



Pension Fund Committee Friday, 14 June 2013

ADDENDA

4. Minutes (Pages 1 - 10)

The Minutes of the last meeting were omitted in error. These are attached.

The Committee is asked to approve the minutes of the meeting held on 8 March 2013 (**PF4**) and to receive information arising from them.

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 8 March 2013 commencing at 10.10 am and finishing at 1.00 pm.

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)

Councillor Jean Fooks

Councillor Stewart Lilly

Councillor C.H. Shouler

Councillor Tony Crabbe (In place of Councillor Sandy Lovatt)

District Council Representatives: Councillor Jerry Patterson

By Invitation: P. Davies (Independent Financial Adviser); P. Gerrish (Beneficiaries Observer)

Officers:

Whole of meeting S. Collins and S. Fox (Environment & Economy); D. Ross and J. Dean (Chief Executive's Office)

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.

1/13 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor Tony Crabbe attended for Councillor Sandy Lovatt and apologies were received from Councillors Roy Darke and Richard Langridge.

2/13 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Fooks, Harvey, Lilly, Patterson and Service each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

3/13 MINUTES
(Agenda No. 3)

Approved and signed subject to the correction of '£25m' to '\$25m' in Line 3 of the preamble to Minute 69/12.

With regard to the provisional date of 8 March 2013 for the seminar on infrastructure investments (Minute 72/12(c)), it was reported that it had not proved timely to hold it on that date but arrangements would be made to hold it in a few months time.

4/13 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were no petitions submitted or requests to address the meeting.

5/13 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION
(Agenda No. 5)

Mr Davies reported that the fourth quarter of 2012 had seen a total increase of £44m in the size of the Fund spread across all asset classes. Since the end of December UK Equities had risen by 9.5% and overseas equities by 14%. Bonds were slightly down. With the equity appreciation, the overall proportion of the Fund in equities was now on or above target and still within the range allowed by the asset allocation.

RESOLVED: to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 7, 8, 9, 10 and 11 on the agenda.

6/13 EXEMPT ITEMS
(Agenda No. 6)

RESOLVED: that the public be excluded for the duration of items 7,8,9,10,11 and 12 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 1 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 circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

7/13 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS
(Agenda No. 7)

The Committee considered a report of the Independent Financial Adviser (PF7) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

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

8/13 BAILLIE GIFFORD

(Agenda No. 8)

The representatives, Mr A. Dickson and Mr I. McCombie reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 December 2012.

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.

9/13 WELLINGTON

(Agenda No. 9)

The representatives, Ms N. Staunton and Mr T. Burgess reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 December 2012.

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.

10/13 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Committee considered two notes of meetings which took place in February (PF10) with representatives from UBS Global Asset Management and with Legal & General Investment Management.

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 reports.

11/13 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Independent Financial Manager reported that £20m euros had been committed to property through the latest Partners private equity real estate fund, in a bid to provide better diversification for the Fund.

Following a query from a member of the Committee about whether it would be possible to take the profits where appropriate and change the allocations, Mr Davies commented that even after recent performance, asset proportions remained within

the ranges set under the approved asset allocation. Mr Collins added that there would be an opportunity to look at the overall asset allocation at the next formal review which was due to take place at the March 2014 meeting.

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 Independent Financial Adviser's summary.

12/13 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The Pension Fund employs the services of an Independent Financial Adviser (IFA). Peter Davies, the current IFA, had been appointed from February 2009 for five years with an option to extend for a further five years. This was the fourth annual review of his activities (PF12).

The public were excluded during this item because its discussion might 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.*

RESOLVED to:

- (a) thank the current Independent Adviser for his excellent work for the Committee over the last four years;
- (b) offer him a further five year extension of contract on expiry in January 2014 and to delegate to the Service Manager, Pensions, Insurance and Money Management the authority required to agree and sign a contract extension.

RE-ADMISSION OF THE PRESS AND PUBLIC

13/13 FUND MANAGER MONITORING ARRANGEMENTS

(Agenda No. 13)

Each year the Oxfordshire Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. The report (PF13) set down, for approval, the proposed schedule for 2013/14.

RESOLVED: to approve the Fund Manager Monitoring Arrangements as set out in the report PF13

14/13 CORPORATE GOVERNANCE - VOTING

(Agenda No. 14)

The Committee had before them a report (PF14) which set out the current voting arrangements of the Oxfordshire Pension Fund and asking Members to consider whether they continued to meet the requirements of the Oxfordshire County Council Pension Fund. The report also reviewed voting activities during 2012.

RESOLVED: to

- (a) note the Fund's voting policies and activities; and
- (b) fully delegate vote decisions to fund managers.

