



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 11 March 2016 at 10.00 am

Meeting Rooms 1 & 2, County Hall, New Road, Oxford

Peter G. Clark
Head of Paid Service

March 2016

Contact Officer: **Julie Dean**
Tel: (01865) 815322; E-Mail: julie.dean@oxfordshire.gov.uk

Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Surinder Dhesi
Jean Fooks
Nick Hards

Richard Langridge
Sandy Lovatt
Neil Owen

Les Sibley

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided.***
- ***Date of next meeting: 10 June 2016.***
- ***The meeting will be preceded at 9.30am (in the Committee Rooms) by a training session on the knowledge and skill requirements for Committee Members.***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on (01865) 815270 or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes (Pages 1 - 14)**

To approve the minutes of the meetings held on 4 December 2015 and 29 January 2016 (PF3) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Collaboration Update (Pages 15 - 22)**

10:10

At the special meeting on 29 January 2016, the Committee agreed a submission to the Government on their intentions towards future pension investment collaboration. The submission was a joint submission on behalf of the 10 administering authorities signed up to Project Brunel.

The submission was agreed by the respective Pension Fund Committees of all 10 administering authorities and subsequently sent to the Government by their deadline of 19 February 2016. At the time of writing the attached update report PF5 for this meeting, there has been no formal response to the submission.

On the assumption that the Government will accept the submission as the basis for a full proposal from Project Brunel, the report looks at the next steps in developing the final submission by the 15 July 2016 deadline. It also seeks a nominee to sit on the Shadow Joint Committee Oversight Board and a named substitute for this position.

The Committee is RECOMMENDED to:

- (a) note the current position;***
- (b) agree a nominee and a named substitute to represent the Committee on the Shadow Joint Committee Oversight Board; and***
- (c) consider the requirement for monthly informal briefings to follow on from meetings of the Oversight Board and the arrangements for the agreement of the final submission.***

6. Business Plan 2016/17 (Pages 23 - 44)

10:20

The report **(PF6)** covers the business plan for the forthcoming financial year and includes the proposed budget for the year, the cash management strategy and the risk register. Committee will also be asked to develop its' own training plan.

The following documents are attached:

- Business Plan 2016/17
- Business Plan – Annex 1
- Part D – Risk Register
- Part E – Members' Training Plan
- Part F – Cash Management Strategy

The Committee is RECOMMENDED to:

- (a) approve the Business Plan and Budget for 2016/17 as set out at Annex 1;***
- (b) note the risks that are currently not at target level and keep these under review during 2016/17;***
- (c) add items as appropriate to the 2016/17 training plan and to continue to review during 2016/17;***
- (d) approve the Pension Fund Cash Management Strategy for 2016/17;***
- (e) delegate authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;***
- (f) delegate authority to the Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and***
- (g) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.***

7. Employer Management (Pages 45 - 72)

10:50

The report **(HWB7)** sets out the latest position in respect of the employers within the Oxfordshire Fund. It will include a review of the Administration Strategy and in particular the penalties to be imposed on employers for non-compliance with their responsibilities under the regulations. The report also includes any new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

The Committee is RECOMMENDED to:

- (a) note the performance of scheme employers in making required returns;***
- (b) note the number of annual benefit statements issued and to advise officers of any further actions they want taken to resolve non-return of data;***
- (c) agree to consult on proposed changes to charges within the Pension Administration Strategy;***
- (d) confirm what approach they wish to be taken in assessment of employer covenants;***
- (e) agree write off of £241.79;***
- (f) note previous applications for admission to the fund & those applications approved by Service Manager (PIMMS);***
- (g) agree admission of the Carillion and Optalis in respect of contracts listed, and Note potential admission of another provider; and***
- (h) note progress made in respect of closure valuation.***

8. Pension Liabilities and Cash Flow Monitoring (Pages 73 - 76)

11:10

The report **(PF8)** reviews the future pension liabilities of this Fund, and the forecast cash flow position, and considers the sensitivity of the position to the actions of the major scheme employers. The report also discusses future investment implications.

