

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 9 March 2018 commencing at 10.00 am and finishing at 1.55 pm

Present:

Voting Members: Councillor Kevin Bulmer – in the Chair

Councillor Ian Corkin (Deputy Chairman)

Councillor Nicholas Field-Johnson

Councillor John Howson

Councillor Charles Mathew

Councillor John Sanders

Councillor Alan Thompson

District Councillor Bill Service

Councillor Susanna Pressel (In place of Councillor Mark Lygo)

District Council Representatives: City Councillor Jean Fooks (in place of City Councillor James Fry); District Councillor Bill Service

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

Officers:

Whole of meeting J. Dean, S. Collins, S. Fox and G. Ley (Resources)

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.

1/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Cllr Susanna Pressel attended in place of Cllr Mark Lygo, City Cllr Jean Fooks for City Cllr James Fry and an apology had been received from Cllr Lawrie Stratford.

2/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Cllrs Bulmer, Fooks, Howson, Sanders and Thompson each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government Act 1989.

3/18 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 1 December were approved and signed as a correct record.

With regard to Minute 73(c), the Committee noted the Minutes of the Brunel Oversight Board meeting on 18 January 2018.

4/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

The Committee heard an address from Peter Wallis, an employee of Oxfordshire County Council, member of the LGPS and a supporter of Fossil Free Oxfordshire, in relation to a number of items on the Agenda, in particular Agenda Item 10 - Review of the Asset Allocation.

Mr Wallis urged the Committee to adopt the low carbon options of the Brunel Pension Partnership and to take its investments out of Shell, asking how the Pension Fund's £20m direct holding in Shell was compatible with the Committee's new Investment Strategy as agreed previously. In support of this he drew the Committee's attention to some aspects of Shell's business model, as cited by Fossil Free Oxfordshire (FFO):

- Shell was investing less than 4% of its capital expenditure on renewables;
- Shell was a member of trade bodies that routinely adopted positions that were not consistent with 'a swift and orderly low-carbon transition that kept global warming below 2 degrees centigrade';
- It was FFO's view that Shell was not committed to limiting global warming to safe levels and its remuneration policy encouraged executives to maintain or even increase hydrocarbon production;
- Carbon tracker, a financial NGO, had calculated that Shell was spending so much on fossil fuel exploration and production that, in this scenario, if it continued this rate of expenditure up to 2025, it would be left with 77 billion dollars of stranded assets, which was at least 20% of Shell's capital expenditure up to 2025;
- In FFO's view, Shell's plan was to sell fossil fuel products indefinitely, thereby contributing to climate change and the undermining of the global economy which therefore reduced the long term returns on the Pension Fund's other investments. Shell was shifting its focus to natural gas but burning this still produced CO2.

Taking the above aspects of Shell's business model, he asked the Committee how the investment in Shell was compatible with its fiduciary duties to pursue investments with a good balance of risk and return given its 'insubstantial contribution to changing

our energy future'. He suggested that the Committee was employing managers that had a short-term investment horizon that could not properly account for climate risk.

In response to Mr Wallis's questions, Sean Collins undertook to circulate a response from the Fund Manager in relation to investment in Shell. He reminded the Committee that the ESG policy was part of the Investment Strategy Statement which would be next reviewed as part of the annual review of the policy statements at the next meeting in June. He also pointed out that Brunel PP may, or may not, take a different view to the current Fund Manager with regard to investment in Shell.

5/18 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 19 January 2018 were noted.

6/18 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

The Committee had before them the latest report of the Local Pension Board (PF6) in which it was asked to note the comments contained in the report and to undertake any suggested action contained in it. The decisions of the Committee in relation to this are as set out below.

RESOLVED: to thank the Board for the report and to:

- (a) note the concerns of the Board in relation to the Business Plan and Risk Register and to consider them later at Agenda Items 8 and 9 respectively;
- (b) inform the Board that it was the Committee's view that officers always strived to attain the 100% target set by the Pensions Regulator – however, a material breach target should be in the form of a reasonable guideline which would be the subject of a review at the September 2018 meeting;
- (c) agree to review the process for determining the response to Reserved Matter Items for the Brunel Pension Partnership at the end of 2018/19, in light of this year's experience;
- (d) inform the Board that it was part of the role of the Scheme member representative on the Board to obtain the views of scheme members; and
- (e) endorse the Board's proposal for all Committee and Board members to complete the assessment tool produced by Hymans Robertson as a means for establishing the priorities for a future training day without delay.

7/18 ADMINISTRATION REPORT

(Agenda No. 7)

Please note the additional business in relation to this item, as set out on the Addenda to this meeting, is in the form of a detailed confidential Minute.

The Committee considered an update (PF7) on the latest position on administration issues. The report also included an update on new admissions to the Fund, employer cessations and any debt write-offs.

The Committee **RESOLVED** to:

- (a) approve the request for additional staffing if required;
- (b) note the comments received from the employers and to confirm that annual returns must be submitted by 30 April at the latest; and
- (c) note the report.

8/18 RISK REGISTER

(Agenda No. 8)

The Committee had before them a report which presented the latest position on the Fund's Risk Register, including any new risks identified since the report to the last meeting (PF8).

RESOLVED: to note the current Risk Register.

