

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 15 September 2017 commencing at 10.00 am and finishing at 1.20 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 Alan Thompson

District Council Representatives: City Councillor Jean Fooks (in place of City Councillor James Fry; District Councillor Bill Service

By Invitation: Philip Wilde (Beneficiaries Observer)
Peter Davies (Independent Financial Adviser)

Officers:

Whole of meeting J. Dean (Resources); Director of Finance, S. Collins, S. Fox and G. Ley

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.

44/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

City Councillor Jean Fooks attended in place of City Councillor James Fry. An apology was received from Cllr Carmen Griffiths.

45/17 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Bulmer, Fooks, Howson, Lygo, 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. Cllr Mark Lygo also declared a personal interest in respect of his role as a retained fire-fighter.

46/17 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

Members considered the first report of the Local Pension Board to the Committee **(PF6)**. This was in response to a request from the new Chairman of the Committee to have a dedicated item on each committee Agenda where the Committee could properly discuss the work of the Board and issues identified.

RESOLVED to:

- (a) note and support the work programme of the Pension Board;
- (b) note the comments of the Board in respect of the collection of scheme data and support the future investment in i-connect and greater standardisation of data collection practices;
- (c) to consider the risk scores for risks 4, 8 and 10 at Agenda Item 8 'Risk Register'; and
- (d) endorse the proposal that future meetings of both this Committee and the Pension Board should receive an update report on the progress on delivering the annual business plan.

47/17 MINUTES

(Agenda No. 3)

The Minutes of the last meeting held on 23 June 2017 were approved and signed as a correct record, subject to the amendment of City Cllrs Jean Fooks and James Fry from 'District Cllr' to 'City Cllr' in Minute 28/17.

48/17 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

Julia Spraggs addressed the Committee on behalf of Fossil Free Oxfordshire.

Mrs Spraggs stated that for several years Fossil Free Oxfordshire (FFO) had been asking the Committee to take the financial risks associated with climate change seriously. FFO had the support of those Oxfordshire residents who had signed the petition to the Council; and members of the Local Government Pension Scheme (LGPS) had sent letters to the Committee Chairman. She pointed out that two of the larger employers in the LGPS, Oxford City and Oxford Brookes University had adopted policies for divestment through this campaign.

Mrs Spraggs stated that FFO were pleased that the Committee had specifically included risk due to climate change in its new Investment Strategy Statement; and had also specified the possibility of divestment should engagement be not seen to result in sufficient progress. However, FFO felt that the urgency with which climate risk needed to be addressed should be reflected in actions as soon as possible. They were also keen to understand how these policies would operate in practice, pointing out that Oil and Gas holdings becoming 'stranded assets' was a serious consideration for pension funds to consider in fulfilling their fiduciary duty. They suggested that one approach would be to reflect the potential climate risk associated with oil and gas holdings in the Fund's risk register. More specifically in risk 4 – 'under performance of asset managers or asset classes' – the size of the Royal

Dutch Shell holding alone in the Oil and Gas asset class, warranted an impact factor of 4 rather than 3 and a likelihood factor of 3, for likely, rather than 2 for unlikely.

They asked therefore how would policies for mitigating financial risk associated with climate change be applied to the Pension Fund's holding on £21m in Shell – stating that this holding seemed starkly at odds with a commitment to mitigate climate risk. Mrs Spraggs concluded by urging the Committee not to invest in further fossil fuel exploration, as exploitation was no longer supportable ethically, nor could it be relied on to support future pensions for the Fund's beneficiaries. Only divestment would demonstrate to fossil fuel companies that business as usual could not continue.

In response, the Chairman, speaking on behalf of the Committee, commented that FFO's address was timely for the reason that the Committee intended to discuss the matter of ethics and human rights at their next informal training session. He added that a written answer would be given to FFO following that session.

49/17 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board, 21 July 2017 were noted.

50/17 REVIEW OF THE ANNUAL BUSINESS PLAN - 2017/18

(Agenda No. 7)

The Committee considered a report (**PF7**) which provided an update on progress against the key service priorities agreed within the Annual Business Plan.

RESOLVED to:

- (a) note the progress against the key service priorities identified in the 2017/18 Business Plan, and
- (b) agree the date of the next Brunel Engagement Session as 17 November 2017 at County Hall, Oxford.

51/17 RISK REGISTER

(Agenda No. 8)

Members of the Committee had before them a report which presented the latest position on the Fund's Risk Register (PF8). The report updated the position on risks reported to the last meeting on 23 June 2017 with the addition of new risks that had been identified in the intervening period.

Members also considered the recommendation from the Local Pension Board requesting the Committee to consider the risk scores for risks 4, 8 and 10.

At the request of the Committee, Mr Collins undertook to carry out a check to ascertain the likelihood of a security breach of data and whether the Fund was insured against cyber - attack.

