

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 5 December 2014 commencing at 10.15 am and finishing at 1.20 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)
Councillor Surinder Dhese
Councillor Jean Fooks
Councillor Nick Hards
Councillor Richard Langridge
Councillor Sandy Lovatt
District Councillor Hywel Davies
District Councillor Jerry Patterson
Councillor Les Sibley (In place of Councillor Lynda Atkins)

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 D. Ross and J. Dean (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, 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.

69/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor Les Sibley attended for Councillor Lynda Atkins. Apology received from Councillor Neil Owen.

70/14 DECLARATION OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Fooks, Lilly, 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.

71/14 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 5 September 2014 were approved and signed as a correct record.

72/14 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

Professor Alan Allport addressed the meeting in relation to item 7 on the Agenda. He alerted members of the Committee to his concern that there would be a major financial risk arising from climate change. He commented that investment consequences had not been adequately assessed and that 60% – 80% of existing fossil reserves needed to remain in the ground. If this should not happen then the infrastructure of society would be destroyed. He added that divesting from fossil fuel energy and investing into renewable energy would prove very attractive with huge growth potential and would even yield slightly better returns.

73/14 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 September 2014.

Mr Davies noted that the overall value of the Fund had risen by approximately £29 million.

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 and 11 on the agenda.

74/14 EXEMPT ITEMS

(Agenda No. 6)

The Committee **RESOLVED** that the public be excluded for the duration of items 7, 8, 9, 10, 11 and 12 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.

75/14 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 7)

The Committee considered a report of the Independent Financial Adviser (PF7) 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 Independent Financial Adviser will 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 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 to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

76/14 UBS

(Agenda No. 8)

The Independent Financial Adviser reported orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 7.

The representatives, Malcolm Gordon, Eric Byrne and Antony Sander 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 September 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 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 and to take any necessary action, if required.

77/14 PARTNERS GROUP

(Agenda No. 9)

The Independent Financial Adviser reported orally on the performance and strategy of Partners Group drawing on the tables at Agenda Items 5 and 7.

The representatives, Sarah Brewer and Sergio Jovele, 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 September 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 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 and to take any necessary action, if required.

78/14 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported (PF10) on the main issues arising from the officer meetings with Wellington and Baillie Gifford in conjunction with information contained in the tables (Agenda Item 5). The Committee also considered a report, again from the Independent Financial Adviser (PF10) which provided a review of the strategy and recent performance of the Fund's Private Equity portfolio.

The Independent Financial Adviser also reported back on his telephone discussion with Legal & General and responded to Members' questions.

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 reports.

79/14 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Committee noted the summary of the Independent Financial Adviser.

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:

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80/14 OPTIONS FOR THE FUTURE ARRANGEMENTS FOR THE OXFORDSHIRE PENSION FUND

(Agenda No. 12)

The Committee considered a report (PF12) which set out the latest business proposal for the future arrangements of the Oxfordshire Pension Fund. Annex 1 set out the full business proposal which had been discussed with officers and members from the three pension funds of Buckinghamshire, Oxfordshire and Berkshire. The main report highlighted the key issues following these discussions and the key questions for further consideration.

Part of the concern expressed during the meeting on 17 November was in respect of the potential financial savings achieved through collaboration. In addressing this information further, this report contained information on the fee levels currently charged by Oxfordshire's Fund Managers and the potential for further reductions which is commercially sensitive information. It was therefore decided that:

the public should be excluded for the consideration of this report 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 the Council's position would be prejudiced in respect of future negotiations with both Fund Managers and potential partners.*

It was noted that the Annex to the report was a public document as the Business Proposal did not include any specific fee information on the current mandates and all information included had already been in the public domain.

RESOLVED (unanimously) to:

- (a) defer any potential future collaboration until such time as the Government make clear its position on the mandating of passive investment for all listed assets;
- (b) ask officers to explore with other LGPS Funds who share a similar risk appetite/asset allocation, the opportunities for informal collaborative working, with the potential for more formal arrangements in the future;
- (c) note the information included in the report and to confirm that this covers the issues on which this Committee needs to be informed before making any decision on collaboration, whilst accepting that the actual information would need to be revised should other LGPS Funds be included in any future proposal; and
- (d) thank the officers for all their hard work to date on this project.

READMISSION OF THE PRESS AND PUBLIC

81/14 BETTER GOVERNANCE AND IMPROVED ACCOUNTABILITY IN THE LOCAL GOVERNMENT PENSION SCHEME

(Agenda No. 13)

The Committee considered a report (PF13) which set out the key elements of the latest consultations from the Department of Communities & Local Government and the LGPS Shadow Scheme Advisory Board on the Governance arrangements for the Local Government Pension Scheme.

RESOLVED to:

- (a) note the key issues set out in the latest consultation documents; and
- (b) to request the officers to draft a constitution and terms of reference in the new year on the lines of the steer given at this meeting, to be sent to all members of the Committee for comment; and that the outcome be submitted to the 13 March 2015 meeting for approval.

82/14 ANNUAL REPORT AND ACCOUNTS 2013/14

(Agenda No. 14)

The Annual Report and Accounts for 2013/14 had now been published and a copy was included with this agenda. There had been no changes of substance from the draft version approved by the Committee at the meeting in September 2014.

Following the drafting of the Report and Accounts, and after the conclusion of the majority of the external audit work, new statutory guidance on the contents of LGPS Annual Report and Accounts had been received. These were covered by an Addenda to the report.

RESOLVED: to note the publication of the Annual Report and Accounts 2013/14 and accompanying addendum.

83/14 FUND MANAGER MONITORING ARRANGEMENTS

(Agenda No. 15)

The Committee were asked to determine the arrangements for monitoring the performance of the Fund Managers, including the new Diversified Growth Manager for the 2015/16 financial year (PF15).

RESOLVED: to approve the recommendation, as set out at paragraph 6 in the report, subject to the revision that Adams Street and Partners Group be monitored by the Officers/IFA at least once per annum.

84/14 EMPLOYER ISSUES

(Agenda No. 16)

Approval was sought from the Committee for some new admissions to the Fund (PF16). The report also updated members on the status of any current employer which impacted on future Scheme membership.

RESOLVED: to

- (a) note the previous applications still outstanding;
- (b) note applications approved by Service Manager (PIMMS);
- (c) approve other applications received providing these are on either a pass - through basis, or via a bond;
- (d) note the completed applications;
- (e) note the closure of scheme employers; and
- (f) note progress of employer covenant project.

85/14 ADMINISTRATION - UPDATE

(Agenda No. 17)

The Committee received an update (PF17) on current administration issues which included consideration of the final version of the Administration Strategy, following a period of employer consultation.

RESOLVED: to

- (a) agree the changes to the service level agreement;

(b) note the current level of MARS Returns; and

..... (c) agree the Administration Strategy.

86/14 WRITE OFF'S
(Agenda No. 18)

The Committee considered a report (PF18) that 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.

87/14 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 19)

The Committee noted that an issue had been raised by Professor Allport under the Petitions and Public Address item. The Chairman requested an officer response to the points be produced and sent to Professor Allport and, at the same time, copied to all members of the Committee.

88/14 ANNUAL PENSION FORUM
(Agenda No. 20)

It was noted that the Pension Fund Forum, which had been planned for Friday 12 December 2014, had been cancelled due to a lack of support from scheme employers.

The Committee asked that a note to all scheme employers be sent by the Chairman to all scheme employers asking if an alternative date would be more suitable in the future. If little response was still forthcoming, then the officers be asked to think of an alternative way of dealing with the situation.

..... in the Chair

Date of signing