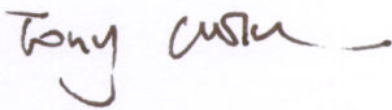


To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 3 September 2010 at 10.15 am

County Hall, Oxford



Tony Cloke
Assistant Head of Legal & Democratic Services

August 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 Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 3 December 2010***
- ***Beth Dowling-Jones (BNY Mellon) will give a training session on custodial arrangements 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. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 25 June 2010 (PF3) and to receive for information any matters arising on them.

4. **Petitions and Public Address**
5. **Overseas Custody Services (Pages 9 - 10)**

10:20

Report of the Head of Finance & Procurement and the County Solicitor (PF5).

The report discusses a change to the Fund's overseas custody services. The Committee deferred this item at its last meeting.

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.***

6. **Overview of Past and Current Investment Position (Pages 11 - 32)**

10:25

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 30 June 2010 using the following tables:

| | |
|-----------------|---|
| Table 1 | provides a consolidated valuation of the Pension Fund at 30 June 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 21 | provide investment performance for the consolidated Pension Fund, the four Managers, private equity and Partners Group SICAR for the quarter ended 30 June 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 7, 8, 9, 10, 11, 12, 13 and 14 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.

7. **WM Company Presentation on the Pension Fund's Investment Performance for the Twelve Months ended 31 March 2010**

10:35

The representative (Karen Thrumble) of the WM Company will review the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2010. The presentation will compare Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe.

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.

8. **Overview and Outlook for Investment Markets (Pages 33 - 40)**

11:15

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. **Alliance Bernstein (Pages 41 - 46)**

11:30

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Alliance Bernstein, drawing on the tables at Agenda Items 6 and 8 and the letter and performance analysis received from Alliance Bernstein attached (**PF9**).
- (2) The representatives (Mr N Davidson and Mr D Stewart) of the Fund Manager will:
 - (a) report and review the present investment of their part of the Fund and their performance and strategy for the period up to 30 June 2010 against the background of the current investment scene;
 - (b) give their views on the future investment scene and the prospects for the Fund's investments.

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. Baillie Gifford

12:10

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 6 and 8.
- (2) The representatives (Mr I McCombie and Mr L Robb) 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 30 June 2010;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 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.

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

12:50

The Independent Financial Adviser will report orally on the main issues arising from the reports from UBS and Legal & General in conjunction with information contained in the tables (Agenda Item 6).

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

12:55

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:

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.

LUNCH

13. Strategic Asset Allocation - Annual Review (Pages 47 - 50)

14:00

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

Every year the Committee considers a report reviewing the strategic asset allocation of the Fund. This report from the Independent Financial Adviser reviews the current allocation, taking into account that there will be a fundamental review undertaken shortly for reporting to the March 2011 Committee.

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.

14. Additional Voluntary Contributions - Annual Review (Pages 51 - 60)

14:15

Report of the Assistant Chief Executive and Chief Finance Officer (**PF14E**)

The Additional Voluntary Contributions (AVC) scheme provides members with a money purchase option to increase their retirement saving, which can be invested in a range of funds. Oxfordshire's AVC scheme is provided by Prudential. This report reviews the scheme and its performance over the past year.

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 lead to the disclosure of the amount proposed to be incurred.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. Draft Annual Report and Accounts 2009/10 (Pages 61 - 106)

14:25

The draft Annual Report and Accounts for 2009/10 (**PF15**) show the final accounts for the Pension Fund for the year ended 31 March 2010 and provide details on how the Fund operates, including sections on membership and investments. The Report also includes the Statement of Investment Principles. The final report will be brought to the Committee in December.

The Committee is RECOMMENDED to receive the draft report and accounts for 2009/10.

16. Pension Fund Investment and Administration Expenses Outturn Report for the Year ended 31 March 2010 (Pages 107 - 110)

14:30

Report of the Assistant Chief Executive and Chief Finance Officer (**PF16**)

The report compares the 2009/10 budget with the outturn for the year.

The Committee is RECOMMENDED to receive the report and note the out-turn position.

17. Application for Admission to the Oxfordshire Pension Fund (Pages 111 - 112)

14:35

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

This report presents an application from RM Education for admitted body status in the Oxfordshire Pension Fund following the transfer of one member of staff from The Oxford Academy.

The Committee is RECOMMENDED to approve the application subject to RM Education agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed.

18. Corporate Governance and Socially Responsible Investment

14:40

The Assistant Chief Executive and Chief Finance Officer has nothing specific 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.

19. 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 scheduled for Friday 10 December 2010 at 10 am.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Wednesday 1 September 2010 at 4 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.