

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 11 March 2016 commencing at 10.00 am and finishing at 1.25 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Surinder Dhesi
Councillor Jean Fooks
Councillor Nick Hards
Councillor Richard Langridge
Councillor Sandy Lovatt
Councillor Neil Owen
Councillor Les Sibley
Councillor David Wilmshurst (In place of Councillor Patrick Greene)

District Council Representatives: District Councillor Bill Service

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

Officers:

Whole of meeting J. Dean (Corporate Services); L. Baxter, S. Collins, S. Fox and G. Ley (Corporate Finance)

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.

5/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Cllr David Wilmshurst attended for Cllr Patrick Greene. An apology was received from District Cllr James Fry.

6/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

7/16 MINUTES
(Agenda No. 3)

The Minutes of the meetings held on 4 December 2015 and 29 January 2016 were approved and signed as a correct record.

With regard to Minute 4/16, 29 January 2016, 'Future Collaboration - Proposal to Government' – Sean Collins confirmed that Oxfordshire's outline principles of a proposal for Project Brunel had been signed on behalf of this Committee and sent. All other Pension Fund Committees comprising Project Brunel had also agreed the same document. Discussion on the details was now underway.

8/16 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were no requests to submit a petition or to make a public address.

9/16 COLLABORATION UPDATE
(Agenda No. 5)

At the special meeting on 29 January 2016, the Committee agreed a submission to the Government on their intentions towards future pension investment collaboration. This 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 update report **PF5** for this meeting, there had been no formal response to the submission.

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

Cllr Lilly was proposed as this Committee's nominee to represent the Committee on the Shadow Joint Committee Oversight Board, and Cllr Hards to attend in his absence if such a situation occurred. The Chairman explained that it was his wish that this Committee be seen to be non-political in its main focus which was to act in the best interests of the pension fund.

RESOLVED:

- (a) to note the current position;
- (b) (unanimously) that Cllr Stewart Lilly be this Committee's nominee, with Cllr Nick Hards attending in his absence, to represent the Committee on the Shadow Joint Committee Oversight Board;

- (c) to receive regular briefings by email unless there are significant issues that arise which will require an informal briefing meeting for Committee members. In the meantime to request members of the Committee to reserve 1 July 2016 in their diaries as the date for the agreement of the final submission.

10/16 BUSINESS PLAN 2016/17

(Agenda No. 6)

The Committee considered a report (PF6) which covered the business plan for the forthcoming financial year and which also included the proposed budget for the year, the cash management strategy and the risk register. The Committee was also asked to develop its own training plan.

The following documents were before the Committee:

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

Sally Fox was requested by the Committee to organise a training session on the Fire & Rescue Pension Scheme.

Cllr Hards raised a concern that the likelihood scores for risks 1 and 2 were inconsistent with that given for risk 8, and as all were dependent on accurate data from the scheme employers, all should be given the same likelihood score. It was agreed therefore to amend the likelihood score for risks 1 and 2 to level 3.

In respect of the Cash Management Strategy, Cllr Hards asked Officers to look at the options around reverse Repos as a means of providing greater security.

RESOLVED: to

- (a) approve the Business Plan and Budget for 2016/17 as set out at Annex 1;
- (b) on a motion by Cllr Richard Langridge and seconded by Cllr Surinder Dhesi to (amendment in bold italics) note the risks that are currently not on target level, as amended above, and keep these under **constant** review during 2016/17: **and to request the officers to submit a report to every meeting on risks;**
- (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.

11/16 EMPLOYER MANAGEMENT

(Agenda No. 7)

The Committee considered a report (PF7) which set out the latest position in respect of the employers within the Oxfordshire Fund. It included 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 included 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.

