

## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 29 January 2016 commencing at 10.00 am and finishing at 11.05 am

**Present:**

**Voting Members:** Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)  
Councillor Surinder Dhese  
Councillor Jean Fooks  
Councillor Nick Hards  
Councillor Sandy Lovatt  
Councillor Neil Owen  
Councillor Les Sibley  
Councillor Rodney Rose (In place of Councillor Richard Langridge)

**District Council Representatives:** City Councillor James Fry  
District Councillor Bill Service

**Members of the Local Pension Board (By Invitation):** Alistair Bastin  
District Councillor Roger Cox  
Stephen Davies  
County Councillor Bob Johnston  
David Locke

**By Invitation** Peter Fryer (Beneficiaries Observer)  
Peter Davies (Independent Financial Adviser)

**Officers:**

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

*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.*

### 1/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Cllr Rodney Rose attended for Cllr Richard Langridge and Peter Fryer attended in place of Philip Wilde as Beneficiaries Observer.

Of the members of the Local Pension Board, Graham Burrow (Independent Chairman) and Duncan Hall gave their apologies.

## **2/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 2)

Councillors Lilly, Rose 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.

## **3/16 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 3)

There were no petitions submitted or requests to make a public address.

## **4/16 FUTURE COLLABORATION - PROPOSAL TO GOVERNMENT**

(Agenda No. 4)

Prior to consideration of the report the Chairman welcomed members of the Local Pension Board (LPB) to the meeting. The LPB had been invited to take part in the discussion on this item.

Members of the Committee and the Local Pension Board considered a report (**PF4**) which responded to the requirement from the Government to submit an outline proposal by 19 February 2016 on future collaboration arrangements with other pension funds. A decision had been made at the last meeting of this Committee on 4 December 2015 to formally explore the development of a joint proposal with 10 south west Funds (the Project Brunel group). The report updated the Committee and members of the LPB on the discussions which had taken place on future collaborative arrangements since then.

In addition to the covering report, the Committee had before them, at **Annex 1**, the proposal to be submitted to the Government. It was intended that this would be a joint proposal to be submitted by all ten funds within Project Brunel, and was being presented to the relevant Committees over the course of the next week. The initial feasibility study and the initial business case produced on behalf of the Project by Price Waterhouse Cooper (PwC) were set down at Annex 1 and Annex 2. These documents included detailed information on fee levels etc of the individual funds, as well as potential future fee savings. Whilst the covering report itself did not contain exempt information and was available to the public, Annexes 1 - 3 were confidential in that they contained exempt information relating to potential future commercial arrangements.

*The public was therefore excluded during consideration of Annex 1 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 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 Committee's 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.*

*The public were also excluded during consideration of Annexes 2 and 3, because their discussion in public would be likely to lead to the disclosure to the members of the public present of information in the following category prescribed by Part 1 of Schedule 12A to the Local Government Act 1972 (as amended):*

*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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure would prejudice the commercial position of the individual pension fund, and future negotiations with Fund Managers.*

Sean Collins introduced the report, emphasising that it was important to focus on the outline principles of the proposal as set down in Annex 1, and not necessarily the detail (at Annexes 2 and 3) at this stage. Detailed proposals would be considered at a later meeting of this Committee prior to submission to the Government on 15 July 2016, although it would be helpful to have issues raised now, so that they could be considered as part of the next stages of work.

Lorna Baxter gave her support to the Brunel Scheme, commenting that she and Sean Collins had accompanied the Chairman to a meeting of all Chairmen of the 10 Councils held in Taunton on 8 January 2016. At that meeting it had become clear that all 10 espoused a similar approach to investment strategies and all wished to adopt a collaborative approach based on equality.

The Chairman thanked Lorna Baxter and her officers for all their hard work leading up to this, commenting that he had been impressed by the democratic manner in which the discussions had been conducted so far. He added that Price Waterhouse Cooper and the Local Government Association were also supportive of the proposals to date.

It was made clear that this Committee would still hold a responsibility for asset allocation and investment in sub-funds.

Members of the Committee and the Local Pension Board then raised a series of questions covering the following issues:

- The possibility of more Councils joining the Brunel Scheme? – Project Brunel was open to requests to join from other funds, but wished to limit overall numbers to 12 to ensure the governance arrangements remained manageable, with all requests assessed against the like-minded criteria.
- The nature of sub-funds – It would still be the responsibility of this Pension Fund Committee to meet their pension liabilities. All Brunel Funds were facing the same challenges of a declining work force, and improved longevity, and the Project would need to identify a suitable range of sub-funds to meet the asset allocation requirements of each fund, with sufficient flexibility to address

changing liability profiles over time. The issue of how sub-funds are constructed and managed would be a critical piece of work for officers and the Independent Financial Adviser in the next stage of the project, including how target levels of performance and risk/volatility were established for each sub-fund.

- Representation on the Oversight Group – This was assumed to be the individual Committee Chairmen, but each Committee would be free to determine their own representative. However, the Project would be looking for a fixed appointment to ensure consistency of approach in the governance of the Collective Asset Pool (CAP).
- Structure of future arrangements – The Government had initially assumed that proposals would be based on the Authorised Contractual Scheme as developed for the London CIV. Officers were working with the Department for Communities & Local Government, Her Majesty's Treasury and colleagues within the Local Government Pension Scheme area to set out the benefits of the CAP arrangements in terms of reduced time and costs on implementation, whilst retaining the controls, policies and procedures found in accredited arrangements.
- Infrastructure – It was confirmed that any decision to invest in an infrastructure sub-fund would remain with the Committee, who would need to ensure that it was made in the interests of Oxfordshire Pension Fund's beneficiaries. The work of Project Pool, a collaboration by 24 LGPS funds had identified that Infrastructure was one of the asset classes that would benefit from a cross pool approach, and this would need to be developed further in the next stage of the work.
- Costs and Savings – More detailed work on implementation costs would form part of the next stage of the project, as further details on the model were confirmed. These discussions would include the basis of how costs were to be spread across the 10 individual funds in the most equitable way, and to ensure that there were no dis-incentives to the collaboration arrangements in the costing model. It was likely that there would be some savings in Actuarial and Investment Advice Services, but these would not be significant as each local Committee would still need to undertake their own asset allocation exercises, their own fund valuation etc. The main benefits of the projects would come by way of reduced investment management fees, and improved investment performance.

As the work developed this would be shared with Pension Fund Committee and Local Pension Board members. It would be important for Members to be engaged in the detail of the project throughout the next stage, so they would be in a position to agree the final proposal to meet the Government's July 2016 timetable.

The Chairman, in conclusion, thanked all for their attendance.

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**RESOLVED:** (on a motion by Cllr Lilly, seconded by Cllr Patrick and carried unanimously) to:

- (a) agree the proposal at Annex1 to the report as the basis for submission to the Government; and
- (b) delegate to the Chief Finance Officer the responsibility to agree any final amendments to this proposal following discussion at all 10 Pension Fund Committees, and following consultation with the Chairman, Deputy Chairman and the Opposition Spokesperson.

..... in the Chair

Date of signing