



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 29 January 2016 at 10.00 am

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

A handwritten signature in black ink that reads "Peter G. Clark".

Peter G. Clark
Head of Paid Service

January 2016

Contact Officer: **Julie Dean**
Tel: (01865) 815322; 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:

- **Date of next meeting: 11 March 2016**

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 (01865) 815270 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. **Petitions and Public Address**
4. **Future Collaboration - Proposal to Government**

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

In addition to the covering report, the Committee has before them, at **Annex 1**, the proposal to be submitted to the Government. It is intended that this will be a joint proposal to be submitted by all ten funds within Project Brunel, and is being presented to the relevant Committees over the course of the next week. **Annex 2 and 3** to this report are the initial feasibility study and the initial business case produced on behalf of the Project by Price Waterhouse Cooper (PwC). These documents include detailed information on fee levels etc of the individual funds, as well as potential future fee savings. Whilst the covering report itself does not contain exempt information and is available to the public, Annexes 1 - 3 are confidential in that they contain exempt information relating to potential future commercial arrangements. **Members of the Pension Fund Committee and the Local Pension Board are advised that these Annexes will follow as soon as they are available, firstly by way of email and then by hard copy.**

The public should therefore be 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.*

With regard to Annexes 2 and 3, the public should therefore be excluded during their consideration 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.*

The Committee is RECOMMENDED to:

- (a) agree the proposal at Annex 1 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, following consultation with the Chairman, Deputy Chairman and the Opposition Spokesperson.**

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on Wednesday 27 January 2016 at 2:00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.

Division(s): N/A

PENSION FUND COMMITTEE – 29 JANUARY 2016

FUTURE COLLABORATION – PROPOSAL TO GOVERNMENT

Report by the Chief Financial Officer

Background

1. As part of his July Budget Statement, the Chancellor of the Exchequer set out the Government's intentions to work with Local Government Pension Scheme (LGPS) Administering Authorities to ensure the pooling of investments to significantly reduce costs, whilst maintaining overall investment performance.
2. As part of the Autumn Statement, the Government published criteria against which it would judge the pooling proposals to be received from each administering authority. In summary the criteria are:
 - a) Scale – The Government is looking for a maximum of 6 pools, each with a minimum level of assets of £25bn;
 - b) Strong Governance and Decision Making – to ensure investments are made in the best long-term interests of scheme members, that risks are adequately assessed and managed, and there is a culture of continuous improvement;
 - c) Reduced Costs – No targets have been set, but Government is looking substantial savings in investment fees, over a 15 year period. The Government have recognised there will be significant costs of transition, and delays in achieving savings associated with investments in more illiquid assets e.g. private equity, property;
 - d) Increased Capacity to invest in Infrastructure – the Government believes that increased scale will provide both the capacity and capability to increase the investments in infrastructure.
3. The announcements on 25 November 2015 also included a timetable of events of which the first two key dates are:
 - (a) 19 February 2016 – all administering authorities must submit, either individually or jointly, outline submissions which include a commitment to pooling and a description of their progress towards formalising their arrangements with other authorities.
 - (b) 15 July 2016 – deadline for refined and completed submissions which fully address the criteria above, including detailed governance arrangements, profiles of costs and savings and transition plans.
4. The Government also published a report on the development of new legal structures to support the pooling arrangements which indicate a set up period of c18 months, so that they would expect assets to start being transferred to

the pooled arrangements from April 2018, with the illiquid assets following over future years.

5. Finally the Government published draft regulations that will enable the Secretary of State for Communities and Local Government to intervene in the event that administering authorities do not come forward with sufficiently ambitious proposals.

