

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 2 September 2011 at 10.00 am

County Hall, New Road, Oxford



Peter G. Clark
County Solicitor

August 2011

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Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Roy Darke

Stewart Lilly
Don Seale

C.H. Shouler

Co-optees
District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 2 December 2011***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, i.e. where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare ...

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests ...

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes (Pages 1 - 6)**

To approve the minutes of the meeting held on 3 June 2011 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 7 - 32)**

10:10

Tables 1 to 10 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 June 2011 using the following tables:

Table 1	Provides a consolidated valuation of the Pension Fund as at 30 June 2011
Tables 2 to 9	Provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 10	Shows the net investments/disinvestments during the quarter
Tables 11 to 12	Provide details on the Pension Fund's Private Equity
Tables 13 to 23	Provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 30 June 2011
Table 24	Provides details of the top 20 holdings within the Fund

In addition to the above tables, the performance of the Fund Managers over the past 3 years has been produced graphically as follows:

Graph 1 – Value of Assets
Graph 2-3 - Baillie Gifford
Graph 4-5 – Legal & General
Graphs 6-10 – UBS

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 9 and 10 on the agenda.

6. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12 and 13 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.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of item 9, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. Presentation by WM Company on the Pension Fund's Investment Performance for the 12 months ended 31 March 2011

10:15

The representative (Karen Thrumble) of the WM Company will review the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2011. The presentation will compare Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

8. Overview and Outlook for Investment Markets (Pages 33 - 38)

10:55

Report of the Independent Financial Adviser (**PF8**).

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

9. Baillie Gifford

11:10

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 8.
- (2) The representatives (Mr L. Robb and Mr I. McCombie) of the Fund Manager will:
 - (a) report and review 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 30 June 2011;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2011.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

10. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting

11:50

The Independent Financial Adviser will report orally on the key issues arising from the Officer meetings with the Fund Managers not represented at the Committee in conjunction with information contained in the tables (Agenda Item 5).

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

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The Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

11. Summary by the Independent Financial Adviser

11:55

The Independent Financial Adviser will, if necessary, summarise any other issues arising from the monitoring of our Fund Managers, including any update in respect of the change in Fund Manager, as agreed at the March Committee and answer any questions from members.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of

information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

12. Infrastructure and Social Housing (Pages 39 - 44)

12:00

As requested at a former meeting, the Independent Financial Adviser sets out the main issues associated with introducing infrastructure or social housing products into the Pension Fund portfolio (PF12).

The Pension Fund Committee is RECOMMENDED 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 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.**

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. Additional Voluntary Contributions Scheme - Annual Review
(Pages 45 - 48)

12:10

This report provides 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 (**PF13**).

The Committee is RECOMMENDED to note the report and to confirm the continued use of Prudential as the Council's AVC provider.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Draft Annual Report and Accounts 2010/11 (Pages 49 - 98)

12:20

The draft Annual Report and Accounts for 2010/11 (**PF14**) show the final accounts for the Pension Fund for the year ended 31 March 2011 and provides details on how the Fund operates, including sections on membership and investments. The report also includes the Statement of Investment Principles. The final report will be brought to the Committee in December.

Representatives from the Audit Commission will be present to respond to any questions from Members on their findings.

The Pension Fund Committee is RECOMMENDED to receive the draft report and accounts for 2010/11.

15. Pension Fund Investment and Administration Expense Outturn Report for the Year ended 31 March 2011 (Pages 99 - 102)

12:30

This report (**PF15**) covers the outturn figures for both the Pension Investment and Administration Teams, and explains any key differences from the approved budgets.

The Committee is RECOMMENDED to receive the report and note the out-turn position.

16. Pension Administration - Service Performance (Pages 103 - 106)

12:35

This report (**PF16**) informs the Committee of the latest service performance figures for the Pensions Administration Service, highlighting the significant improvements achieved in the last year.

The Committee is RECOMMENDED to note the report on performance in the Pensions Administration Team, and to consider whether they wish to receive an annual report on performance at future Committee meetings scheduled for the autumn.

17. Fund Membership and Admitted Bodies (Pages 107 - 110)

12:45

This report (**PF17**) sets out current issues around membership of the Oxfordshire LGPS Fund. These include 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 highlights potential issues arising from the current process for seeking Committee agreement to each application for Admitted Body status, and considers an alternative approach for Committee consideration. A particular case is highlighted.

The report also reports a technical change to a current Admission Agreement, and recommends the approval of a revised agreement.

The Committee is RECOMMENDED to:

- (a) note the position on Academy Schools as set out in this paper;***
- (b) consider what changes, if any, they would wish to make to the process for the approval of future admission agreements where approval before the next scheduled Committee is sought to avoid delaying the implementation of new service arrangements; and***
- (c) agree the novation of the current admission agreement for Vale Housing Association to the Sovereign Housing Association.***

18. Write Offs (Pages 111 - 112)

12:50

This report (**PF18**) informs the Committee of any write offs agreed by the Officers in line with the approved arrangements set out in the Scheme of Financial Delegation for the Fund.

The Pension Fund Committee is RECOMMENDED to note the report.

19. Public Sector Pension Changes and the LGPS

12:55

There will be an oral update on the latest position regarding the changes to the LGPS under the Government's wider agenda of public sector pension reform (subject to there being any further information in the public domain).

20. Corporate Governance and Socially Responsible Investment

13:00

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

21. Annual Pension Forum

13:05

The Assistant Chief Executive & Chief Finance Officer will report orally on any issues arising from the last Forum or about the Annual Pension Forum which will take place on 9 December 2011 at 10 am.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on 30 August 2011 at 3:00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman (Meeting Room 1).