

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 8 June 2018 commencing at 10.15 am and finishing at 1.15 pm

Present:

Voting Members: Councillor Kevin Bulmer – in the Chair

Councillor Ian Corkin (Deputy Chairman)
Councillor Nicholas Field-Johnson
Councillor John Howson
Councillor Mark Lygo
Councillor Charles Mathew
Councillor John Sanders
Councillor Lawrie Stratford
Councillor Alan Thompson

District Council Representatives: Councillors Alaa Al-Yousuf and Bill Service

By Invitation: Anya Grieg (Beneficiaries Observer)
Peter Davies (Independent Financial Adviser)

Officers:

Whole of meeting Chief Finance Officer; 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, 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.

22/18 ELECTION OF CHAIRMAN FOR THE 2018/19 COUNCIL YEAR

(Agenda No. 1)

Cllr Kevin Bulmer was elected Chairman for the Committee for the ensuing 2018/19 Council Year.

The Chairman welcomed new members Cllr Dr Alaa Al-Yousef and Cllr Lawrie Stratford to the Committee and new Beneficiaries Observer Anya Greig.

23/18 ELECTION OF DEPUTY CHAIRMAN FOR THE 2018/19 COUNCIL YEAR

(Agenda No. 2)

Cllr Ian Corkin was elected Deputy Chairman for the Committee for the ensuing 2018/19 Council Year.

24/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

There were no apologies for absence.

25/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 4)

Cllrs Bulmer, 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.

26/18 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 9 March 2018 were approved and signed as a correct record.

There were no matters arising.

27/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 6)

Mr Mark Luntley, Fossil Free Oxford, addressed the Committee in relation to Agenda Item 12 'Annual Review of Pension Fund Policies – Annex 2 - Investment Strategy Statement.'

Mr Luntley was a former Director of Finance at Oxford City Council and then was involved at the Local Government Association in national policy making about pension fund investments. He wished to put forward both the risk and financial case for reducing investments in the carbon intensive sector.

He stressed that his address was to look at investment in fossil fuels but not from an environmental or ethical position. He cited a massive fall in renewables prices giving two local projects as an example, Westmill Solar's costs had fallen by £15m and Southill Solar by £4m within a 4 - year period. More widely, costs were still falling, storage and demand management was advancing and the whole energy market appeared to be changing. Transport appeared to be coming on the horizon and international developments accelerating.

Mr Luntley stated that there was a strong concern over fossil fuel companies having balance sheets based on current asset values. In the event that these assets become stranded the market value of the company could collapse. There were two separate issues to consider, to invest in renewables and to not invest in fossil fuels.

He concluded that the LGPS was at an advantage as it could take a long - term view of prices 25 years ahead, not today's prices. He warned against funds holding the stocks that others were quietly selling. For this reason, he put forward a strong, risk-based and financial case for (quietly) reviewing and significantly reducing exposure to fossil fuels.

28/18 MINUTES OF LOCAL PENSION BOARD AND BRUNEL OVERSIGHT BOARD

(Agenda No. 7)

The unconfirmed Minutes of the Local Pension Board which met on 20 April 2018 were noted.

The Minutes of the Brunel Oversight Board which met on 23 March 2018 were also noted.

29/18 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 8)

The Committee had before them the latest report of the Local Pension Board (PF8) 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 this are as set out below.

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

- (a) note the report; and
- (b) to agree (unanimously) to request Mr Collins to write to the Scheme Advisory Board on behalf of the Board and the Committee to encourage the development of a national standard set of scheme administration benchmarks to include data quality and the issuance of annual benefit statements; and to circulate the draft through the Chairman, Deputy Chairman and Opposition Group Spokesperson for comment prior to sending.

30/18 ADMINISTRATION REPORT

(Agenda No. 9)

Please note that the Chairman, with the consent of the Committee, brought forward Exempt Item 15 at this point in order for the Administration Report to be considered in the context of Matters Arising from the exempt Minute of the Pension Fund Committee meeting held on 9 March 2018.

The Committee therefore AGREED that the public be excluded for the duration of this item in the Agenda since it was likely that if they were present during this item 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 item in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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 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 distort the proper process of free negotiations with another party.*

The Committee **RESOLVED** to:

- (a) receive report PF9 which reviewed the latest performance data and also included the latest position on the on-going projects, employer cessations and any debt write-offs; and
- (b) note the exempt information appertaining to the Administration Report.

