

## **PENSION FUND COMMITTEE**

**MINUTES** of the meeting held on Friday, 19 March 2010 commencing at 10.00 am and finishing at 2.24 pm

**Present:**

**Voting Members:** Councillor David Harvey – in the Chair

Councillor Bill Service  
Councillor Jean Fooks  
Councillor Stewart Lilly  
Councillor Don Seale  
Councillor Alan Thompson

**District Council Representatives:** District Councillor Richard Langridge

**Beneficiaries Observer:** Mr P Fryer

**Independent Financial Adviser:  
Officers:** Mr P Davies

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

*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.*

### **1/10 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

An apology for absence was received from Councillor Tanner.

### **2/10 DECLARATIONS OF INTEREST**

(Agenda No. 2)

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

**3/10 MINUTES**  
(Agenda No. 3)

The minutes of the meeting of the Committee held on 4 December 2009 were approved and signed.

**4/10 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION**  
(Agenda No. 5)

The Committee was advised that Tables 1 to 19 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.

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 December 2009. He pointed out that UBS was nearly fully invested in property. Members asked questions and the Independent Financial Adviser responded to them.

**RESOLVED:** to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 7, 8 and 9 on the agenda.

**5/10 EXEMPT ITEMS**

**RESOLVED:** that the public be excluded for the duration of Items 6, 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.

**6/10 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS**  
(Agenda No. 6)

The Committee considered a report (PF6) which set out an overview of the current and future investment scene and market developments across various regions and sectors. The Independent Financial Adviser updated the Committee orally.

**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.

**7/10 BAILLIE GIFFORD**  
(Agenda No. 7)

The representatives (Mr L Robb and Mr I McCombie) 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 December 2009. The representatives responded to members' questions.

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

**8/10 LEGAL & GENERAL**

(Agenda No. 8)

The representatives (Mr D Blass and Mr J Cloke) 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 December 2009. The representatives responded to members' questions.

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

**9/10 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING**

(Agenda No. 9)

The Independent Financial Adviser reported that he and the officers had met representatives of Alliance Bernstein and the company had reported that they had taken measures to improve their performance. He also reported that the performance of UBS on overseas equities and property had been good and performance on hedge funds had improved in 2009.

**RESOLVED:** to ask the Head of Finance & Procurement to invite the Hedge Fund Manager to attend the next meeting of the Committee and to note the main issues arising from the reports.

**10/10 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 10)

The Independent Financial Adviser reported that he had no further issues to report.

**11/10 REVIEW OF INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 11)

The Committee considered a report (PF11) on the activities of the Independent Financial Adviser (IFA) over the last year.

**RESOLVED:** to note the report.

(The Independent Financial Adviser left the room for this item.)

**12/10 REVIEW OF USE OF EXTERNAL CONSULTANTS**

(Agenda No. 12)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF12E) which reviewed the use of external consultants and specifically whether it would be advantageous to have a permanent arrangement rather than appoint on an ad hoc basis.

**RESOLVED:** to

- (a) note the report;
- (b) agree to the commissioning of a review of the management of private equity once in the life of the Council, coinciding with the fundamental review of the Pension Fund's Investment Management;
- (c) continue to employ consultants on an ad hoc basis as and when their specific expertise is required.

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

**13/10 INVESTMENT OF PENSION FUND CASH**

(Agenda No. 13)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF13) on proposed changes to the management of Pension Fund cash balances managed by the County Council.

**RESOLVED:** to

- (a) note the requirement for a separate bank account for Pension Fund transactions from 1 April 2011;
- (b) delegate authority to the Assistant Chief Executive and Chief Finance Officer to apply the Council's approved Treasury Management Strategy separately to the management of Pension Fund cash;
- (c) delegate authority to the Assistant Chief Executive and Chief Finance Officer to open separate Pension Fund bank, deposit and investment accounts as appropriate; and
- (d) delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the Pension Fund in accordance with the regulations.

**14/10 PENSION FUND BUSINESS PLAN AND BUDGET FOR 2010/11**

(Agenda No. 14)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF14) on the annual business plan and budget for the 2010/11 financial year and also included proposals for member training.

Mr Gerrish reported that there was a possibility that £1.5m tax on dividends for stock lending could be recovered through the courts and sought authority to incur up to £100,000 in costs to pursue the matter.

