

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 3 September 2010 commencing at 10.15 am and finishing at 2.45 pm

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service
Councillor Jean Fooks
Councillor Stewart Lilly
Councillor Don Seale
Councillor C.H. Shouler
Councillor John Tanner

District Council Representatives: District Councillor Richard Langridge
District Councillor Jerry Patterson

Independent Financial Adviser: Mr P Davies

By Invitation: Mr T Wheeler (Consultant)

Officers (whole of meeting): Mr P Gerrish (Head of Finance & Procurement), Mrs S Fox (Shared Services), Mrs D Ross (Financial Services) and Ms M Holyman (Legal & Democratic Services)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the following additional documents:

Additional information (exempt) on Pension Fund investment and administration expenses

Additional application for admission to the Oxfordshire Pension Fund and decided as set out below. Except insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and additional documents, copies of which are attached to the signed Minutes.

53/10 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

The Chairman welcomed District Councillor Patterson to his first meeting.

54/10 DECLARATIONS OF INTEREST

(Agenda No. 2)

Councillors Fooks, Harvey, Lilly, Patterson (co-opted member), Service and Tanner declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government and Housing Act 1989.

55/10 MINUTES

(Agenda No. 3)

The minutes of the meeting of the Committee held on 25 June 2010 were approved subject to the deletion of Mr S Collins from the list of officers present at the meeting.

56/10 OVERSEAS CUSTODY SERVICES

(Agenda No. 5)

The Committee considered a report (PF5) about a change to the Fund's overseas custody services. Ms B Dowling-Jones (BNY Mellon) and Ms S Geaney (Legal Services) attended for this item.

RESOLVED to:

- (a) grant a Power of Attorney to ING Slaski to enable the Fund to make investments in Poland;
- (b) delegate 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.

57/10 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 6)

The Committee was advised that Tables 1 to 10 had been compiled from the custodian's records. The custodian was the Pension Fund's prime record keeper. He had accrued for dividends and recoverable overseas tax within his valuation figures and might also have used different exchange rates and pricing sources compared with the fund managers. The custodian had also treated dividend scrip issues as purchases which the fund managers might not have done. This might mean that there were minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser reported that £20m cash had been allocated to fund managers (£10m for investment in overseas equities and £10m for investment in property).

RESOLVED: 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.

58/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 7, 8, 9, 10, 11, 12, 13 and 14 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.

59/10 WM COMPANY PRESENTATION ON THE PENSION FUND'S INVESTMENT PERFORMANCE FOR THE TWELVE MONTHS ENDED 31 MARCH 2010

(Agenda No. 7)

The representative (Karen Thrumble) of the WM Company made a presentation to the Committee (copy of her presentation is attached to the signed copy of the minutes). She reported on and reviewed the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2010. The presentation compared Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe. The presentation highlighted the improvement in performance in 2009/10 of local authority pension investment compared with the two previous years where in 2008/09 two-thirds of funds had underperformed the benchmark and in 2007/08 three-quarters of funds had underperformed the benchmark.

RESOLVED: to note the report and presentation.

60/10 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors.

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.

61/10 ALLIANCE BERNSTEIN

(Agenda No. 9)

The Committee considered the letter and performance analysis from Alliance Bernstein. The representatives (Mr N Davidson and Mr D Stewart) reported and reviewed 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. They also reported on performance and how they expected improvements in performance would be delivered. They responded to members' questions.

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

62/10 BAILLIE GIFFORD

(Agenda No. 10)

The representatives (Mr McCombie and Mr Robb) reported and reviewed 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. The representatives responded to members' questions.

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

63/10 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported that Legal & General had outperformed the benchmark and target. He added that the figures for Oxfordshire gilts and index-linked were incorrect and should therefore be deleted: the Total Assets lines were correct. UBS' performance had been under the benchmark for this quarter but its performance had been above the benchmark, but not the target, for the last 12 months. The performance of the hedge funds had also improved this quarter.

RESOLVED: to note the report.

64/10 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The Independent Financial Adviser reported that some private equity holdings were being wound down and would be sold.

RESOLVED: to note the Independent Financial Adviser's report.

65/10 STRATEGIC ASSET ALLOCATION - ANNUAL REVIEW

(Agenda No. 13)

The Committee considered a report (PF13E).

RESOLVED: to reduce the minimum cash balance retained at any one time to £10m.

66/10 ADDITIONAL VOLUNTARY CONTRIBUTIONS - ANNUAL REVIEW

(Agenda No. 14)

The Committee considered a report (PF14E).

RESOLVED: to note the report and to confirm the continued use of Prudential as the Council's Additional Voluntary Contribution provider subject to the following amendments to the report:

Paragraph 8, line 2 "Index" should read "Unit" and line 3 "10" should read "5";

Paragraph 34, line 4 "22/09/10" should read "22/09/09";

Paragraph 38, line 2 "£450 million" should read "£370 million".

67/10 DRAFT ANNUAL REPORT AND ACCOUNTS 2009/10

(Agenda No. 15)

The Committee considered the draft Report and Accounts for 2009/10 (PF15).

RESOLVED: to receive the draft Report and Accounts for 2009/10 and to ask the Assistant Chief Executive and Chief Finance Officer to consider whether to include a summary of the fund managers' performance if this information had not already been included in the report.

**68/10 PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES
OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2010**

(Agenda No. 16)

The Committee considered a report (PF16) and additional information (exempt) circulated at the meeting.

RESOLVED: to receive the report and the exempt information circulated at the meeting and to note the out-turn position.

69/10 APPLICATION FOR ADMISSION TO THE OXFORDSHIRE PENSION FUND

(Agenda No. 17)

The Committee considered a report (PF17 revised).

RESOLVED:

- (a) to agree the application from RM Education subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreements are signed;
- (b) to agree to delegate authority to the Assistant Chief Executive and Chief Finance Officer to determine, after consultation with the Chairman of the Committee, the additional applications arising from the retendering of the Supporting People contract (circulated at the meeting).

**70/10 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE
INVESTMENT**

(Agenda No. 18)

The Committee was advised that the Assistant Chief Executive and Chief Finance Officer had nothing specific to report for this quarter but it should be noted that all the managers had included pages within their valuation reports which provided details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

RESOLVED: to note report.

71/10 ANNUAL PENSION FORUM

(Agenda No. 19)

RESOLVED: to note that the next Annual Pension Forum was scheduled for Friday 10 December 2010 at 10 am but the venue had not yet been confirmed.

..... in the Chair

Date of signing