

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 4 September 2015 commencing at 10.00 am and finishing at 1.15 pm

Present:

Voting Members: Councillor Patrick Greene (Deputy Chairman) – in the Chair

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

District Council Representatives: Councillor Bill Service

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

Officers:

Whole of meeting J. Dean (Chief Executive's Office); S. Collins and G. Ley (Corporate Finance) 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.

43/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Stewart Lilly and City Councillor James Fry.

44/15 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Fooks, Owen, Service 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.

45/15 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 5 June 2015 were approved and signed as a correct record.

With regard to Minute 27/15 – Membership of the Local Pension Board – Mr Collins gave an oral update on progress on the appointment of Board members to the Local Pension Board.

With reference to Minute 32/15 – Future Management Arrangements – In response to a query, Mr Collins reported that the new management structure of Pension Services had not yet been agreed but would be circulated as soon as it was available.

46/15 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

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

47/15 EXEMPT ITEMS

(Agenda No. 5)

The Committee RESOLVED that the public be excluded for the duration of items 6, 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 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.

48/15 ANNUAL PRESENTATION ON INVESTMENT MANAGEMENT PERFORMANCE AND ASSOCIATED ISSUES

(Agenda No. 6)

Karen Thrumble of State Street Company attended to give the annual presentation on the performance of the Fund, including performance relative to benchmark and to other Local Government Pension Funds (LGPF), including performance relative to benchmark and to other LGPF funds.

Her views were sought from members of the Committee in relation to the following areas:

- Fossil Fuel Investment;
- The split between Equity and Bond returns, the risks for each, and how that reflected on the UK economy, and, in particular, on the Local Authority universe;
- The individual performance of Oxfordshire's Fund Managers and her views on any action required;
- The possibility of achieving a similar performance for Overseas tracking funds as that of UK Equity tracking funds.

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.*

At the conclusion of the question and answer session, the Committee

RESOLVED: to note the presentation and to thank Karen Thrumble for her presentation.

49/15 GOVERNMENT CONSULTATION ON FURTHER COLLABORATION/POOLING IN THE LGPS
(Agenda No. 7)

Sean Collins gave an update on work in progress with respect to the Pension Fund Collaboration work following the Chancellor's Budget Statement. He reported that officials from the Department for Communities & Local Government (DCLG) and Her Majesty's Treasurer (HMT) had met with officers from the LGPS Funds to outline thinking to date and future arrangements to develop proposals. Further meetings with officers and Chairs of Pension Fund Committees had been arranged to take place on 7 September and 16 October respectively.

He further reported that the DCLG had suggested that a consultation document would be published in early November 2015 to cover:

- The criteria by which collaboration would be assessed. These would be for information and not subject to further consultation. They would likely cover issues of size (indicative figures of £30b had been mentioned), cost and governance;
- Changes to the Investment Regulations to ensure that they were sufficiently flexible to cover the new collaborative proposals;
- 'Back-stop' Regulations, which were likely to be based on a new power for the Secretary of State to direct a Fund if they did not come forward with proposals in line with the agreed criteria.

Mr Collins added that Ministers did not wish to be prescriptive about the result, but believed that size provided a better opportunity to deliver cost savings and widened the range of investment opportunities. Similarly they did not wish to be prescriptive on active and passive mandates but remained to be convinced about the net benefits of active management. Solutions were likely to be similar to the current Common Investment Vehicle (CIV) proposals, with a body responsible for managing the investments on behalf of a number of Funds, whether through using external fund managers or in-house investment staff.

Keeping the above in mind, the Committee were asked to give a steer to Mr Collins and the Chairman, for use at meetings, on what would be acceptable in relation to the extent of discretion for local Pension Fund Committees to have in the future on investment matters. Options given included:

- Option 1 – Asset Allocation at a high level – for example, specification of a target return and risk level, or a split between growth and defensive assets. Actual asset allocation decisions to be made by the ‘pool’.
- Option 2 – Asset Allocation at a broad level – for example, in respect of equity, fixed income and property. The ‘pool’ to determine fund manager and precise allocation.
- Option 3 – More specific Asset Allocations – for example, in respect of UK equity, emerging market equity and high yield debt.

Following discussion, the Committee

RESOLVED: (unanimously) to

- (a) give a steer to the Chairman and Mr Collins at future meetings that this Committee finds option 2 above the most acceptable; and
- (b) request the Chairman and Mr Collins to keep all members of the Committee informed of the unfolding position following each meeting attended.

50/15 DRAFT ANNUAL REPORT AND ACCOUNTS 2014/15

(Agenda No. 8)

The draft Annual Report and Accounts were presented for comment and any final amendment (PF8).

Sue Gill and Tom Crous, representatives of the External Auditor, Ernst & Young, presented their findings from their audit work to date. These were also attached at PF8.

