



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 10 March 2017 at 10.15 am

Meeting Rooms 1 & 2, County Hall, New Road, Oxford

Peter G. Clark
Chief Executive

March 2017

Committee Officer: **Julie Dean**
Tel: 07393 001089; E-Mail: julie.dean@oxfordshire.gov.uk

Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Surinder Dhesi
Jean Fooks
Nick Hards

Richard Langridge
Sandy Lovatt
Neil Owen

Les Sibley

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 9 June 2017***
- ***Baillie Gifford will give a training session at 9:30am, in the meeting rooms themselves, on taking Environmental, Social and Governance issues into account when making investment decisions.***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes**

To approve the minutes of the meeting held on 2 December 2016 (**PF3**) and to receive information arising from them.

4. **Minutes of last meeting of the Local Pension Board**

The unconfirmed Minutes of the Local Pension Board which met on 13 January 2017 are attached for information only at **PF4**.

5. **Petitions and Public Address**
6. **Collaboration Update**

10:20

The report (**PF6**) presents the latest position in respect of the establishment of the Brunel Pension Partnership, in line with the full business case approved at the last meeting of the Committee. It highlights any key issues to be determined in advance of the next round of Committee meetings following the May election.

The Committee is RECOMMENDED to note the position in respect of key decisions to be taken over the next few months, and determine which decisions if any should be subject to a special meeting of this Committee if the timescales so allow.

7. **Business Plan 2017/18**

10:30

The report (**PF7**) covers the business plan for the Pension Fund Committee for the forthcoming financial year and includes the key objectives for the forthcoming year, the proposed Budget and the Cash Management Strategy.

The Committee is **RECOMMENDED** to:

- (a) approve the Business Plan and Budget for 2017/18 as set out at Annex 1;
- (b) approve the Pension Fund Cash Management Strategy for 2017/18;
- (c) delegate authority to the Chief Finance Officer 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 Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and
- (e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

8. Administration Report

10:45

This report (**PF8**) updates the Committee on the latest position on administration issues, including the quality and timeliness of returns from employers, the latest position on new admissions to the Fund and any debt write-offs.

*The Committee is **RECOMMENDED** to:*

- (a) note current team performance;*
- (b) approve the write off of £10,770.67;*
- (c) note the proposed actions in respect of data retention issues;*
- (d) agree to the destruction of the paper records which have been scanned to the Altair system; and*
- (e) note the current positions with applications for admission to the fund and other employer changes.*

9. Risk Register

11:00

The report (**PF9**) presents the latest position on the Fund's Risk Register, updating

the risks reported to the last meeting and adding in new risks identified in the intervening period.

The Committee is RECOMMENDED to note the current risk register.

10. Fund Valuation 2016

11:10

The report (**PF10**) updates the Committee on any key issues arising from the draft results of the 2016 Fund Valuation.

The Committee is RECOMMENDED to note the report.

11. Fundamental Review of Asset Allocation

11:20

The report (**PF11**) from the Independent Financial Adviser informs the Committee of any potential changes required in the Strategic Asset Allocation of the Fund, following the 2016 Valuation results.

The report and Annex 11 do not contain exempt information and are available to the public. However, Annexes 1 – 10 do contain exempt information and are therefore not available to the public. Any oral information in relation to Annexes 1 – 10 will also be exempt information.

The public should be excluded during consideration of Annexes 1 – 10 and during any oral report relating to the Annexes 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.

The Committee is RECOMMENDED to:

(a) retain the existing asset classes, but de-risk by reducing the Equity allocation by 5% and increasing the Fixed Interest allocation by 5% [paras 22, 23];

(b) switch the holding in LGIM's FTSE 100 Index Fund into LGIM's FTSE All-Share Index Fund [para 31];

(c) maintain a specific allocation to UK Equities [para 34]; and

(d) maintain the existing external investment managers until the introduction of the Brunel Company, but then scrutinise the choice of mandates available within Brunel [paras 20, 26].

12. Investment Strategy Statement

11:40

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require all LGPS administering authorities to publish a new Investment Strategy Statement (ISS) by 1 April 2017. This ISS (**PF12**) replaces the Statement of Investment Principles (SIP) that the Fund previously produced.