Position in Oxfordshire

6. Following initial discussions with Officers in authorities across the South, this Committee at its meeting in December agreed to formally explore the option of joining with the funds in South West England to develop a proposal to Government.
7. Eight authorities in the South West have a long tradition of collaborative working, and had completed a significant amount of work on developing a pooling proposal, in association with Price Waterhouse Cooper (PwC), who had also undertaken work directly with the Government. This work included the development of “like-minded” principles against which other authorities could assess themselves before considering joining the group.
8. These like-minded principles aim to develop a truly collaborative basis founded on the principle of one fund one vote, so no one fund dominates the investment agenda. These principles were in line with the key principles discussed during our previous exploration of joint working with Buckinghamshire and Berkshire. The south west Funds therefore were seen as a good fit for the Oxfordshire Fund.
9. Since the December decision, Officers have continued to work with the South West funds, plus Buckinghamshire who have also joined the group. The group has been renamed Brunel to reflect the extension beyond the initial South West Funds. An outline proposal was presented to Section 151 Officers and Committee Chairmen at a meeting on 7 January 2016, with the feedback from that meeting feeding into the on-going work.
10. Key elements of the proposal are to create a Joint Committee to include one representative of each of the member Pension Committees who will oversee the work of the pool. There will also be an Operations Group consisting of officers from each of the administering authorities who will advise the Joint Committee and manage the pool arrangements. The arrangements have been labelled as a Collective Asset Pool (CAP) to distinguish them from the other main option of the Collective Investment Vehicle (CIV) managed as an Authorised Contractual Scheme (ACS)
11. Each of the Local Pension Committees will retain responsibilities of establishing their strategic asset allocation consistent with their pension liability profile and risk appetite. Detailed decisions on available sub-funds and individual fund managers etc though will be taken through the CAP.

12. The work on costs and savings initially focussed on the 8 south west authorities, and has been updated to allow for the inclusion of Oxfordshire and Buckinghamshire. PwC have identified potential annual net savings of £14.5m from the rationalisation of the number of current investment mandates and the re-negotiation of fees. Further savings up to an aspirational target of £70m per annum have been suggested as a result of switching some investments from active to passive management styles, increasing the amount of internal management of investments and by more effective decision making as a result of the improved capability and capacity resulting from the pooled arrangements. These figures are consistent with the earlier work of Hymans undertaken on behalf of the Government.
13. Outside of Project Brunel, there are a number of other proposals beginning to take shape. Other than the Collective Investment Vehicle set up by the 32 London Boroughs none appear to be as advanced in their planning as Project Brunel. These potential other pools include
 - (a) a collection of Central and South East funds under the label ACCESS,
 - (b) authorities in the north based around the three big funds of Greater Manchester, West Yorkshire and Merseyside,
 - (c) authorities in the midlands including the large West Midlands Fund,
 - (d) the welsh funds, who are awaiting a political decision on whether they will be allowed to form their own pool whilst falling well below the Government's scale criteria (£13bn against a minimum target of £25bn),
 - (e) the London Pension Fund Authority and Lancashire, who have been working together for the past year to develop a proposal but will need other authorities to join if they are to reach the minimum £25bn target, and
 - (f) a proposal led by Surrey, Cumbria and East Riding to which other funds have indicated they are willing to join to move this towards the £25bn target.

Proposal to Government

14. With the support of PwC, the 10 Funds who are currently members of Project Brunel have developed a proposal to Government which sets out our position against the 4 key criteria identified in paragraph 2 above. The proposal and the supporting documentation are contained in the annexes to this report.

Exempt Information

15. Annex 1 is the draft proposal to be submitted to the Government. It is intended that this will be a joint proposal to be submitted by all 10 funds within Project Brunel, and is being presented to the relevant Committees over the course of the next week. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document

16. Annexes 2 and 3 to this report are the initial feasibility study and the initial business case produced by PwC on behalf of Project Brunel. These documents include detailed information on fee levels etc of the individual funds, as well as potential future fee savings.

Next Steps

17. If the proposal is accepted by each of the Pension Committees and the Government, there is still a lot of work to do before the final submission in July. This includes the detailed governance arrangements, the development of the sub-funds to which each Committee will allocate its assets, and a detailed transition plan. This work will involve both Officer and Member input to develop the final submission.
18. Advice obtained as part of the work with Buckinghamshire and Berkshire has suggested that the final decision in advance of the July submission will need to be made by full Council on the recommendation of the Pension Fund. All Members of the Council were therefore invited to attend the Committee meeting today to be aware of the background to the final submission they will be asked to determine.

RECOMMENDATION

19. **The Committee is RECOMMENDED to:**
 - (a) **agree the proposal at Annex 1 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, following consultation with the Chairman, Deputy Chairman and the Opposition Spokesperson.**

Lorna Baxter
Chief Finance Officer

Background papers: None
Contact Officer: Sean Collins, Service Manager, Pensions, Tel: (01865) 897224

January 2016