

To: Members of the Pension Fund Committee

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

**Friday, 7 December 2012 at 10.00 am**

**County Hall, New Road, Oxford**



Peter G. Clark  
County Solicitor

November 2012

Contact Officer: **Julie Dean**  
Tel: (01865) 815322; E-Mail: [julie.dean@oxfordshire.gov.uk](mailto:julie.dean@oxfordshire.gov.uk)

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### **Membership**

Chairman – Councillor David Harvey  
Deputy Chairman - Councillor Bill Service

#### *Councillors*

Jean Fooks  
Roy Darke

Stewart Lilly  
A.M. Lovatt

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: 8 March 2013***

## Declarations of Interest

### The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

### Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, or

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

### What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

### List of Disclosable Pecuniary Interests:

**Employment** (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Rachel Dunn on (01865) 815279 or [Rachel.dunn@oxfordshire.gov.uk](mailto:Rachel.dunn@oxfordshire.gov.uk) for a hard copy of the document.

**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 - 8)**

To approve the minutes of the meeting held on 7 September 2012 (PF3) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 9 - 34)**

**10:05**

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 2012 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 September 2012
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 2012
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 18 months 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 7,8,9,10 and 11 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, 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.***

**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 11, there is no report circulated with the Agenda. Any exempt information will be reported orally.

## **7. Overview and Outlook for Investment Markets (Pages 35 - 40)**

**10:20**

Report of the Independent Financial Adviser (**PF7**).

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.***

## **8. UBS**

**10:35**

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 7.
- (2) The representatives (Mr M. Gordon and Mr N. Irish) 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 2012;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2012.

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.***

## **9. Partners Group**

**11:15**

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Partners Group drawing on the tables at Agenda Items 5 and 7.

- (2) The representatives (Mr G. Waller and Mr. S. Jovele) 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 2012;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2012.

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:*

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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 (Pages 41 - 42)**

**11:55**

The Independent Financial Adviser will report (**PF10**) on the main issues arising from the reports from Baillie Gifford and Wellington in conjunction with information contained in the tables (Agenda Item 5). A report on a meeting conducted with Wellington is attached. A note of the meeting scheduled to take place this week with Baillie Gifford will be circulated separately.

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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**

**12:00**

The Independent Financial Adviser will, if necessary, summarise the foregoing reports of the Fund Managers and answer any questions from members.

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## **12. Internal Dispute Resolution Procedure (IDRP) - Case Update (Pages 43 - 44)**

**12:05**

The report (**PF12**) updates the Committee on the latest position regarding the Internal Dispute Resolution Procedure complaint which was considered at the December 2011 meeting.

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

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

### 13. Annual Report and Accounts 2011/12

12:15

A copy of the final Annual Report and Accounts for 2011/12 has been circulated separately to each member of the Committee. A copy has also been made available for public inspection.

***The Committee is RECOMMENDED to adopt formally the Pension Fund Annual Report and Accounts 2011/12.***

### 14. The New Look Local Government Pension Scheme (LGPS) 2014 (Pages 45 - 70)

12:20

The report (**PF14**) updates the Committee on the latest position regarding the redesign of the Local Government Pension Scheme (LGPS), to become effective from 1 April 2014.

The report includes information on the most recent Government consultation on Investment in Partnerships, which has been published with the aim of reducing barriers to future investment in infrastructure products.

***The Committee is RECOMMENDED to:***

- (a) ***note the latest position on the New Look LGPS 2014 as detailed in the report;***
- (b) ***agree the response to the Government Consultation on Investment in Partnerships based on the draft at Annex 3; and***
- (c) ***agree to hold a seminar on infrastructure investments, provisionally to be held on the afternoon of the 8 March 2013 Pension Fund Committee.***

### 15. Local Government Pension Scheme (Miscellaneous Regulations) 2012 (Pages 71 - 76)

12:30

The report (**PF15**) asks the Committee to approve a new Administering Authority policy giving employer discretion to bring employee benefits into payment where the scheme member's previous employer no longer exists.

The introduction of such a policy is a requirement of the 2012 Miscellaneous Regulations.



**The Committee is RECOMMENDED to:**

- a) agree the policy for assessing requests for early payment of pensions;**
- b) agree to delegate the decision making under this policy to a panel of officers, following consultation with the Chairman;**
- c) note the change of bond requirement; and**
- d) note the change of power to request closure valuations and revised rates and adjustment certificates.**

## **16. Employer Update (Pages 77 - 78)**

**12:40**

The report (PF16) updates the Committee on any new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). It informs Members of the intention to start a consultation on the future pooling arrangements for Academy schools, which will then instruct the 2013 valuation process.

**The Committee is RECOMMENDED to:**

- (a) note the progress of previously approved applications for admitted body status;**
- (b) retrospectively approve the application for admitted body status by Hayward Services; and**
- (c) agree the consultation process with academies in relation to pooling options.**

## **17. Appointment Process for a New Fund Manager (Pages 79 - 82)**

**12:45**

The report (PF17) responds to the Committee's concerns regarding the time taken to appoint a new Fund Manager. The report sets out the key elements in the timetable and looks to identify any key learning points for future selection exercises.

**The Committee is RECOMMENDED to consider the report and determine any changes they would wish to see to the process for the appointment of future fund managers.**

## **18. Pension Fund Scheme of Delegation (Pages 83 - 90)**

**12:50**

The report (PF18) seeks Committee approval to two minor changes to the Fund's Scheme of Delegation relating to write off's and the investigation of IDRPs complaints.

- (a) approve the proposed changes to the Pension Fund's Scheme of Delegation, as set down at paragraph 3 of the report; and*
- (b) accept the change to the write off procedure to allow the Pension Services Manager to approve write off amounts of up to £500; subject to reports being made to this Committee.*

## **19. Write Off's (Pages 91 - 92)**

**12:55**

The report (**PF19**) provides the Committee with summary details of the amounts written off in the last quarter, in accordance with the Financial Regulations of the Fund.

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

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

**13:00**

This item covers any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee.

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 Committee is reminded that the annual Pension Fund Forum is to be held on **Friday 14 December 2012**. Members are encouraged to attend as part of their training programme.

**LUNCH**

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### **Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on Tuesday 4 December 2012 at 3:00 pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.

## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 7 September 2012 commencing at 10.00 am and finishing at 2.25 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 Sandy Lovatt  
Councillor C.H. Shouler

**District Council Representatives** Councillor Jerry Patterson

**By Invitation:** P. Davies (Independent Financial Adviser); P. Gerrish (Beneficiaries Adviser)

**Officers:**

Whole of meeting S. Collins and S. Fox (Environment & Economy); D. Ross and J. Dean (Chief Executive's Office)

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the following additional confidential documents:*

- *WM UK Local Authority Annual Review 2011/12 (Agenda Item 7); and*
- *Report of main issues arising from reports of the Fund Managers not represented at this meeting (Agenda Item 11)*

*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.*

### **38/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Councillor Richard Langridge gave his apologies.

**39/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 2)

Councillors Darke, Fooks, Harvey, Lilly, Patterson and Service each declared an interest as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

**40/12 MINUTES**

(Agenda No. 3)

The Minutes of the meeting of the Committee held on 1 June 2012 were approved and signed subject to the inclusion of Councillors Richard Langridge and Jerry Patterson to those recorded as present at the meeting.

With regard to Minute 26/12 – At the request of the Committee, Mr Collins undertook to submit a report to the next meeting setting out the lessons learned from the lengthy transition time of the Wellington transfer, in order to set a pathway for the future so that funds could be moved across as expeditiously as possible.

**41/12 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

There were no petitions submitted or any requests to address the meeting by members of the public.

**42/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION**

(Agenda No. 5)

Mr Davies reported that the second quarter for 2012 was not a good quarter for depreciation, commenting that the overall value of equities had fallen by £33m. There had, however, been a steady move up in equities since the end of June. Bonds had increased. He added that towards the end of August the Fund had gained a further £20m, which gave an approximate overall value of £1.6m. Over the second quarter 2012 and over 12 months the Fund was performing in line with the benchmark and was performing -0.3% over 3 years and -1.5% over 5 years.

**RESOLVED:** to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 8, 9, 10 and 11 in the Agenda.

**43/12 EXEMPT ITEMS**

(Agenda No. 6)

It was **RESOLVED** that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12, 13 and 17 in the Agenda since it was likely that if they were present during those items there would be a 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 disclosing the information.

#### **44/12 PRESENTATION BY THE WM COMPANY ON THE FUND'S INVESTMENT PERFORMANCE FOR 2011/12**

(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 2012. 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.

*The public were 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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**RESOLVED:** to take note of the points raised in the presentation and to thank Karen Trumble for her presentation.

#### **45/12 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS**

(Agenda No. 8)

The Committee considered a report of the Independent Financial Adviser (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Advisor responded.

*The public were 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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**RESOLVED:** To receive the report, tables and graphs and the oral report of the Independent Financial Manager and to bear his conclusions in mind when considering the Fund Managers' reports.

