

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 10 June 2016 commencing at 10.30 am and finishing at 1.15 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 Neil Owen
Councillor Les Sibley
Councillor Ian Hudspeth (In place of Councillor Richard Langridge)

District Council Representatives: District Councillors James Fry and Bill Service

By Invitation: Janie Slaymaker (Beneficiaries Observer)
Peter Davies (Independent Financial Adviser)

Officers:

Whole of meeting J. Dean (Corporate Services); L. Baxter, S. Collins, S. Fox and G. Ley (Corporate Finance)

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 and reports [agenda, reports and schedule, copies of which are attached to the signed Minutes.

27/16 ELECTION OF CHAIRMAN 2016/17

(Agenda No. 1)

Cllr Stewart Lilly was elected Chairman for the duration of the 2016/17 municipal year.

28/16 ELECTION OF DEPUTY CHAIRMAN 2016/17

(Agenda No. 2)

Cllr Patrick Greene was elected Deputy Chairman for the municipal year 2016/17.

29/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

Cllr Ian Hudspeth attended in place of Cllr Richard Langridge.

30/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 4)

Councillors Fooks, Hudspeth, Lilly, 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.

The Chairman led a vote of thanks from the Committee to the team of officers working on the Committee for all their hard work and diligence over the past year.

31/16 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 11 March 2016 were approved and signed as a correct record.

32/16 MINUTES OF MEETINGS OF THE LOCAL PENSION BOARD

(Agenda No. 6)

The Committee noted the signed Minutes of the 18 November 2015 inaugural meeting of the Local Pension Board and the draft Minutes of the 15 April 2016 meeting.

In response to a query about whether an academy event could be held in order to raise important issues (Minute 18/16 – Employer Management), Sally Fox advised that quarterly events were held with the aim of engaging as many of the employers as possible. She also reported that she and the Communications Manager had recently attended a meeting of academy business managers.

33/16 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 7)

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

34/16 COLLABORATION UPDATE

(Agenda No. 8)

The Committee received a report (PF8) which gave an update on the work of Project Brunel to develop a proposal to Government on future Pensions Investments Collaboration. A full briefing for members of the Pension Fund Committees and the Local Pension Boards of Oxfordshire and Buckinghamshire County Councils, together with their equivalent section 151 officers, had been arranged to take place at County Hall on Monday 13 June 2016.

The Committee **RESOLVED** to note the latest position on developing the July submission and also to note that the detail would be shared at a seminar to be held

on Monday 13 June 2016, together with information on the areas that required additional work before the final submission was to be submitted to a special meeting of this Committee on 1 July 2016.

35/16 RISK REGISTER

(Agenda No. 9)

The Committee had before them a report (PF9) which updated the position in relation to risks reported to the last meeting; and which added in new risks to the Risk Register that had been identified in the intervening period.

RESOLVED: to

- (a) note the current risk register and to confirm that regular updates be given on a quarterly basis; and
- (b) enter a further possible risk regarding where the responsibility would lie for the underwriting of any deficit in funding pensions should any of the academies fail; in light of the Government's former undertaking to do so for as long as it could afford it.

36/16 VACATION OF UNIPART HOUSE

(Agenda No. 10)

During consideration of the previous item, the Committee had noted that a key risk to the performance of the Fund was the forthcoming relocation of all Council staff from Unipart House, where Pension Services had been based for the past ten years. When initially moving over to Unipart House, the Team had lost over 50% of their staff. Members considered a report (PF10) which covered the options that were open to Committee in relation to the possible independent relocation of Pension Services.

RESOLVED: (nem con) that subject to the County Council's property services team being unable to find suitable premises to suit the particular needs of the Pension Services team, as outlined in the report, then to instruct officers to seek rented space at a location such as a business park near to current offices which could accommodate the Team and resolve most if not all of the issues identified (Option 2). It was understood that such an option would mean higher set up costs for the Pension Fund, and would potentially lead to higher overall property costs.

37/16 ADMINISTRATION REPORT

(Agenda No. 11)

The Committee had before them a report (PF11) which gave an update on some current issues affecting Administration and setting out the latest position in respect of the employers within the Oxfordshire Fund. It included an update on the end of year employer returns, together with any implications for the 2016 Valuation. The report also included 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 new requests for admission to the Fund, an update on previously approved applications, and the write-off of any amounts due to the Fund were also covered in the report.

The Committee noted that the contract for Groundworks South would now start on 1 October 2016.

RESOLVED to:

- (a) note changes in staffing and to agree an increase to the staffing budget for the current financial year;
- (b) note the performance of scheme employers in making required returns;
- (c) agree the write off of £3.58;
- (d) note the previous applications for admission to the Fund and those applications approved by the Service Manager (PIMMS);
- (e) agree the admission of the Groundworks and Capita and Invictus in respect of contracts listed; and to note the potential admission of another provider;
- (f) note the progress made in respect of closure valuation; and
- (g) note the position regarding second generation outsourcing.

38/16 REVIEW OF PENSION FUND POLICIES

(Agenda No. 12)

The Committee undertook a formal review of its major policy documents, held in line with the Local Government Pension Scheme Regulations. The Committee had previously agreed to review all such documents on an annual basis, as a minimum.

The Committee's attention was directed to the further responses received to the current consultation on the Fund's Administration Strategy, as set out on the Addenda.

RESOLVED: to approve the revised policy documents, as set out in Annexes 1 – 8 to the report, noting the changes contained therein; and in particular to note the comments received in respect of the recent consultation on changes to the Administration Strategy (as documented within the report itself and within the Addenda).

39/16 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 13)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2016.

Mr Davies reported that the overall value of the Fund at 31 March 2016 had increased by £22m, of which £16m had been via asset appreciation. Equities had fallen but gains had been made in Property and Private Equities.

Mr Collins reported a recent decision of State Street to withdraw from the provision of performance management services for all clients where it does not act in a custodial role.

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 and 19.

40/16 EXEMPT ITEMS

(Agenda No. 14)

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

41/16 EXEMPT MINUTES

(Agenda No. 15)

The exempt part of the Minutes of the meeting held on 11 March 2016 (PF15) were approved and signed as a correct record.

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 disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is 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.*

42/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 16)

The Committee considered a report of the Independent Financial Adviser (PF16) 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:

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, to receive the oral report, to consider any further action arising from them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

43/16 INSIGHT

(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Insight drawing on the tables at Agenda Items 13 and 16.

The representatives, Sherilee Mace and Steve Waddington 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.

44/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 18)

The Independent Financial Adviser reported on the officer meetings with UBS, Legal & General and Baillie Gifford. 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 latter being the subject of an exempt minute).

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 note the main issues arising from the report and from his oral report to the meeting in relation to one of the Fund Manager portfolios.

45/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

The Independent Financial Adviser had no further issues to summarise.

46/16 ANNUAL REVIEW OF THE AVC SCHEME

(Agenda No. 20)

The Committee considered a report (PF20) which set out the performance of the Fund's AVC provider (the Prudential). The report covered both the performance of the investment funds offered, and the administration of the Scheme.

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.*

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

RE-ADMISSION OF THE PRESS AND PUBLIC

47/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

The Committee **AGREED** to invite the Environment Agency along to a future meeting to present their proposed principles which are to be considered by a cross pool sub group of Project Brunel in relation to responsible investment.

48/16 ANNUAL PENSION FORUM

(Agenda No. 22)

The Committee noted that the venue for the Pension Fund Forum, which was scheduled to take place on Wednesday 18 January 2017 at 10am, would be County Hall.

PF3

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..... in the Chair

Date of signing