

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 2 September 2016 commencing at 10.00 am and finishing at 1.30 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)
Councillor Surinder Dhesi
Councillor Jean Fooks
Councillor Nick Hards
Councillor Richard Langridge
Councillor Sandy Lovatt
Councillor Neil Owen
Councillor Les Sibley

By Invitation: Philip Wilde
Peter Davies (Independent Financial Adviser)

Officers:

Whole of meeting J. Dean (Corporate Services); S. Collins (Corporate Finance)

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.

53/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Cllrs James Fry and Bill Service.

54/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

55/16 MINUTES

(Agenda No. 3)

The Minutes of the public part of the meeting held on 10 June 2016 were approved and signed, together with the Minutes of the special meeting of Committee held on 1 July 2016 (PF3).

In response to a query relating to Minute 52/16, 1 July 2016 meeting,- 'Brunel Submission to Government' – Sean Collins reported that the full submission to Government had now been agreed by all 10 administering authorities and had now been posted to the Brunel website, complete with some redactions as necessary.

56/16 MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD

(Agenda No. 4)

The public part of the Minutes of the meeting of the Local Pension Board which met on 15 July 2016 was noted.

On behalf of the Local Pension Board, Board member Cllr Bob Johnston brought the following two matters to the Committee's attention, both in relation to Minute 27/16 'Review of Pension Fund Risk Register':

- The Pensions Team should be relocated, even if there is a possible financial loss to the Pension Fund if a suitable venue was found;
- The Board were concerned about risk 8 – 'Inaccurate or out of date pension liability data, LGPS and FSPS' and urged the Committee to pursue this to a successful conclusion.

The Chairman, Cllr Lilly, commented that both issues would be covered as the meeting went on, reporting that it was possible that satisfactory new premises had been found for the Pension Team and negotiations were ongoing.

57/16 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 5)

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

58/16 COLLABORATION UPDATE

(Agenda No. 6)

Mr Collins updated the Committee on the significant amount of work which was underway on the proposed full business case (PF6). In doing so, he emphasised the importance of the seminar arranged to take place at County Hall on 17 October which was an opportunity for members to look at the key issues around what was a very detailed and complex document, prior to consideration and decision at the next scheduled meeting of this Committee on 2 December 2016. He also undertook to circulate the slides from the seminar to those members who were unable to attend. The Chairman endorsed the importance of attending the seminar, emphasising the immense responsibility all Committees had in ensuring the correct outcomes for this venture.

The Chairman also reported that the Shadow Oversight Board, of which he was a member, had written to the Minister asking for publication of the regulations as soon

as possible. He himself, together with all the Committee Chairmen in Project Brunel, had also written to local MPs urging them to ensure that regulatory guidance was in place very soon.

The following points arose from the discussion that followed:

- There had been no indication from the Department of Communities & Local Government that there would be a change in direction following the recent change of Prime Minister and changes in the Cabinet;
- Costings for the venture were to be submitted to the Shadow Oversight Board the following week. All set-up costs would be equally shared by all Councils and the Environment Agency who constituted Project Brunel and funding would come from the Pension Funds themselves;
- OCC officers were looking into whether the business case would require approval by full County Council;
- To ensure that the Pension Fund budget would not be overspent, this year and next year's costs had been put aside. It was anticipated that benefits would begin to flow back in years 3 – 4;
- It was critical that deadlines for the decision did not slip in light of forthcoming election and purdah period.

RESOLVED: to note the update.

59/16 RISK REGISTER

(Agenda No. 7)

The Committee considered a report (PF7) which set out the latest position on risks reported to the last meeting, and which added in new risks that had been identified in the intervening period.

The Committee discussed options in relation to FE Colleges and agreed to make no changes to current arrangements, but to keep monitoring the situation.

RESOLVED: to note the report.

60/16 DRAFT ANNUAL REPORT AND ACCOUNTS 2015/16

(Agenda No. 8)

The draft Annual Report and Accounts for 2015/16 was presented to Committee for comment and any final amendment (PF8).

RESOLVED: to receive the draft Report and Accounts for 2015/16 , subject to amendments noted at the meeting.

61/16 BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2016

(Agenda No. 9)

The Committee had before them a report (PF9) which analysed the actual spend by Oxfordshire Council Council's Pension Fund Committee during the budgetary year and which also highlighted the reasons for any material variances.

The officers were congratulated on the outcomes of the report.

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

62/16 ANNUAL REVIEW OF THE PERFORMANCE OF THE PENSIONS ADMINISTRATION SERVICE

(Agenda No. 10)

The Committee considered the annual review on the performance of the Pensions Administration Service which included information on key performance indicators for the service (PF10).

