

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 7 September 2012 commencing at 10.00 am and finishing at 2.25 pm

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)
Councillor Jean Fooks
Councillor Roy Darke
Councillor Stewart Lilly
Councillor Sandy Lovatt
Councillor C.H. Shouler

District Council Representatives Councillor Jerry Patterson

By Invitation: P. Davies (Independent Financial Adviser); P. Gerrish (Beneficiaries Adviser)

Officers:

Whole of meeting S. Collins and S. Fox (Environment & Economy); D. Ross and J. Dean (Chief Executive's Office)

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

- *WM UK Local Authority Annual Review 2011/12 (Agenda Item 7); and*
- *Report of main issues arising from reports of the Fund Managers not represented at this meeting (Agenda Item 11)*

and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports copies of which are attached to the signed Minutes.

38/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor Richard Langridge gave his apologies.

39/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Darke, Fooks, Harvey, Lilly, Patterson and Service each declared an interest as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

40/12 MINUTES

(Agenda No. 3)

The Minutes of the meeting of the Committee held on 1 June 2012 were approved and signed subject to the inclusion of Councillors Richard Langridge and Jerry Patterson to those recorded as present at the meeting.

With regard to Minute 26/12 – At the request of the Committee, Mr Collins undertook to submit a report to the next meeting setting out the lessons learned from the lengthy transition time of the Wellington transfer, in order to set a pathway for the future so that funds could be moved across as expeditiously as possible.

41/12 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no petitions submitted or any requests to address the meeting by members of the public.

42/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

Mr Davies reported that the second quarter for 2012 was not a good quarter for depreciation, commenting that the overall value of equities had fallen by £33m. There had, however, been a steady move up in equities since the end of June. Bonds had increased. He added that towards the end of August the Fund had gained a further £20m, which gave an approximate overall value of £1.6m ~~290bn~~ *Over the second quarter 2012 and over 12 months the Fund was performing in line with the benchmark and was performing -0.3% over 3 years and -1.5% over 5 years.

* amended as shown in bold and strikethrough at meeting on 7 December 2012

RESOLVED: to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 8, 9, 10 and 11 in the Agenda.

43/12 EXEMPT ITEMS

(Agenda No. 6)

It was **RESOLVED** that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12, 13 and 17 in the Agenda since it was likely that if they were present during those items there would be a disclosure of exempt information as defined in Part 1 of Schedule 12 A 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 circumstances of each case, the public interest in disclosing the information.

44/12 PRESENTATION BY THE WM COMPANY ON THE FUND'S INVESTMENT PERFORMANCE FOR 2011/12

(Agenda No. 7)

Karen Trumble, representing the WM Company, presented her report (PF7) on the Pension Fund's investment performance for the 12 months ended 31 March 2012. The presentation compared Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe. A copy of her presentation is attached to the signed copy of the Minutes.

The public were 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.

RESOLVED: to take note of the points raised in the presentation and to thank Karen Trumble for her presentation.

45/12 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report of the Independent Financial Adviser (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Advisor responded.

The public were 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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RESOLVED: To receive the report, tables and graphs and the oral report of the Independent Financial Manager and to bear his conclusions in mind when considering the Fund Managers' reports.

46/12 WELLINGTON

(Agenda No. 9)

The representatives, Mr I. Link and Mr T. Sutton (who attended in place of Ms. N. Staunton) gave a summary of the profile and future strategy of Wellington.

The public were 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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RESOLVED: to note the summaries.

47/12 BAILLIE GIFFORD

(Agenda No. 10)

The representatives, Mr. A. Dickson and Mr. I. McCombie, reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2012.

The public were 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.*

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

48/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser tabled a report on the main issues arising from the reports from UBS in conjunction with information contained in the tables and graphs at Agenda Item 5 (a copy of which is attached to the signed Minutes). He also reported orally on a telephone communication with Legal & General. He pointed out that UBS had performed poorly in the second quarter, adding also that Steve Lee had

left the company, to be replaced by Malcolm Gordon. The performance of Legal & General remained good.

Mr Davies also reported on a meeting with Adam Street in preparation for a report to the next meeting of the Committee.

