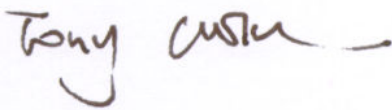


To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 25 June 2010 at 10.15 am

County Hall, Oxford



Tony Cloke
Assistant Head of Legal & Democratic Services

June 2010

Contact Officer: **Marion Holyman**
Tel: (01865) 810177; E-Mail: marion.holyman@oxfordshire.gov.uk

Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Stewart Lilly

Don Seale
C.H. Shouler

John Tanner

Co-optees

District Councillor Richard Langridge
District Councillor Barry Wood

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 3 September 2010***
- ***Peter Davies, the Independent Financial Adviser will give a training session on Fixed Income prior to the meeting, starting at 9.30 am in the meeting room***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare ...

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests ...

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

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. **Election of Chairman for the 2010/11 Council Year**
2. **Election of Deputy Chairman for the 2010/11 Council Year**
3. **Apologies for Absence and Temporary Appointments**
4. **Declarations of Interest - see guidance note**
5. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 19 March 2010 (**PF5**) and to receive for information any matters arising on them.

6. **Petitions and Public Address**
7. **Overview of Past and Current Investment Position (Pages 9 - 28)**

10:20

Tables 1 to 10 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 March 2010 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 March 2010
Tables 2 to 7	provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 8	shows net investments/disinvestments during the quarter
Tables 9 to 10	provide details on the Pension Fund's Private Equity
Tables 11 to 19	provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 31 March 2010

In addition to the above tables, the performance of the Fund Managers over the past 18 months has been produced graphically as follows:

Graph 1 – Value of Assets

Graph 2 - Alliance Bernstein

Graph 3 - Baillie Gifford

Graph 4 – Legal & General

Graphs 5 and 6 - UBS

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 9, 10 and 11 on the agenda.

EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 8, 9, 10, 11, 12 and 13 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 9 and 10, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

8. Overview and Outlook for Investment Markets (Pages 29 - 36)

10:30

Report of the Independent Financial Adviser (**PF8**)

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. 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.

9. UBS

10:40

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 7 and 8.
- (2) The representatives (Mr P Harris and Mr T Bell) 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 March 2010;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 March 2010.

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.

10. Alliance Bernstein

11:20

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Alliance Bernstein drawing on the tables at Agenda Items 7 and 8.
- (2) The representatives (Mr N Davidson and Mr D Stewart) 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 March 2010;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 31 March 2010.

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:

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

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

12:00

The Independent Financial Adviser will report orally on the main issues arising from the reports from Baillie Gifford and Legal & General in conjunction with information contained in the tables (Agenda Item 7).

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.

12. Summary by the Independent Financial Adviser

12:05

The Independent Financial Adviser will, if necessary, summarise the foregoing reports

of the Fund Managers and answer any questions from members.

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:

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13. Private Equity (Pages 37 - 40)

12:10

Report of the Independent Financial Adviser (**PF13E**)

On the advice of the Independent Financial Adviser, the Fund has invested in a private equity holding, after consultation with the Chairman and Deputy Chairman of the Committee. The report provides details.

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.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Overseas Custody Services (Pages 41 - 42)

12:15

Report of the Head of Finance & Procurement and the County Solicitor (**PF14**)

The report discusses a change to the Fund's overseas custody services.

The Committee is RECOMMENDED to:

- (a) *grant a Power of Attorney to ING Slaski to enable the Fund to make investments in Poland;***
- (b) *consider delegating decision-making related to custody of assets to the***

Head of Finance & Procurement and the County Solicitor, after consultation with the Chairman and Deputy Chairman of the Committee.

15. Investment and Representation (Pages 43 - 50)

12:20

Report by the County Solicitor and Head of Legal & Democratic Services (**PF15**)

The report updates members on changes in the law and recent statutory guidance on the duties and responsibilities of members of the Committee.

The Committee is RECOMMENDED to:

- (a) **continue to act within its agreed Statement of Investment Principles in the best interests of the Scheme; and**
- (b) **continue to act within its agreed Governance Compliance Statement in the best interests of the Scheme.**

16. Delivering Good Governance (Pages 51 - 54)

12:30

Report of the Head of Finance & Procurement (**PF16**)

During the past year a number of guidance documents has been published on different aspects of governance. The report considers these documents, recognises that an assessment of compliance is being undertaken on some and recommends a process for assessing compliance against others.