Members of the Committee were reminded that they should advise the Head of Finance & Procurement if they were unable to attend training sessions.

**RESOLVED** to:

- (a) approve the Business Plan, as set out at Annex 1 to the report, for 2010/11;
- (b) approve the Investment Management and Scheme Administration Budget for 2010/11, as set out in Annex 2 to the report;
- (c) agree the proposals for member training as set out in the report;
- (d) authorise the Head of Finance & Procurement, after consultation with the Chairman of the Committee, to decide whether to pursue a claim to recover tax on dividends for stock lending up to a limit of £100,000 costs;
- (e) ask the Head of Finance & Procurement to report to the next meeting of the Committee on the current position on the group action claim for recovery of overseas tax;
- (f) receive a report on the CIPFA guidance on a knowledge and skills framework for elected representatives together with a review of member training last year.

**15/10 THE FUNDING STRATEGY STATEMENT**

(Agenda No. 15)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF15) which updated the Committee on the recent consultation exercise on potential changes in the Funding Strategy Statement, and in light of the comments received, proposed a number of changes to the current Statement.

**RESOLVED:** to amend the Funding Strategy Statement as set out in paragraph 14 in the report.

**16/10 APPLICATIONS FOR ADMISSION TO THE OXFORDSHIRE PENSION FUND**

(Agenda No. 16)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF16) which presented three applications for admission to the Local Government Pension Fund as follows:

- (a) The outsourcing of revenue and benefit services by Cherwell District Council
- (b) The outsourcing of the Child and Adolescent Mental Health Service from Children, Young People & Families
- (c) The re-tendering of the Oxfordshire Highways contract.

**RESOLVED:** to approve the applications set out in the report subject to the agreement to the terms of the Admission Agreements and this Committee being informed when the agreements were signed.

**17/10 LOCAL GOVERNMENT PENSION SCHEME (LGPS) - DRAFT (MISCELLANEOUS) REGULATIONS 2010**

(Agenda No. 17)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF17) on draft proposed changes by the Department for Communities and Local Government to the above regulations.

**RESOLVED:** to note the report and to advise the Government that the Committee agreed with the proposal on Regulation 16.

**18/10 WRITE OFF'S**

(Agenda No. 18)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF18) on write off's which had taken place under the Council's Scheme of Financial Delegation.

**RESOLVED:** to note the report.

**19/10 COMPENSATION PAYMENTS**

(Agenda No. 19)

The Committee considered a report of the Assistant Chief Executive and Chief Finance Officer (PF19) on the determination by the Assistant Head of Shared Services of one case of complaint under the Internal Disputes Resolution Procedure.

**RESOLVED:** to note the report.

**20/10 PENSIONS INCREASE**

(Agenda No. 20)

The Committee was informed that the Department for Communities and Local Government had advised that there was a 0% increase to all occupational pensions for April 2010 as a result of a negative value for the retail price index at September 2009 and that the basic state pensions would increase by 2.5% from 12 April 2010.

**RESOLVED:** to note the report.

**21/10 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT**

(Agenda No. 21)

The Committee was advised by the Assistant Chief Executive and Chief Finance Officer that an audit of Fund Manager voting practices had been undertaken for the period from October 2008 to September 2009. Managers were required to vote in

line with RREV recommendations unless they cleared any variation to this with officers. One query had been raised with Baillie Gifford where they stated that they had voted in line with RREV recommendations, although the audit had picked up that they had not. Baillie Gifford have apologised for this error as soon as it was brought to their attention and have indicated that they have strengthened their processes in this area.

This would appear to be the case because in December Baillie Gifford notified officers that they wanted to vote against RREV recommendations in relation to one resolution at the Extraordinary General Meeting of Cairn Energy on 21 December. The resolution was to allow the company to restructure the Capricorn long-term incentive scheme (Capricorn is Cairn Energy's exploration focused subsidiary). This would have enabled executives to receive maximum payouts from their 2007 and 2008 awards despite failing to achieve their performance targets and demonstrate properly that the Capricorn business had added significant shareholder value since 2007.

The Committee was also 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.

**22/10 ANNUAL PENSION FORUM**  
(Agenda No. 22)

**RESOLVED:** to hold the Annual Pension Forum on Friday 10 December at 10 am.

..... in the Chair  
Date of signing ..... 2010