**46/12 WELLINGTON**

(Agenda No. 9)

The representatives, Mr I. Link and Mr T. Sutton (who attended in place of Ms. N. Staunton) gave a summary of the profile and future strategy of Wellington.

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**RESOLVED:** to note the summaries.

**47/12 BAILLIE GIFFORD**

(Agenda No. 10)

The representatives, Mr. A. Dickson 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 2012.

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

**48/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING**

(Agenda No. 11)

The Independent Financial Adviser tabled a report on the main issues arising from the reports from UBS in conjunction with information contained in the tables and graphs at Agenda Item 5 (a copy of which is attached to the signed Minutes). He also reported orally on a telephone communication with Legal & General. He pointed out that UBS had performed poorly in the second quarter, adding also that Steve Lee had

left the company, to be replaced by Malcolm Gordon. The performance of Legal & General remained good.

Mr Davies also reported on a meeting with Adam Street in preparation for a report to the next meeting of the Committee.

*The public were 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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**RESOLVED:** To note the reports.

#### **49/12 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 12)

*The public were 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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Mr Davies reported that he had no further comments.

#### **50/12 ADDITIONAL VOLUNTARY CONTRIBUTIONS SCHEME - ANNUAL REVIEW**

(Agenda No. 13)

The Committee considered a report (PF13) that provided details of the annual review of the Fund's Additional Voluntary Contribution (AVC) Scheme. The report also included issues regarding the performance of the individual funds and the Scheme Provider (Prudential) itself.

*The public were 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 Scheme Provider involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

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

### **ORDER OF BUSINESS**

**RESOLVED:** that Agenda Items 17, 15 and 16 be taken, in that order, to be followed by Agenda Items 14, 18 to end.

## **51/12 EMPLOYER UPDATE**

(Agenda No. 17)

The Committee considered a report (PF17) which gave an update on new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). The report also provided information on the closure of a scheme employer. It also covered the changing membership of the Fund and the potential future implications in terms of cash flow and investment decisions. In addition, it considered the necessity of maintaining previous insurance arrangements required of admitted bodies.

Sally Fox informed the Committee of amendments which had been made to the detail of one of the contracts. She assured the Committee that this did not alter the position or the recommendation being put to Members.

*The public were 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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Following a number of questions raised by Members it was **RESOLVED** to:

- (a) note the applications for admitted body status, as agreed under delegated powers;
- (b) approve the recommendation as contained in the exempt report PF17;
- (c) discontinue the insurance scheme for unpaid contributions; and
- (d) note the cash flow position for the Fund and to ask the Officers to monitor the situation and bring further reports back to the Committee as necessary.

## **READMISSION OF PRESS AND PUBLIC**



**52/12 PENSION INVESTMENT AND ADMINISTRATION OUTTURN REPORT 2011/12**

(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 for the approved budgets.

Mrs Ross responded to questions from Members.

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

**53/12 PENSION ADMINISTRATION - SERVICE PERFORMANCE**

(Agenda No. 16)

The Committee had before them a report (PF16) which gave information on the annual review of the Pensions Administration Service, highlighting key performance indicators and any key issues over the past year.

Sally Fox undertook to check on the distribution of Member's annual pension statements.

**RESOLVED:** to note the report.

**54/12 DRAFT ANNUAL REPORT AND ACCOUNTS 2011/12**

(Agenda No. 14)

The Committee considered the draft Annual Report and Accounts for 2011/12 (PF14) which showed the final accounts for the Pension Fund ended 31 March 2012 and provided details on how the Fund operated, including sections on membership and investments.

Mary Fetigan, representing the Audit Commission, attended the meeting to present the findings and to respond to questions from Members.

**RESOLVED:** to receive the draft report and accounts for 2010/11 and to thank Mary Fetigan for her presentation.

**55/12 PENSION ADMINISTRATION - REGULATION UPDATE**

(Agenda No. 18)

The Committee considered a report (PF18) which sought approval for new procedures to be introduced following a change to the Administration Regulations allowing the administering authority to make payment of benefits to an authorised person in instances where the member is incapable of managing their own affairs.

**RESOLVED:**

- (a) to introduce an internal procedure for the payment of benefits in cases where no formal arrangements exist;

- (b) that appropriate medical evidence be submitted to support the internal procedure; and
- (c) to delegate the decision making process to the Assistant Chief Executive & Chief Finance Officer, following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson.

**56/12 WRITE OFF'S**  
(Agenda No. 19)

The Committee had before them a report (PF19) which informed them of any write off's that had been agreed by Officers in line with the approved arrangements set out in the Scheme of Financial Delegation for the Fund.

**RESOLVED:** to note the report.

**57/12 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT**  
(Agenda No. 20)

The Committee noted that there were no other issues to report.

**58/12 ANNUAL PENSION FORUM**  
(Agenda No. 21)

**RESOLVED:** that the 2012 Annual Pension Forum be held on Friday 14 December 2012.

..... in the Chair

Date of signing .....

TABLE 1

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**  
**OVERALL VALUATION OF FUND AS AT 30th SEPTEMBER 2012**

Investment	COMBINED PORTFOLIO 1.07.12	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Overseas Equities and Property		Other Investments		COMBINED PORTFOLIO 30.09.12	OCC Customised Benchmark
	Value £' 000	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	
<b>EQUITIES</b>															
<b>UK Equities</b>	<b>378,733</b>	<b>249,115</b>	<b>96.1%</b>	<b>14,262</b>	<b>9.2%</b>	<b>132,989</b>	<b>57.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>396,366</b>	<b>30.1%</b>
US Equities	-	0	0.0%	77,559	49.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	77,559	5.9%
European & Middle Eastern Equities	-	0	0.0%	29,130	18.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	29,130	2.2%
Japanese Equities	-	0	0.0%	11,982	7.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	11,982	0.9%
Pacific Basin Equities	-	0	0.0%	2,713	1.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,713	0.2%
Emerging Markets Equities	12,895	0	0.0%	18,143	11.7%	0	0.0%	0	0.0%	13,538	5.4%	0	0.0%	31,681	2.4%
UBS Global Pooled Fund	156,048	0	0.0%	0	0.0%	0	0.0%	0	0.0%	161,444	63.8%	0	0.0%	161,444	12.3%
L&G World Equity Fund (Transition Fund)	136,862	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
L&G World (ex UK) Equity Fund	96,525	0	0.0%	0	0.0%	100,315	43.0%	0	0.0%	0	0.0%	0	0.0%	100,315	7.6%
<b>Total Overseas Equities</b>	<b>402,330</b>	<b>0</b>	<b>0.0%</b>	<b>139,527</b>	<b>89.6%</b>	<b>100,315</b>	<b>43.0%</b>	<b>0</b>	<b>0.0%</b>	<b>174,982</b>	<b>69.2%</b>	<b>0</b>	<b>0.0%</b>	<b>414,824</b>	<b>31.5%</b>
<b>BONDS</b>															
UK Gilts	43,656	0	0.0%	0	0.0%	0	0.0%	37,247	16.3%	0	0.0%	0	0.0%	37,247	2.8%
Corporate Bonds	85,495	0	0.0%	0	0.0%	0	0.0%	89,602	39.2%	0	0.0%	0	0.0%	89,602	6.8%
Overseas Bonds	26,392	0	0.0%	0	0.0%	0	0.0%	30,055	13.1%	0	0.0%	0	0.0%	30,055	2.3%
Index-Linked	69,145	0	0.0%	0	0.0%	0	0.0%	67,596	29.6%	0	0.0%	0	0.0%	67,596	5.1%
<b>Total Bonds</b>	<b>224,688</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>224,500</b>	<b>98.2%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>224,500</b>	<b>17.0%</b>
<b>ALTERNATIVE INVESTMENTS</b>															
Property	78,149	0	0.0%	0	0.0%	0	0.0%	0	0.0%	76,608	30.3%	7,243	3.9%	83,851	6.4%
Private Equity	113,849	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	118,936	63.9%	118,936	9.0%
Hedge Funds	31,400	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	31,628	17.0%	31,628	2.4%
<b>Total Alternative Investments</b>	<b>223,398</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>76,608</b>	<b>30.3%</b>	<b>157,807</b>	<b>84.8%</b>	<b>234,415</b>	<b>17.8%</b>
<b>CASH</b>	<b>41,430</b>	<b>10,211</b>	<b>3.9%</b>	<b>1,834</b>	<b>1.2%</b>	<b>0</b>	<b>0.0%</b>	<b>4,084</b>	<b>1.8%</b>	<b>1,318</b>	<b>0.5%</b>	<b>28,420</b>	<b>15.2%</b>	<b>45,867</b>	<b>3.6%</b>
<b>TOTAL ASSETS</b>	<b>1,270,579</b>	<b>259,326</b>	<b>100.0%</b>	<b>155,623</b>	<b>100.0%</b>	<b>233,304</b>	<b>100.0%</b>	<b>228,584</b>	<b>100.0%</b>	<b>252,908</b>	<b>100.0%</b>	<b>186,227</b>	<b>100.0%</b>	<b>1,315,972</b>	<b>100.0%</b>

% of total Fund

19.71%

11.83%

17.72%

17.37%

19.22%

14.15%

100%

\* Fund split between UK and rest of the world based on FTSE weightings

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 2

ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2012ALTERNATIVE ASSETS

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Private Equity	6-11	10.0%	9.0%	-1.0%	FTSE Smaller Companies (inc investment trusts) 3 month LIBOR + 3%
Hedge Funds	2-4	3.0%	2.4%	-0.6%	
<b>Total</b>		<b>13.0%</b>	<b>11.4%</b>	<b>-1.6%</b>	

**Target Objective for Private Equity** - To seek to outperform the Benchmark by 1% over rolling 3 year periods.

**Target Objective for Hedge Funds** - To seek to outperform the 3 month LIBOR + 3% over rolling 3 year periods

**Market Value - at 30th September 2012**  
 £118,936,000 Private Equity  
 £31,628,000 Hedge Funds

TABLE 3

ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2012BAILLIE GIFFORD

UK EQUITIES					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A	100.0%	96.1%	-3.9%	FTSE Actuaries All-Share
Cash	Nil	0.0%	3.9%	+3.9%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To seek to outperform the Benchmark by 1.25% per annum over rolling 3 year periods (gross of management fees).