The public were 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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RESOLVED: To note the reports.

49/12 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The public were 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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Mr Davies reported that he had no further comments.

50/12 ADDITIONAL VOLUNTARY CONTRIBUTIONS SCHEME - ANNUAL REVIEW

(Agenda No. 13)

The Committee considered a report (PF13) that provided details of the annual review of the Fund's Additional Voluntary Contribution (AVC) Scheme. The report also included issues regarding the performance of the individual funds and the Scheme Provider (Prudential) itself.

The public were 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 Scheme Provider involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the report and to confirm the continued use of Prudential as the Council's AVC provider.

ORDER OF BUSINESS

RESOLVED: that Agenda Items 17, 15 and 16 be taken, in that order, to be followed by Agenda Items 14, 18 to end.

51/12 EMPLOYER UPDATE

(Agenda No. 17)

The Committee considered a report (PF17) which gave an update on new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). The report also provided information on the closure of a scheme employer. It also covered the changing membership of the Fund and the potential future implications in terms of cash flow and investment decisions. In addition, it considered the necessity of maintaining previous insurance arrangements required of admitted bodies.

Sally Fox informed the Committee of amendments which had been made to the detail of one of the contracts. She assured the Committee that this did not alter the position or the recommendation being put to Members.

The public were 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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Following a number of questions raised by Members it was **RESOLVED** to:

- (a) note the applications for admitted body status, as agreed under delegated powers;
- (b) approve the recommendation as contained in the exempt report PF17;
- (c) discontinue the insurance scheme for unpaid contributions; and
- (d) note the cash flow position for the Fund and to ask the Officers to monitor the situation and bring further reports back to the Committee as necessary.

READMISSION OF PRESS AND PUBLIC

52/12 PENSION INVESTMENT AND ADMINISTRATION OUTTURN REPORT 2011/12

(Agenda No. 15)

The Committee had before them a report (PF15) which covered the outturn figures for both the Pension Investment and Administration Teams, and which explained any key differences for the approved budgets.

Mrs Ross responded to questions from Members.

RESOLVED: to receive the report and to note the outturn position.

53/12 PENSION ADMINISTRATION - SERVICE PERFORMANCE

(Agenda No. 16)

The Committee had before them a report (PF16) which gave information on the annual review of the Pensions Administration Service, highlighting key performance indicators and any key issues over the past year.

Sally Fox undertook to check on the distribution of Member's annual pension statements.

RESOLVED: to note the report.

54/12 DRAFT ANNUAL REPORT AND ACCOUNTS 2011/12

(Agenda No. 14)

The Committee considered the draft Annual Report and Accounts for 2011/12 (PF14) which showed the final accounts for the Pension Fund ended 31 March 2012 and provided details on how the Fund operated, including sections on membership and investments.

Mary Fetigan, representing the Audit Commission, attended the meeting to present the findings and to respond to questions from Members.

RESOLVED: to receive the draft report and accounts for 2010/11 and to thank Mary Fetigan for her presentation.

55/12 PENSION ADMINISTRATION - REGULATION UPDATE

(Agenda No. 18)

The Committee considered a report (PF18) which sought approval for new procedures to be introduced following a change to the Administration Regulations allowing the administering authority to make payment of benefits to an authorised person in instances where the member is incapable of managing their own affairs.

RESOLVED:

- (a) to introduce an internal procedure for the payment of benefits in cases where no formal arrangements exist;

- (b) that appropriate medical evidence be submitted to support the internal procedure; and
- (c) to delegate the decision making process to the Assistant Chief Executive & Chief Finance Officer, following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson.

56/12 WRITE OFF'S
(Agenda No. 19)

The Committee had before them a report (PF19) which informed them of any write off's that had been agreed by Officers in line with the approved arrangements set out in the Scheme of Financial Delegation for the Fund.

RESOLVED: to note the report.

57/12 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 20)

The Committee noted that there were no other issues to report.

58/12 ANNUAL PENSION FORUM
(Agenda No. 21)

RESOLVED: that the 2012 Annual Pension Forum be held on Friday 14 December 2012.

..... in the Chair

Date of signing