

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 16 March 2012 at 10.00 am

County Hall, New Road, Oxford



Peter G. Clark
County Solicitor

March 2012

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Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Roy Darke

Stewart Lilly
Don Seale

C.H. Shouler

Co-optees

District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 1 June 2012***

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, i.e. 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

10:00

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 6)

To approve the minutes of the meeting held on 2 December 2011 (PF3) and to receive information arising from them.

4. Petitions and Public Address

5. Overview of Past and Current Investment Position

10:10

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 December 2011 using the following tables:

Table 1	Provides a consolidated valuation of the Pension Fund at 31 December 2011
Tables 2 to 9	Provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 10	Shows net investments/disinvestments during the quarter
Tables 11 to 12	Provide details on the Pension Fund's Private Equity
Tables 13 to 23	Provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 31 December 2011
Table 24	Provides details of the top 20 holdings within the Fund

In addition to the above tables, the performance of the Fund Managers over the past 3 years has been produced graphically as follows:

Graph 1	-	Value of Assets
Graph 2 – 3	-	Baillie Gifford
Graph 4 – 5	-	Legal & General
Graphs 6 -10	-	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.

6. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 7, 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 11 and 12, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. Exempt Minute (Pages 7 - 8)

10.25

To approve the Exempt Minute of the meeting held on 2 December 2011 **(PF7)** and to receive information arising from them.

The following information refers directly to the financial arrangements between the administering authority and individual members of the Pension Scheme. The public should therefore be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following categories prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

- 1. Information relating to any individual;*
- 2. Information which is likely to reveal the identity of an individual;*
- 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 infringe the rights of the individual to privacy contrary to the general law and the duty of the authority to respect human rights and to comply with that law.

The Pension Fund Committee determined a compensation payment case using the Internal Dispute Procedure.

8. Overview and Outlook for Investment Markets

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. Appointment of New Global Equity Fund Manager

10.45

This report (**PF9**) informs the Committee of the recent decision (subject to contract) to appoint a new Global Equity Fund Manager. The report sets out the process followed, and the key issues considered in making the final appointment.

The public should be excluded for the consideration of this report because its 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 I 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 would distort the proper process of open competition, would prejudice the commercial position of the parties involved and would prejudice the position of the authority in the process of the transaction and the Council's standing generally in relation to such transactions in future, to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

The Committee is RECOMMENDED to note the report, and the decision to appoint Wellington as the new Global Equity Manager for the Fund.

10. Baillie Gifford

11.00

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 8.
- (2) The representatives (Mr A. Dickson and Mr I. McCombie) 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 December 2011;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2011.

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

11:40

The Independent Financial Adviser will report orally on the main issues arising from the reports from Baillie Gifford 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

11:45

The Independent Financial Adviser will, if necessary, summarise any other issues arising from the monitoring of our 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.*

13. Annual Review of the Independent Financial Advisor to the Fund

11.50

The Pension Fund employs the services of an Independent Financial Adviser

(IFA). The activities of the IFA are reviewed by the Committee on an annual basis. Peter Davies, the current IFA, was appointed from February 2009 for five years with an option to extend for a further five years. This is the third annual review of his activities **(PF13)**.

This item is exempt because its discussion in public might lead to the disclosure to members of the public present information relating to the financial or business affairs of any particular person (including the authority holding the information).

The Pension Fund Committee are RECOMMENDED to note the report and consider if they wish to offer any feedback to Mr Davies in relation to his performance as IFA during the last year.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Fund Manager Monitoring Arrangements

12.05

This report **(PF14)** sets out the proposed arrangements for monitoring the performance of the Fund Managers during 2012/13.

The Committee is RECOMMENDED to approve the Fund Manager monitoring arrangements as set out in PF14.

15. Annual Business Plan and Budget 2012/13 and Cash Management Strategy

12.10

This report will set out the key elements of the Business Plan for administration and investment teams for the 2012/13 year. The Committee will be asked to approve the Plan, the associated budget and the risk register for the Fund. A proposed Pension Fund Cash Management Strategy is also before the Committee for consideration.

The proposed Business Plan, associated budget and Risk Register is attached at **PF15(a)**.

The Cash Management Strategy report, together with its Annexes are attached for consideration at **PF15(b)**.

The Committee is RECOMMENDED to:

- (a) approve the Business Plan and budget for 2012/13 as set out in Annex 1;**
- (b) approve the Pension Fund Cash Management Strategy for 2012/13:**
 - (i) 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;

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

16. Changes to the Local Government Pension Scheme

12.30

This report **(PF16)** updates the Committee on the progress to introducing change to the Local Government Pension Scheme following the review of Lord Hutton. It also provides information to the Committee on proposed changes to the current LGPS regulations, and the response made by officers to this consultation.

The Pension Fund Committee is RECOMMENDED to note the latest position on the reform of the LGPS, and the consultation response submitted by officers on the draft LGPS (Miscellaneous) Regulations 2012.

17. Academies and the Local Government Pension Scheme (LGPS)

12.50

This report **(PF17)** responds to a letter sent to all Local Authority Leaders and Chief Executives in England setting out the statutory position regarding Academies and the Local Government Pension Scheme. The letter expresses concern that the basis of the calculation of the employer contribution rate for some Academies across the Country is inconsistent, and has led to Academies paying unjustifiably higher contributions compared to maintained schools in the same area. It therefore sets out the preferred approach of allowing Academies to be pooled with their former local authority.

This report sets out the background to the position in Oxfordshire, the issues surrounding pooling and asks the Committee to determine its views on the options available, and make any changes to the Funding Strategy Statement deemed necessary at this time. The views of the County Council Cabinet, following their discussion on this item on 13 March 2012 will be provided to the Committee.

Subject to the views of the County Council's Cabinet on allowing academies to pool with the County Council, the Committee are RECOMMENDED to defer establishing new pooling arrangements for Academies in Oxfordshire until such time as their numbers are more significant, representative views of Academy Trustees can be taken on board, and any pattern of Umbrella Trusts can be established.

18. Write Offs

13.00

This report **(PF18)** informs the Committee of the amounts approved for write off under the Council's Scheme of Financial Delegation.

The Pension Fund Committee is RECOMMENDED to note the report

19. Company Engagement

13:05

As requested at the last meeting on 2 December 2011, the report **(PF19)** provides a summary of the Pension Fund Investment Managers' policies and activities in relation to company engagement. It also sets out the Pension Fund Committee's responsibilities in relation to monitoring the application and effectiveness of these policies.

The Committee are RECOMMENDED to consider the policies and performance of the fund's investment managers in relation to company engagement and if they meet the requirements of the Oxfordshire County Council Pension Fund.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on Tuesday 13 March 2012 at 3.00 pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.