**Market Value - at 30th September 2012**  
 £259,326,000

TABLE 4

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2012****LEGAL and GENERAL**

UK EQUITIES - PASSIVE					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A	100.0%	100.0%	+0.0%	FTSE 100
Cash	Nil	0.0%	0.0%	+0.0%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To track the FTSE 100 Index

**Market Value - at 30th September 2012** £132,989,000

TABLE 5

FIXED INCOME					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Gilts	0 - 36	18.75%	16.3%	-2.5%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	39.2%	+1.7%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	29.6%	-1.7%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	13.1%	+0.6%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	1.8%	+1.8%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

**Market Value - at 30th September 2012** £228,584,000

TABLE 6

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2012****LEGAL and GENERAL**

WORLD (EX-UK) EQUITY INDEX - PASSIVE					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Global (ex-UK) Equities	N/A	100.0%	100.0%	+0.0%	FTSE AW-World (ex-UK) Index
Cash	Nil	0.0%	0.0%	+0.0%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To track the FTSE AW-World (ex-UK) Index

**Market Value - at 30th September 2012** £100,315,000

TABLE 7

**ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2012****WELLINGTON**

GLOBAL EQUITIES					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Global Equities	N/A	100.0%		-100.0%	MSCI All Countries World Index
Cash	Nil	0.0%		+0.0%	
<b>Total</b>		<b>100.0%</b>	<b>0.0%</b>		

**Target Objective** - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (net of management fees).

**Market Value - at 30th September 2012** £155,623,000

TABLE 8

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2012****UBS GLOBAL ASSET MANAGEMENT**

OVERSEAS EQUITY PORTFOLIO					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
<b>Overseas Equities</b> <i>Comprising</i>					
Global Pooled Fund	85 - 100	90.0%	92.3%	+2.3%	See Split below *
Emerging Markets	0 - 10	10.0%	7.7%	-2.3%	FTSE AW Emerging Markets
<b>Cash</b>	0 - 10	<b>0.0%</b>	0.0%		
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		
<b>* Global Pooled Fund Split:-</b>					
North America		30.0%			FTSE North American Developed
Europe (ex UK)		30.0%			FTSE Europe (ex UK) Developed
Asia Pacific (inc. Japan)		30.0%			FTSE Asia-Pacific (inc Japan) Developed
<b>Total Global Pooled</b>		<b>90.0%</b>	<b>92.3%</b>	+2.3%	

**Target Objective** - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

**Market Value - at 30th September 2012** £174,982,000

TABLE 9

PROPERTY PORTFOLIO					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
<b>Property</b>	90 - 100	<b>100.0%</b>	98.3%	-1.7%	IPD UK All Balanced Funds Index Weighted Average
<b>Cash</b>	0 - 10	<b>0.0%</b>	1.7%	+1.7%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (net of costs and fees).

**Market Value - at 30th September 2012** £77,926,000

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****TOTAL PORTFOLIO PROGRESS REPORT - 1 JULY 2012 to 30 SEPTEMBER 2012**

Asset	Market Value 1.07.12	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.09.12	%
			UBS	Baillie Gifford	Legal & General	Wellington	Other	UBS	Baillie Gifford	Legal & General	Wellington	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>EQUITIES</b>														
UK Equities	378,733	30	0	1,202	(12,472)	14,220	0	0	9,103	5,538	42	0	396,366	30
US Equities	0	0	0	0	0	76,786	0	0	0	0	773	0	77,559	6
European & Middle Eastern Equities	0	0	0	0	0	28,537	0	0	0	0	593	0	29,130	2
Japanese Equities	0	0	0	0	0	11,982	0	0	0	0	0	0	11,982	1
Pacific Basin Equities	0	0	0	0	0	2,600	0	0	0	0	113	0	2,713	0
Emerging Market Equities	12,895	1	0	0	0	17,352	0	643	0	0	791	0	31,681	3
Global Pooled Funds	389,435	31	0	0	(140,620)	0	0	5,396	0	7,548	0	0	261,759	20
Total Overseas Equities	402,330	32	0	0	(140,620)	137,257	0	6,039	0	7,548	2,270	0	414,824	32
<b>BONDS</b>														
UK Gilts	43,656	4	0	0	(6,506)	0	0	0	0	97	0	0	37,247	3
Corporate Bonds	85,495	7	0	0	0	0	0	0	0	4,107	0	0	89,602	7
Overseas Bonds	26,392	2	0	0	3,724	0	0	0	0	(61)	0	0	30,055	2
Index-Linked Bonds	69,145	5	0	0	678	0	0	0	0	(2,227)	0	0	67,596	5
<b>ALTERNATIVE INVESTMENTS</b>														
Property	78,149	6	5,684	0	0	0	918	(999)	0	0	0	99	83,851	6
Private Equity	113,849	9	0	0	0	0	(133)	0	0	0	0	5,220	118,936	9
Hedge Funds	31,400	2	0	0	0	0	4	0	0	0	0	224	31,628	2
SUB TOTAL	1,229,149	97	5,684	1,202	(155,196)	151,477	789	5,040	9,103	15,002	2,312	5,543	1,270,105	96
CASH *	41,430	3	(4,826)	1,035	3,110	1,834	3,284	0	0	0	0	0	45,867	4
<b>GRAND TOTAL</b>	<b>1,270,579</b>	<b>100</b>	<b>858</b>	<b>2,237</b>	<b>(152,086)</b>	<b>153,311</b>	<b>4,073</b>	<b>5,040</b>	<b>9,103</b>	<b>15,002</b>	<b>2,312</b>	<b>5,543</b>	<b>1,315,972</b>	<b>100</b>

\* Movement in cash is not confined to investment transactions but also includes dividend income and the payment of fees. Further details of cash movements can be found in the Managers' individual valuations.



## OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 11

## VALUATION OF OTHER INVESTMENTS AS AT 30th SEPTEMBER 2012

	HOLDING	COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
<b>PRIVATE EQUITY</b>						
Managed by Mr P Davies, IFA						
<b>Quoted Investment Trusts</b>						
3i Group	1,874,713	5,281,262	2,817	2,226,000	4,173,111	(1,108,151)
Candover Investments	236,060	1,687,945	7,150	3,357,500	792,571	(895,374)
Electra Private Equity	1,016,179	13,886,422	13,665	17,690,000	17,976,207	4,089,785
F&C Private Equity Trust	4,160,000	7,339,178	1,764	1,662,500	6,916,000	(423,178)
Graphite Enterprise Trust	852,512	2,420,093	2,839	3,917,500	3,339,716	919,623
HarbourVest European Senior Loans	2,284,315	2,260,000	0,989	0,890,000	2,033,040	(226,960)
Henderson Private Equity	625,215	1,105,995	1,769	3,612,500	2,258,589	1,152,594
HG Capital Trust	1,677,500	8,770,766	5,228	9,990,000	16,758,225	7,987,459
HG Capital Trust Sub Shs	256,500	-	0,000	0,452,500	116,066	116,066
KKR & CO LP	220,000	1,683,130	7,651	9,357,196	2,058,583	375,453
Northern Investors	393,713	390,849	0,993	2,752,500	1,083,695	692,846
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0,982	0,450,000	267,125	(315,672)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0,974	0,430,000	439,383	(555,781)
Schroder Private Equity	2,370,403	1,534,704	0,647	1,688,607	4,002,679	2,467,975
Standard Life European Private Equity Trust	4,434,448	5,174,666	1,167	1,621,250	7,189,349	2,014,683
SVG Capital	1,691,580	5,758,449	3,404	2,650,000	4,482,687	(1,275,762)
		<b>58,871,420</b>			<b>73,887,026</b>	<b>15,015,606</b>
<b>Other Fixed Interest</b>						
Electra Private Equity 5,000% 12/29/2017 DD 12/29/10	2,870	2,870,000	1,000	1,174,990	3,372,221	502,221
<b>Unlisted Private Funds</b>						
Midlands Growth Fund	2,509	306,254	122	3,500	8,782	(297,472)
<b>Limited Partnerships Fund of Funds</b>						
Partners Group Secondary 2006 L.P.		2,793,747			4,241,466	1,447,719
Partners Group Secondary 2008 L.P.		9,115,435			11,538,586	2,423,151
Partners Group Asia-Pacific 2007 L.P.		5,661,453			5,859,261	197,808
Partners Group Secondary 2011 L.P.		1,304,998			1,987,240	682,242
Partners Group Asia-Pacific 2011 L.P.		851,930			664,393	(187,537)
<b>Adams Street 2007 Non US Fund</b>		3,558,778			3,870,465	311,687
<b>Adams Street 2008 Global Fund</b>						
Adams Street 2008 Direct Fund		1,063,143			1,250,078	186,935
Adams Street 2008 Non US Fund		2,330,142			2,378,934	48,792
Adams Street 2008 US Fund		2,553,243			3,992,839	1,439,596
<b>Adams Street 2009 Global Fund</b>						
Adams Street 2009 Direct Fund		543,485			662,393	118,908
Adams Street 2009 Non US Developed Mkts Fund		837,858			807,712	(30,146)
Adams Street 2009 Non US Emerging Mkts Fund		322,592			263,575	(59,017)
Adams Street 2009 US Fund		1,669,870			1,973,441	303,571
Oxford Technology ECF Limited Partner AC		1,375,119			2,177,487	802,368
		<b>33,981,793</b>			<b>41,667,870</b>	<b>7,686,077</b>
Cash Held by Custodian for Private Equity		8,325,949			8,325,949	
CASH HELD IN HOUSE		20,094,248			20,094,248	
<b>TOTAL OF ALL INVESTMENTS</b>		<b>124,449,664</b>			<b>147,356,096</b>	<b>22,906,432</b>

