



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 5 December 2014 at 10.15 am

County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

November 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

Co-optees

District Councillor Hywel Davies
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 13 March 2015***
- ***Ellis Eckland, from UBS, will run a training session starting at 9:30am covering UBS approach to investing in energy and the factors they take into consideration.***

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 - 10)

To approve the minutes of the meeting held on 5 September 2014 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position** (Pages 11 - 36)

10:20

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 30 September 2014 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 September 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 30 September 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 4 - Wellington
Graph 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 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 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 37 - 44)

10:30

The report of the Independent Financial Adviser (**PF7**) 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. UBS

10:40

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 7.
- (2) The representatives (Malcolm Gordon, Eric Byrne and Antony Sander) 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 September 2014;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 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. Partners Group

11:20

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

- (2) The representatives (Sarah Brewer and Sergio Jovele) 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 September 2014;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 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 - 56)

12:00

The Independent Financial Adviser will report (**PF10**) on the officer meetings with Wellington and Baillie Gifford, as well as update the Committee on any other issues relating to the Fund Managers not present, including Legal & General and 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

12:05

The Independent Financial Adviser will summarise any issues arising from previous discussions, the appointment of a Diversified Growth Manager and the latest position on Infrastructure.

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. Options for the future arrangements for the Oxfordshire Pension Fund (Pages 57 - 78)

12:10

The report (**PF12**) sets out the latest business proposal for the future arrangements of the Oxfordshire Pension Fund. Annex 1 is the full business proposal which has been discussed with Officers and Members from the three pension funds of Buckinghamshire, Oxfordshire and Berkshire. The main report highlights the key issues from the report following these discussions, and the key questions for further consideration.

Part of the concern expressed during the meeting on 17 November was in respect of the potential financial savings achieved through collaboration. In addressing this information further, the main report contains information on the fee levels currently charged by Oxfordshire's Fund Manager, and the potential for further reductions which is commercially sensitive information.

The public should therefore be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following category prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

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 the Council's

position would be prejudiced in respect of future negotiations with both Fund Managers and potential partners.

It should be noted that the Annex to this report is a public document. The Business Proposal does not include any specific fee information on the current mandates and all information included has already been in the public domain.

The Committee is RECOMMENDED to:

- (a) consider whether the business proposal provides sufficient evidence to address the question of whether to proceed with a collaboration exercise, and if not, determine what further information they wish to see before making a decision;***
- (b) on the basis that a decision to proceed with a collaboration exercise is agreed either now, or on the receipt of further information, determine whether we should proceed with the partners currently identified, or explore the option of seeking a replacement partner with a more similar risk appetite/asset allocation; and***
- (c) determine whether now is the right time to initiate a formal consultation exercise, or whether it is necessary to collate any further information identified under i), explore any alternative partners under ii) and/or await a formal decision from the Government on the mandating of passive investments.***

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

13. Better Governance and Improved Accountability in the Local Government Pension Scheme (Pages 79 - 82)

12:40

The report **(PF13)** sets out the key elements of the latest consultations from the Department of Communities and Local Government and the LGPS Shadow Scheme Advisory Board on the Governance arrangements for the Local Government Pension Scheme.

The Committee is RECOMMENDED to:

- (a) note the key issues set out in the latest consultation documents; and***
- (b) determine the process for preparing the draft constitution and terms of reference for the new Local Pension Board, to be considered and agreed at the March meeting of this Committee.***

14. Annual Report and Accounts 2013/14

12:50

The Annual Report and Accounts for 2013/14 have now been published, and hard copies for members of the Committee are enclosed with this agenda. There were no changes of substance from the draft version approved by the Committee at their meeting in September 2014. Following the drafting of the Report and Accounts, and indeed after the conclusion of the majority of the external audit work, we received new statutory guidance on the contents of LGPS Annual Report and Accounts. For 2013/14, it was agreed that these additional notes could be covered by way of an Addendum published by 1 December 2014. The additional information has been requested to provide further clarifications on current publications, but also to set out information in a consistent way across all LGPS Funds, so that it can be aggregated to produce an Annual Report and Accounts for the LGPS as a whole. In addition, a number of key performance indicators are included, which can be used by Pension Boards in assessing the overall effectiveness of the governance and administration of their Fund. Data includes the attendance and training records of Members of this Committee.

A copy of the Addendum will be circulated to the Committee Members in advance of the meeting, and will be published on our website.

The Committee is RECOMMENDED to note the publication of the Annual Report and Accounts 2013/14 and accompanying addendum.

15. Fund Manager Monitoring Arrangements (Pages 83 - 84)

12:55

The Committee is asked to determine the arrangements for monitoring the performance of the Fund Managers, including the new Diversified Growth Manager for the 2015/16 financial year (PF15).

The Committee is RECOMMENDED to approve the Fund Manager monitoring arrangements as set out in the report.

16. Employer Issues (Pages 85 - 88)

13:00

This report (PF16) seeks Committee approval for any new admissions to the Fund, as well as update members on the status of any current employer which impacts on future Scheme membership.

The Committee is RECOMMENDED to:

(a) note previous applications still outstanding;

- (b) *note applications approved by Service Manager (PIMMS);*
- (c) *approve other applications received providing these are on either a pass through basis, or a bond is put in place;*
- (d) *note the completed applications;*
- (e) *note the closure of scheme employers; and*
- (f) *note progress of employer covenant project.*

17. Administration - Update (Pages 89 - 104)

13:05

To receive an update **(PF17)** on current administration issues including consideration of the final version of the Administration Strategy following a period of employer consultation.

A copy of the Administration Strategy Statement is attached.

The Committee is RECOMMENDED to:

- (a) *agree the changes to the service level agreement;*
- (b) *note the current level of MARS Returns; and*
- (c) *agree the Administration Strategy.*

18. Write Off's (Pages 105 - 106)

13:10

The 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 Pension Fund Committee is RECOMMENDED to note the report

19. Corporate Governance and Socially Responsible Investment

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.

20. Annual Pension Forum

13:15

The Pension Fund Forum planned for Friday 12 December 2014 has been cancelled due to lack of support from scheme employers.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall (Member's Board Room) on **Wednesday 3 December 2014** at **2.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.