

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 18 March 2011 commencing at 9.45 am and finishing at 2.30 pm

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)
Councillor Jean Fooks
Councillor Roy Darke
Councillor Stewart Lilly
Councillor Don Seale
Councillor C.H. Shouler

District Council Representatives: District Councillor Richard Langridge
District Councillor Jerry Patterson

Independent Financial Adviser Mr P. Davies

By Invitation: Mr T. Wheeler (Consultant); Mr. P. Fryer (UNISON)

Officers:

Whole of meeting Mr P. Gerrish (Interim Deputy Director, Oxfordshire Customer Services); Mr S. Collins (Oxfordshire Customer Services); Mrs D. Ross (Corporate Finance) and Ms J. Dean (Law & Governance)

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.

1/11 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

Councillors Darke, Fooks, Harvey, Lilly, Patterson (co-opted member), Service and Tanner declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

2/11 MINUTES

(Agenda No. 3)

The Minutes of the meeting of the Committee held on 3 December 2010 were approved and signed as a correct record.

3/11 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

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.

Mr Davies reported that the Pension Fund had had a strong quarter, adding that the £64m equities gain had been given back by the fall in the markets. However, equities were slightly above the benchmark. He also reported that UBS had invested the remaining part of the £10m allocated to them in the last quarter into a property mandate. The Fund was currently ahead of the benchmark by 0.6%, and over 3 years, lagged by almost 2%. Overall, 2010 saw a good alignment of performance with the benchmark.

The Committee **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 Agenda Items 8,9 and 10 on the Agenda.

4/11 EXEMPT ITEMS

(Agenda No. 6)

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 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 outweighed the public interest in disclosing the information.

5/11 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 7)

The Committee considered a report (PF7) 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.

The Committee **RESOLVED** to receive the report, tables and graphs, to receive the oral report of the Independent Financial Adviser and to bear these comments in mind when considering the reports of the Fund Managers.

6/11 BAILLIE GIFFORD

(Agenda No. 8)

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 2010. The representatives responded to members' questions.

The Committee **RESOLVED** to note the main issues arising from the reports.

7/11 ALLIANCE BERNSTEIN

(Agenda No. 9)

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 December 2010. The representative's responded to members' questions.

The Committee **RESOLVED** to note the main issues arising from the reports.

8/11 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported that UBS's recent performance had been satisfactory and Legal & General had performed well.

The Committee **RESOLVED** to note the Independent Financial manager's oral report.

9/11 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Independent Financial Adviser reported that he had nothing further to report.

10/11 FUNDAMENTAL REVIEW OF INVESTMENT STRATEGY AND MANAGEMENT

(Agenda No. 12)

The Committee had agreed to undertake a fundamental review of its Investment Management arrangements once every three years, following the Valuation of the Fund. The Independent Financial Adviser and Independent Consultant had undertaken the review and their report included a review of the Investment Strategy, Investment Structure and Investment Manager Performance (PF12E)

The Committee requested that a report looking into the possibilities of investment in social housing be brought to a future meeting of this Committee.

The Committee **RESOLVED** to agree the recommendations put forward by the Independent Financial Advisor and the Independent Consultant, as set out in report PF12E, subject to a minor amendment.

11/11 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 13)

The Committee considered a report (PF13E) which reviewed the activity of Mr P. Davies, the Independent Financial Adviser, over the past year.

The Committee thanked Mr Davies for all his hard work over the past year and noted the variation to Mr Davies' contract, as set out in report PF13E.

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

12/11 INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION - FINAL REPORT

(Agenda No. 14)

On 10 March 2011, Lord Hutton, the Chairman of the Independent Public Service Pensions Commission, had issued his final report on public services pensions. Sean Collins gave an oral report on its key aspects whilst referring to a published handout, which he circulated around the meeting, that set out the major recommendations.

The Committee noted the oral report.

13/11 OXFORDSHIRE PENSION FUND BUSINESS PLAN AND BUDGET FOR 2011/2012

(Agenda No. 15)

The Committee had before them for approval the Business Plan which summarised the functions undertaken in managing the Fund; identified and prioritised key tasks for the coming year; and outlined the significant risks associated with the Fund. The budget for 2011/12 was also presented for approval (PF15).

The Committee **RESOLVED** to approve the Pension Fund Business Plan and Budget for 2011/2012, subject to any proposal for the rebranding of the Oxfordshire Pension Fund documentation to be the subject of a report to a future Committee.

14/11 PENSION FUND CASH MANAGEMENT 2011-12

(Agenda No. 16)

The Committee were advised that from April 2011, the Fund's resources would be kept totally separate from County Council resources, including cash balances. Previously these cash balances had been managed with the County Council's cash balances in accordance with the Council's Treasury Management Strategy. Separating resources meant it was necessary for the Pension Fund to agree its own Cash Management Strategy.

The Committee **RESOLVED** to:

- a) approve the Pension Fund Cash Management Strategy for 2011/12;
- b) delegate authority to the Assistant Chief Executive and 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;
- 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.

15/11 CUSTODY OF ASSETS

(Agenda No. 17)

At the meeting on 3 September 2010, the Committee had delegated decision making related to custody of assets to the Head of Finance & Procurement and the County Solicitor, after consultation with the Chairman and Deputy Chairman of the Committee. As a consequence of the Council's Business Strategy, the post of Head of Finance & Procurement no longer exists. To avoid authorisation problems with banks and legal representatives of third parties, the Committee was asked to formally change the delegation to the Chief Finance Officer and Monitoring Officer. These roles are defined in the Council's Constitution.

The Committee **RESOLVED** to delegate decision making related to custody of assets to the Chief Finance Officer and Monitoring Officer, following consultation with the Chairman of the Committee.

16/11 WRITE OFF'S

(Agenda No. 18)

The Committee considered a report (PF18) which gave an update on the 2010 valuation process.

The Committee **RESOLVED** to note the report.

17/11 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 19)

The Committee was advised that the Assistant Chief Executive & 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.

The Committee **RESOLVED** to note the report.

..... in the Chair

Date of signing