councillor Hywel Davies

District Councillor Jerry Patterson

Councillor John Howson (In place of Councillor Jean Fooks)

Councillor Rodney Rose (In place of Councillor Richard Langridge)

Councillor Les Sibley (In place of Councillor Lynda Atkins)

Councillor Kevin Bulmer (In place of Councillor Neil Owen)

**District Council
Representatives:**

District Councillor Hywel Davies

District Councillor Jerry Patterson

By Invitation:

Paul Gerrish, Beneficiaries Observer

Peter Davies, Independent Financial Adviser

Officers:

Whole of meeting

L. Baxter, D. Ross and S. Whitehead (Chief Executive's Office); 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, and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

46/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Atkins (Councillor Sibley substituting), Councillor Fooks (Councillor Howson substituting), Councillor Langridge (Councillor Rose substituting) and Councillor Owen (Councillor Bulmer substituting).

47/14 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Bulmer, Howson, Lilly, Rose, Sibley, District Councillor Patterson and Paul Gerrish each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

48/14 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 6 June 2014 were agreed and signed subject to the following correction to the figures in the second paragraph of the preamble to minute 30/14:

Based on relative figures:

0.5% above benchmark over the quarter
0.8% below benchmark over 12 months
0.3% below benchmark over last 3 years

49/14 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 June 2014.

Mr Davies noted that the overall value had risen by £32m and detailed where the rises had occurred. There was some discussion of the transition arrangements in relation to the Global Pooled Fund and it was noted that the tables would be reformatted in future to make the position clearer.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 7, 8, 9, 10, 11 and 12 on the agenda.

50/14 EXEMPT ITEMS

(Agenda No. 6)

RESOLVED: that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12 and 13 in the Agenda since it is 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 is considered that, in all the

circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

51/14 PRESENTATION BY WM COMPANY ON THE FUND'S INVESTMENT PERFORMANCE

(Agenda No. 7)

Karen Thrumble of the WM Company reviewed the Fund's investment performance for the 2013/14 year, including comparison to benchmark data for the WM Local Authority Pension Fund Universe.

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, 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 take note of the points raised in the presentation and to thank Karen Thrumble for her presentation.

52/14 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report of the Independent Financial Advisor (PF8) 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 is available to the public. The Independent Financial Adviser also verbally updated the report orally and responded to Member's questions.

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, 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, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

53/14 WELLINGTON

(Agenda No. 9)

The Independent Financial Adviser reported orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 5 and 8.

The representatives, Nicola Staunton and Ian Link 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 on 30 June 2014. They also gave their views on the future investment scene.

At the end of the presentation, they responded to questions from members.

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, 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 and to take any necessary action, if required.

54/14 BAILLIE GIFFORD

(Agenda No. 10)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 8.

The representatives Anthony Dickson and Iain McCombie 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 on 30 June 2014. They also gave their views on the future investment scene.

At the end of the presentation, they responded to questions from members.

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, 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 and to take any necessary action, if required.

55/14 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported (**PF11**) on the officer meetings with UBS and Legal & General, and updated the Committee on any other issues relating to the Fund Managers not present.

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, 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 reports and to take any necessary action, if required.

56/14 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

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, 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.

57/14 ADDITIONAL VOLUNTARY CONTRIBUTIONS (UPDATE)

(Agenda No. 13)

The Committee considered a report (**PF13**) which updated them on the issues outstanding from the report to the March 2014 meeting. The report provided details of the Fund's Additional Voluntary Contribution (AVC) Scheme, and included issues

regarding the performance of the individual funds and the Scheme Provider (Prudential) itself.

The public should therefore 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, in that such disclosure would prejudice the trading activities of the Scheme Provider involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to agree to keep the current 17 Prudential funds open to members.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

58/14 DRAFT REGULATIONS ON SCHEME GOVERNANCE - CONSULTATION PAPER

(Agenda No. 14)

The Public Service Pensions Act 2013 includes a requirement for the Department of Communities and Local Government (DCLG) as the responsible authority for the Local Government Pension Scheme to make regulations establishing a national scheme advisory board, and to enable each Administering Authority to establish a local pension board. DCLG published these draft regulations in mid-June with an 8 week consultation period, closing on 15 August 2014. The report (**PF14**) detailed the key elements of the draft regulations, and included at Annex 1 a copy of the consultation response submitted by the officers. As the consultation was limited to 8 weeks, the response was submitted following consultation with the Chairman of the Committee, and is included for information.

During discussion the Committee queried the role of the new board and what it would achieve and there was some concern over the costs involved. The Committee agreed with concerns from Paul Gerrish, as the beneficiary's observer, that his role should remain with the main Pension Fund Committee.

RESOLVED: to:

note the details of the consultation document and the response at Annex 1; and the comments on the key issues raised in this report to support the initial planning work for the creation of the new Pension Board.

59/14 OPTIONS FOR THE FUTURE ARRANGMENTS FOR THE OXFORDSHIRE PENSION FUND

(Agenda No. 15)

The Committee considered a report (**PF15**) that set out the business proposal for the future arrangements of the Oxfordshire Pension Fund. Annex 1 detailed the full business proposal from the lead pension officers for the three pension funds of Buckinghamshire, Oxfordshire and Berkshire. Sean Collins detailed the background and history leading to the business proposal. Lorna Baxter, Chief Finance Officer thanked Seajn Collins for all his hard work to get to this point and commented that her responsibility was to ensure that all the information the Committee needed to take such a decision was available to them. It was therefore important for the Committee to see greater detail on the other possible options.

