

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 18 March 2011 at 9.45 am

County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

March 2011

Contact Officer: **Julie Dean**
Tel: (01865) 815322; E-Mail: julie.dean@oxfordshire.gov.uk

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: 3 June 2011***

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 3 December 2010 (**PF3**) and to receive for information any matters arising on them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 9 - 38)**

9:55

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 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 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 December 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 4 - 5 - Baillie Gifford
Graph 6 - 7 - Legal & General
Graph 8 - 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 8, 9, and 10 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 10 and 11, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. Overview and Outlook for Investment Markets (Pages 39 - 46)

10:05

Report of the Independent Financial Adviser (**PF7**).

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.

8. Baillie Gifford

10:20

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 7 and 8.
- (2) The representatives (Mr L Robb and Mr A Dickson) 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 2010;
 - (b) give their views on the future investment scene.

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

9. Alliance Bernstein

11:00

- (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 December 2010;
 - (b) give their views on the future investment scene.

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

11. Summary by the Independent Financial Adviser

11:45

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.*

12. Fundamental Review of Investment Strategy and Management (Pages 47 - 86)

11:50

The Committee agreed to undertake a fundamental review of its Investment Management arrangements once every three years, following the Valuation of the Fund. The Independent Financial Adviser and Independent Consultant have undertaken the review and their report includes a review of the Investment Strategy, Investment Structure and Investment Manager Performance (PF12E).

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 are RECOMMENDED to approve the recommendations as contained within the report PF12E.

13. Annual Review of the Independent Financial Adviser (Pages 87 - 92)

12:50

The report (**PF13E**) reviews the activity of Mr P. Davies, the Independent Financial Adviser, 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 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 are RECOMMENDED to:

- (a) ***note the variation to Mr Davies contract, as set out in report PF13; and***
- (b) ***consider whether it wishes to provide Mr Davies with any feedback on his performance.***

LUNCH

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Independent Public Service Pensions Commission - Final Report

14.00

Lord Hutton is due to issue his final report on the future of public services pensions on 10 March. Sean Collins will give an oral report on its main findings.

The Committee is RECOMMENDED to note the report.

15. Oxfordshire Pension Fund Business Plan and Budget for 2011/2012 (Pages 93 - 108)

14:10

The Business Plan summarises the functions undertaken in managing the Fund, identifying and prioritising key tasks for the coming year and outlines the significant risks associated with the Fund. The budget for 2011/12 is also presented for approval (**PF15**).

The Committee is RECOMMENDED to approve the Pension Fund Business Plan and Budget for 2011/2012.

16. Pension Fund Cash Management 2011-12 (Pages 109 - 112)

14:20

From April 2011, the Fund's resources will be kept totally separate from County Council resources, including cash balances. Previously these cash balances were managed with the County Council's cash balances in accordance with the Council's Treasury Management Strategy. Separating resources means it is necessary for the Pension Fund to agree its own Cash Management Strategy.

The Pension Fund Committee is RECOMMENDED to:

- a) approve the Pension Fund Cash Management Strategy for 2011/12;***
- b) delegate authority to the Assistant Chief Executive and 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;***
- c) delegate authority to the Assistant Chief Executive and Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and***
- d) delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.***

17. Custody of Assets

14:30

At the meeting on 3 September 2010, the Committee delegated 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. As a consequence of the Council's Business Strategy, the post of Head of Finance & Procurement no longer exists. To avoid authorisation problems with banks and legal representatives of third parties, the Committee is asked to formally change the delegation to the Chief Finance Officer and Monitoring Officer. These roles are defined in the Council's Constitution.

The Pension Fund is RECOMMENDED to delegate decision making related to custody of assets to the Chief Finance Officer and Monitoring Officer, after consultation with the Chairman of the Committee.

18. Write Off's (Pages 113 - 114)

14:35

Report of the Assistant Chief Executive and Chief Finance Officer (**PF18**)

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

The Pension Fund Committee is RECOMMENDED to note this report.

19. Corporate Governance and Socially Responsible Investment

14:40

The Assistant Chief Executive & 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.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on 15 March 2011 at 4:00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.