31/18 RISK REGISTER

(Agenda No. 10)

The Committee considered a report (PF10) which presented the latest position on the Fund's Risk Register including any new risks identified since the last meeting.

RESOLVED: to note the current Risk Register and to request Mr Collins to expand Risk 15 to cover the new GDPR Regulations.

32/18 REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19

(Agenda No. 11)

The Committee had before them a report (PF11) which reviewed progress to date on the key objectives, budget and training programme as set out in the 2018/19 Business Plan for the forthcoming year.

RESOLVED: to

- (a) note the report; and
- (b) confirm the Training day for the Committee and the Board as Friday 6 July 2018.

33/18 ANNUAL REVIEW OF PENSION FUND POLICIES

(Agenda No. 12)

The Committee considered a report (PF12) which provided an opportunity to undertake a formal annual review of its major policy documents held in line with the LGPS regulations. The Committee had previously agreed to review all such documents on an annual basis at its June meeting.

With reference to Annex 2 – 'Investment Strategy Statement' the Committee was informed that at the 27 March 2018 Council meeting, the following motion from Cllr Bob Johnston was agreed by 59 votes to 0 (with 1 abstention):

'Investment, environmental, social and governance (ESG) issues are now rising rapidly up the Agenda. This is evidenced for example by the recent decision of the Norwegian Sovereign Wealth Fund to cease investment in oil and gas. The Oxfordshire Local Pension Fund has an obligation to review its investment strategy, when the present 3 - year framework expires. Council therefore calls upon the Pension Committee to incorporate the latest and best advice available on ESG matters when reviewing its policies and drawing up the next 3-year Investment Strategy.'

RESOLVED: (unanimously) to

- (a) approve the revised policy documents as set out in Annexes 1, 2, and 4-9 to this report, noting the main changes in the documents as discussed above; and
- (b) approve in principle to changes as set out in Annex 3 to the Governance Policy and the Governance Compliance Statement and to **RECOMMEND** to Council via the Audit & Governance Committee the corresponding changes to the Terms of Reference and Constitution of the Pension Fund Committee.

34/18 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 13)

The Independent Financial Adviser reviewed the investments activity during the past quarter and presented an overview of the Fund's position as at 31 March 2018.

Mr Davies reported that the overall value of the Fund over the last quarter had fallen by the end of March 2018, but this fall in value had been recouped by the end of May. This had been the first significant fall in the size of the Fund since the third quarter of 2015, over which time the Fund had steadily increased.

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

35/18 EXEMPT ITEMS

(Agenda No. 14)

The Committee **RESOLVED** to exclude the public for the duration of items 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.

36/18 EXEMPT MINUTES - 9 MARCH 2018 PENSION FUND COMMITTEE AND 20 APRIL 2018 LOCAL PENSION BOARD MEETINGS

(Agenda No. 15)

The Exempt Minute of Local Pension Board meeting held on 20 April 2018 was noted.

The Exempt Minute of Pension Fund Committee meeting held on 9 March 2018 was approved and signed.

Please note that the matters arising report from the exempt Minute of the Pension Fund Committee meeting held on 9 March 2018, as considered at the Administration Report earlier on the Agenda, is the subject of an Exempt Minute.

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 was 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 distort the proper process of free negotiations with another party.*

37/18 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 16)

The Committee had before them a report of the Independent Financial Adviser (PF16) 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.

38/18 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, Gary Wilkinson and Matt McKelvey 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.

39/18 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 18)

The Committee considered a report from the Independent Financial Adviser (PF18) on the main issues arising from the officer meetings with Baillie Gifford and Legal and General in conjunction with information contained in the tables at Agenda Item 13.

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.

40/18 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

No summary was necessary by the Independent Financial Adviser.

41/18 THE LOCAL AUTHORITY PENSION FUND FORUM

(Agenda No. 20)

The Committee considered a report (PF20) which invited the Committee to consider becoming a member of the Local Authority Pension Fund Forum as a means of support in its role as a responsible investor.

RESOLVED: to become a member of the Local Authority Pension Fund Forum.

42/18 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

The Committee raised no issues under this item.

43/18 ANNUAL PENSION FORUM

(Agenda No. 22)

It was noted that the next Annual Pension Forum would take place in January 2019 on a date to be confirmed.

..... in the Chair

Date of signing