Following lengthy discussion the Committee did not approve the recommendations in the report and:

RESOLVED: to:

- (a) request further details of costs and performance measures to be collated in order to justify further progress;
- (b) await the outcome of the Government's consultation on the use of Common Investment Vehicles and Passive Management in order to finalise an actual firm proposal;
- (c) arrange a meeting for the Chairman, Deputy Chairman and Opposition Spokesman of the three Councils (or their equivalents) to meet with officers from Oxfordshire, Buckinghamshire and Berkshire to agree a common way forward; and
- (d) subject to the above, arrange for the consultation with employers, employees and beneficiaries, to take place as soon as possible.

60/14 DRAFT ANNUAL REPORT AND ACCOUNTS 2013/14

(Agenda No. 16)

The draft Annual Report and Accounts for 2013/14 were presented for comment and amendment (**PF16**). Alan Witty, from the Fund's External Auditors attended to present key findings from their audit and to answer questions from the Committee.

It was noted that the final report would be submitted to the December meeting with an addenda covering areas not covered by the draft report. Alan Witty added that there were no significant findings from the audit which was a testament to the Team the County had. In response to a question about risks to the Fund set out at pages 143-146 the Committee was advised that the 'stress testing' did not take account of several things happening at once as there were too many variables for this to be done effectively.

RESOLVED: to receive the draft report and accounts for 2013/14.

61/14 OXFORDSHIRE PENSION FUND BUDGET OUTTURN REPORT FOR 2013/14

(Agenda No. 17)

The Committee considered a report (**PF17**) that analysed the actual spend by Oxfordshire County Council during 2013/14 against the budget and which highlighted the reasons for any material variances.

RESOLVED: to receive the report and to note the outturn position.

62/14 PENSIONS ADMINISTRATION - SERVICE PERFORMANCE

(Agenda No. 18)

The Committee had before them a report (**PF18**) that provided details of the annual review of the performance of the Pensions Administration Team including key performance indicators.

Responding to questions Sally Fox updated the Committee on the recruitment and vacancy position.

RESOLVED: to note the report.

63/14 EMPLOYER ISSUES

(Agenda No. 19)

The Committee considered a report (**PF19**) that sought Committee approval for any new admissions to the Fund, and updated the Committee on the status of any current employer which impacted on future Scheme membership. The report also covered the proposed phased arrangements for the recovery of pension liabilities from ceasing employers where this is in the best interests of the Fund.

RESOLVED: to:

- (a) note the progress of previously approved applications for admitted body status;
- (b) note the approved applications for admitted body status by Regency Cleaning; Fresh Start Catering; Edwards & Ward; The School Lunch Company; Oxford Active; Aspens Services and Greenwich Leisure Limited subject to either pass through arrangements or bonds being put in place;
- (c) note the closure of two scheme admission agreements with Soll Vale and Greenwich Leisure Limited;
- (d) agree the changes to the Funding Strategy Statement as set out in paragraph 13 above; and
- (e) note information on employer covenant project.

64/14 CO-HABITING PARTNERS

(Agenda No. 20)

In March this Committee received a report seeking the Committee's views in updating the Administering Authority Discretions in line with the LGPS Regulations 2013, which came in to force on 1 April 2014

The new regulations removed the requirement for current scheme members, as at 1 April 2014, to nominate a co-habiting partner, to be eligible to receive benefits in the event of the death of the member, with the provision of evidence after death. In March the Committee requested that legal advice be sought on what information would be required as evidence.

The report before the Committee (**PF20**) considered the potential evidence this Committee may wish to require before the payment of a pension to a co-habiting partner.

RESOLVED: to:

- (a) agree the list of evidence to be required in these circumstances as set out in paragraph 6; and
- (b) confirm the proposed procedure.

65/14 WRITE OFFS

(Agenda No. 21)

The Committee considered a report (**PF22**) that provided the Committee with summary details of the amounts written off in the last quarter, in accordance with Financial Regulations of the Fund.

RESOLVED: to note the report.

66/14 INTERNAL MANAGEMENT OF PROPERTY

(Agenda No. 22)

As part of the Fundamental Asset Allocation review at the March 2014 meeting, the Committee agreed to earmark £20m of the current allocation to property for opportunistic property investments. The first such opportunity was recently identified by the Independent Financial Adviser, but could not be followed through as the timescales to commit to the investment were too short to enable the Committee to meet to agree the investment. As the approval is for opportunistic investments, a similar issue is likely to arise in the future.

The Committee had previously delegated decisions on Private Equity Investments to officers following the advice of the Independent Financial Adviser, thereby reducing the timescales involved and maximising the opportunities to the Fund. The Committee was asked to agree a similar arrangement in respect of this allocation for

property investments. Under the Scheme of Delegation all delegated decisions must be reported back to the Committee at their next meeting.

.....

RESOLVED: to amend the current Pension Fund Scheme of Delegation to include the following:

‘Internal property fund decisions are delegated to the lead officer for Pension Fund investments or in their absence to the Principal Financial Manager, Treasury Management and Pension Fund Investments. Responsibility for placing internally managed property trades is delegated to the Pension Fund Investments team.’

67/14 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 23)

Following a request at the last Council meeting from a member of the Green Party concerning disinvestment in fossil fuels the Committee confirmed that they were satisfied with the Opinion of Nigel Giffins QC as set out in a report to the last meeting and that the Pension Fund had a responsibility to the members and beneficiaries of the Fund.

68/14 ANNUAL PENSION FORUM

(Agenda No. 24)

The Committee noted that the Annual Pension Forum will take place on **Friday 12 December 2014 at 10.00am at Unipart House.**

..... in the Chair

Date of signing 2014