The Chairman requested further information from the Pensions Team about the absence of quality data from employers, which had led to targets being missed with regard to the performance of the Committee. He asked also that the Local Pension Board look at trends and persistent problems and to advise the Committee accordingly.

RESOLVED: that, subject to the above referral to the Local Pension Board, to note the report.

63/16 ADMINISTRATION REPORT (PART 1)

(Agenda No. 11)

The Committee had before them a report (PF11) which gave an update on any current administrative issues and which set out the latest position in respect of the employers within the Oxfordshire Fund. It included an update on the end of year employer returns and any implications for the 2016 valuation; a proposal for new admission agreements in respect of the successful contractors under the recent 5 Council procurement exercise undertaken by South Oxfordshire and the Vale of White Horse District Councils (amongst others); any other new requests for admission to the Fund; an update on previously approved applications and the write off of any amounts due to the Fund.

Sean Collins undertook to circulate a note containing the numbers of people who had not yet received their pensions benefit statement.

Sean Collins also undertook to arrange a meeting with the Beneficiaries Observer, Philip Wilde, to think about the best way to notify people to contact the Pensions Service if they have not received a statement.

RESOLVED: to note the report, including the write off of £1,648.66 during this period.

64/16 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 12)

65/16 EXEMPT ITEMS

(Agenda No. 13)

The Committee RESOLVED that the public be excluded for the duration of items 14, 15, 16, 18, 19, 20 and 21 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.

66/16 EXEMPT MINUTES - PENSION FUND COMMITTEE

(Agenda No. 14)

RESOLVED: to approve and sign the exempt part of the Minutes of the meeting held on 10 June 2016 (PF14).

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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed 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 was 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 funds, and future negotiations with Fund Managers.*

67/16 EXEMPT MINUTE - LOCAL PENSION BOARD

(Agenda No. 15)

The exempt part of the Local Pension Board Minutes of the meeting held on 15 July was noted.

In response to a query, Sean Collins reported that the question of membership of the Oversight Board remained under consideration by the Brunel Group.

68/16 ADMINISTRATION REPORT (PART 2)

(Agenda No. 16)

The Committee considered a report (**PF16**) which provided confidential information to the Committee on the latest position on a number of admission agreements where commercial negotiations were currently on-going.

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

RESOLVED: to

- (a) approve the admission of two additional contractors, Arcadis and Indigo to the Oxfordshire Pension Fund;
- (b) note that all five District Councils involved in the joint procurement exercise will be party to the associated admission agreements;
- (c) note the position in respect of the Funding Agreement with Sovereign Housing Association; and
- (d) agree to the establishment of a similar Funding Agreement with Cottsway Housing Association, and delegate responsibility for finalising the agreement to the Chief Finance Officer.

69/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 17)

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 2016.

Mr Davies reported that the overall value of the Fund at 31 March 2016 had increased by £90m, of which bonds had risen by £22m and the remainder was predominantly made up of equities.

Mr Collins reported that an aggregate benchmark had been produced for this quarter since State Street had withdrawn from the provision of performance management services for all clients where it did not act in a custodial role. He added that officers were seeking a new provider from over the whole of the Local Pension Scheme universe.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they related to Agenda Items 17, 18, 19, 20 and 21 on the agenda.

70/16 BAILLIE GIFFORD

(Agenda No. 18)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 12 and 17.

The representatives, Anthony Dickson and Ian McCombie, 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.

71/16 LEGAL AND GENERAL

(Agenda No. 19)

The Independent Financial Adviser reported orally on the performance and strategy of Legal and General drawing on the tables at Agenda Items 12 and 17.

The representatives, Chris Lyons and Tom Carr 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.

72/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 20)

The Independent Financial Adviser reported on the officer meetings with UBS and Wellington. He also updated the Committee on other issues relating to the Fund Managers not present, including issues in respect of the Private Equity portfolio.

..... *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:

- (a) note the main issues arising from the report; and
- (b) invite the new Equity Fund Manager at UBS to the next scheduled meeting of the Committee on 2 December 2016.

73/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER
(Agenda No. 21)

No further summary was required.

READMISSION OF PRESS AND PUBLIC

74/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 22)

The Chairman reported that he had received no letters with regard to fracking recently.

75/16 ANNUAL PENSION FORUM
(Agenda No. 23)

The Chairman reminded all that the Annual Pension Forum was scheduled to take place at County Hall on 18 January 2017. He encouraged all to attend.

..... in the Chair

Date of signing