



To: Members of the Pension Fund Committee

## ***Notice of a Meeting of the Pension Fund Committee***

**Friday, 14 March 2014 at 10.10 am**

**County Hall, New Road, Oxford**

*Peter G. Clark.*

Peter G. Clark  
County Solicitor

March 2014

Contact Officer: **Julie Dean**  
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### **Membership**

Chairman – Councillor Stewart Lilly  
Deputy Chairman - Councillor Patrick Greene

#### *Councillors*

Lynda Atkins  
Surinder Dhesi  
Jean Fooks

Nick Hards  
Richard Langridge  
Sandy Lovatt

Neil Owen

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#### *Co-optees*

District Councillor Hywel Davies  
District Councillor Jerry Patterson

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#### **Notes:**

- ***A lunch will be provided***
- ***Date of next meeting: 6 June 2014***
- ***Anthony Dickson from Baillie Gifford will give a training session on Diversified Growth Funds at 9.30 am on the day of the meeting, 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](mailto: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 Minutes of the meeting held on 6 December 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 31 December 2013 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 March 2010
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 2013
Table 25	Provides details of the Pension Fund's top holdings

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  
Graphs 5 – 6 - Legal & General  
Graphs 7 and 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.***

## **6. EXEMPT ITEMS**

***The Committee is RECOMMENDED that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 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 9 and 10, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

## **7. Exempt Minutes (Pages 37 - 40)**

**10:25**

To approve the exempt Minutes of the meeting held on 6 December 2013 **(PF7)** and to receive information arising from it.

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

**10:30**

Report of the Independent Financial Adviser **(PF8)**.

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. It 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.**

## **9. 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 8.
- (2) The representatives (Anthony Dickson and Iain 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 2013;
  - (b) give their views on the future investment scene.

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

## **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 8.
- (2) The representatives (Luke Stellini and Nicola Staunton) 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 2013;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 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. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 49 - 54)**

**12:00**

The Independent Financial Adviser will report (PF11) on the officer meetings with Legal & General and UBS, as well as update the Committee on any other issues relating to the Fund Managers not present. 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 and to take any necessary action, if required.**

## **12. 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.*

## **13. Fundamental Asset Allocation (Pages 55 - 108)**

**12:10**

The report (**PF13**) sets out information on the past performance of the Fund and its Fund Managers, and reviews the current asset allocation in light of the 2013 Valuation results and other key factors which impact on the Fund's ability to meet its future liabilities. The Committee are asked to agree the asset allocation to cover the next three years.

*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 consider and agree the recommendations of the Independent Financial Adviser, as set out in his report.**

#### **14. Annual Review of the Independent Financial Adviser (Pages 109 - 112)**

**12:35**

The report (**PF14**) reviews the activities and performance over the last year of the Independent Financial Adviser (IFA). Peter Davies was initially appointed to the position in February 2009 on a five year contract. Last year, the Committee agreed to exercise the option to extend the contract for a further five years. The contract has been amended to reflect the change in that Mr Davies is now contracted through AllenbridgeEpic Investment Advisers Limited.

*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 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.**

#### **15. Employer Cessation (Pages 113 - 116)**

**12:45**

The report (**PF15**) seeks the Committee's agreement to the write off of a cessation valuation of one of the Fund's Community Admission Bodies.

*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 agree to write off the outstanding debt and cancel the outstanding invoice.***

**16. Additional Voluntary Contributions Scheme - Annual Review**  
(Pages 117 - 124)

**12:50**

The report (**PF16**) provides details of the annual review of the Fund's Additional Voluntary Contribution (AVC) Scheme, including issues regarding the performance of the individual funds and the Scheme Provider (Prudential) itself.

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

***The Committee is RECOMMENDED to note the report and to confirm the continued use of Prudential as the Council's AVC provider.***

**LUNCH**

**ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC**

**17. Annual Business Plan, Budget and Cash Management Strategy**  
**2014/15** (Pages 125 - 148)

**14:00**

The report (**PF17**) sets out the Pension Fund annual business plan for the 2014/15 financial year which includes the business priorities, budget and cash management strategy for 2014/15 and the current risk register.

