

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 14 March 2014 commencing at 10.10 am and finishing at 2.45 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 Sandy Lovatt
Councillor Mark Gray (In place of Councillor Lynda Atkins)
Councillor David Wilmshurst (In place of Councillor Neil Owen)

District Council Representatives: Councillor Hywel Davies
Councillor Jerry Patterson

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

Officers:

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

Part of meeting S. Fox (Environment & Economy)

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.

1/14 **APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Cllr David Wilmshurst attended for Councillor Neil Owen, Cllr Mark Gray for Cllr Lynda Atkins and an apology was received from Cllr Richard Langridge.

2/14 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

3/14 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 6 December 2013 were approved and signed as a correct record.

There were no matters arising from the last meeting.

4/14 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no requests to submit a petition or to address the meeting.

5/14 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

Mr Davies reported that the current overall valuation of the Fund at 31 December 2014 was £1,585, 69, an increase of £51m from the previous quarter, which comprised mostly from appreciation in Equities. Since then there had been a fall of £10m. Overall the Fund had performed -0.9% below benchmark over the quarter, - 1.2% over 12 months, - 0.2% over 3 years and was - 0.6 behind over the last 5 years.

6/14 EXEMPT ITEMS

(Agenda No. 6)

It was **AGREED** that the public be excluded for the duration of items 7, 8, 9,10,11,12,13,14 and 15 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 under 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.

7/14 EXEMPT MINUTES

(Agenda No. 7)

The exempt Minutes of the meeting held on 6 December 2013 were approved and signed as a correct record.

8/14 **OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS**

(Agenda No. 8)

The Committee considered a report of the Independent Financial Adviser (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

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 receive the report, tables and graphs and the oral report of the Independent Financial Adviser and to bear his conclusions in mind when considering the Fund Manager's reports.

9/14 **BAILLIE GIFFORD**

(Agenda No. 9)

The representatives, Anthony Dickson and Iain McCombie 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 December 2013.

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 report.

10/14 WELLINGTON

(Agenda No. 10)

The representatives, Luke Stellini and Nicola Staunton 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 December 2013.

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:

4. *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.

11/14 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Committee considered two notes of meetings which took place since the last meeting (PF11) with representatives from Legal & General Investment Management – Fixed Interest and UBS Global Asset Management – Overseas Equities.

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 reports.

12/14 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

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

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:

4. *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.

13/14 FUNDAMENTAL ASSET ALLOCATION

(Agenda No. 13)

The Committee considered a report (PF13) which set out information on the past performance of the Fund and its Fund Managers, and which reviewed the current asset allocation in light of the 2013 Valuation results and other key factors that impacted on the Fund's ability to meet its future liabilities. The Committee were asked to agree the asset allocation to cover the next three years.

The Committee **RESOLVED** (nem con) to:

- (a) approve the recommendations of the Independent Financial Adviser as set out in the exempt report PF13;
- (b) delegate the required action to the officers, following consultation with the Chairman, Deputy Chairman and Opposition Spokesperson, and request that they report back to Committee; and
- (c) request the officers to report annually to the Committee reviewing performance following the asset allocation.

14/14 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 14)

(Mr Davies left the room for the duration of this item)

The Committee had before them a report (PF14) which reviewed the activities and performance over the last year of the Independent Financial Adviser (IFA), Peter Davies. Mr Davies had been initially appointed to the position in February 2009 on a five year contract. Last year, the Committee agreed to exercise the option to extend

the contract for a further five years. The contract had been amended to reflect the change that Mr Davies was now contracted through AllenbridgeEpic Investment Advisers Limited.

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.

RESOLVED: to thank Mr Davies for his excellent performance over the last year, also for his approachable manner, his speedy response to issues raised and for his clear and reliable advice.

15/14 EMPLOYER CESSATION

(Agenda No. 15)

The Committee considered a report (PF15) which sought agreement to the write off of a cessation valuation of one of the Fund's Community Admission Bodies.

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:

4. *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 **AGREED** to write off the outstanding debt and to cancel the outstanding invoice.

16/14 ADDITIONAL VOLUNTARY CONTRIBUTIONS SCHEME - ANNUAL REVIEW

(Agenda No. 16)

The Committee considered a report (PF16) which provided details of the annual review of the Fund's Additional Voluntary Contribution (AVC) Scheme including issues concerning the performance of the individual funds and the Scheme Provider (Prudential) itself.

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:

5. *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.

