

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 16 March 2012 commencing at 10.00 am and finishing at 12.45pm.

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)
Councillor Jean Fooks
Councillor Roy Darke
Councillor Sandy Lovatt (in place of Stewart Lilly)
Councillor Don Seale
Councillor C.H. Shouler

Other Members in Attendance: Councillor Jim Couchman (Cabinet Member for Finance & Property) (observing)

District Council Representatives: Councillor Jerry Patterson

By Invitation: N. Browning (Beneficiaries Observer); P. Davies (Independent Financial Adviser)

Officers:

Whole of meeting S. Collins and S. Fox (Environment & Economy); D. Ross and J. Dean (Chief Executive's Office)

Part of meeting P. Gerrish (Environment & Economy)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as 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.

1/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor Sandy Lovatt attended for Councillor Stewart Lilly. Councillor Richard Langridge extended his apologies.

2/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

3/12 MINUTES
(Agenda No. 3)

The Minutes of the meeting of the Committee held on 2 December 2011 were approved and signed as a correct record.

4/12 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were no petitions submitted or any requests to address the meeting by members of the public.

5/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION
(Agenda No. 5)

Mr Davies reported that the final quarter for 2011 had seen a strong equity and bond appreciation for the Oxfordshire Pension Fund amounting to an acquisition of £63m. Since the start of 2012 there had been a further appreciation which, together with the above, had recouped the large losses of the third quarter of 2011. He added that the Oxfordshire Pension Fund was close to featuring in the top quartile for England and Wales in terms of performance, based on the latest data published by the WM Company.

RESOLVED: to note the comments of the Independent Financial Adviser and to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 9, 10 and 11 on the agenda.

6/12 EXEMPT ITEMS
(Agenda No. 6)

It was **RESOLVED** that the public be excluded for the duration of items 7,8,9,10,11,12 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 1 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 circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

7/12 EXEMPT MINUTE
(Agenda No. 7)

The Exempt Minute from the meeting held on 2 December 2011 was approved.

In response to a letter received from the complainant since the last meeting, which had been circulated, in confidence, to all members of the Committee, requesting further negotiation on the agreed compensation level, the Committee upheld the decision made at the last meeting.

8/12 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. Members asked questions and the Independent Financial Adviser responded to them.

RESOLVED: to receive the report, tables and graphs, to receive the oral report of the Independent Financial Adviser and to ask UBS to focus their presentation to the next meeting on the Property and Hedge Fund portfolios, neither of which had performed well for the Fund recently.

9/12 APPOINTMENT OF NEW GLOBAL EQUITY FUND MANAGER

(Agenda No. 9)

The Committee had before them a report (PF9) informing them of the recent appointment (subject to contract) of a new Global Equity Fund Manager. The report also set out the process followed and the key issues considered when making the final appointment.

RESOLVED: To note the report and the decision to appoint Wellington as the new Global Equity Manager for the Fund.

10/12 BAILLIE GIFFORD

(Agenda No. 10)

Prior to the entry of the Baillie Gifford representatives, the Independent Financial Adviser informed the members that Baillie Gifford continued to perform well and that they were very much fulfilling what was asked of them.

The representatives, Mr. A. Dickson and Mr. I. McCombie, reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 30 December 2011. The representatives responded to members' questions.

Members of the Committee asked questions and received responses in respect of the following areas:

- The implications of shifts in population demographics on the market place in a particular country, such as China;
- Investment in, and evidence of research and development in particular products;
- Reasons why Fund Managers are continuing investment/discontinuing investment in particular companies and growth areas; and
- The overall monetary situation in Europe.

RESOLVED: to note the main issues arising from the presentation and to take any necessary action, if required.

11/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported orally on the main issues arising from the reports from UBS and Legal & General, in conjunction with information contained within the tables (Agenda Item 5).

Mr Davies reported that he and the officers had met with both Legal & General and UBS and that the former's management of the Fund's fixed income was good. The performance of UBS during the last quarter had improved and they had beaten their benchmark by 2%. They had also had a good start to this year in January and February. Mr Davies reported also that he had conducted a separate meeting with the UBS Hedge Fund representatives and that performance in the last quarter of 2011 was disappointing. He added that he was expecting performance for the first quarter of 2012 to be better.

RESOLVED: to note the Independent Financial Adviser's oral report.

12/12 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

Mr Davies reported that he had no additional comments to make on the existing Fund Managers performance and strategy. He reported, however, that the transition over to the new Global Equity Fund Manager was progressing well. Mr Davies also reported that he had visited various companies to review the opportunities open on infrastructure investment, and was currently awaiting for further information on the outcome of discussions between the Government, NAPF and the Pension Protection Fund on the establishment of a national infrastructure platform which would provide a mechanism for Pension Funds to invest in national infrastructure projects.

RESOLVED: To note the Independent Financial Adviser's report.

