

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 2 September 2011 commencing at 10.00 am and finishing at 1.05 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 A.M. Lovatt (In place of Councillor C.H. Shouler)
Councillor Don Seale

Other Members in Attendance: Councillor Jim Couchman

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

By Invitation: Mr N. Browning – Beneficiaries Observer

Officers:

Whole of meeting Mr S. Collins (Oxfordshire Customer Services); Ms J. Dean

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting][the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

35/11 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor A.M. Lovatt attended in place of Councillor C.H. Shouler.

The Committee asked that their best wishes for a speedy recovery be conveyed to Sally Fox who was recovering from a motor cycle accident.

36/11 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Darke, Harvey, Lilly, Patterson (co-opted member) 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.

37/11 MINUTES

(Agenda No. 3)

The Minutes of the meeting of the Committee held on 3 June 2011 were approved and signed as a correct record,

With regard to Minute 30/11 'Re-branding of the Pension Fund' Mr Collins reported that further investigations had revealed that costs incurred in changes to the Pension Fund brand would not be in relation to the design aspects, but to the software required. He added that a clearer branding would reduce administrative errors. The Committee endorsed their decision to spend £2 – 3k on the re-branding.

38/11 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no requests to address the Committee or to submit a petition.

39/11 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 current valuation of the Pension Fund showed a shortfall of 1.9% per annum over the past 3 years and 1.4% per annum over the last 5 years. The past year had been a positive one when measured against the benchmark. In line with the sharp decline of the UK market in recent months, there had been a depreciation of £93m at the end of August 2011, but Bonds had gained £8m leading to an overall depreciation of £85m.

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 and 10 on the Agenda.

40/11 EXEMPT ITEMS

(Agenda No. 6)

It was **RESOLVED** that the public be excluded for the duration of items 8,9,10,11 and 12 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 12 A 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.

41/11 PRESENTATION BY WM COMPANY ON THE PENSION FUND'S INVESTMENT PERFORMANCE FOR THE 12 MONTHS ENDED 31 MARCH 2011

(Agenda No. 7)

Karen Trumble, representing the WM Company, presented her report (PF7) on the Pension Fund's investment performance for the 12 months ended 31 March 2011. The presentation compared Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe. A copy of her presentation is attached to the signed copy of the Minutes.

RESOLVED: to take note of the points raised in the presentation and to thank Karen Trumble for her attendance.

42/11 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 Advisor responded to them.

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 Manager.

43/11 BAILLIE GIFFORD

(Agenda No. 9)

The representatives, Mr L. Robb 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 on 30 June 2011. The representatives responded to members' questions.

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

44/11 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

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

45/11 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

Mr Davies reported that he had no additional comments to make on the existing Fund Managers performance and strategy. However, he gave an oral report on progress with regard to the interview process for the appointment of the new Global Equities Manager.

RESOLVED: that the shortlist of up to four Fund Managers be drawn up in consultation with the Chairman, Deputy Chairman and the Opposition Spokesperson and that all councillors be informed of this at the appropriate time.

46/11 INFRASTRUCTURE AND SOCIAL HOUSING

(Agenda No. 12)

As requested at a former meeting, the Committee considered a report (PF12) in which the Independent Financial Adviser had set out the main issues associated with introducing infrastructure or social housing products into the Pension Fund portfolio.

The Pension Fund Committee **RESOLVED** to take the following action:

- (a) to delegate to the Fund's Fixed Income Managers (currently Legal & General Investment Management) the decision as to whether to invest on behalf of the Pension Fund in bonds issued by Social Housing providers including The Housing Finance Corporation;
- (b) to request the officers to ascertain whether the EU Procurement Regulations require the Pension Fund to use the OJEU tender process for all investments in unlisted infrastructure funds; and
- (c) subject to the outcome of recommendation (b) above, and to the agreement of the Committee, the Independent Financial Advisor and officers formulate a strategy for selecting suitable infrastructure funds for investment by the Pension Fund. An initial recommendation is to restrict the selection to funds managed by Europe-based managers and investing in European infrastructure.

