



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 8 March 2013 at 10.10 am

County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

February 2013

Contact Officer: **Julie Dean**
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Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

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 June 2013***
- ***A representative of Baillie Gifford, Marianne Harper Gow, will give a training session on Corporate Governance for members of the Committee immediately prior to the meeting. This will start at 9.30 am and will be held in the meeting room itself.***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Rachel Dunn on (01865) 815279 or Rachel.dunn@oxfordshire.gov.uk for a hard copy of the document.

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 7 December 2012 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 9 - 36)**

10:15

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 2012 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 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 24	provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 31 December 2012
Table 25	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
Graphs 2 – 3 – Baillie Gifford
Graphs 4 - 5 – Wellington
Graphs 6 - 7 – Legal & General
Graphs 8 – 12 - 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 7, 8, 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 and 12 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 11, there is no report circulated with the Agenda. Any exempt information will be reported orally.

7. Overview and Outlook for Investment Markets (Pages 37 - 44)

10:30

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

10:40

- (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 7.
- (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 2012;
 - (b) give their views on the future investment scene.

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

9. Wellington

11:20

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 5 and 7.

- (2) The representatives (Ms N Staunton and Mr T Burgess) 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 2012;
 - (b) give their views on the future investment scene.

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

10. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 45 - 48)

12:00

The Independent Financial Adviser will report on the main issues arising from the reports from UBS and Legal & General (**PF10**) in conjunction with information contained in the tables (Agenda Item 5).

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

12:05

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. Annual Review of the Independent Financial Adviser (Pages 49 - 52)

12:10

The Pension Fund employs the services of an Independent Financial Adviser (IFA). 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 fourth annual review of his activities (**PF12**). The report reviews his activities and performance over the last year, and considers any changes to the current arrangements and fee levels.

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 Committee is RECOMMENDED to:

(a) 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; and

(b) discuss any contractual issues arising from the report and to delegate authority to the Service Manager, Pensions, Insurance and Money Management for their agreement and signature.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

13. Fund Manager Monitoring Arrangements (Pages 53 - 54)

12:20

Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. This report **(PF13)** sets out the proposed schedule for 2013/14 for approval.

The Committee is RECOMMENDED to approve the Fund Manager Monitoring Arrangements as set out in the report.

14. Corporate Governance - Voting (Pages 55 - 74)

12:25

The report **(PF14)** sets out the current voting arrangements of the Oxfordshire Pension Fund and reviews voting activities during 2012.

The Committee is RECOMMENDED to:

- (a) ***note the Fund's voting policies and activities and consider whether or not they continue meet the requirements of the Oxfordshire County Council Pension Fund; and***
- (b) ***decide whether or not they wish to continue to use proxy voting advisors or fully delegate vote decisions to fund managers.***

15. Annual Business Plan, Budget and Cash Management Strategy 2013/14 (Pages 75 - 98)

12:35

The report **(PF15)** sets out the Pension Fund annual business plan for the 2013/14 financial year which includes the business priorities and budget for 2013/14, the current risk register and the cash management strategy for 2013/14.

The Committee is RECOMMENDED to:

- (a) ***approve the Business Plan and Budget for 2013/14 as set out at Annex 1;***
- (b) ***approve the Pension Fund Cash Management Strategy for 2013/14 as set out at Annex 2;***
- (c) ***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;***

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

16. Academies and Pooling within the Oxfordshire LGPS Fund (Pages 99 - 114)

12:40

The report **(PF16)** provides feedback on the results of the recent consultation exercise in respect of the options for pooling Academy schools within Oxfordshire's LGPS Fund.

The Committee are recommended to consider the responses received, and determine what changes, if any, to make to the Funding Strategy Statement which would allow academies to be pooled for the purposes of the 2013 Valuation.

The covering letter which was sent out to all schools, together with the Consultation document on Options for Pooling are attached at Annex 1. Any later responses received after the report deadline will be reported by means of an Addendum.

The Committee are RECOMMENDED to consider in light of the responses to the consultation, what changes, if any, it wishes to make to the Funding Strategy Statement in respect of pooling academy schools, which will then form the basis of the 2013 Valuation results.

17. Employer Issues (Pages 115 - 118)

12:50

The report **(PF17)** seeks Committee approval for any new admissions to the Fund. It also updates the Committee on the cessation of a previous admitted body as a result of insolvency.

The Committee is RECOMMENDED to:

- a) note the progress of previously approved applications for admitted body status;***
- b) approve the application for admitted body status by Pabulum;***
- c) approve the amendment to the admission agreement with Carillion;***
- d) approve the application for admitted body status by The Banbury Museum Trust;***
- e) note the information regarding the cessation of AAA NORCAP as a scheme employer; and***

- f) agree the approach being proposed in respect of certain cessation situations, whereby subject to adequate safeguards, employers with no active members can still contribute towards a past service deficit, rather than be charged an immediate cessation valuation.*

18. Write Offs (Pages 119 - 120)

12:55

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

The Committee is RECOMMENDED to note the report.

19. Amendment to the Statement of Investment Principles (Pages 121 - 130)

13:00

The Pension Fund is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to publish and keep under regular review a Statement of Investment Principles, which govern the investment of the Fund.

The report (**PF19**) recommends Committee to amend their Statement of Investment Principles to bring the overall Performance Target for the Fund into line with the decisions to appoint Wellington as an active global equity manager and to switch £100m of the Fund into a passive global equity mandate. The Committee is also recommended to extend the current arrangements whereby the limit on the proportion of the Fund invested in a single insurance contract has been increased from 25% to 35%. A revised Statement of Investment Principles, incorporating these changes, is attached at Annex 1.

The Committee is RECOMMENDED to approve the revised Statement of Investment Principles as set down at Annex 1 to the report.

20. Pension Fund Taxation Review (Pages 131 - 134)

13:05

The report (**PF20**) will update the Committee on the latest position regarding tax reclaims, and, where appropriate, seek approval to join further legal actions to recover overpaid tax.

The Committee is RECOMMENDED to:

- (a) note the outcome of the review of taxation undertaken for the*

Pension Fund;

- (b) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue withholding tax reclaims in any EU territories, following the completion of a detailed cost benefit analysis; and***
- (c) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue a tax reclaim for MODs, following the completion of a detailed cost benefit analysis.***

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Tuesday 5 March 2013 at 3.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.