13/12 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISOR TO THE FUND

(Agenda No. 13)

The Pension Fund employs the services of an Independent Financial Adviser (IFA) whose activities are reviewed by the Committee on an annual basis. Peter Davies, the current IFA, was appointed from February 2009 for five years with an option to extend for a further five years. The Committee had before them the third annual review of his activities (PF13) and were asked to consider if they wished to offer any feedback to Mr Davies in relation to his performance over the last year.

Mr Davies left the room for the duration of this item.

Mrs Ross amended paragraph 3, page 47 of the report deleting the part sentence beginning with 'No increase' and ending with 'because'.

Members of the Committee joined in thanking Mr Davies for all his hard work over the last year, and for the clarity of his reports. He was requested to send a short summary of the key issues discussed at his meetings with Fund Managers to members of the Committee and to continue to report his comments orally if there was insufficient time to record them in the written word.

READMITTANCE OF THE PRESS AND PUBLIC

14/12 FUND MANAGER MONITORING ARRANGEMENTS

(Agenda No. 14)

The Committee considered a report (PF14) which set out the proposed arrangements for monitoring the performance of the Fund Managers during 2012/13.

RESOLVED: to approve the Fund Manager monitoring arrangements as set out in report PF14.

15/12 ANNUAL BUSINESS PLAN AND BUDGET 2012/13 AND CASH MANAGEMENT STRATEGY

(Agenda No. 15)

The Committee had before them key elements of the Annual Business Plan and Budget 2012/13 for the administration and investment teams. Members were asked to approve the Plan, the associated budget and the risk register for the Fund (PF15(a)). A proposed Pension Fund Cash Management Strategy was also before the Committee for consideration at PF15(b)

RESOLVED to:

- (a) approve the Business Plan and budget for 2012/13 as set out in Annex 1;
- (b) approve the Pension Fund Cash Management Strategy for 2012/13:
 - (i) delegate authority to the Assistant Chief Executive & 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;
 - (ii) delegate authority to the Assistant Chief Executive & Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate;
 - (iii) delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

16/12 CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME

(Agenda No. 16)

The Committee had before them a report (PF16) which gave an update on progress in relation to the changes being made to the Local Government Pension Scheme

(LGPS) following Lord Hutton's review. The report also provided information on the proposed changes to the current LGPS regulations and details of the officer response made to the consultation.

RESOLVED: to note the latest position on the reform of the LGPS; and to note also the consultation response submitted by officers on the draft LGPS (Miscellaneous) Regulations 2012.

17/12 ACADEMIES AND THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)
(Agenda No. 17)

A joint letter had been sent by the Secretaries of State for Education & for Communities & Local Government to all Leaders and Chief Executives in England setting out the statutory position regarding academies and the Local Government Pension Scheme. The letter expressed concern that the basis of the calculation of the employer contribution rate for some academies across the country was inconsistent and had led to academies paying unjustifiably higher contributions compared to maintained schools within the same area. The letter proceeded to set out the preferred approach, which was to allow academies to be pooled with their former local authorities for LGPS purposes.

The report (PF17) set out the position in Oxfordshire and the issues regarding pooling. It asked members of the Committee to determine its views on the options available and to make any necessary changes to the Funding Strategy Statement.

It was reported that the Cabinet on 13 March 2012 had not given their support to the option of allowing Academies within Oxfordshire to be pooled with the County Council for LGPS purposes.

Following a discussion it was

RESOLVED: to

- (a) note that Cabinet on 13 March 2012 did not support the option of allowing Academies to be pooled with the County Council for LGPS purposes; and
- (b) defer establishing new pooling arrangements for Academies in Oxfordshire until such time as their numbers were more significant, when representative views of Academy Trustees could be taken on board, and any pattern of Umbrella Trusts could be established.

18/12 WRITE OFFS
(Agenda No. 18)

The Committee noted a report (PF18) which informed them of any Write Off's that had been agreed by the officers, in line with the approved arrangements set out in the Scheme of Financial Delegation for the Fund.

RESOLVED: to note the report.

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19/12 COMPANY ENGAGEMENT
(Agenda No. 19)

As requested at the last meeting on 2 December 2011, the Committee had before them a report (PF19) which summarised the Pension Fund Investment Manager' policies and activities in relation to company engagement. The report also set out the Pension Fund Committee's responsibilities in relation to the application, the monitoring of and the effectiveness of these policies.

Some members, whilst welcoming the report, suggested that, rather than the Fund Managers setting the principles, the Committee should be more proactive in giving them certain guidelines in which to work, adding that this would ensure that the Committee was acting responsibly. Mrs Ross informed the meeting that the Business Plan, which was due to be presented to a future meeting, would be reviewing the Committee's voting policies.

RESOLVED: to revisit this topic again at a future meeting when the review of the Committee's voting policies was brought before the Committee for consideration.

..... in the Chair

Date of signing