The annual Business Plan and Budget for 2014/15 (Annex 1)

The Risk Register (Appendix D of Annex 1)

The Pension Fund Cash Management Strategy for 2014/15 (Annex 2)

**The Committee is RECOMMENDED to:**

**(a) approve the Business Plan and Budget for 2014/15 as set out at Annex 1;**

**(b) approve the Pension Fund Cash Management Strategy for 2014/15 as set out at Annex 2;**

**(c) delegate authority to the 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 Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and**

**(e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.**

## **18. Potential Scheme Merger (Pages 149 - 152)**

**14:10**

The report (**PF18**) updates the Committee on the latest position in respect of the potential merger of the Oxfordshire Pension Fund with the Buckinghamshire and Berkshire Funds.

***The Committee is RECOMMENDED to note the report, and the current position on the project, and identify any additional issues they wish to see in the business case to be presented to the 6 June 2014 meeting.***

## **19. Local Government Pension Scheme (LGPS) 2014 Update (Pages 153 - 166)**

**14:15**

The report (**PF19**) updates the Committee on the progress towards the implementation of the new Local Government Pension Scheme from 1 April 2014. Annex 1 to the report also includes recommendations for any changes which need to be made to the Administering Authority discretions.

**The Committee is RECOMMENDED to:**

**a) note progress of the 2014 scheme implementation;**

**b) delegate to officers the option of refusing a request to pay APC by instalment, if impractical to do so;**

- c) ***agree that a medical report, confirming the member is in good health, is required before an APC to buy additional pension can be signed;***
- d) ***agree that no medical report will be required where an APC to buy additional pension is by lump sum, but that the contract will not be valid until payment is received by the fund;***
- e) ***confirm that no charges should be introduced for estimates for the transfer of an in-house AVC where the arrangement was entered into prior to 1 April 2014;***
- f) ***amend the current delegation to officers to determine to whom payment should be made in the case of the death of a scheme member to cover all sums due, unless the case is contentious;***
- g) ***confirm all pension accounts should be kept in line with regulatory and system requirements;***
- h) ***confirm that in the absence of an election from a member, benefits should be merged with the next record, as determined by date of starting membership;***
- i) ***decide whether any changes should be made to the current arrangements of collecting capital costs, and specifically the capital costs relating to ill-health retirements;***
- j) ***extend the provisions in i) to include the upfront collection of any fund strain costs arising from an employer waiving an actuarial reduction;***
- k) ***maintain the current time limit of three months for member notification to draw retirement benefits;***
- l) ***introduce commutation of small pension amounts in line with HMRC limits and guidance on the request of the Member;***
- m) ***replace the service level agreement with an administration strategy to be approved by this Committee and to determine any other matters to be included;***
- n) ***agree that the fund continues to allow transfers in and that the administering authority discretion would mirror the employer discretion in whether transfers were allowed outside of 12 months;***
- o) ***agree that officers calculate best rate of pay to be used in payment of benefit where member has died before making an election; and***
- p) ***decide what financial information should be provided by co-habiting partners to confirm financial dependency and entitlement to benefits.***

## 20. Employer Issues (Pages 167 - 170)

14:25

The report (**PF20**) seeks Committee approval for any new admissions to the Fund. It also updates the Committee on the status of any current employer which impacts on future Scheme membership.

*The Committee is RECOMMENDED to:*

- (a) *note the progress of previously approved applications for admitted body status;*
- (b) *agree to the withdrawal of admission agreements, in certain circumstances as detailed in the report;*
- (c) *approve the application for admitted body status by Cara Cleaning Services; Carillion; The Cleaning Co-Op; D F Williams and PAM Wellbeing Limited subject to either pass through arrangements or bonds being put in place; and*
- (d) *note the progress of previously reported cessation cases.*

## 21. Write Offs (Pages 171 - 172)

14:30

The report (**PF21**) provides 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.*

## 22. Corporate Governance and Socially Responsible Investment

14:35

This item covers any issues concerning Corporate Governance and Socially Responsible Investment which needs to be brought to the attention of the Committee.

## 23. Annual Pension Forum

14:40

The Chief Finance Officer will report orally on any issues arising from the last Forum or about the Annual Pension Forum which will take place on **Friday 12 December 2014 at 10 am at Unipart House.**

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**Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Wednesday 12 March 2014 at 2:00pm** in the Members Board Room for the Chairman, Deputy Chairman and Opposition Group Spokesman.