

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 December 2019 commencing at 10.00 am and finishing at 1.10 pm.

Present:

Voting Members:

Councillor Kevin Bulmer – in the Chair

Councillor Nicholas Field-Johnson (Deputy Chairman)
Councillor Jeannette Matelot (In place of Councillor Ian Corkin)
Councillor Mark Lygo
Councillor Charles Mathew
Councillor John Sanders
Councillor Roz Smith
Councillor Lawrie Stratford
Councillor Alan Thompson
District Councillor Alaa Al-Yousuf
District Councillor Jo Robb

Other Members in Attendance:

Councillor Bob Johnson and Mr Alister Bastin, Local Pension Board

District Council Representatives:

District Councillor Alaa Al-Yousef
District Councillor Jo Robb

By Invitation:

Peter Davies, Independent Financial Advisor

Officers:

Mr Sean Collins, Ms Sally Fox, Mr Gregory Ley (Finance); Deborah Miller (Law & Governance).

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/additional documents], copies of which are attached to the signed Minutes.

66/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

An apology for absence was received from Councillor Ian Corkin (Councillor Jeannette Matelot substituting).

67/19 MINUTES

(Agenda No. 3)

The Minutes of the Meeting held on the 6 September 2019 were approved and signed as an accurate record.

The Chairman reported that he had received a petition from 9 members if the pension scheme requesting that the Pension Fund disinvest from the Fossil Fuel Industry. Unfortunately, there was no identification of the letter to respond to, but the Chairman gave an insurance that the issue would be discussed at the Workshop.

68/19 MINUTES OF LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 25 October 2019 as set out in the Addenda for the meeting were noted.

69/19 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

The Committee had before it the latest report by the Independent Chairman of the Local Pension Board. Councillor Bob Johnston, a Board Member, spoke to the report on the Board's behalf, which invited the Committee to respond to the key issues contained within in.

Councillor Johnston highlighted item 6 regarding the lack of a detailed training plan for Committee members, and the mandatory requirement for Pension Board members to undertake training. Mr Collins updated Members on proposed changes to the constitution to include mandatory training, and to remove substitute members who had not completed relevant training, which was put before the Audit & Governance Committee last month. This recommendation was endorsed and did not need to go to Council meeting for agreement, and thereby be effective thereof.

RESOLVED: to note the comments of the Board.

70/19 2019 VALUATION AND DRAFT FUNDING STRATEGY STATEMENT

(Agenda No. 7)

The Committee had before it a report (PF7) which updated the Committee on the work to date on the 2019 Valuation, including the initial whole Fund result and proposed a draft Funding Strategy Statement for formal consultation.

Mr Collins advised the Committee that the Fund Actuary would attend the Employers Forum in January to present the provisional results and the draft Funding Strategy

Statement and that the final version of the report would be presented to the March Committee meeting, taken on board any feedback during the consultation period.

In response to Member's concerns regarding the regulations of pensions moving from one Multi Academy Trust to another, Mr Collins advised there were post cessation arrangements which were standard practice and the flexibility which was documented within the Funding Strategy allowed sufficient scope to meet all likely scenarios.

RESOLVED: to note the latest position with regard to the 2019 Valuation and approve the draft Funding Strategy Statement and the basis for formal consultation.

71/19 REVIEW OF THE ANNUAL BUSINESS PLAN 2019/20

(Agenda No. 8)

The Committee had before them a report which reviewed the progress against the key objectives set in the business plan for the Pension Fund for the current financial year.

Mr Collins informed members that Brunel had now concluded the transition of assets to the new Emerging Market Portfolio and were partway through the transition of assets to the Global High Alpha Portfolio. The total transition currently stood at 47.7% and the equity transition would be finalised with the transition of UBS towards the end of 2020.

Mr Collins updated members regarding the Chief Executive who had left in the Autumn. There was currently an interim in place and a proposal on the permanent replacement was currently with Shareholders for consideration. It was hoped that there would be a public announcement before the end of this year. Mr Collins reassured members that all Fund Members were included in this consultation process.

In respect of monitoring compliance with the Fund's Policies, there was a body of work in delivering the ESG Policy, and this had been picked up in the Climate Change Workshop, and would be reported back to the March meeting.