In order to meet this timeframe the document needs to be approved at the current Committee meeting. The ISS must be drafted following receipt of appropriate advice. The fundamental review of the Fund's strategic asset allocation strategy which will also be presented at this Committee constitutes this formal advice from the Fund's Independent Financial Adviser. The fundamental review is taken to Committee in March to tie in with the timetable for receiving the results of the triennial valuation of the Fund from the Fund's Actuary. At the time of writing the ISS the contents of the fundamental review had not been approved, and as such, all references are to the strategic asset allocation currently in place. Following consideration of the fundamental review at this committee any changes agreed will be reflected in an updated ISS.

In future the intention is for the review of the ISS to align with the cycle of other related reports and so will ordinarily be included on the agenda for June Committee meetings, along with the Funding Strategy Statement, to allow any fundamental review changes to be reflected. The ISS must be reviewed at least every three years. As was the case with the SIP the intention is that the ISS will be approved on an annual basis by the Committee and may be reviewed in intervening periods if required.

The Committee is RECOMMENDED to approve the Investment Strategy Statement as included in Annex 1, subject to any changes agreed as part of the fundamental review of the Fund's strategic asset allocation

13. Overview of Past and Current Investment Position

12:00

Tables 1 to 4 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats

dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 31 December 2016 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2016
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 31 December 2016
Table 4	provides details on the Pension Fund's top holdings

In addition to the above tables, the performance of the Pension Fund and the Fund Managers has been produced graphically as follows:

Graph 1 Market value of the Fund over the last three years

Graph 2 – 7 Performance of the Fund Managers attending Committee for the quarter ended 31 December 2016

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 15, 16, 17, 18, 19 and 20 on the agenda.

14. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 15, 16, 17, 18, 19 and 20 in the Agenda since it is 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 outweighs the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of items 16 and 17, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

15. Overview and Outlook for Investment Markets

12:10

The report of the Independent Financial Adviser (**PF15**) sets out an overview of the

current and future investment scene and market developments across various regions and sectors. It also provides the context for consideration of the reports from the Fund Managers. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

The public should be 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.*

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

16. UBS

12:25

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 13 and 15.
- (2) The representatives (Malcolm Gordon and Anthony Sander) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2016;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2016.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

The public should be 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.

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

LUNCH

17. Wellington

14:00

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 13 and 15.
- (2) The representatives (Nicola Staunton and Ian Link) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2016;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2016.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

The public should be 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.*

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

18. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting

14:40

The Independent Financial Adviser reports (**PF18**) on the Officer meetings with Insight, Baillie Gifford and Legal & General, as well as update the Committee on any other issues relating to the Private Equity portfolio.

The public should be 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.*

The Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

19. Summary by the Independent Financial Adviser

14:45

The Independent Financial Adviser will, if necessary, summarise any issues arising from the previous discussions.

The public should be 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.*

20. Annual Review of the Independent Financial Adviser

14:50

The report (**PF20**) reviews the work undertaken by the Independent Financial Adviser over the course of the past year, and invites the Committee to provide any

feedback on the levels of service received and/or changes going forward.

The public should be 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.*

The Committee is RECOMMENDED to note the report and to consider if it wishes to offer any feedback to Mr Davis in relation to his performance as Independent Financial Adviser during the last year.

READMISSION OF PRESS AND PUBLIC

21. Corporate Governance - Voting

15:00

The report provides the Committee with information on the voting records of the Fund Managers which they have exercised on behalf of the Fund over the year to 31 July 2016. A full report is attached at **PF21**.

The Committee is RECOMMENDED to:

(a) note the Fund's voting activities, and determine any issues they wish to follow up with the specific fund managers, or in general; and

(b) commit to becoming signatories to the UK Stewardship Code and request that officers prepare a Stewardship Code statement to be considered at the next Pension Fund Committee meeting.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on 8 March 2017 at 12 noon in the Members Board Room for the Chairman, Deputy Chairman and Opposition Group Spokesman.