The Committee is RECOMMENDED to:

- (a) ***note the work being undertaken to assess the Fund against best practice;***
- (b) ***agree that the objective is to make improvements for the benefit of the fund rather than simply complying with best practice;***
- (c) ***agree to the prioritisation of the knowledge and skills framework and the development of an improved training plan addressing members' needs.***

17. The Governance Compliance Statement (Pages 55 - 66)

12:35

Report of the Assistant Chief Executive and Chief Finance Officer (**PF17**)

This report reviews the Fund's Governance Compliance Statement, as required under the Pension Regulations.

The Committee is RECOMMENDED to note the report, and endorse the Governance Compliance Statement as contained in Annex 2 to the report.

18. Assessment against the Six Principles for Pension Fund Investment (Pages 67 - 86)

12:45

Report of the Head of Finance & Procurement (**PF18**)

Administering Authorities are required by the Department for Communities and Local Government to prepare, publish and maintain a statement of compliance against a set of six principles for pension fund investment. A review has been undertaken and a number of improvements are proposed for the Committee to consider.

The Committee is RECOMMENDED:

- (a) ***to review the assessment of compliance against the six principles for pension fund investment at Annex 1 to the report;***
- (b) ***subject to any changes the Committee wishes to make, to agree the assessment;***
- (c) ***to agree the programme of proposed improvements set out in paragraph 4 of the report.***

19. Review of the Statement of Investment Principles (Pages 87 - 94)

12:55

Report of the Head of Finance & Procurement (**PF19**)

The Government has published a revised set of investment regulations which includes the requirement to agree and publish a Statement of Investment Principles (SIP) by 1 July 2010. The regulations also specify what should be included. The current SIP has not had a fundamental review for some time. The opportunity has been taken, in the light of changes in the regulations, to undertake such a review. Two specific changes have been made: identifying three specific investment objectives and changing the frequency of fundamental reviews of the investment strategy.

The Committee is RECOMMENDED to approve the revised Statement of Investment Principles set out in Annex 1 to the report.

20. Communication Policy (Pages 95 - 102)

13:00

Report of the Assistant Chief Executive and Chief Finance Officer (**PF20**)

The report is the review and updating of the Pension Scheme's Communication Policy.

The Committee is RECOMMENDED to note this report.

LUNCH

EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 21 and 22 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.

21. Pension Fund Tax Claims (Pages 103 - 104)

14:00

Report of the Head of Finance & Procurement (**PF21E**)

The Committee requested an update of the position in relation to tax claims. The report is in response to that request.

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 tax claims.

22. Closure Valuation (Pages 105 - 110)

14:05

Report of the Assistant Chief Executive and Chief Finance Officer (**PF22E**)

Following the loss of a major contract after a recent re-tendering exercise, one of the Fund's smaller Admitted Bodies is proposing that it should be wound up, so ending its admission to the Oxfordshire Fund. The Fund Actuary has completed estimated calculations for the closure valuation on two bases. The Committee is invited to consider the implications of the two bases, determine which should apply in this case, and depending on the decision taken, determine the approach to recovering the sum due.

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 authority's decision on this case.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PUBLIC AND PRESS

23. Internal Audit 2009/10 (Pages 111 - 112)

14:15

Report of the Assistant Chief Executive and Chief Finance Officer (**PF23**)

Internal Audits are undertaken annually of Pension Fund Investment and Pension Fund Administration. The report summarises the issues raised by the audit for the current year in order that the Committee is made aware of them and to give the Committee an opportunity to question officers about any issue raised.

The Committee is RECOMMENDED to note the report.

24. Write Offs (Pages 113 - 114)

14:30

Report of the Assistant Chief Executive and Chief Finance Officer (**PF24**)

The report sets out write offs which have taken place under the Council's Scheme of Financial Delegation.

The Pension Fund Committee is RECOMMENDED to note the report.

25. Corporate Governance and Socially Responsible Investment

(a) Socially Responsible Investment - Tar Sands

14:35

Report of the Head of Finance & Procurement (**PF25(a)**)

The report reports on voting practices by the fund managers on Tar Sands.

The Committee is RECOMMENDED to receive the report and to note the votes exercised.

(b) Corporate Governance and Socially Responsible Investment

14:40

The Assistant Chief Executive and Chief Finance Officer has no other issues to report for this quarter but it should be noted that all the managers have included pages within their valuation reports which provide details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

26. Annual Pension Forum

14:45

The Assistant Chief Executive and Chief Finance Officer will report orally on any issues arising from the last Forum or about the Annual Pension Forum which will take place on Friday 10 December 2010 at 10 am.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Tuesday 22 June 2010** at **4 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.