RESOLVED:

- (a) to note the current risk register;
- (b) in respect of risk 4 – the Committee believed the score to be at the right level, given the likelihood that risks would fluctuate to a higher or lower level over a longer period of time; agree that likelihood score for risk 8 be raised from 3 to 4; and with respect to risk score 10, to reduce the likelihood score from 3 to 2. Committee also requested the officers to bring a detailed report to the next meeting on a number of ICT risks identified at the meeting; and
- (c) to note the proposed full day's training programme to be held on a date to be determined, for all members of the Pension Fund Committee and the Local Pension Board; and in addition to request the officers to provide online training in individual issues, where appropriate.

All members of the Committee were strongly urged to attend the training day.

52/17 SCHEME ADVISORY BOARD - CONSULTATIONS

(Agenda No. 9)

The Scheme Advisory Board (SAB), which had been set up under the Public Service Pensions Act 2013 to advise the Secretary of State and to act as a co-ordinator for best practice for the individual LGPS pension funds, had recently issued a number of key papers. Two of these were consultation papers with a closing date of 29 September 2017. The third was a template to enable LGPS Funds to seek to opt up to professional status under the new Markets in Financial Instruments Directive (MiFID II).

The report (**PF9**) invited the Committee to consider the implications of the three papers, and to agree responses to the two consultation documents setting out a way forward in response to MiFID II.

RESOLVED:

- (a) to agree the consultation response on academies objectives, as set out in Annex 1;
- (b) not to support the establishment of the Cross Pool Information Forum for the reasons outlined in the report and to amend the consultation response at Annex 2 accordingly;
- (c) to note the consequence of electing not to opt up to professional client status with all relevant institutions including Brunel Pension Partnership Ltd;
- (d) to agree that the Pension Fund should seek to opt-up to elective professional client status with all relevant institutions and to commence this process as soon as possible;
- (e) to acknowledge and agree that in applying to be treated as a professional client, the Fund would forgo the protections afforded to retail clients; and
- (f) to delegate responsibility for completing and submitting all the applications, including consideration about whether this was on a full or single service basis to the Service Manager (Pensions).

53/17 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee were updated (PF10) on the latest position in relation to administration issues outside of the Business Plan. The report also included the latest position on new admissions to the Fund, employer cessations and any debt write-offs.

RESOLVED: to note the report.

54/17 OXFORDSHIRE PENSION FUND - REPORT AND ACCOUNTS 2016-2017

(Agenda No. 11)

The Annual Report and Accounts for 2016/17 (PF11) was presented to the Committee for comment and amendment before the document was finalised.

RESOLVED: to make no comment or amendments.

55/17 BUDGET OUTTURN 2016/17

(Agenda No. 12)

The Committee had before them a report (PF12) which analysed the actual spend by the Oxfordshire County Council during 2016/17 against the budget; and which highlighted the reasons for any material variance.

RESOLVED: to receive the report and to note the outturn position.

56/17 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 14)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 June 2017.

Mr Davies reported that the overall value of the Fund over the last quarter had increased by £37m, over £20m of which was due to Equity gains, Bonds having fallen slightly.

The Committee **RESOLVED** to receive the tables and graphs, and that the information contained in them be borne in mind insofar as they related to Agenda items 16, 17, 18, 19, and 20 in the Agenda.

57/17 PENSIONS ADMINISTRATION - SERVICE PERFORMANCE

(Agenda No. 13)

The Committee had before them a report (PF13) which set out the key performance data in respect of the Pension Services Team, commenting on variations in actual performance compared to the target levels set out in the Service Level Agreements.

RESOLVED: to note the report and to request the officers to bring this key performance data to each meeting of this Committee.

58/17 EXEMPT ITEMS

(Agenda No. 15)

RESOLVED that the public be excluded for the duration of items 16, 17, 18, 19 and 20 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 was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

59/17 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 16)

This report of the Independent Financial Adviser (**PF16**) set out an overview of the current and future investment scene and market developments across various regions and sectors; and provided the context for consideration of the reports from the Fund Managers. The report itself did not contain exempt information and was available to the public. The Independent Financial Adviser also reported orally and this information was exempt information.

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 receive the report, tables and graphs, to receive the oral report and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

60/17 BAILLIE GIFFORD

(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 14 and 16.

The representatives, Anthony Dickson and Ian McCombie 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 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.*

The Committee **RESOLVED** to note the main issues arising from the presentation.

61/17 LEGAL & GENERAL

(Agenda No. 18)

The Independent Financial Adviser reported orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 14 and 16.

The representatives, Chris Lyons and Tom Carr presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

At the end of the presentation they responded to questions from members.

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.*

The Committee **RESOLVED** to note the main issues arising from the presentation.

62/17 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 19)

The Independent Financial Adviser reported on the officers meetings with UBS Asset Management and Wellington (PF19).

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.*

The Committee RESOLVED to note the main issues arising from the reports.

63/17 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 20)

There were no further issues requiring summary.

64/17 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

No further issues were brought.

..... in the Chair

Date of signing