

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 1 June 2012 commencing at 10.15 am and finishing at 1.05 pm

Present:

Voting Members:

Councillor David Harvey
Councillor Jean Fooks
Councillor Roy Darke
Councillor Stewart Lilly
Councillor Sandy Lovatt
Councillor C.H. Shouler

**District Council
Representatives:**

By Invitation: P.Davies (Independent Financial Adviser); P. Gerrish (Beneficiaries Observer)

Officers:

Whole of meeting S. Collins and S. Fox (Environment & Economy); D. Ross, G. Ley and J. Dean (Chief Executive's Office)

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.

20/12 ELECTION OF CHAIRMAN FOR THE CURRENT YEAR

(Agenda No. 1)

Councillor David Harvey was elected Chairman for the current Council year.

21/12 ELECTION OF DEPUTY CHAIRMAN FOR THE CURRENT YEAR

(Agenda No. 2)

Councillor Bill Service was elected Deputy Chairman for the current Council year.

22/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

An apology was received from Councillor Bill Service.

23/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 4)

Councillors Darke, Fooks, Harvey, Lilly and Patterson declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

24/12 MINUTES

(Agenda No. 5)

The Minutes of the meeting of the Committee held on 16 March 2012 (PF5) were approved and signed as a correct record.

25/12 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 6)

There were no petitions submitted or any requests to address the meeting by members of the public.

26/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 7)

Mr Davies reported that the first quarter for 2012 had seen a strong equity and bond appreciation for the Pension Fund amounting to £80m. Since then the equity markets in the United Kingdom and overseas had fallen by 8% in sterling terms, which had resulted in £68m of the above mentioned appreciation being given back. As a result, the Fund was currently worth £1.23b. Over 12 months the Fund was performing 0.1% below its benchmark, over 3 years, 0.9% below, and over 5 years, 1.3% below.

Members enquired about the timescale with regard to the Wellington transfer. Mrs Ross responded that it was close to finalisation.

RESOLVED: to note the comments of the Independent Financial Adviser and to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 9,10,11 and 12 on the Agenda.

27/12 EXEMPT ITEMS

(Agenda No. 8)

It was **RESOLVED** that the public be excluded for the duration of items 9, 10, 11,12, 13, and 14 in the Agenda since it was likely that if they were present during those items there would be a 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 circumstances of each case, the public interest in disclosing the information.

28/12 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 9)

The Committee considered a report (PF9) which set out an overview of the current and future investment scene and market developments across various regions and

sectors. Members asked questions and the Independent Financial Adviser responded to them.

Mr Davies pointed out that since the report had been written, uncertainty in the market had become greater, mainly due to continuing uncertainty of the fiscal climates in Greece, Spain and Italy.

RESOLVED: to receive the report, tables and graphs and to receive the oral report of the Independent Financial Adviser.

29/12 UBS

(Agenda No. 10)

Prior to the entry of the UBS representatives, the Independent Financial Adviser reported that Nick Melhuish, Head of Global Equities, had left the Company for a change in lifestyle. Mr Davies and the officers would be meeting with his replacement, Nick Irish, shortly. Officers would report back to a future meeting on any impact of this change in terms of approach and performance. He added that performance during the previous two quarters had improved substantially.

In response to concerns expressed by the Committee at the last meeting regarding the property portfolio, Mr Davies added also that he and the officers had met with Mr. Sander that week and, as a result, had felt more confident about the approach taken.

The representatives, Mr. S. Lee and Mr. A. Sander, reported on and reviewed the present investments and the property portfolio in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March 2012. The representatives responded to Members' questions.

Members of the Committee asked questions and received responses in respect of the following areas:

- Local rental incentive schemes on retail property;
- Exposure to market in Poland and the question of stock availability;
- The number of funds which UBS were involved in and difficulty for Committee members to take stock of transactions taking place, due to a lack of clarity in the paperwork submitted. Mr Lee thanked the Committee for its feedback and responded that work was in progress to review the layout of reports, adding that, via natural dilution, UBS were looking to retain a portfolio in the region of 20 funds.

RESOLVED: to note the main issues arising from the presentation and to take any necessary action, if required.

30/12 LEGAL & GENERAL

(Agenda No. 11)

Prior to the entry of the Legal & General representatives, the Independent Financial Adviser informed the Committee that Legal & General's performance had been very good and that they had outperformed their target over three years. He added that

they had recently made changes to their corporate bond which was now accessed via their new pooled fund named 'Core Plus'. A better return to UK Corporate Bonds was expected. Mr Davies also pointed out that Legal & General had offered to increase their Fixed Annualised Performance target from 1 April 2012 and this had been agreed by the Officers.