15/13 ANNUAL BUSINESS PLAN, BUDGET AND CASH MANAGEMENT STRATEGY 2013/14

(Agenda No. 15)

The Committee considered the Pension Fund Annual Business Plan, 2013/14 (PF15 - Annex 1) which included the key objectives of the Fund; detailed the service activities and the service priorities for the coming year; provided a budget for 2013/14 and set out the latest risk register for the service. Annex 2 of the report PF15 set out the Cash Management Strategy for 2013/14.

RESOLVED: to

- (a) approve the Business Plan and Budget for 2013/14, as set out at Annex 1;
- (b) approve the Pension Fund Cash Management Strategy for 2013/14, as set out at Annex 2;
- (c) delegate authority to the Assistant Chief Executive & Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;

- (d) delegate authority to the Assistant Chief Executive & Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and
- (e) delegate authority to the Assistant Chief Executive & Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

16/13 ACADEMIES AND POOLING WITHIN THE OXFORDSHIRE LGPS FUND

(Agenda No. 16)

The Committee had before them a report (**PF16**) which provided feedback on the results of the recent consultation exercise in respect of the options for pooling Academy schools within Oxfordshire's LGPS Fund. Members were asked to consider the responses received and to determine what changes, if any, to make to the Funding Strategy Statement that would allow academies to be pooled for the purposes of the 2013 Valuation.

The covering letter which was sent out to all schools, together with the consultation document on options for pooling was attached at Annex 1.

Since publishing of the Agenda, further responses to the consultation had been received, and in light of these some revised recommendations were before the Committee. Details of these responses, together with the revised recommendations were included in an Addendum which was circulated around the meeting.

RESOLVED: that, in light of the responses to the consultation, to amend the Funding Strategy Statement in respect of pooling academy schools to include:

- (a) the requirement to the pooling of all academy schools within Oxfordshire where total LGPS membership for the employer is 50 or less;
- (b) the option for small academies to opt out of such a pool, subject to approval by the Committee of a financial case whereby the future pension liability is underwritten by the Academy Trust, such opt out, where agreed, to be permanent;
- (c) the option to consider further pooling arrangements in respect of individual academy schools under a single Umbrella Trust; and
- (d) the option for all academy employers where scheme membership exceeds 50 employees to join the pool on a permanent basis.

17/13 EMPLOYER ISSUES

(Agenda No. 17)

The Committee's approval was sought in relation to a number of proposed new admissions to the Fund (**PF17**). The report also updated members on the cessation of a previous admitted body and sought Committee agreement to an approach to be used in respect of certain cessation situations.

RESOLVED: to

- (a) note the progress of previously approved applications for admitted body status;
- (b) approve the application for admitted status by Pabulum;
- (c) approve the amendment to the admission agreement with Carillion;
- (d) approve the application for admitted body status by The Banbury Museum Trust;
- (e) note the information regarding the cessation of AAA NORCAP as a scheme employer; and
- (f) agree the approach being proposed in respect of certain cessation situations, whereby subject to adequate safeguards, employers with no active members can still contribute towards a past service deficit, rather than be charged an immediate cessation valuation.

18/13 WRITE OFFS

(Agenda No. 18)

The Committee had before them a report (**PF18**) which provided summary details of the amounts written off in the last quarter, in accordance with the Financial Regulations of the Fund.

RESOLVED: to note the report.

19/13 AMENDMENT TO THE STATEMENT OF INVESTMENT PRINCIPLES

(Agenda No. 19)

The Pension Fund is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to publish and keep under regular review a Statement of Investment Principles, which govern the investment of the Fund.

The Committee had before them a report (**PF19**) which recommended that they amend their Statement of Investment Principles to bring the overall Performance Target for the Fund into line with the decisions to appoint Wellington as an active global equity manager and to switch £100m of the Fund into a passive global equity mandate. They were also recommended to extend the current arrangements whereby the limit on the proportion of the Fund invested in a single insurance contract is increased from 25% to 35%. A revised Statement of Investment Principles, incorporating these changes was attached at Annex 1.

It was **AGREED** to **APPROVE** the revised Statement of Investment Principles as set down in Annex 1 to the report; with the addition of further amendments to cover the

recent change in the Investment Regulations and the change in voting policy agreed at item 14 above,

20/13 PENSION FUND TAXATION REVIEW

(Agenda No. 20)

The Committee considered a report (**PF20**) which gave an update on the latest position regarding tax reclaims. The report also sought approval to join legal actions to recover overpaid tax.

RESOLVED: to

- (a) note the outcome of the review of taxation undertaken for the Pension Fund;
- (b) delegate to the Service Manager (Pensions, Insurance & Money Management), following consultation with the Chairman, the decision as to whether to pursue withholding tax reclaims in any EU territories, following the completion of a detailed cost benefit analysis; and
- (c) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue a tax reclaim for Manufactured Overseas Dividends Claims (MODs), following the completion of a detailed cost benefit analysis.

..... in the Chair

Date of signing

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