

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 2 December 2016 commencing at 9.45 am and finishing at 1.25 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)
Councillor Surinder Dhese
Councillor Jean Fooks
Councillor Nick Hards
Councillor Richard Langridge
Councillor Sandy Lovatt
Councillor Neil Owen
Councillor Les Sibley
District Councillor Bill Service

District Council Representatives: District Councillor Bill Service

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

Officers:

Whole of meeting J. Dean (Corporate Services); Chief Finance Officer, S. Collins and G. Ley (Corporate Finance)

Part of meeting C. Smith (Corporate Services)

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.

76/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

An apology for absence was received from District Councillor Cllr James Fry.

77/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Fooks, Lilly, Owen, Service 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.

78/16 MINUTES

(Agenda No. 3)

The Minutes of the last meeting held on 2 September 2016 were approved and signed as a correct record.

79/16 MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD

(Agenda No. 4)

The public part of the unconfirmed Minutes of the meeting of the Local Pension Board on 21 October 2016 was before the Committee for noting.

Cllr Bob Johnston, a member of the Local Pension Board, reporting on behalf of Board, commented that there remained concerns with regard to Employer Management and also with aspects of the Risk Register.

With regard to the latter, the Chairman responded that the attention of the Committee was constantly on the resources that were available in order to ensure both the smooth running of the Committee and to the greatest benefit of the beneficiaries. To this end he had recently visited staff in the Pensions Team staff in Speedwell House which was their new temporary accommodation until their new premises were ready.

The Committee **RESOLVED** to note the unconfirmed Minutes of the Local Pension Board.

80/16 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 5)

Peter Wallis, Member of Fossil Free Oxfordshire, addressed the Committee in his capacity as a 'concerned LGPS member. He expressed his disappointment that the Committee, after debating a paper at the June 2015 meeting on divestment from fossil fuels, and after hearing his address at the same meeting did not make any commitments or actions. He pointed out his interest that one of the organisations in the Brunel Group was the Environment Agency which had already begun the process of divestment from fossil fuels. He also made members aware that in September 2016, Waltham Forest had become the first UK LGPS to commit to full divestment from fossil fuels. This decision to divest aligned with the COP21 talks in Paris in December 2015 at which 197 countries committed to act swiftly to keep the level of global warming below 1.5 degrees. The Paris Agreement had been ratified by 115 of those countries, and achieved its target, all exploration into new sources of fossil fuel must stop, and the majority of known sources of oil, coal and gas to stay underground.

He emphasised that Fossil Free Oxfordshire was calling for divestment only from companies that were still exploring for new sources of fossil fuels, rather than those that might be distributing existing reserves. He added moreover that oil in particular had a myriad of uses from plastics and cosmetics to medicines, which, he believed, made a nonsense of simply burning it when alternative technologies already existed for providing our energy needs.

Having discussed the issues with many LGPS members since he last spoke at this meeting, some of whom were disturbed to learn where their money was being invested, he urged The Committee to canvas their views on investment decisions. He also urged the Committee to include the issue of divestment in its discussions and to revisit the Fossil Fuel Transition Blueprint and conduct a risk assessment into fossil fuel investment. He concluded by quoting David Cameron in his speech at Paris last year 'Instead of making excuses tomorrow to our children and grandchildren, we should be taking action against climate change today.'

During discussion following Mr Wallis's address, a member pointed out that LGPS members' pensions were not at risk of being reduced if the Fund was to divest because any shortfall would be picked up by the employers. The Chairman responded that Oxfordshire Pension Fund was the administering authority for employees of the County Council together with 250 other organisations and contractors. He added that he received a significant number of letters regarding the investments from a variety of other lobbyists asking the Committee not to invest in, for example, cigarettes and tobacco. On behalf of the Committee he maintained that the investments made had to be, first and foremost, in the best interests of the beneficiaries. He reminded the Committee that there would be an item on the next Committee Agenda in March 2017 entitled 'Investment Principles' when issues such as these could be considered.

81/16 BRUNEL PENSION PARTNERSHIP - APPROVAL OF FULL BUSINESS CASE

(Agenda No. 6)

The Committee considered a report (**PF6**) which recommended the Committee to recommend full Council to approve the full business case for the establishment of the Brunel Pension Partnership.

The report itself and Annexes 1 – 3 did not contain exempt information and were available to the public. Annexes 4 – 9 did contain commercially sensitive data relating to each of the Funds and the proposed company. The public were therefore excluded during consideration of Annexes 4 - 9 because their discussion in public would be likely to lead to the disclosure to 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 the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure at this time is likely to prejudice the future negotiations to set up the pooling arrangements.

The Committee RESOLVED (unanimously) to RECOMMEND the following resolution to Council:

In its capacity as the Administering Authority for the Oxfordshire County Council Pension Fund, and having received and reviewed this report and the Business Case attached to it, the Council HEREBY RESOLVES to

enter into investment pooling with respect to the Oxfordshire County Council Pension Fund.