In respect of Improving Scheme Member Communications, Mr Collins reported that following the Climate Change Workshop, the issues that had been raised in respect of improved communication with scheme members on investments would be built into next year's business plan.

In response to member's questions regarding training, Mr Collins informed members that a statement of training was required to be reported quarterly. The March meeting would identify training available for members to attend. The Policy stated that a minimum of two days training would be undertaken by all members each year.

Mr Collins responded to an enquiry regarding monitoring investment performance, and reassured members that this was monitored with the IFA and Brunel.

In response to a question about investments outside of the Pool, Mr Collins confirmed that approval had to be obtained by the Secretary of State if new investments were to

be considered and that unless either the investment could not be provided by the pool or was to support a local initiative, such approval was unlikely. In particular, approval would not be given to enable a Fund to choose its own Fund Managers where it was not happy with those chosen by the Pool .

RESOLVED: to note the progress against the key service priorities included within the 2019/20 Business Plan.

72/19 RISK REGISTER

(Agenda No. 9)

The Committee had before it a report which updated members on the Fund's Risk Register and updated the position on risks reported to the last meeting, together with any new risks identified in the intervening period. Mr Collins reported that the current risk has been reduced based on evidence from the valuation process.

RESOLVED: to note the changes to the risk register.

73/19 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee had before it a report which updated members on scheme administration data and issues.

In relation to paragraphs 19 to 21 of the report, Ms Fox reported that the end of year review had identified 45 employees with issues to be resolved and confirmed that they had been contacting all employers on the list, fining as appropriate and reporting to the pension regulator.

Ms Fox referred to paragraph 25 of the report regarding the administration strategy whereby Officers had identified some changes to close the loophole to stop employers submitting random data to meet deadlines at data end, thereby preventing teams having to consider incorrect data. She responded to members queries whether the local authority's administration costs would be covered and confirmed that an hourly rate would be charged.

Ms Fox highlighted that the Pension Fund forum had been re-arranged for 17 January 2020 at Unipart House.

Ms Fox reported that they had responded to concerns raised regarding the lack of officers with knowledge of the Fire Service Pension Schemes administration, and it was agreed that officers would be trained within the scheme to meet that request.

Ms Fox drew member's attention to the additional addenda emailed prior to the meeting, detailing the change to retention periods following legal advice from the local government association.

RESOLVED: to:

- (a) note the report and changes to reporting for Fire Service Pensions;

- (b) agree the changes for the administration strategy;
- (c) note change of date for the Pension Fund Forum
- (d) agree the policy for retention periods, subject to annual review;
- (e) note the communications to scheme employers setting out the Fund's expectations for retention of personal data.

74/19 CLIMATE CHANGE POLICY

(Agenda No. 11)

The Committee had before it a report which updated members on the development of a Climate Change Policy in light of the recently held Workshop.

Mr Collins reported that the event had been well attended with 9 members of the Committee and 6 members of the Pension Board in attendance. He drew member's attention to paragraph 10 of the report which outlined the key outputs from the day. He had also spoken with Brunel who intended to hold similar meetings elsewhere in the region. Mr Collins stated that it was important to note that Fossil Free Oxfordshire had joined the Workshop and were a key part of the planning for the event.

Mr Collins paid tribute to Dawn Reeves as the facilitator of this event. Suggestions were invited on how to take this forward, and the Committee were advised that the Working Group would consist of a Chairman, Deputy Chairman, Opposition Spokesperson, the Financial Independent Advisor and a member of Fossil Free Oxfordshire. However, this would be owned by this Committee. Members held a lengthy discussion on membership of this group, and whether this should include a member of the Local Pension Board and whether substitutions should be allowed. Mr Collins stated that the assumption would be that the Working Group should be kept relatively small with the ability to invite attendees onto the Working Group to contribute specific advice.

Mr Collins also confirmed to members that the Terms of Reference for this Working Group would be comprised of the ten key objectives named in paragraph 10 of this report and would be sent out to all attendees of the workshop for consultation. A report would be brought back to March Meeting of the Committee setting out a draft Policy for Consultation.

