

To: Members of the Pension Fund Committee

## ***Notice of a Meeting of the Pension Fund Committee***

**Friday, 2 December 2011 at 10.15 am**

**County Hall, New Road, Oxford**



Peter G. Clark  
County Solicitor

November 2011

Contact Officer: **Julie Dean**  
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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

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### *Co-optees*

District Councillor Richard Langridge  
District Councillor Jerry Patterson

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### **Notes:**

- ***A lunch will be provided***
- ***Date of next meeting: 16 March 2012***
- ***Mr. Keith Bray, from the Local Authority Pension Fund Forum, will give a training session immediately prior to the meeting at 9:30 am, on the Corporate Governance Agenda and the Committee's responsibilities in this area.***

County Hall, New Road, Oxford, OX1 1ND

[www.oxfordshire.gov.uk](http://www.oxfordshire.gov.uk) Fax: 01865 783195 Media Enquiries 01865 323870

## 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

10:15

## 2. Declarations of Interest - see guidance note

## 3. Minutes (Pages 1 - 8)

To approve the minutes of the meeting held on 2 September 2011 (**PF3**) and to receive information arising from them.

## 4. Petitions and Public Address

## 5. Overview of Past and Current Investment Position (Pages 9 - 34)

10:20

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 September 2011 using the following tables:

Table 1	Provides a consolidated valuation of the Pension Fund at 30 September 2011
Tables 2 to 9	Provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 10	Shows 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 September 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
Graph 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, 10 and 11 on the agenda.***

**6. Membership of the Local Authority Pension Fund Forum (Pages 35 - 38)**

**10:30**

This report (PF6) will set out the benefits and costs of joining the Local Authority Pension Fund Forum in the context of the Committee's corporate governance responsibilities and shareholder activism. Keith Bray, Forum Officer has asked to address the Committee on this item.

***The Pension Fund Committee is RECOMMENDED to consider whether or not to join the Local Authority Pension Fund Forum at this time.***

**7. EXEMPT ITEMS**

***The Committee is RECOMMENDED that the public be excluded for the duration of items 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 items 9 and 10, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

**8. Overview and Outlook for Investment Markets (Pages 39 - 48)**

**10:50**

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. Adams Street Partners**

**11:00**

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Adams Street Partners drawing on the tables at Agenda Items 5 and 8.
- (2) The representative (Mr Miguel Gonzalo) of the Fund Manager will:
  - (a) report and review the present investments of his part of the Fund and his strategy against the background of the current investment scene for the period which ended on 30 September 2011;
  - (b) give his views on the future investment scene.

In support of the above is his report for the period to 30 September 2011.

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

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

## 10. UBS

11:40

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Alliance Bernstein drawing on the tables at Agenda Items 5 and 8.
- (2) The representatives (Mr S Lee and Mr. N. Melhuish) 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 September 2011;
  - (b) give their views on the future investment scene.

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

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

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

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

**12:20**

The Independent Financial Adviser will report orally on the main issues arising from the reports from Baillie Gifford and Legal & General 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:*

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 note the main issues arising from the reports and to take any necessary action, if required.***

## **12. Summary by the Independent Financial Adviser**

**12:25**

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 2011 meeting; 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.*

### **13. IDRPs Complaints and Compensation Payments (Pages 49 - 54)**

**12:30**

Part 1 of this item sets out the details of recent Internal Dispute Resolution Procedure (IDRP) cases where the Administering Authority has made compensation payments to the complainant **(PF13)**.

The Committee is asked to determine a current case, using this procedure, at Agenda Item 21 below.

*The following information refers directly to the financial arrangements between the administering authority and individual members of the Pension Scheme. The public should therefore be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following categories prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):*

- 1. Information relating to any individual;*
- 2. Information which is likely to reveal the identity of an individual;*
- 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 infringe the rights of the individual to privacy contrary to the general law and the duty of the authority to respect human rights and to comply with that law.*

***The Pension Fund Committee is RECOMMENDED to note the report.***

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

### **14. Consultation on Proposed Increases to Employee Contribution Rates and Changes to Scheme Accrual Rates (Pages 55 - 70)**

**12:35**

This report **(PF14)** will inform the Committee of the recent consultation paper issued by the Department for Communities and Local Government, and asks the Committee to agree a response.

***The Committee is RECOMMENDED to consider the issues raised in this report, and agree the consultation response as drafted at Annex 1 with any appropriate amendments, to be sent to the Government as the formal response of the Committee.***



## **15. Annual Report and Accounts 2010/11**

**12:55**

A draft of the Annual Report and Accounts 2010/11 was approved by the Committee on 2 September 2011. A copy of the finalised Annual Report and Accounts 2010/11 has been circulated separately to members of the Committee and is also available for public inspection.

***The Committee is RECOMMENDED to adopt formally the Pension Fund Annual Report and Accounts 2010/11.***

## **16. Admission Agreements (Pages 71 - 74)**

**13:00**

This report (**PF16**) updates the Committee on the latest applications for Admitted Body status, as well as the specific arrangements relation to Foundation Schools.

***The Pension Fund Committee is RECOMMENDED to approve the admission applications from:***

- ***Leonard Cheshire***
- ***Allied HealthCare***
- ***Food for Thought***
- ***Oxford Health***

***and note the retrospective changes in respect of Oxfordshire's Foundation schools as listed in paragraph 16.***

## **17. Write Offs (Pages 75 - 76)**

**13:05**

This report (**PF17**) informs the Committee of the amounts approved for write off under the Fund's Scheme of Delegation.

***The Pension Fund Committee is RECOMMENDED to note this report***

## **18. Corporate Governance and Socially Responsible Investment**

**13:10**

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.

## 19. Annual Pension Forum

13:10

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

## 20. EXEMPT ITEM

*The Committee is RECOMMENDED that the public be excluded for the duration of the following item in the Agenda since it is likely that if they were present during this item 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 item 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 REPORT AND APPENDICES RELATING TO THE EXEMPT ITEM HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.**

## 21. Internal Dispute Resolution (Pages 77 - 108)

14:00

Using the Procedure set out in Agenda Item 13 above, this item sets out the details of a current case, and asks the Committee to consider making a compensation payment to prejudice any future claim to the Pensions Ombudsman.

*The following information refers directly to the financial arrangements between the administering authority and an individual member of the Pension Scheme. The public should therefore be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following categories prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):*

4. *Information relating to any individual;*
5. *Information which is likely to reveal the identity of an individual;*
6. *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 infringe the rights of the individual to privacy contrary to the general law and the duty of the authority to respect human*

*rights and to comply with that law.*

***The Pension Fund Committee is asked to determine the recommendations as set out in the report.***

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**Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on Tuesday 29 November 2011 at 3.00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.