



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 13 March 2015 at 10.15 am

Meeting Rooms 1 & 2, County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

March 2015

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

Co-optees

District Councillor Hywel Davies
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 5 June 2015***
- ***Annemarie Allen from Barnett Waddington will give a training session on the Management of Employer 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 Glenn Watson on (01865) 815270 or glenn.watson@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 5 December 2014 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **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 December 2014 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2014
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 2014
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 3 - Baillie Gifford
Graph 4 – Wellington
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 8, 9 and 10 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 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 items 8 and 9, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. Overview and Outlook for Investment Markets (Pages 35 - 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

10:35

- (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 (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 2014;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2014.

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

11:05

- (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 (Nicola Staunton and Luke Stellini) 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 2014;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2014.

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 - 50)

11:35

The Independent Financial Adviser will report **(PF10)** on the officer meetings with UBS and Legal and General, as well as update the Committee on any other issues relating to the Fund Managers not present , including issues in respect of the Private Equity portfolio.

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

11:40

The Independent Financial Adviser will, if necessary, summarise any issues arising from 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. Management of Employer Risk (Pages 51 - 82)

11:45

This item includes a detailed employer risk report prepared by Barnett Waddington, the Fund's Actuary (**PF12**). The report sets out information on deficit levels, and financial risks to the Fund, and looks at key ways of reducing levels of risk going forward.

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 reveal financial and other information of scheme employers.*

The Committee is RECOMMENDED to:

- a) confirm that a total risk score of 60% or more is the standard indicator to be used;**
- b) agree that officers should review and contact scheme employer identified in the report and, report back to the Committee on a**

regular basis;

- c) confirm that this report should be submitted to Committee on an annual basis, unless external factors change the risk profiles; and**
- d) consider and incorporate any changes in next review of the Funding Strategy Statement**

13. Annual Review of the Independent Financial Adviser (Pages 83 - 86)

12:10

The report (**PF13**) reviews the work undertaken by the Independent Financial Adviser over the past 12 months, and invites the Committee to agree any feedback on the levels of service received and/or changes going forward.

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 to consider if it wishes to offer any feedback to Mr Davis in relation to his performance as Independent Financial Adviser during the last year.

14. Report on Delegated Decision taken by the Chief Finance Officer (Pages 87 - 96)

12:20

To report a recent decision made by the Chief Finance Officer under delegated powers in respect of a request for the release of deferred benefits where the previous employer was no longer in existence (**PF14**).

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.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. **Oxfordshire Pension Fund Business Plan for 2015/16** (Pages 97 - 120)

12:25

The report **(PF15)** sets out the Pension Fund annual business plan for the 2015/16 financial year which includes the key objectives of the Fund, the service priorities for the coming year, a budget for 2015/16 and the latest risk register for the service.

The Committee is RECOMMENDED to:

- (a) approve the Business Plan and Budget for 2015/16 as set out at Annex 1;*
- (b) approve the Pension Fund Cash Management Strategy for 2015/16 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.*

16. **Local Pension Boards** (Pages 121 - 140)

12:35

The Public Service Pension Act 2013 require Pension Boards to be established for all public service pension schemes. The reports at PF16 detail the recommendation for the establishment of a local Pension Board for the Oxfordshire Local Government Pension Scheme and for all of the Firefighter Pension Schemes. It also asks the Committee to agree the Constitution for the Oxfordshire Local Government Pension Scheme Board **(PF16)**.

The amendment to the regulations require the Pension Boards to be established by the 1 April 2015 with training being delivered by the Local Government Association in May and June 2015 for Pension Board members.

The reports detail the background to the legislation and the proposals for the governance and structure of the Oxfordshire Firefighters Pension Board.

With regard to the Oxfordshire Local Government Pension Scheme, the Pension Fund Committee is RECOMMENDED to:

- (a) discuss the draft constitution as presented as Annex 1 to this report and in particular the points highlighted in paragraph 6 above, and***
- (b) agree the Constitution of the Oxfordshire LGPS Local Pension Board as presented in Annex 1, with any changes identified under (a) above.***

With regard to the Oxfordshire Firefighters Pension Board, the Pension Fund Committee is RECOMMENDED to:

- (a) delegate the authority to the Chief Fire Officer to make decisions on the everyday administration of the Scheme;***
- (b) agree the proposed format of the Firefighters Pension Board; and***
- (c) agree the delegation for the sign-off for the terms of reference to the Chairman of the Pension Fund Committee.***

17. Employer Update (Pages 141 - 142)

12:50

The report **(PF17)** seeks 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.

The Committee is RECOMMENDED to:

- a) note the position regarding previous applications;***
- b) approve the application from UBICO providing that either a pass through arrangement, or a bond is put in place;***
- c) approve the write off in respect of AAA NORCAP; and***
- d) note the position regarding closure of scheme employers***

18. Corporate Governance - Voting (Pages 143 - 152)

12:55

The report **(PF18)** provides information on voting records of the fund managers in circumstances when they have voted on behalf of the Pension Fund.

The Committee is RECOMMENDED to note the Fund's voting activities.

19. Pension Fund Scheme of Delegation (Pages 153 - 158)

13:00

The Committee is asked to agree variations to the Scheme of Delegation to reflect recent organisational changes within the Council **(PF19)**.

The Committee is RECOMMENDED to:

a) note the report; and

b) approve amendments to the Scheme of Delegation as shown at Annex 1.

20. Write Offs (Pages 159 - 160)

13:10

The report **(PF20)** 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.

21. Corporate Governance and Socially Responsible Investment (Pages 161 - 164)

13:15

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

At the last meeting the Committee asked that UBS prepare a report following the

presentation by Professor Allport on di-vesting in fossil fuels. This is attached at **PF21**

The Committee is asked to note the report from UBS.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing in the **Members' Board Room**, County Hall on **Wednesday 11 March 2015 at 2.00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.**