During debate, Councillor Mathew moved and Councillor Lygo seconded that a member of the Local Pension Board form part of the Working Group.

The Motion was put to the vote and agreed by 9 votes to 0, with 1 abstention, to add a member of the Local Pension Board to the Working Group.

RESOLVED: (by 9 votes to 0, with 1 abstention) to note the position on the development of the Climate Change Policy and the establishment of a Working Group to undertake the next stages of the work, subject to adding a member of the Local Pension Board to the Working Group.

75/19 SETTING OBJECTIVES FOR THE INDEPENDENT FINANCIAL ADVISOR

(Agenda No. 12)

The Committee had before it a report which invited members to set strategic objectives for the Independent Financial Advisor in line with the requirements of the Order from the Competition and Markets Authority.

The Chairman requested that a target date be added to the recommendation and Mr Collins assured members that the targets would be in line with the actuary report presented earlier and assumptions set out in the valuation report. However, the Chairman requested that this be added for clarification and it was agreed.

RESOLVED: to agree the strategic objectives for the IFA as set out in paragraph 11 of the report, for inclusion in the IFA contract, subject to adding a completion date to recommendation (a).

76/19 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 13)

The Independent Financial Advisor reviewed the investment activity during the past quarter, presented a summary of the Fund's position as at 30 September 2019, and highlighted any key performance issues, with reference to the attached Tables and Graphs.

Mr Davies reported that the Fund was at his highest overall value at £1.263bn, a rise of £82m over the quarter. Sources of appreciation showed £28m to be the increase in the value of fixed income, which was good news for the asset side, however this was offset by balance sheet liabilities.

Good performance was received from private equity, and also from Wellington on global equities in this quarter, but not over longer periods.

Brunel managed assets account for 35% of the portfolio, and in December would account for up to 47%. Equities were slightly above target, bonds were above target and property/private equities were underweight as these had not yet been invested.

Members observed that private equity 'outshined' other classes and questioned if more should be invested as 9% would seem to be too low. Mr Davies responded that a further exempt report outlining the detail of commitment to Brunel was covered later on the Agenda.

Mr Davies reported that the remaining Fund Managers were being gradually replaced as the transition to Brunel was completed in the second half of 2021.

Members questioned why the Fund was underweight in infrastructure, and Mr Davies responded that monies were allocated to Brunel to deploy. Mr Collins reassured members that this was a new allocation, following proposals put forward by Mr Davies, and Brunel were taking their time to ensure only investments appropriate to the portfolio specification were being agreed.

RESOLVED: to receive the report, tables and graphs and that the information contained in them be borne in mind insofar as they related to items 16-19 on the agenda.

77/19 EXEMPT ITEMS

(Agenda No. 14)

The Committee RESOLVED that the public be excluded 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 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 is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

78/19 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 15)

The Committee had before it a report of the Independent Financial Adviser setting 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. The Independent Financial Adviser would also report orally, and any information reported orally would be exempt 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 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 receive the oral report, and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

79/19 ADAMS STREET

(Agenda No. 16)

The Independent Financial Advisor reported orally on the performance and strategy of Adams Street.

The representatives (Ana Maria Harrison & Sergey Sheshuryak) of the Fund Manager presented their report and review of the investments within their part of the Fund.

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 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: note the main issues arising from the presentation.

80/19 ANNUAL REVIEW OF PRIVATE EQUITY

(Agenda No. 17)

The Independent Financial Adviser presented his annual review of the Fund's Private Equity investments.

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 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 report.

81/19 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING (EXEMPT)

(Agenda No. 18)

The Committee considered a report from the Independent Adviser on the main issues arising from the officer meeting with Wellington Management, Insite and UBS in conjunction with the information contained in the tables showing portfolio values as at 30 September 2019.

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 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 .

82/19 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

The Independent Financial Adviser gave a final word regarding Wellington and reported that he had no further information to add to the previous reports.

83/19 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 20)

The Committee had before it the Quarterly Engagement Report from the Local Authority Pension Fund Forum which gave examples of engagement activity they had taken out on our behalf.

The Chairman advised that it was a good decision to join this Forum and noted the significance of the works carried out.

RESOLVED: to note the report.

..... in the Chair

Date of signing