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

TABLE 12

**PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30th SEPTEMBER 2012**

<b>DATE</b>	<b>HOLDING</b>	<b>TRANSACTION</b>	<b>BOOK COST £</b>	<b>PAYMENTS £</b>	<b>SALE PROCEEDS £</b>	<b>REALISED GAIN/LOSS £</b>
12/07/2012		<b>LIMITED PARTNERSHIP FUND OF FUNDS</b>				
		<b>DRAWDOWNS</b>				
19/07/2012		Partners Group Asia - Pacific 2011 L.P.	164,730	164,730		
25/07/2012		Adams Street 2009 Non US Emerging Mkts Fund	29,374	29,374		
02/08/2012		Adams Street 2007 Non US Fund	204,174	204,174		
03/08/2012		Partners Group Secondary 2008 L.P.	576,904	576,904		
03/08/2012		Partners Group Asia - Pacific 2007 L.P.	386,019	386,019		
03/08/2012		Adams Street 2008 Non US Fund	141,470	141,470		
17/08/2012		Adams Street 2009 Non US Developed Mkts Fund	62,898	62,898		
21/08/2012		Adams Street 2009 Non US Emerging Mkts Fund	47,063	47,063		
23/08/2012		Okford Technology ECF Limited Partner AC	105,000	105,000		
28/09/2012		Adams Street 2008 Direct Fund	39,035	39,035		
29/08/2012		Adams Street 2009 US Fund	207,292	207,292		
28/09/2012		Adams Street 2009 Direct Fund	25,904	25,904		
		Partners Group Secondary 2006 L.P.	155,788	155,788		
			<b>2,145,651</b>	<b>2,145,651</b>		
		<b>LIMITED PARTNERSHIP FUND OF FUNDS</b>				
		<b>CAPITAL DISTRIBUTIONS</b>				
05/07/2012		Partners Group Secondary 2006 L.P.	(101,161)		(101,161)	
02/08/2012		Partners Group Secondary 2008 L.P.	(360,548)		(360,548)	
19/09/2012		Partners Group Asia - Pacific 2007 L.P.	(102,473)		(102,473)	
28/09/2012		Partners Group Secondary 2006 L.P.	(295,996)		(295,996)	
28/09/2012		Adams Street 2009 US Fund	(143,010)		(143,010)	
			<b>(1,003,188)</b>		<b>(1,003,188)</b>	
		<b>CORPORATE ACTION</b>				
21/08/2012		KKR & CO LP - return of capital	(18,120)		(18,120)	647,117
14/09/2012	313,140	Henderson Private Equity - tender offer	(553,940)		(1,201,057)	55,887
14/09/2012	100,000	HG Capital Trust - share subscription	-		(55,887)	
			<b>(572,060)</b>		<b>(1,275,064)</b>	<b>703,004</b>
		<b>TOTALS</b>	<b>570,403</b>	<b>2,145,651</b>	<b>(2,278,252)</b>	<b>703,004</b>

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 30th SEPTEMBER 2012****COMBINED PORTFOLIO (BY ASSET CLASS)**

ASSET	% weighting of fund as at 30th September	QUARTER ENDED 30th September 2012			12 MONTHS ENDED 30th September 2012			THREE YEARS ENDED 30th September 2012			FIVE YEARS ENDED 30th September 2012		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	10.6%	4.0	4.3	0.3	17.3	18.0	0.7	7.3	5.6	-1.7	3.3	-2.2	-5.5
UK EQUITIES	30.1%	4.7	4.5	-0.2	17.2	19.5	2.3	8.1	11.4	3.3	1.7	3.4	1.7
OVERSEAS EQUITIES	20.9%	3.9	3.7	-0.2	17.4	16.2	-1.2	6.8	3.9	-2.9	3.2	2.2	-1.0
UK GOVERNMENT BONDS	2.8%	1.1	0.9	-0.2	8.3	8.0	-0.3	7.8	7.2	-0.6	8.2	8.5	0.3
UK CORPORATE BONDS	6.8%	5.7	4.8	-0.9	13.3	14.2	0.9	8.9	9.8	0.9	6.9	7.8	0.9
OVERSEAS BONDS*	1.8%	1.4	1.8	0.4	4.4	4.2	-0.2	4.7	5.0	0.3	-	9.1	-
UK INDEX LINKED GILTS	5.1%	-3.2	-3.2	0.0	5.0	5.3	0.3	9.3	10.3	1.0	8.3	9.1	0.8
TOTAL PRIVATE EQUITY	9.0%	8.6	4.7	-3.9	17.8	10.1	-7.7	3.9	10.6	6.7	-2.8	-0.2	2.6
HEDGE FUNDS	2.4%	0.9	0.7	-0.2	3.9	0.3	-3.6	3.8	3.6	-0.2	5.1	-0.5	-5.6
PROPERTY ASSETS	6.4%	0.4	0.0	-0.4	2.8	2.5	-0.3	9.5	9.7	0.2	-3.6	-7.2	-3.6
TOTAL CASH	3.5%	-	1.0		-	2.0		-	0.5		-	1.2	
<b>TOTAL FUND</b>	<b>100%</b>	<b>3.9</b>	<b>3.3</b>	<b>-0.6</b>	<b>14.5</b>	<b>13.8</b>	<b>-0.7</b>	<b>7.9</b>	<b>8.0</b>	<b>0.1</b>	<b>3.1</b>	<b>1.9</b>	<b>-1.2</b>

\* This includes L&amp;G Currency Hedging for Overseas bonds

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 30th SEPTEMBER 2012****COMBINED PORTFOLIO ( BY FUND MANAGER)**

FUND MANAGER	% Weighting of Fund as at 30th September	QUARTER ENDED 30th September 2012			12 MONTHS ENDED 30th September 2012			THREE YEARS ENDED 30th September 2012			FIVE YEARS ENDED 30th September 2012		
		BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION
		RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%
BAILLIE GIFFORD UK EQUITIES	19.7%	4.7	4.6	-0.1	17.2	20.5	3.3	8.1	13.2	5.1	1.7	4.8	3.1
WELLINGTON GLOBAL EQUITIES	11.8%	n/a	n/a		-	-		-	-		-	-	
L&G UK EQUITIES - PASSIVE	10.1%	4.1	4.1	0.0	16.4	16.4	0.0	7.6	7.6	0.0	-	-	
L&G GLOBAL EX UK EQUITIES - PASSIVE	7.6%	3.9	3.9	0.0	17.8	17.7		-	-		-	-	
L&G FIXED INCOME	17.4%	1.5	1.3	-0.2	8.7	9.0	0.3	8.3	9.0	0.7	7.7	8.6	0.9
PARTNERS GROUP PROPERTY SICAR	0.6%	0.4	1.5	1.1	2.8	5.7	2.9	-	-		-	-	
PRIVATE EQUITY	9.0%	8.6	4.7	-3.9	17.8	10.1	-7.7	3.9	10.6	6.7	-2.8	-0.1	2.7
UBS OVERSEAS EQUITIES	13.3%	4.1	3.8	-0.3	14.2	16.3	2.1	5.2	3.9	-1.3	2.3	2.1	-0.2
UBS PROPERTY	5.9%	0.4	-0.1	-0.5	2.8	2.1	-0.7	9.5	8.7	-0.8	-3.6	-7.9	-4.3
UBS HEDGE FUNDS	2.4%	0.9	0.7	-0.2	3.9	0.3	-3.6	3.8	3.6	-0.2	5.1	-0.6	-5.7
IN-HOUSE CASH	2.2%	0.1	0.2	0.1	0.5	1.6	1.1	0.4	1.4	1.0	1.6	2.5	0.9
<b>TOTAL FUND</b>	<b>100.0%</b>	<b>3.9</b>	<b>3.3</b>	<b>-0.6</b>	<b>14.5</b>	<b>13.8</b>	<b>-0.7</b>	<b>7.9</b>	<b>8.0</b>	<b>0.1</b>	<b>3.1</b>	<b>1.9</b>	<b>-1.2</b>