The Committee is RECOMMENDED to:

- (a) note the current position;***
- (b) ask the Officers to continue to work with Barnett Waddingham and with all main scheme employers to develop a better understanding of the likely pattern of***

employer contributions in the forthcoming years and the potential cash flow models; and

(c) ask the Independent Financial Adviser and Officers to bring a future paper on the alternative investment models that will deliver the new cash flow requirements of the Fund whilst as far as possible maintaining stable and affordable employer contribution levels.

9. Corporate Governance - Voting (Pages 77 - 116)

11:20

The report **(PF9)** provides the Committee with information on the voting records of the Fund Managers, which they have exercised on behalf of the Fund.

The Committee is RECOMMENDED to note the Fund's voting activities, and determine any issues they wish to follow up with specific fund managers, or in general.

10. Pension Fund Scheme of Delegation (Pages 117 - 122)

11:25

In addition to the responsibilities listed in the Council's schemes of delegation, the Pension Fund Committee has delegated some additional responsibilities for functions specifically related to pension fund activities to officers.

The Committee last approved the Pension Fund Scheme of Delegation at their meeting in June 2015. A number of minor amendments have been made to the scheme of delegation to reflect structural changes since the last approved version. References to the Chief Executive have been replaced with the Head of Paid Service, and references to the Principal Financial Manager – Treasury Management & Pension Fund Investments have been replaced with Financial Manager – Pension Fund Investments.

The Committee is RECOMMENDED to approve the Scheme of Delegation for the Pension Fund as set out in the attached Annex PF10.

11. Overview of Past and Current Investment Position (Pages 123 - 134)

11:30

Tables 1 to 5 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter, present an overview of the Fund's position as at 31 December 2015, and highlight any key performance issues, with reference to the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2015
Table 2	shows net investments/disinvestments during the quarter
Tables 3 and 4	provide investment performance for the consolidated Pension Fund for the quarter ended 31 December 2015
Table 5	Provides details on the Pension Fund's top holdings

In addition to the above tables, the following graphs have been included:

- Graph 1 Market value of the Fund over the last three years
- Graphs 2-7 Performance of the Fund Managers attending Committee for the quarter ending 31 December 2015

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 15, 16, 17 and 18 on the agenda.

EXCLUSION OF PRESS AND PUBLIC

12. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 13, 14, 15, 16, 17 and 18 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.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of item 18, there is no report circulated with the Agenda. Any exempt information will be reported orally.

13. Exempt Minutes (Pages 135 - 136)

To approve the exempt part of the Minutes of the meeting held on 4 December 2015 (**PF13**) and to receive information arising from them.

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 disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension fund, and future negotiations with Fund Managers.*

14. Overview and Outlook for Investment Markets (Pages 137 - 144)

11:40

Report of the Independent Financial Adviser (**PF14**).

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors; and provides the context for the consideration of the reports from the Fund Managers. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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 Committee is RECOMMENDED 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.

15. UBS

11:50

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 11 and 14.
- (2) The representatives (Nick Irish and Digby Armstrong) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2015;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2015.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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 Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

16. Wellington

12:30

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 11 and 14.
- (2) The representatives (Ian Link and Nicola Staunton) of the Fund Manager will:

- (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2015;
- (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2015.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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 Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

17. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 145 - 150)

13:10

The Independent Financial Adviser will report on **(PF17)** the officer meetings with Insight, Legal & General and Baillie Gifford, as well as update the Committee on any other issues relating to the Fund Managers not present including issues in respect of the Private Equity Portfolio.

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 Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

18. Summary by the Independent Financial Adviser

13:15

The Independent Financial Adviser will summarise any issues arising from the previous discussions with the Fund Managers and answer any 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.*

19. Annual Review of the Independent Financial Adviser (Pages 151 - 154)

13:20

The report (**PF19**) reviews the work undertaken by the Independent Financial Adviser over the past 12 months, and invites the Committee to agree any feedback on the levels of service received and/or changes going forward.

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.*

The Committee is RECOMMENDED to note the report and to consider if it wishes to offer any feedback to Mr Davis in relation to his performance as Independent Financial Adviser during the last year.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

20. Corporate Governance and Socially Responsible Investment

13:25

This item covers any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee.

21. Annual Pension Forum

13:30

There will be an oral update on the Annual Pension Forum.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing in the **Members' Board Room, County Hall**, on **Wednesday 9 March 2016** at **2pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.