9/18 ANNUAL BUSINESS PLAN 2018/19

(Agenda No. 9)

The Committee considered a report (PF9) which proposed the key objectives for the forthcoming year, along with the proposed Budget and Cash Management Strategy. These objectives sought to address the key risks facing the Committee as identified within the Risk Register.

Sean Collins undertook to arrange for representatives from the Brunel Pension Partnership (BPP) to come along to the next meeting on 8 June 2018 to respond to any questions members may have and, in particular, to discuss how the business of the Committee was likely to change and its relationship with BPP in relation to Asset Management from April 2019.

RESOLVED: to

- (a) approve the Business Plan and Budget for 2018/19, as set out at Annex 1;
- (b) approve the Pension Fund Cash Management for 2018/19;
- (c) delegate authority to the Director of Finance 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 Director of Finance to open a separate pension fund bank, deposit and investment accounts as appropriate; and
- (e) delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.

Sean Collins undertook to arrange for representatives from the Brunel PP to come along to the next meeting in June to respond to discuss how the business of the Committee was likely to change and its relationship with Brunel PP in relation to Asset Management from April 2019.

10/18 REVIEW OF THE ASSET ALLOCATION

(Agenda No. 10)

The Committee considered a report from the Independent Financial Adviser (PF10) which reviewed the current asset allocation as set out in the Investment Strategy Statement and proposed an initial allocation to the new portfolios to be made available by Brunel.

The Independent Financial Adviser urged members to look at Baillie Gifford's justifying comments with regard to investments in Shell, pointing out that Baillie Gifford took ESG issues very seriously.

During the discussion on the allocation, the Committee congratulated the officers on their continued good work to ensure that there was no shortfall to the Fund.

RESOLVED: to approve the approach to the transfer of assets to BPP portfolios and the indicative portfolio allocations, as set out in the report.

11/18 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 11)

The Independent Financial Adviser reviewed the investments activity during the past quarter and presented an overview of the Fund's position as at 31 December 2017.

Mr Davies reported that the overall value of the Fund over the last quarter had risen by £97m which was largely due to Equity gains and some in bonds and alternative assets.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind insofar as they related to items 13, 14, 15, 16 and 17 on the Agenda.

12/18 EXEMPT ITEMS

(Agenda No. 12)

The Committee **RESOLVED** to exclude the public for the duration of items 13, 14, 15, 16, 17, 18, and 19 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 circumstances in each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

13/18 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 13)

The Committee had before them a report of the Independent Financial Adviser (PF13) which set out 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. Information which the Independent Financial Adviser reported orally was exempt information.

The public was excluded during this item because its discussion in public 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 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 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 to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

14/18 UBS

(Agenda No. 14)

The Independent Financial Adviser reported orally on the on the performance and strategy of UBS, drawing on the tables at Agenda items 11 and 13.

The representatives, Malcom Gordon and Scott Wilkin of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

At the end of the presentation they responded to questions from members of the Committee.

The public was 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 outweighed 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 in funding the Pension Fund.*

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

15/18 WELLINGTON

(Agenda No. 15)

The Independent Financial Adviser reported orally on the on the performance and strategy of Wellington, drawing on the tables at Agenda items 11 and 13.

The representatives, Nicola Staunton and Ian Link of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

At the end of the presentation they responded to questions from members of the Committee.

The public was 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 outweighed 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 in funding the Pension Fund.*

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

16/18 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 16)

The Committee considered a report from the Independent Financial Adviser (PF16) on the officer meetings with Insight, Baillie Gifford and Legal and General, together with any issues relating to 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 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 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 reports.

17/18 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 17)

The Independent Financial Adviser summarised performance relating to the reports of Baillie Gifford and Legal & General.

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 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 summaries.

18/18 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

The Independent Financial Adviser left the room for the extent of this item.

The Committee considered a report (PF18) which reviewed the work of the Independent Financial Adviser, Mr Peter Davies. Members were invited to agree any feedback on the levels of service received over the last 12 months and/or any changes going forward.

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.*

RESOLVED: to note the report and to thank Mr Davies very much for the good levels of service received over the year.

19/18 ILL-HEALTH RETIREMENT CASES

(Agenda No. 19)

The Committee received a report which provided feedback on two ill-health determinations made by the Director of Finance under delegated powers (PF19).

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.*

RESOLVED: to note the reports.

READMISSION OF PRESS AND PUBLIC

20/18 CORPORATE GOVERNANCE - VOTING

(Agenda No. 20)

The Committee had before them a report on the voting records of the Fund Managers which had been exercised on behalf of the Fund (PF20).

RESOLVED to note the Fund’s voting activities.

21/18 ANNUAL PENSION FORUM

(Agenda No. 21)

Sally Fox reported that presentations given at the recent Pension Forum had been well received, in particular that of the Pensions Regulator, adding that there had been a disappointing attendance from employers.

RESOLVED: to note the report.

Cllr Jean Fooks

The Chairman, on behalf of the members of the Committee and the officers, paid tribute to Cllr Jean Fooks at this her final meeting. He thanked her for all the valuable service she had given over the years and wished her all the very best on her retirement.

Philip Wilde

The Chairman also thanked Philip Wilde, Beneficiaries Observer, for his valuable service to the Committee and to the beneficiaries over the last few years and wished him well for the future.

..... in the Chair

Date of signing