

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 25 June 2010 commencing at 10.15 am and finishing at 2.18 pm

Present:

Voting Members:

Councillor David Harvey – in the Chair
Councillor Jean Fooks
Councillor Stewart Lilly
Councillor Don Seale
Councillor C H Shouler
Councillor Alan Thompson

Other Members in Attendance:

District Council

Councillor Jim Couchman
District Councillor Richard Langridge

Representatives:

Beneficiaries' Observer:

Mr P Fryer

Independent Financial Adviser:

Mr P Davies

By Invitation:

Mr T Wheeler (Consultant)

Officers: Whole of meeting

Mr P Gerrish (Head of Finance & Procurement), ~~S Collins (Assistant Head of Shared Services (Financial Services))~~*, Mrs S Fox (Shared Services), Mrs D Ross and Ms M Holyman (Corporate Core)

* amended as not present

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, additional information on contributions and a letter from the organisation (both relating to Item 22) and decided as set out below. Except insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

24/10 ELECTION OF CHAIRMAN FOR THE 2010/11 COUNCIL YEAR

(Agenda No. 1)

RESOLVED: that Councillor Harvey be elected Chairman of the Committee for the 2010/11 Council Year.

25/10 ELECTION OF DEPUTY CHAIRMAN FOR THE 2010/11 COUNCIL YEAR

(Agenda No. 2)

RESOLVED: that Councillor Service be elected Deputy Chairman of the Committee for the 2010/11 Council Year.

26/10 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

Apologies for absence were received from Councillors Service and Tanner. The Committee was also advised that District Councillor Wood had resigned from the Committee.

27/10 DECLARATIONS OF INTEREST

(Agenda No. 4)

Councillors Fooks, Lilly and Harvey declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government and Housing Act 1989.

28/10 MINUTES

(Agenda No. 5)

The minutes of the meeting of the Committee held on 19 March 2010 were approved and signed.

29/10 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 6)

Dr Dickinson, Jane Binyon and Jon Hislop requested to address the Committee on Item 22.

RESOLVED: to agree to the request and that the address be taken with Item 22.

30/10 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 7)

The Committee was advised that Tables 1 to 10 had been compiled from the custodian's records. The custodian was the Pension Fund's prime record keeper. He had accrued for dividends and recoverable overseas tax within his valuation figures and might also have used different exchange rates and pricing sources compared with the fund managers. The custodian had also treated dividend scrip issues as purchases which the fund managers might not have done. This might mean that there were minor differences between the tabled figures and those supplied by the managers.

RESOLVED: 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.

31/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 8, 9, 10, 11, 12 and 13 in the Agenda since it was 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 was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

32/10 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors.

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2010. He reported that the Fund was holding 4% cash but he did not consider it appropriate to invest the cash at the present time. Members asked questions and the Independent Financial Adviser and the officers responded to them.

RESOLVED: to receive the report, tables and graphs, to receive the oral report and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

33/10 UBS

(Agenda No. 9)

The representatives (Mr T Bell and Mr P Harris) reported and reviewed 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 March 2010. The representatives responded to members' questions.

RESOLVED: to note the main issues arising from the reports.

34/10 ALLIANCE BERNSTEIN

(Agenda No. 10)

The representatives (Mr N Davidson and Mr D Stewart) reported and reviewed 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 March 2010. The representatives responded to members' questions.

RESOLVED: to note the main issues arising from the reports.

35/10 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported that the performance of Baillie Gifford over the last quarter had been disappointing. He also reported that Legal & General had continued to outperform the benchmark.

RESOLVED: to note the report.

36/10 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The Independent Financial Adviser and officers responded to questions about the performance of Alliance Bernstein.

RESOLVED: to ask the Head of Finance & Procurement to ask Alliance Bernstein to attend the next meeting.

37/10 PRIVATE EQUITY

(Agenda No. 13)

The Committee considered a report (PF13E) on a private equity holding.

RESOLVED: to note the investment in Harbourvest Senior Loans Europe Ltd.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

38/10 OVERSEAS CUSTODY SERVICES

(Agenda No. 14)

The Committee considered a report (PF14) which discussed a change to the Fund's overseas custody services.

RESOLVED: to defer consideration of the report, to ask that the custodian be invited to the next meeting and to ask officers to report on how arrangements for the custody of assets were made, including other markets where similar arrangements would be required.

39/10 DELIVERING GOOD GOVERNANCE

(Agenda No. 16)

The Committee considered a report (PF16) on a number of guidance documents on different aspects of governance.

