



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 6 September 2013 at 10.10 am

County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

August 2013

Contact Officer: **Julie Dean**
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Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Surinder Dhesi
Jean Fooks
Mark Gray

Nick Hards
Richard Langridge
Sandy Lovatt

Neil Owen

Co-optees

District Councillor Hywel Davies
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 6 December 2013***
- ***Karen Thrumble from the WM Company will give a training session on 'Understanding Benchmarks, Performance Targets and Risk' prior to the meeting, starting at 9.30 am 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 - 10)

To approve the note of the informal meeting held on 14 June 2013 and the Minutes of the meeting held on 9 July 2013 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position** (Pages 11 - 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 30 June 2013 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2013
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 30 June 2013

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 - Wellington
Graph 5 - 6 – Legal & General
Graphs 7 - 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 11,12 and13 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 item13, there is no report circulated with the Agenda. Any exempt information will be reported orally.

7. Exempt Minutes (Pages 37 - 40)

10:20

To approve the exempt minutes of the informal meeting held on 14 June 2013 and of the meeting held on 9 July 2013 (**PF7**) and to receive information arising from them.

8. Presentation by the WM Company on the Funds Investment Performance

10.25

Karen Thrumble (WM) will review the Fund's performance for the 2012/13 year, including comparison to benchmark data from the WM Local Authority Pension Fund Universe.

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.*

Members will be invited to question and comment.

9. **Overview and Outlook for Investment Markets** (Pages 41 - 48)

11:05

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. It also provides the context for consideration of the reports from the Fund Managers. 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. **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 9.
- (2) The representatives (Nicola Staunton and Ian Link) 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 30 June 2013;
- (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2013.

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. Baillie Gifford

12:00

- (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 9.
- (2) The representatives (Anthony Dickson and Ian 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 30 June 2013;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2013.

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 49 - 54)

12:40

Attached at **PF12** is the report of the Independent Financial Adviser on the main issues arising from the officer meetings with UBS Global Asset Management and Legal & General Investment Management. These reports should be read 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 contained in PF12 and to take any necessary action, if required.

13. Summary by the Independent Financial Adviser

12:45

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.

14. Securities Lending (Pages 55 - 68)

12:50

This report (**PF14**) seeks the Committee's agreement to a revised securities lending policy following the change of Custodian arrangements.

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.*

The Committee is RECOMMENDED to:-

(a) delegate to officers responsibility for reviewing and approving the securities lending approved counterparty list;

(b) agree any changes required to the securities lending collateral policy; and

(c) restrict the value of securities on loan to 25% of the total fund

(d) agree the continued use of discretionary lending for UK and overseas securities.

LUNCH

13:00

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. Draft Annual Report and Accounts 2012/13 (Pages 69 - 136)

14:00

The draft Annual Report and Accounts for 2012/13 is before the Committee at **PF15** for comment and amendment. The finalised report will be submitted to the Committee's December meeting for adoption.

Mary Fetigan, representing Ernst & Young, the Fund's external auditors will attend to present any key findings of their audit and answer questions from the Committee.

The Committee is RECOMMENDED to receive the draft report and accounts for 2012/13.

16. Pension Investment and Administration Outturn Report 2 - year ended 31 March 2013 (Pages 137 - 140)

The report (**PF16**) covers the income and expenditure of the Pension Investment and Administration Teams during 2012/13 and explains key variations from the agreed budget.

The Committee is RECOMMENDED to receive the report PF16 and to note the outturn position.

17. Pension Administration - Service Performance (Pages 141 - 144)

14:30

The report **PF17** provides details of the annual review of the performance of the Pensions Administration Team highlighting key performance indicators.

The Committee is RECOMMENDED to note the report PF17.

18. Annual Review of Scheme Policies (Pages 145 - 190)

14:40

The report (**PF18**) provides an opportunity for the Committee to undertake a formal review of its major policy documents, held in line with the LGPS Regulations. The last such comprehensive review of policies was in June 2012, and the report provides an update of any key changes since that date.

The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1-6 to this report, noting the main changes in the documents as discussed above.

19. Employer Issues (Pages 191 - 198)

14:50

The attached reports (**PF19**) seek Committee approval for any new admissions to the Fund, as well as update the Committee on the status of any current employer which impacts on future Scheme membership. There are two reports for this item as one contains exempt information and therefore has to be considered in exempt session.

- (a) This report (**PF19**) updates the Committee on a previous application for admission to the Fund, and details a current case regarding the closure of a scheme employer's admission agreement.

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.*

The Committee is RECOMMENDED to

- a) ***note the progress made on the application; and***
 - b) ***authorise the officers to continue to seek recovery of these monies on an agreed recovery period.***
- (b) This report (PF19) updates members on recent employer issues including applications for admission and the closures of scheme employers.

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 Adviza;***
- c) ***delegate the approval of new admission bodies detailed above to the Service Manager (Pensions) following consultation with the Chairman of this Committee; and***
- d) ***note the cessation of scheme employers as detailed in the report.***

20. LGPS - Regulation Update (Pages 199 - 220)

15:00

The report (PF20) updates members on the recent consultation exercises on the New Look LGPS 2014, and on future Governance Arrangements. It also seeks Committee approval to the response to the recent Call for Evidence on the future arrangements for the LGPS.

The following papers are annexed to the report PF20:

Annex 1 and Annex 2 – copies of consultation responses made by this Committee

Annex 3 – draft consultation response for consideration by this Committee.

The Committee is RECOMMENDED to note the consultation responses included at Annexes 1 and 2, and agree any changes to the draft consultation response at Annex 3 for submission to the Department for Communities and Local Government.

21. Scheme Management in Oxfordshire

15:20

Officers will provide an oral update on the on-going discussions in respect of the future management of the Oxfordshire Fund, as agreed at the 14 June 2013 meeting.

*The Committee is **RECOMMENDED** to note the report.*

22. Write Off's (Pages 221 - 222)

15:30

The report (**PF22**) will provide the Committee with summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

*The Committee is **RECOMMENDED** to note the report.*

23. Annual Pension Forum

15:35

To remind Members of the Committee that the Annual Pension Forum will take place on **Friday 13 December 2013 at 10:00 am.**

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Wednesday 4 September 2013** at **2.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.