\* This includes L&amp;G Currency Hedging for Overseas bonds

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 30th SEPTEMBER 2012****BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE****TABLE 15**

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	4.7	4.8	0.1	17.2	21.2	4.0	8.1	13.5	5.4	1.7	4.7	3.0
TOTAL CASH	-	0.1		-	0.6		-	0.6		-	2.0	
<b>TOTAL ASSETS</b>	<b>4.7</b>	<b>4.6</b>	<b>-0.1</b>	<b>17.2</b>	<b>20.5</b>	<b>3.3</b>	<b>8.1</b>	<b>13.2</b>	<b>5.1</b>	<b>1.7</b>	<b>4.8</b>	<b>3.1</b>

**Target Objective** - To seek to outperform the Benchmark by 1.25% per annum over rolling 3 year periods (gross of management fees)

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 30th SEPTEMBER 2012****LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS**

TABLE 16

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
1 FTSE 100 EQUITY INDEX FUND	4.1	4.1	0.0	16.4	16.4	0.0	7.6	7.6	0.0	-	-	
2 L&G WORLD (EX-UK) EQUITY FUND	3.9	3.9	0.0	17.8	17.7	-0.1	-	-		-	-	

**Target Objective** - 1. To track the FTSE 100 Index 2. To track the FTSE AW-World (ex-UK) Index

**LEGAL & GENERAL - BONDS**

TABLE 17

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK GILTS	1.1	0.9	-0.2	8.3	8.0	-0.3	7.8	7.2	-0.6	8.2	8.5	0.3
UK CORPORATE BONDS	5.7	4.8	-0.9	13.3	14.3	1.0	8.9	9.9	1.0	6.9	8.2	1.3
OVERSEAS BONDS*	1.4	1.8	0.4	4.4	4.2	-0.2	4.7	4.7	0.0	-	8.9	-
UK INDEX LINKED	-3.2	-3.2	0.0	5.0	5.3	0.3	9.3	10.3	1.0	8.3	9.1	0.8
CASH/ALTERNATIVES*	-	n/a		-	n/a		-	n/a		-	n/a	
<b>TOTAL ASSETS</b>	<b>1.5</b>	<b>1.3</b>	<b>-0.2</b>	<b>8.7</b>	<b>9.0</b>	<b>0.3</b>	<b>8.3</b>	<b>9.0</b>	<b>0.7</b>	<b>7.7</b>	<b>8.6</b>	<b>0.9</b>

\* Cash held by L&G is used for hedging the Overseas Bond position. This is therefore included in the Overseas Bond category in order to produce a hedged return.

**Target Objective** - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 30th SEPTEMBER 2012****INDEPENDENT ADVISOR - PRIVATE EQUITY**

TABLE 18

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PRIVATE EQUITY	8.6	8.6	0.0	17.8	14.8	-3.0	3.9	10.6	6.7	-2.8	-0.9	1.9
LIMITED LIABILITY PARTNERSHIPS	8.6	-2.0	-10.6	17.8	1.9	-15.9	3.9	10.9	7.0	-2.8	6.7	9.5
<b>TOTAL ASSETS</b>	<b>8.6</b>	<b>4.7</b>	<b>-3.9</b>	<b>17.8</b>	<b>10.1</b>	<b>-7.7</b>	<b>3.9</b>	<b>10.6</b>	<b>6.7</b>	<b>-2.8</b>	<b>-0.1</b>	<b>2.7</b>

**Target Objective** - To seek to outperform the Benchmark by 1% over rolling 3 year periods.

**PARTNERS GROUP REAL ESTATE SICAR - PROPERTY**

TABLE 19

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	0.4	1.5	1.1	2.8	5.7	2.9	-	-		-	-	
TOTAL CASH	-	n/a		-	n/a		-	-		-	-	
<b>TOTAL ASSETS*</b>	<b>0.4</b>	<b>1.5</b>	<b>1.1</b>	<b>2.8</b>	<b>5.7</b>	<b>2.9</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 30th SEPTEMBER 2012****UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES**

TABLE 20

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
OVERSEAS EQUITIES	4.1	3.8	-0.3	14.2	16.3	2.1	5.2	3.9	-1.3	2.3	2.2	-0.1
TOTAL CASH	-	n/a		-	n/a		-	-		-	-	
<b>TOTAL ASSETS</b>	<b>4.1</b>	<b>3.8</b>	<b>-0.3</b>	<b>14.2</b>	<b>16.3</b>	<b>2.1</b>	<b>5.2</b>	<b>3.9</b>	<b>-1.3</b>	<b>2.3</b>	<b>2.1</b>	<b>-0.2</b>

**Target Objective** - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

**UBS GLOBAL ASSET MANAGEMENT - PROPERTY**

TABLE 21

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	0.4	-0.1	-0.5	2.8	2.2	-0.6	9.5	9.6	0.1	-3.6	-7.2	-3.6
TOTAL CASH*	-	0.4		-	0.5		-	-0.2		-	-	
<b>TOTAL ASSETS**</b>	<b>0.4</b>	<b>-0.1</b>	<b>-0.5</b>	<b>2.8</b>	<b>2.1</b>	<b>-0.7</b>	<b>9.5</b>	<b>8.7</b>	<b>-0.8</b>	<b>-3.6</b>	<b>-7.9</b>	<b>-4.3</b>

\* Historic returns for this category refer to the portfolio whilst both Overseas Equities and Property were held within one portfolio. Property cash shown from June 2009

\*\* Total Assets for this mandate reflect Cash from June 2009 only.

**Target Objective** - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).



**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2012****UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS**

TABLE 22

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
HEDGE FUNDS	0.9	0.8	-0.1	3.9	0.4	-3.5	3.8	3.6	-0.2	5.1	-0.5	-5.6
TOTAL CASH	-	0.0		-	0.2		-	0.3		-	1.5	
<b>TOTAL ASSETS</b>	<b>0.9</b>	<b>0.7</b>	<b>-0.2</b>	<b>3.9</b>	<b>0.3</b>	<b>-3.6</b>	<b>3.8</b>	<b>3.6</b>	<b>-0.2</b>	<b>5.1</b>	<b>-0.6</b>	<b>-5.7</b>

**Target Objective** - To seek to outperform the 3 month LIBOR + 3% over rolling 3 year periods

**INTERNALLY MANAGED CASH**

TABLE 23

ASSET	QUARTER ENDED 30/09/2012			12 MONTHS ENDED 30/09/2012			THREE YEARS ENDED 30/09/2012			FIVE YEARS ENDED 30/09/2012		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
INTERNALLY MANAGED CASH*	0.1	0.2	0.1	0.5	1.6	1.1	0.4	1.4	1.0	1.6	2.5	0.9
<b>TOTAL ASSETS</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.5</b>	<b>1.6</b>	<b>1.1</b>	<b>0.4</b>	<b>1.4</b>	<b>1.0</b>	<b>1.6</b>	<b>2.5</b>	<b>0.9</b>

\* This portfolio includes cash held at the Custodian

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****TABLE 24****TOP 20 HOLDINGS AT 30/09/2012**

ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<b>DIRECT HOLDINGS</b>		
1 ELECTRA INVESTMENT TR ORD 25P	17,976,207	1.37
2 HG CAPITAL TRUST ORD GBP0.25	16,758,225	1.27
3 BRITISH AMERICAN TOBACCO ORD	13,746,314	1.04
4 BG GROUP PLC ORD GBP0.10	13,685,386	1.04
5 HSBC HLDGS ORD USD0.50 (UK)	11,618,518	0.88
6 ROYAL DUTCH SHELL PLC B SHS	10,842,091	0.82
7 BHP BILLITON PLC USD0.50	7,968,200	0.61
8 IMPERIAL TOBACCO GROUP ORD 10P	7,743,580	0.59
9 BUNZL ORD GBP0.3214857	7,429,572	0.56
10 STANDARD LIFE EURO ORD	7,189,349	0.55
11 PRUDENTIAL PLC GBP0.05	7,183,632	0.55
12 F & C PRIVATE EQUITY TRUST	6,916,000	0.53
13 TREASURY INDEX-LINKED 2.500% 16-APR-2020	6,843,927	0.52
14 SABMILLER PLC	6,798,750	0.52
15 REED ELSEVIER	6,367,007	0.48
16 SCHRODERS GBP I INC	6,227,082	0.47
17 MEGGITT ORDSP	6,211,132	0.47
18 RIO TINTO PLC	6,097,833	0.46
19 LEGAL & GENERAL GROUP ORD 2.5P	5,981,084	0.45
20 PEARSON ORD GBP0.25	5,920,473	0.45
<b>TOP 20 HOLDINGS MARKET VALUE *</b>	<b>179,504,362</b>	<b>13.63</b>