RESOLVED:

- (a) to note the performance of scheme employers in making required returns;
- (b) to note the number of annual benefit statements issued;
- (c) to consult on proposed changes to charges within the Pension Administration Strategy;
- (d) to repeat the risk assessment work undertaken by Barnett Waddingham, but not to introduce further measures at this time in the assessment of employer covenants;
- (e) agree a write off of £241.79;
- (f) to note previous applications for admission to the fund and those applications approved by Service Manager (PIMMS);
- (g) to agree to the admission of the Carillion and Optalis in respect of contracts listed, and note the potential admission of another provider; and
- (h) to note progress made in respect of closure valuation.

12/16 PENSION LIABILITIES AND CASH FLOW MONITORING

(Agenda No. 8)

The Committee reviewed the future pension liabilities of the Fund and the forecast cash flow position, as set out in report PF8. The report also considered the sensitivity of the position to the actions of the major scheme employers. The report also discussed future investment implications.

RESOLVED: 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 the 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.

13/16 CORPORATE GOVERNANCE - VOTING

(Agenda No. 9)

The Committee had before them a report (PF9) that set out information on the voting records of the Fund Managers, which they had exercised on behalf of the Fund.

RESOLVED: to note the Fund's voting activities.

14/16 PENSION FUND SCHEME OF DELEGATION

(Agenda No. 10)

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

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

RESOLVED: to approve the Scheme of Delegation for the Pension Fund, as set out in Annex PF10.

15/16 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 11)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 December 2015.

Mr Davies pointed out that the overall value of the Fund at 31 December 2015, had increased by £80m of which £75m had been via an appreciation of assets (£65m equities, £8m private equities and £2m other). He reported however that since then the Fund was down by £15m.

RESOLVED: 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.

16/16 EXEMPT ITEMS

(Agenda No. 12)

The Committee **RESOLVED** that the public be excluded for the duration of items 13,14,15,16,17,18, 19 and 20 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 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.

17/16 EXEMPT MINUTES

(Agenda No. 13)

The exempt part of the Minutes of the meeting held on 4 December 2015 were approved and signed as a correct record.

The public was excluded during this item because its discussion in public was 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.*

18/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 14)

The Committee considered a report of the Independent Financial Adviser (PF14) which gave 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 public was excluded during this item because its discussion in public was 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 from them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

19/16 UBS

(Agenda No. 15)

The Independent Financial Adviser reported orally on the performance and strategy of UBS drawing on the tables at Agenda Items 11 and 14.

The representatives, Nick Irish and Digby Armstrong presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

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

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 presentation.

20/16 WELLINGTON

(Agenda No. 16)

The Independent Financial Adviser reported orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 11 and 14.

The representatives, Ian Link and Nicola Staunton presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

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

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 presentation.

21/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 17)

The Independent Financial Adviser reported on the officer meetings with Insight, Legal & General and Baillie Gifford in conjunction with information contained in the tables (PF17).

The public was excluded during this item because its discussion in public was 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 and from his oral report to the meeting.

22/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

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

23/16 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

The Committee considered a report (PF19) which reviewed the work undertaken by the Independent Financial Adviser over the last 12 months

RESOLVED: to note the report and to thank Mr Davies for his frankness and for the professionalism he always employs in his role as Independent Financial Adviser.

24/16 EXEMPT ITEM OF URGENT BUSINESS - POSSIBLE COMPENSATION PAYMENT

(Agenda No. 22)

Under the provisions set out in Section 100B(4) of the Local Government Act 1972 (as amended), the Chairman of the meeting was of the opinion that this exempt item

could be taken following Agenda Item 19 as a matter of urgent business because of the reputational risk to the Fund of this not being dealt with in a timely manner.

..... This item is the subject of an exempt minute.

The public was excluded during this item because its discussion in public was 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.

READMISSION OF THE PRESS AND PUBLIC

25/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 20)

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

The Chairman reported a continued receipt of emails relating to fracking/fossil fuel issues and the need to be aware as matters run down the Project Brunel line.

26/16 ANNUAL PENSION FORUM

(Agenda No. 21)

It was **AGREED** to hold the next Annual Pension Forum on Wednesday 18 January 2017.

..... in the Chair

Date of signing