47/11 ADDITIONAL VOLUNTARY CONTRIBUTIONS SCHEME - ANNUAL REVIEW

(Agenda No. 13)

The Committee considered a report (**PF13**) which set out the annual review of the Fund's Additional Voluntary Contribution (AVC) scheme, including issues regarding performance of the individual funds, and the Scheme Provider (Prudential) itself.

RESOLVED: to note the report and to confirm the continued use of Prudential as the Council's AVC provider.

48/11 DRAFT ANNUAL REPORT AND ACCOUNTS 2010/11

(Agenda No. 14)

The Committee considered the draft Annual Report and Accounts for 2010/11 (**PF14**) which showed the final accounts for the Pension Fund for the year ended 31 March 2011 and provided details on how the Fund operated, including sections on membership and investments. The report also included the Statement of Investment Principles. The final report would be submitted to the Committee in December.

Mary Fetigan and Nicola Batchelor, representatives from the Audit Commission, attended the meeting in order to respond to any questions from Members.

RESOLVED: to receive the draft report and accounts for 2010/11 and to thank Mary Fetigan and Nicola Batchelor from the Audit Commission for their attendance.

49/11 PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSE OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2011

(Agenda No. 15)

The Committee had before them a report (**PF15**) which covered the outturn figures for both the Pension Investment and Administration Teams, and which explained any key differences from the approved budgets.

RESOLVED: to receive the report and to note the outturn position.

50/11 PENSION ADMINISTRATION - SERVICE PERFORMANCE

(Agenda No. 16)

The Committee had before them a report (**PF16**) which gave information on the latest service performance figures for the Pensions Administration Service, and highlighted the significant improvements achieved in the last year.

RESOLVED: to

- (a) note the report; and
- (b) receive an annual report at future, autumn scheduled, Committee meetings.

51/11 FUND MEMBERSHIP AND ADMITTED BODIES

(Agenda No. 17)

The Committee considered a report (**PF17**) that set out current issues around membership of the Oxfordshire LGPS Fund. These included the issues associated with the establishment of new Academy Schools, and around the new service delivery models developing as a result of the constraints on public sector expenditure and the Big Society model.

The report also highlighted potential issues arising from the current process for seeking Committee agreement to each application for Admitted Body status, and

considered an alternative approach for Committee consideration. A particular case is highlighted.

The report also documented a technical change to a current Admission Agreement and recommended the approval of a revised agreement.

RESOLVED: to:

- (a) note the position with regard to Academy Schools as set out in the report;
- (b) delegate to the Chairman, Deputy Chairman and the Opposition Spokesperson the approval of future admission agreements where this is sought before the next scheduled Committee, in order to avoid delaying the implementation of new service arrangements; however, should any one of the above named members require it, the admission agreement be brought to a special meeting of the full Pension Fund Committee; and
- (c) agree the novation of the current admission agreement for Vale Housing Association to the Sovereign Housing Association.

52/11 WRITE OFFS

(Agenda No. 18)

The Committee had before them a report (**PF18**) which informed them of any write offs 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.

53/11 PUBLIC SECTOR PENSION CHANGES AND THE LGPS

(Agenda No. 19)

Mr Collins gave an oral update on the latest position regarding the changes to the LGPS under the Government's wider agenda of public sector pension reform.

It was **RESOLVED** to note that advice from the Government had yet to be received but that the consultation process was due to begin at the end of September 2011. Thus the Committee would have the opportunity to consider its response at the next meeting scheduled for 2 December 2011.

54/11 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 20)

The Committee noted that there was nothing further to report on this item.

55/11 ANNUAL PENSION FORUM

(Agenda No. 21)

The Committee noted that the Annual Pension Forum would take place on 9 December 2011 commencing at 10.00 am.

PF3

..... in the Chair

Date of signing