\* Excludes Investments held within Pooled Funds

**POOLED FUNDS AT 30/09/2012**

- 1 UBS GLOBAL ASSET MANAGEMENT LIFE GLOBAL OPTIMAL THIRDS
- 2 LEGAL & GENERAL UK FTSE 100 EQUITY INDEX FUND
- 3 LEGAL & GENERAL WORLD (EX UK) EQUITY INDEX FUND
- 4 LEGAL AND GENERAL CORE PLUS FUND
- 5 BAILLIE GIFFORD BRITISH SMALL COMPANIES FUND

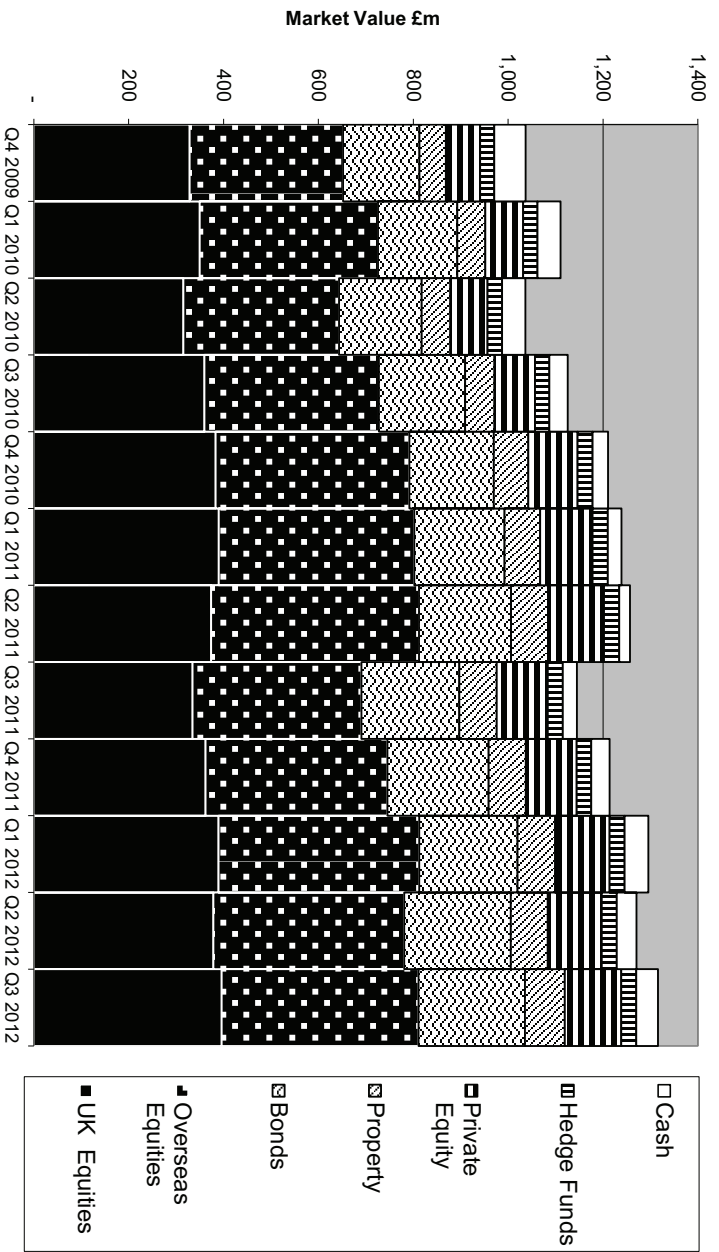
TOTAL POOLED FUNDS MARKET VALUE	<b>500,935,015</b>	<b>38.07</b>
TOTAL FUND MARKET VALUE	<b>1,315,972,000</b>	

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 1**

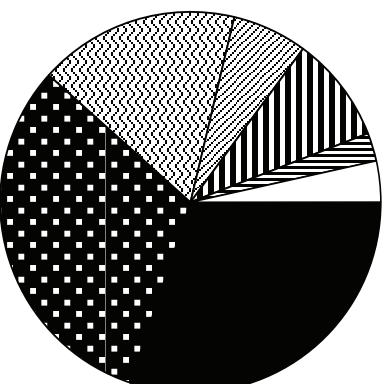
**MARKET VALUE OF TOTAL FUND**

**TOTAL FUND MARKET VALUE BY ASSET CLASS**



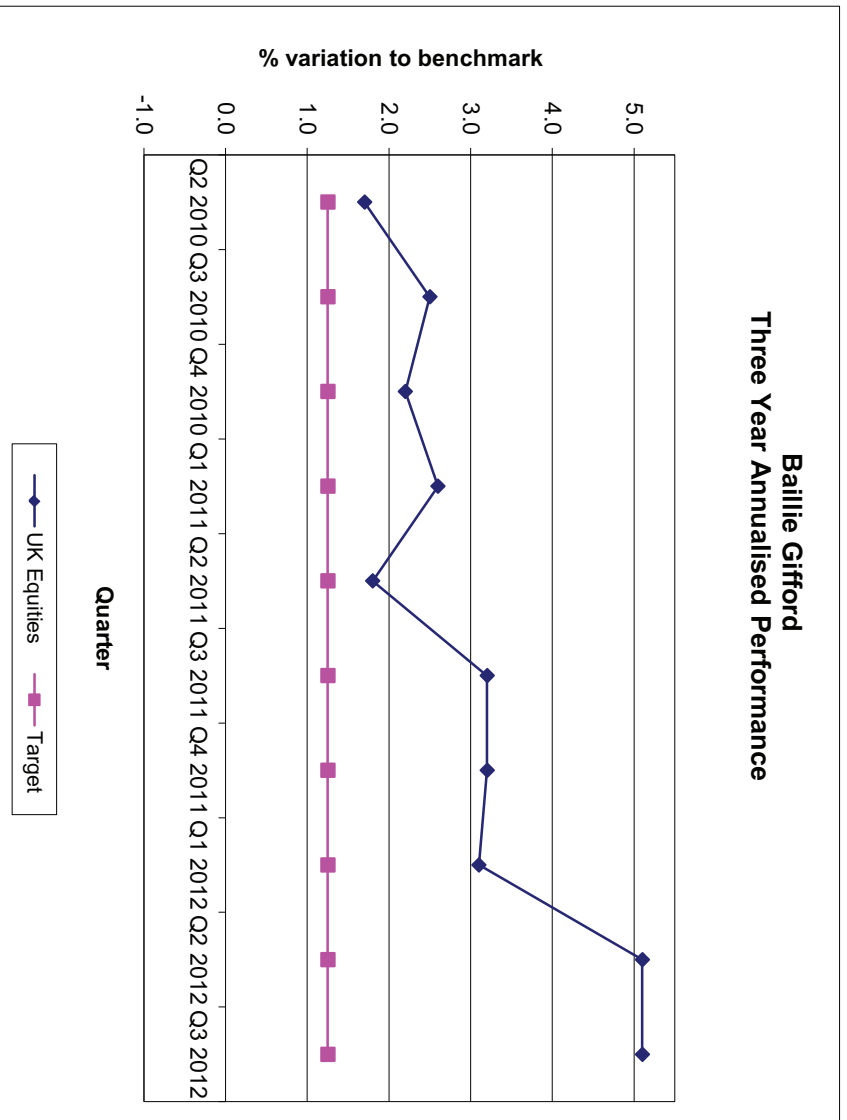
<u>Quarter</u>	<u>Market Value</u> <u>£m</u>
Q4 2009	1,037.0
Q1 2010	1,111.0
Q2 2010	1,037.0
Q3 2010	1,126.0
Q4 2010	1,210.7
Q1 2011	1,239.0
Q2 2011	1,257.2
Q3 2011	1,145.3
Q4 2011	1,214.3
Q1 2012	1,295.7
Q2 2012	1,270.6
Q3 2012	1,316.0