RESOLVED to:

- (a) note the work being undertaken to assess the Fund against best practice;
- (b) agree that the objective is to make improvements for the benefit of the fund rather than simply complying with best practice;
- (c) agree to the prioritisation of the knowledge and skills framework and the development of an improved training plan addressing members' needs.

40/10 ORDER OF BUSINESS

The Committee agreed to consider the report at Agenda Item 15 after Agenda Item 19 to enable the Committee to have first considered the reports reviewing the Statement of Investment Principles and the Governance Compliance Statement.

41/10 THE GOVERNANCE COMPLIANCE STATEMENT

(Agenda No. 17)

The Committee considered a report (PF17) which reviewed the Fund's Governance Compliance Statement, as required under the Pension Regulations.

RESOLVED: to note the report and endorse the Governance Compliance Statement as contained in Annex 2 to the report.

42/10 ASSESSMENT AGAINST THE SIX PRINCIPLES FOR PENSION FUND INVESTMENT

(Agenda No. 18)

The Committee considered a report (PF18) on the assessment of compliance against a set of six principles for pension fund investment.

RESOLVED to:

- (a) agree the assessment of compliance against the six principles for pension fund investment at Annex 1 to the report;
- (b) agree the programme of proposed improvements set out in paragraph 4 of the report.

43/10 REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES

(Agenda No. 19)

The Committee considered a report (PF19) on a revised set of investment regulations which included the requirement to agree and publish a Statement of Investment Principles by 1 July 2010.

RESOLVED: to approve the revised Statement of Investment Principles set out in Annex 1 to the report.

44/10 INVESTMENT AND REPRESENTATION

(Agenda No. 15)

The Committee considered a report (PF15) which updated members on changes in the law and recent statutory guidance on the duties and responsibilities of members of the Committee.

RESOLVED to:

- (a) continue to act within its agreed Statement of Investment Principles in the best interests of the Scheme; and
- (b) continue to act within its agreed Governance Compliance Statement in the best interests of the Scheme.

45/10 COMMUNICATION POLICY

(Agenda No. 20)

The Committee considered a report (PF20) which reviewed and updated the Pension Scheme's Communication Policy.

RESOLVED: to note the report.

46/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 21 and 22 in the Agenda since it was 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 was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

47/10 PENSION FUND TAX CLAIMS

(Agenda No. 21)

The Committee considered a report (PF21E) which updated the Committee on the position in relation to tax claims.

RESOLVED: to

- (a) note the report;
- (b) ask the Head of Finance & Procurement to check whether it is the custodian's usual practice to lend overseas' stocks and whether the Fund is earning more income from lending stock than it is losing on tax.

48/10 CLOSURE VALUATION

(Agenda No. 22)

The Committee considered a report (PF22E) on closure valuations for one of the Fund's smaller Admitted Bodies which was proposing that it should be wound up, so ending its admission to the Oxfordshire Fund and additional information on contributions and a letter of representation from the organisation. Dr Dickinson, Ms Binyon and Mr Hislop spoke on behalf of the organisation.

RESOLVED:

- (a) to agree the closure valuation for Oxfordshire Mental Health Matters should be produced on an on-going basis, subject to the County Council agreeing to under-write the risk of any future pension deficit and subject to no precedent being set and all future applications being considered on their merits;
- (b) in the event that the Association does not have sufficient resources in its reserves to meet the bill and in light of the benefits to the Fund as a whole, any outstanding sum be written off, subject to officers being happy that the Trustees have acted in a reasonable and responsible manner, and so maximising the sum payable from reserves.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

49/10 INTERNAL AUDIT 2009/10

(Agenda No. 23)

The Committee considered a report (PF23) which summarised the issues raised by the internal audit of Pension Fund Investment and Pension Fund Administration for the current year.

RESOLVED: to note the report.

50/10 WRITE OFFS

(Agenda No. 24)

The Committee considered a report (PF24) which set out write offs which had taken place under the Council's Scheme of Financial Delegation.

RESOLVED: to note the report.

51/10 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 25)

(a) Socially Responsible Investment – Tar Sands

The Committee considered a report (PF25(a)) on voting practices by the fund managers on Tar Sands.

RESOLVED: to receive the report and to note the votes exercised.

(b) Corporate Governance and Socially Responsible Investment

The Committee was advised that the Assistant Chief Executive and Chief Finance Officer had no other issues to report for this quarter but it should be noted that all the managers had included pages within their valuation reports which provided details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

RESOLVED: to note the report.

52/10 ANNUAL PENSION FORUM

(Agenda No. 26)

RESOLVED: to note that the Assistant Chief Executive and Chief Finance Officer had no issues to report either arising from the last Forum or about the Annual Pension Forum which would take place on Friday 10 December 2010 at 10 am.

..... in the Chair

Date of signing