

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 1 June 2012 at 10.15 am

County Hall, New Road, Oxford



Peter G. Clark
County Solicitor

May 2012

Contact Officer: **Julie Dean**
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Membership

Chairman –
Deputy Chairman -

Councillors

David Harvey
Bill Service
Jean Fooks

Roy Darke
Stewart Lilly
A.M. Lovatt

C.H. Shouler

Co-optees

District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 7 September 2012***
- ***Prior to the start of the meeting (at 9.30am) UBS will give a private training session on the CIPFA Knowledge & Skills Framework and the responsibilities of the Pension Fund Committee member.***

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. **Election of Chairman for the current year**
2. **Election of Deputy Chairman for the current year**
3. **Apologies for Absence and Temporary Appointments**
4. **Declarations of Interest - see guidance note**
5. **Minutes (Pages 1 - 8)**

To approve the minutes of the meetings held on 16 March 2012 (PF5) and to receive information arising from them.

6. **Petitions and Public Address**
7. **Overview of Past and Current Investment Position (Pages 9 - 34)**

10:20

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 March 2012 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 March 2012
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 March 2012
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 18 months has been produced graphically as follows:

Graph 1 Value of Assets
Graph 2 – 3 Baillie Gifford
Graph 4 – 5 Legal & General
Graph 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, 11, and 12 on the agenda.

8. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 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 item 13 there is no report circulated with the Agenda. Any exempt information will be reported orally.

9. Overview and Outlook for Investment Markets (Pages 35 - 42)

10:35

Report of the Independent Financial Adviser (**PF9**).

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.

10. UBS

10:50

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 7 and 9.
- (2) The representatives (Mr S. Lee and Mr A. Sander) 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 March 2012;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 March 2012.

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. Legal & General

11:30

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 7 and 9.
- (2) The representatives (Mr J. Cloke and Mr M. White) 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 March 2012;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 March 2012.

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:

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The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

12. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 43 - 46)

12:10

The Independent Financial Adviser will report on the main issues arising from the reports from Baillie Gifford in conjunction with information contained in the tables (Agenda Item 7) **(PF12)**. He will also update the Committee on progress in relation to the transition of the global equity mandate to Wellington.

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.

13. Summary by the Independent Financial Adviser

12:15

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.*

14. Review of Custody Arrangements (Pages 47 - 50)

12:20

The report (**PF14**) will update the Committee on a recent request from the Fund's Custodian for a revision of charges, and seek approval to initiate the retendering of the contract.

The Pension Fund Committee is RECOMMENDED to:

- a) ***note the report;***
- b) ***approve the appointment of a consultant to assist in the custody service selection process;***
- c) ***delegate responsibility for the interview and appointment process of a Global Custodian to Officers; and***
- d) ***request officers to report back to the Committee on their reasons for***

appointing the successful Global Custodian.

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.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. The New Look Local Government Pension Scheme - 2014 Project

12:25

The report **(PF15)** will cover the proposed changes to the Local Government Pension Scheme following the detailed negotiations between the Government, Employers and the Unions. The Committee will be invited to respond to the Consultation.

NB: This report is subject to the Consultation Paper being published in time to enable proper consideration at this meeting.

16. Review of Committee Policies (Pages 51 - 94)

12:40

The report **(PF16)** invites the Committee to complete the annual review of their policies as required under the Pension Fund Regulations. Separate Annexes cover the Governance Compliance Statement, Statement of Investment Principles, Funding Strategy Statement, Scheme of Delegation and the Communication Policy.

The Committee are RECOMMENDED to approve the revised policy documents as set out in Annexes 1-5 to this report, noting the main changes in the documents.

17. Admission Agreements (Pages 95 - 96)

12:55

This report (PF17) presents applications from Carillion and Capita for admission to

the Local Government Pension Fund due to the outsourcing of Property Services; QUEST and Food with Thought.

The Independent Living Service is also being outsourced and there are two applications for admission arising from this.

Also to update members on change of name for an existing admitted body.

The Committee is RECOMMENDED to

- a) Approve the above applications subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed;**
- b) Note the change of name for Oxfordshire and Berkshire Mental Health Trust to The Oxford Health NHS Foundation Trust**

18. Write Off's (Pages 97 - 98)

13:00

The report **(PF18)** provides the Committee with summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

The Pension Fund Committee is RECOMMENDED to note the report

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Tuesday 29 May 2012 at 3.00pm**