RESOLVED: to note the report and confirm the continued use of Prudential as the Council's AVC provider.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

17/14 ANNUAL BUSINESS PLAN, BUDGET AND CASH MANAGEMENT STRATEGY 2014/15

(Agenda No. 17)

The Committee considered the Pension Fund Annual Business Plan for the 2014/15 financial year (PF17). It included the key objectives of the Fund; detailed the service activities and the service priorities for the coming year; provided a budget for 2014/15 and set out the latest risk register for the service. Annex 2 of the report PF17 set out the Cash Management Strategy for 2014/15.

RESOLVED: to

- (a) approve the Business Plan and Budget for 2014/15, as set out at Annex 1;
- (b) approve the Pension Fund Cash Management Strategy for 2014/15 as set out at Annex 2;
- (c) 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;
- (d) delegate authority to the Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate;
- (e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations;
- (f) highlight the risk (number 27 in the risk register – absence of key staff) as set out in paragraph 11 of the report, as an issue to keep under scrutiny.

18/14 POTENTIAL SCHEME MERGER

(Agenda No. 18)

The Committee had before them a report (PF18) which gave an update on the latest position in respect of the potential merger of the Oxfordshire Pension Fund with the Buckinghamshire and Berkshire Funds. Members were also asked to identify any additional issues they wished to see in the business case to be presented to the 6 June 2014 meeting.

RESOLVED:

- (a) to note the report and the current position on the project;
- (b) to request the officers to include in the outline business case a perceived timeline for the potential future stages for the options to be presented and how the issue of accountability to the various employers would be addressed; and
- (c) the officers be requested to report to the next meeting on the project costs to date and projected costs to the Pension Fund in the future.

19/14 LOCAL GOVERNMENT PENSION SCHEME (LGPS) 2014 UPDATE

(Agenda No. 19)

The Committee considered a further update report (PF19) on progress towards the implementation of the new Local Government Pension Scheme from 1 April 2014. Also before them at Annex 1, for decision, were some proposed changes which needed to be made to the Administering Authority discretions.

RESOLVED to:

- (a) note progress of the 2014 scheme implementation;
- (b) delegate to officers the option of refusing a request to pay APC by instalment, if impractical to do so;
- (c) agree that a medical report, confirming the member is in good health, is required before an APC to buy additional pension can be signed;
- (d) agree that no medical report will be required where an APC to buy additional pension is by lump sum, but that the contract will not be valid until payment is received by the fund;
- (e) confirm that no charges should be introduced for estimates for the transfer of an in-house AVC where the arrangement was entered into prior to 1 April 2014;
- (f) amend the current delegation to officers to determine to whom payment should be made in the case of the death of a scheme member to cover all sums due, unless the case is contentious;

- (g) confirm all pension accounts should be kept in line with regulatory and system requirements;
- (h) confirm that in the absence of an election from a member, benefits should be merged with the next record, as determined by date of starting membership;
- (i) make no change to the current arrangements of collecting capital costs, and specifically the capital costs relating to ill-health retirements;
- (j) extend the provisions in i) to include the upfront collection of any fund strain costs arising from an employer waiving an actuarial reduction;
- (k) maintain the current time limit of three months for member notification to draw retirement benefits;
- (l) introduce commutation of small pension amounts in line with HMRC limits and guidance on the request of the Member;
- (m) replace the service level agreement with an administration strategy to be approved by this Committee;
- (n) agree that the fund continues to allow transfers in and that the administering authority discretion would mirror the employer discretion in whether transfers were allowed outside of 12 months;
- (o) agree that officers calculate best rate of pay to be used in payment of benefit where member has died before making an election; and
- (p) defer the decision relating to what financial information should be provided by co-habiting partners to confirm financial dependency and entitlement to benefits to the next meeting following legal guidance.

20/14 EMPLOYER ISSUES

(Agenda No. 20)

The Committee's approval was sought in relation to a number of proposed new admissions to the Fund (PF20). The report also updated members on the status of any current employer which impacted on future Scheme membership.

RESOLVED to:

- (a) note the progress of previously approved applications for admitted body status;
- (b) agree to the withdrawal of admission agreements, in certain circumstances as detailed in the report;
- (c) approve the application for admitted body status by Cara Cleaning Services; Carillion; The Cleaning Co-Op; D F Williams and PAM

Wellbeing Limited subject to either pass through arrangements or bonds being put in place; and
.....
(d) note the progress of previously reported cessation cases.

21/14 WRITE OFFS
(Agenda No. 21)

The Committee had before them a report (PF21) which provided 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.

22/14 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 22)

There were no issues brought to the attention of the Committee concerning Corporate Governance and Socially Responsible Investment.

23/14 ANNUAL PENSION FORUM
(Agenda No. 23)

Members of the Committee noted that the Annual Pension Forum would take place at **Unipart House on Friday 12 December 2014, at 10.00am.**

..... in the Chair

Date of signing