The representatives, Mr J. Cloke and Mr. M. White, 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 31 March 2012. The representatives responded to members' questions. Mr White gave a more detailed explanation of the 'Core Plus' scheme.

Members of the Committee asked questions and received responses in respect of the following areas:

- The areas which Legal & General considered to be underweight;
- Implications of slow growth outlook in Europe and the United States;
- Reasons for adopting the Core Plus scheme at this particular time.

RESOLVED: to note the main issues arising from the presentation and to take any necessary action, if required.

31/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 12)

The Independent Financial Adviser reported orally on the main issues arising from the reports from Baillie Gifford in conjunction with information contained in the tables (Agenda Item 7). Mr Davies reported that Baillie Gifford were performing well.

With regard to progress made in the transition of the Global Equity mandate to Wellington, Mr Collins and Mrs Ross explained the reasons for the time taken to complete the transition, including the complex legal negotiations as well as the need to set up a number of overseas custody arrangements. They reported that it was hoped that all custodial agreements would be opened by the end of June 2012, and the legal negotiations completed to allow the transfer of resources soon after.

RESOLVED: to note the Independent Financial Adviser's oral report, together with the progress report on the transition of the global equity mandate to Wellington.

32/12 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 13)

Mr Davies reported that all issues had been covered in previous discussion throughout the morning and that he therefore had no additional comments to make on the existing Financial Managers' performance and strategy.

RESOLVED: To note the Independent Financial Adviser's report.

33/12 REVIEW OF CUSTODY ARRANGEMENTS

(Agenda No. 14)

The Committee had before them a report (PF14) which gave an update on a recent request from the Fund's custodian for a revision of charges and which sought approval to initiate the re-tendering of the contract.

It was **AGREED** to: (amendment in bold italics)

- (a) note the report;
- (b) approve the appointment of a consultant to assist in the custody service selection process;
- (c) (on an amendment by Councillor Harvey, duly seconded and agreed nem con) delegate responsibility for the interview and appointment process of a Global Custodian to the officers, ***following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson***; and
- (d) request the officers to report back to the Committee on their reasons for appointing the successful Global Custodian.

READMISSION OF PRESS AND PUBLIC

34/12 THE NEW LOOK LOCAL GOVERNMENT PENSION SCHEME - 2014 PROJECT

(Agenda No. 15)

Mr Collins circulated a joint statement by the Local Government Association and the Trade Unions setting out the outcome of their negotiations on the new Local Government Pension Scheme proposals for England and Wales, released on 31 May 2012.

It was noted that the proposals would now be communicated to scheme members, employers, funds and other scheme interests; and unions and employers would both be consulting their members.

Following a discussion the Pension Fund Committee **AGREED** that the Officers would draft a response to the statutory consultation, when released, and would circulate it around the Committee for comment prior to submission.

35/12 REVIEW OF COMMITTEE POLICIES

(Agenda No. 16)

Members considered a report (PF16) which invited the Committee to complete the annual review of their policies, as required under the Pension Fund Regulations. Separate Annexes covered the Governance Compliance Statement, Statement of Investment Principles, Funding Strategy Statement, Scheme of Delegation and the Communication Policy

RESOLVED: that

- (a) subject to some minor amendments agreed at the meeting, to approve the revised policy documents, as set out in Annexes 1 – 5 to the report PF16, noting the main changes in the documents; and
- (b) in accordance with the CIPFA Knowledge & Skills Framework, as presented by Mr Lee of UBS prior to the start of the meeting, to request the officers to put together a further Training Plan to meet the Pension Fund’s requirements, to which, besides members of the Committee, one councillor be invited from each of the Oxfordshire District Councils.

36/12 ADMISSION AGREEMENTS

(Agenda No. 17)

The Committee considered applications from Carillion and Capita for admission to the Local Government Pension Fund due to the outsourcing of Property Services; Quest and Food with Thought. The Independent Living Service was also in the process of being outsourced and there were two applications for admission arising from this.

It was noted that Carillion had changed their name to Carillion (AMBS) Ltd.

It was **AGREED** to:

- (a) approve the applications listed in the report PF17, subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed; and
- (b) note the change of name for the ‘Oxfordshire & Buckinghamshire Mental Healthcare Trust’ to the ‘Oxford Health NHS Foundation Trust’.

37/12 WRITE OFF'S

(Agenda No. 18)

The Committee had before them a report (PF18) which provided the Committee with summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

The Pension Fund Committee noted the report.

..... in the Chair

Date of signing