Such Resolution is made on and subject to the following terms and conditions:

- **THAT the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the said Business Case, and more particularly that:**
 - **a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability.**
 - **a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and participation in the Brunel Pension Partnership.**
- **THAT the Pension Fund Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the Council's participation in the Brunel Pension Partnership.**
- **THAT the Chief Finance Officer and Chief Legal Officer be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pensions Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pensions Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.**
- **THAT subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pensions Committee.**

The Committee **RESOLVED** (unanimously) to approve the full business case without amendment.

82/16 RISK REGISTER

(Agenda No. 7)

The Committee considered a report (PF7) which set out the latest position on risks reported to the last meeting, and which added in new risks that had been identified in the intervening period.

On behalf of the Committee the Chairman thanked the Pension Team for working under difficult circumstances, as detailed in the report.

In relation to the possible loss of member skills and knowledge as a result of the forthcoming County Council election, the Committee noted a member suggestion that the Committee's Constitution be altered to include more co-optees who had had previous experience of the Committee's work.

RESOLVED: to note the report.

83/16 ADMINISTRATION REPORT

(Agenda No. 8)

The Committee had before them a report (PF8) updating members on current issues within the Pension Services team from both a management and an operational perspective. It also set out the latest position in respect of the employers within the Oxfordshire Fund. It included new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

The Committee **RESOLVED** to:

- (a) note current team performance;
- (b) approve the increase in staffing levels, and the short term use of agency staff to address the backlog of work;
- (c) approve the write off of £34.04;
- (d) note the current positions with applications for admission to the Fund and other employer changes; and
- (e) (on a motion that was moved, duly seconded and carried unanimously) encourage the Pensions Manager to impose fines on those employers making late or inaccurate returns as often as is necessary.

84/16 FUND VALUATION 2016 - UPDATE

(Agenda No. 9)

The Committee had before them a report (PF9) which gave an update on key issues arising from the provisional results of the 2016 Fund Valuation.

The Committee **RESOLVED** to note the report and to also note that more detail would be issued for the Annual Pension Forum on 18 January 2017.

85/16 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 10)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 September 2016 (PF10).

Mr Davies reported that the overall value of the Fund at 30 September 2016 had increased by £150m, of which bonds had risen by £17m, equities by £100m and private equities by £22m. Since that time there had been no appreciation or depreciation.

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 14, 15, 16, 17 and 18 on the agenda.

86/16 FUND MANAGER MONITORING REPORT

(Agenda No. 11)

Each year the arrangements for monitoring the performance of its Fund Managers are considered. The report (PF11) set out the proposed schedule for 2017/18 for approval.

The Committee **RESOLVED** to approve the Fund Manager Monitoring Arrangements as set out in the report.

87/16 EXEMPT ITEMS

(Agenda No. 12)

The Committee RESOLVED that the public be excluded for the duration of items 13, 14, 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 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.

88/16 EXEMPT MINUTES - LOCAL PENSION BOARD

(Agenda No. 13)

The exempt part of the unconfirmed Local Pension Board Minutes of the meeting held on 21 October 2016 was noted (PF13).

The Committee **AGREED** that the topic of AVC review be brought to the June 2017 meeting of Committee.

89/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 14)

The report (PF14) set 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. It also set out the context for consideration of the reports from the Fund Managers. The Independent Financial Adviser also reported orally and this information was 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.*

RESOLVED: 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.

90/16 UBS

(Agenda No. 15)

The Independent Financial Adviser reported orally on the performance and strategy of UBS drawing on the tables at Agenda Items 10 and 14.

The representatives, Malcolm Gordon and Scott Wilkin 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 were 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 **RESOLVED** to note the main issues arising from the presentation.

91/16 PARTNERS GROUP

(Agenda No. 16)

The Independent Financial Adviser reported orally on the performance and strategy of Partners Group drawing on the tables at Agenda Items 10 and 14.

The representatives, Sian Roberts and Sergio Jovele 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 were 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.*

RESOLVED: to note the main issues arising from the presentation.

92/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 17)

The Independent Financial Adviser reported orally on the main issues arising from the officer meetings with Insight and Wellington in conjunction with information contained in the tables (PF17). This included issues in respect of the Private Equity portfolio.

The public were 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.*

RESOLVED: to note the main issues arising from the report.

93/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

..... The Committee **RESOLVED** to note the summary by the Independent Financial Adviser.

The public were 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.*

READMISSION OF PRESS AND PUBLIC

94/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 19)

The Committee noted that the Item 'Investment Strategy Statement' will be on the March Agenda and any issues will be included under its umbrella.

95/16 ANNUAL PENSION FORUM

(Agenda No. 20)

Members of the Committee were reminded that the Annual Pension Forum would take place at **County Hall on Wednesday 18 January 2017 at 10am.** The Chairman requested that all members of the Committee and of the Local Pension Board attend this event.

..... in the Chair

Date of signing