RESOLVED: to receive the draft Annual Report and Accounts and to thank the officers for their excellent work undertaken during a background of significant change.

51/15 OXFORDSHIRE PENSION FUND BUDGET OUTTURN REPORT FOR 2014/15

(Agenda No. 9)

The Committee had before them the budget outturn report (PF9) which analysed the actual spend by the OCC Pension Fund during 2014/15 against the budget, which highlighted the reasons for any material variances.

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

52/15 PENSIONS ADMINISTRATION - SERVICE PERFORMANCE

(Agenda No. 10)

The Committee considered a report (PF10) which provided details of the annual review of the Pensions Administration Team, including key performance indicators.

Sally Fox responded to questions from Members of the Committee on how the significant challenges facing the service during the year in the form of the move to the career average pension; the school change – over to academy status; and the move to the Integrated Business Centre (IBC) at Hampshire had reflected on the service.

RESOLVED: to note the report.

53/15 EMPLOYER MANAGEMENT

(Agenda No. 11)

The Committee considered a report (PF11) which covered the key operational issues around individual employer membership of the Fund, including the latest performance information as well as any new applications for admissions and cessations.

Sally Fox reported that, in line with the majority of other Funds, she had been unable to produce the members' annual benefit statements by the deadline of 31 August, due to matters beyond her control. She had reported it to the Local Government Association and was in discussion with the Regulator. She had also placed a note on the website and was writing to scheme members and employers to inform them of this.

RESOLVED: to

- (a) note the position regarding scheme employer performance;
- (b) note the position regarding previous applications;
- (c) note the position regarding withdrawn applications;
- (d) (unanimous) agree the admission of Age UK Oxfordshire, providing that either a bond or pass through arrangement is put in place; and
- (e) note the position regarding closure valuations.

54/15 FUND GOVERNANCE

(Agenda No. 12)

The Committee had before them a report (PF11) which identified any changes required to the Fund's governance arrangements, and in particular to the Fund's discretionary policies and the Scheme of Delegation following, changes to the management structure of the Council.

RESOLVED: to

- (a) amend the Scheme of Delegation to replace all delegations to the post of Chief Executive to the post of Head of Paid Service, and to review the position again on completion of the Council's review of senior management arrangements; and

(b) *(unanimous)(amendments in bold type) to:*

amend the current discretionary policy to read:

*'a medical certificate **is required** before starting a contract to pay Additional Pension contributions **for all** cases where the additional pension is being purchased over a period greater than one year.'*

55/15 WRITE OFFS

(Agenda No. 13)

The Committee had before them a report (PF13) which provided summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

RESOLVED: to note the report.

56/15 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 14)

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 2015.

Mr Davies noted that the overall value of the Fund had fallen by a further £45million to the end of August.

RESOLVED: to receive the tables and graphs and that the information contained in them be borne in mind insofar as they relate to items 16, 17 and 18 on the Agenda.

57/15 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 15)

The Committee considered a report of the Independent Financial Adviser (**PF15**) 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:

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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.

58/15 BAILLIE GIFFORD

(Agenda No. 16)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 14 and 16.

The representatives, Anthony Dickson and Iain 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:

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RESOLVED: to note the main issues arising from the presentation.

59/15 LEGAL & GENERAL

(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 14 and 16.

The representatives, Chris Lyons and Nick Griffiths 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.

60/15 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 18)

The Independent Financial Adviser reported orally on the main issues arising from the officer meetings with UBS and Wellington in conjunction with information contained in the tables (Agenda Item 14).

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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RESOLVED: to note the main issues arising from the report.

61/15 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

The Independent Financial Adviser reported that no summary was required.

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62/15 EMPLOYER MANAGEMENT

(Agenda No. 20)

The views of the Committee were sought with regard to a closure of a scheme employer (PF20).

Following discussion the Committee

RESOLVED (unanimously) to (amendments in bold type) delegate the negotiation and final agreement of the amount to be repaid, **using option (b) as specified at paragraph 10 of the report**, to the Service Manager, Pensions, Insurance & Money Management, **following consultation with the Chairman of this Committee.**

63/15 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

Mr Ley reported that there were no issues concerning Corporate Governance and Socially Responsible Investment which needed to be brought to the attention of the Committee.

The Committee **AGREED** to accept Baillie Gifford's offer to give a presentation to a future meeting on their involvement in fossil fuel investment.

The Committee also noted the improved information contained in the report from Wellington and requested that they report in more detail on this at a future meeting.

ON THE CONCLUSION OF THE MEETING MEMBERS' WERE ASKED TO NOTE THAT THE PROVISIONAL DATE FOR THE ANNUAL PENSION FUND FORUM IS 11 DECEMBER 2015.

..... in the Chair

Date of signing