**Asset Allocation Latest Quarter**



**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 2**



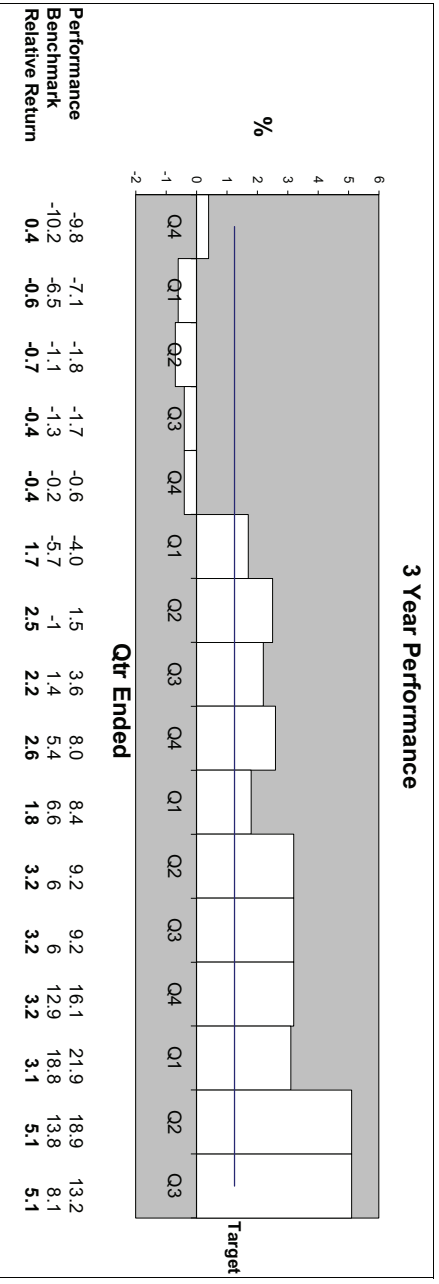
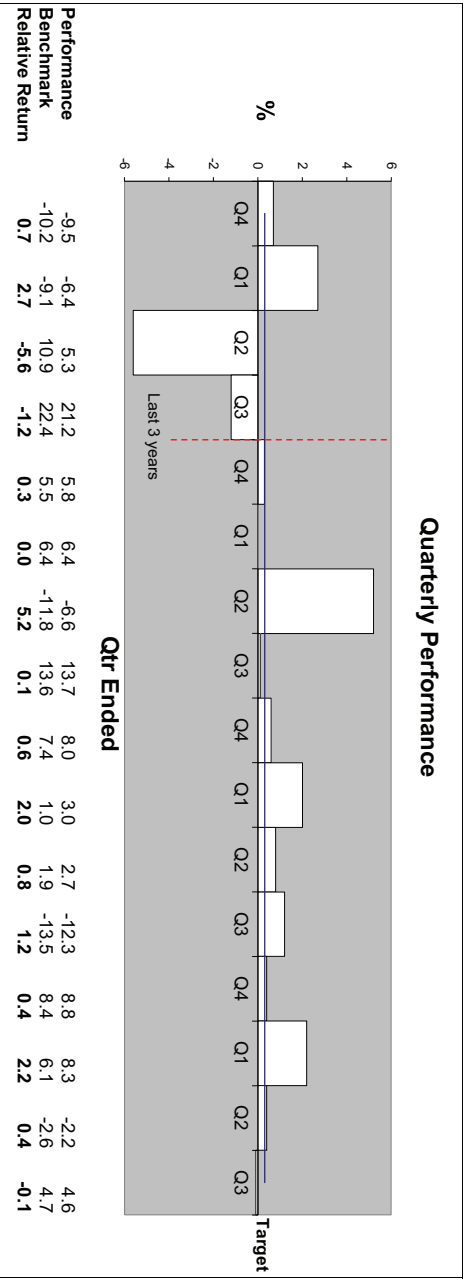
**Bailie Gifford Three Year Annualised Performance**

	UK Equities	Target
Q2 2010	1.7	1.25
Q3 2010	2.5	1.25
Q4 2010	2.2	1.25
Q1 2011	2.6	1.25
Q2 2011	1.8	1.25
Q3 2011	3.2	1.25
Q4 2011	3.2	1.25
Q1 2012	3.1	1.25
Q2 2012	5.1	1.25
Q3 2012	5.1	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

2008 2009 2010 2011 2012



**Target Returns**

Rolling annual target of 1.25% above benchmark

**Top 10 holdings at 30/09/2012**

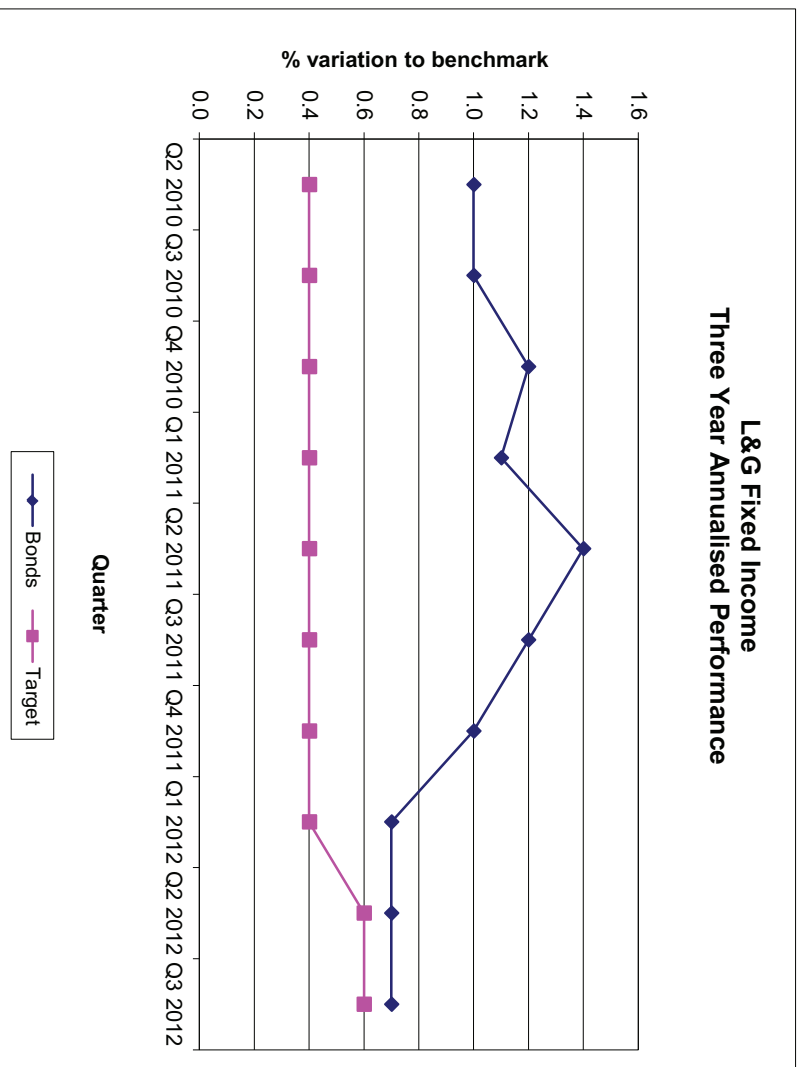
Rank	Holding	Value £	% of portfolio
1	BRITISH AMERICAN TOBACCO ORD	12,175,570	4.70
2	BG GROUP PLC ORD GBP0.10	11,823,331	4.56
3	HSBC HLDS ORD USD0.50 (UK)	9,484,167	3.66
4	ROYAL DUTCH SHELL 'B' SHS	9,387,083	3.62
5	BHP BILLITON PLC USD0.50	7,968,200	3.07
6	IMPERIAL TOBACCO GROUP ORD 10P	7,743,580	2.99
7	BUNZL ORD GBP0.3214857	7,429,572	2.86
8	SABMILLER PLC	6,798,750	2.62
9	PRUDENTIAL PLC GBP0.05	6,389,545	2.46
10	REED ELSEVIER	6,367,007	2.46
<b>Total Holdings Market Value</b>		<b>85,566,805</b>	<b>33.00</b>
<b>Total Baillie Gifford Market Value</b>		<b>259,326,000</b>	

**Baillie Gifford**

Top 10 holdings excludes investments held within pooled funds.

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 4**

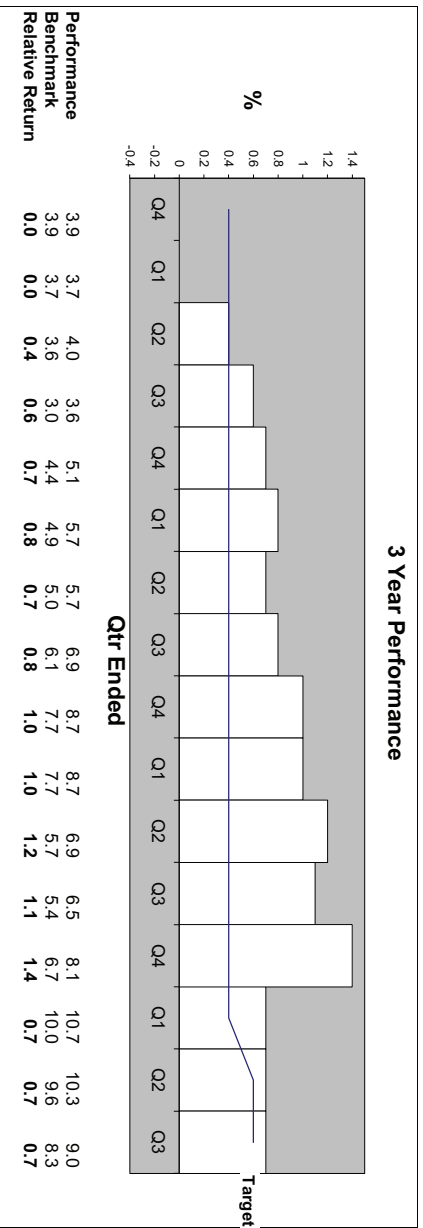
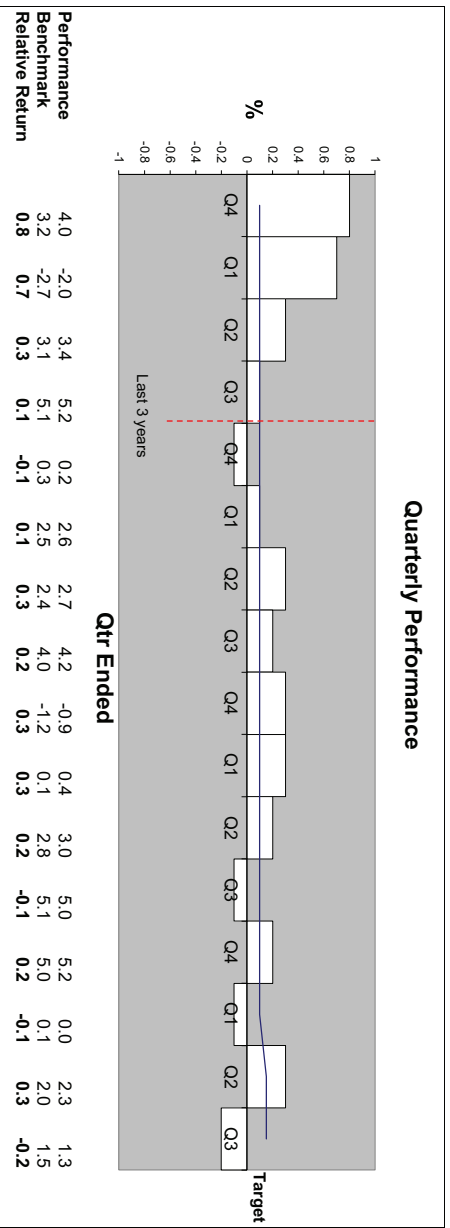


**L&G Fixed Income Three Year Annualised Performance**

	Bonds	Target
Q2 2010	1.0	0.4
Q3 2010	1.0	0.4
Q4 2010	1.2	0.4
Q1 2011	1.1	0.4
Q2 2011	1.4	0.4
Q3 2011	1.2	0.4
Q4 2011	1.0	0.4
Q1 2012	0.7	0.4
Q2 2012	0.7	0.6
Q3 2012	0.7	0.6

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5



Target Returns

Rolling annual target of 0.60% above benchmark

Top 10 holdings at **30/09/2012**

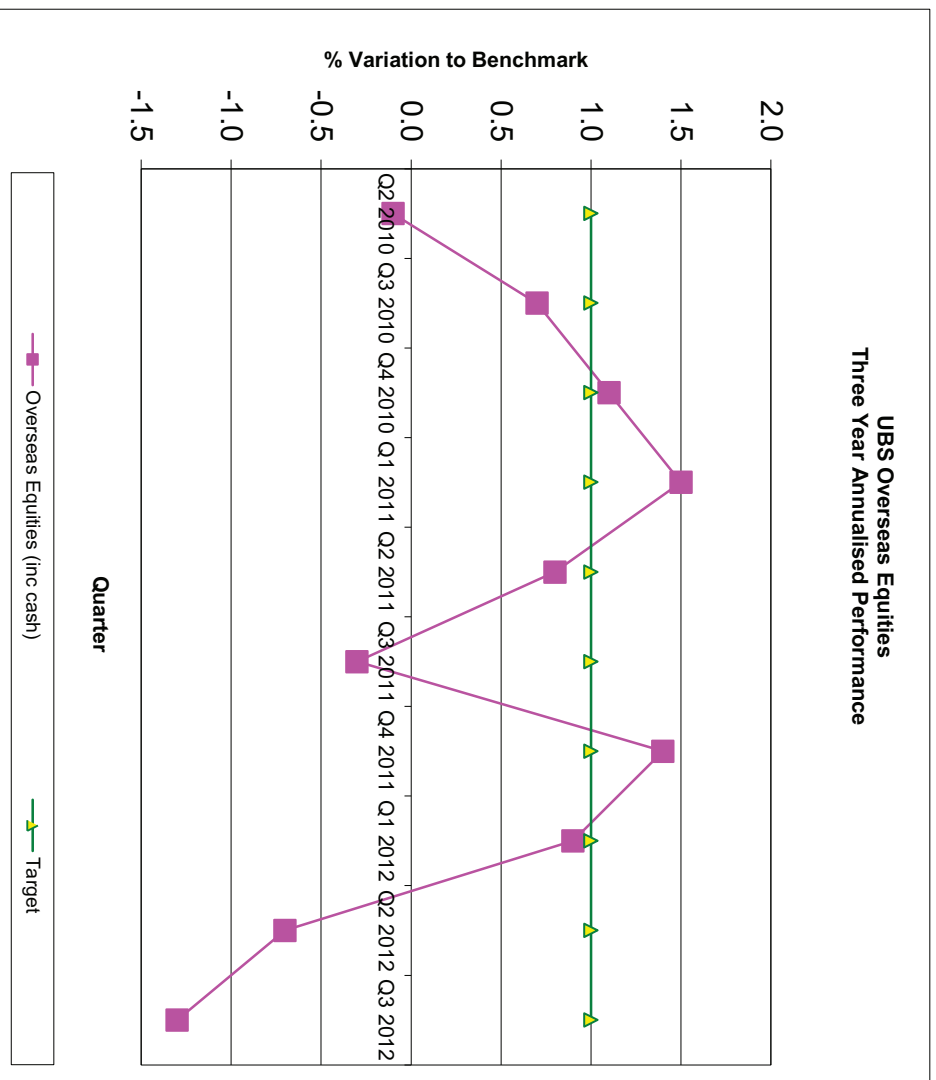
Rank	Holding	Value £	% of portfolio
1	TREASURY INDEX-LINKED 2.500% 16-APR-2020	6,843,927	2.99
2	TSY 0.34% 2034 I/L GILT 0.750% 03/22/2034	5,843,444	2.56
3	TREASURY INDEX-LINKED 2.500% 17-JUL-2024	5,626,230	2.46
4	UNITED KINGDOM GILT INFLATION 1.250% 11/22/2027	5,439,663	2.38
5	UK GOVT OF IDX-LKD STK 1.250% 22-NOV-2055	4,249,177	1.86
6	UK GOVT IDX-LKD STK 2.000% 26-JAN-2035	4,105,968	1.80
7	UK (GOVERNMENT OF) 1.875% 22-NOV-2022 GBP-100	3,838,067	1.68
8	UNITED KINGDOM GILT 2.750% 01/22/2015	3,697,395	1.62
9	TSY 0.58% 2040 I/L GILT 0.625% 03/22/2040 DD 01/28/10	3,553,856	1.55
10	TSY 0.58% 2042 I/L GILT 0.625% 11/22/2042 DD 07/24/09	3,551,303	1.55
<b>Top 10 Holdings Market Value</b>		<b>46,749,030</b>	<b>20.45</b>
<b>Total Legal &amp; General Market Value</b>		<b>228,584,000</b>	

**Legal & General**

Top 10 holdings excludes investments held within pooled funds.

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 6**



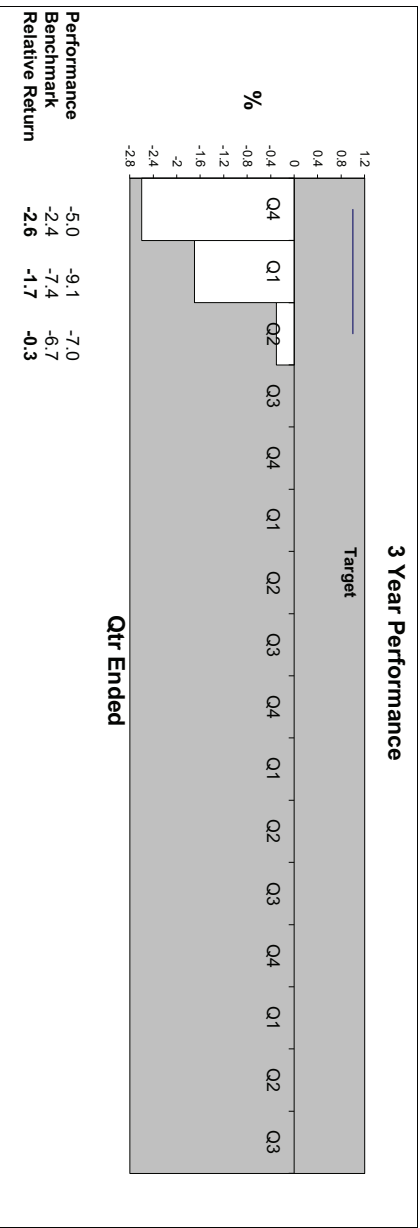
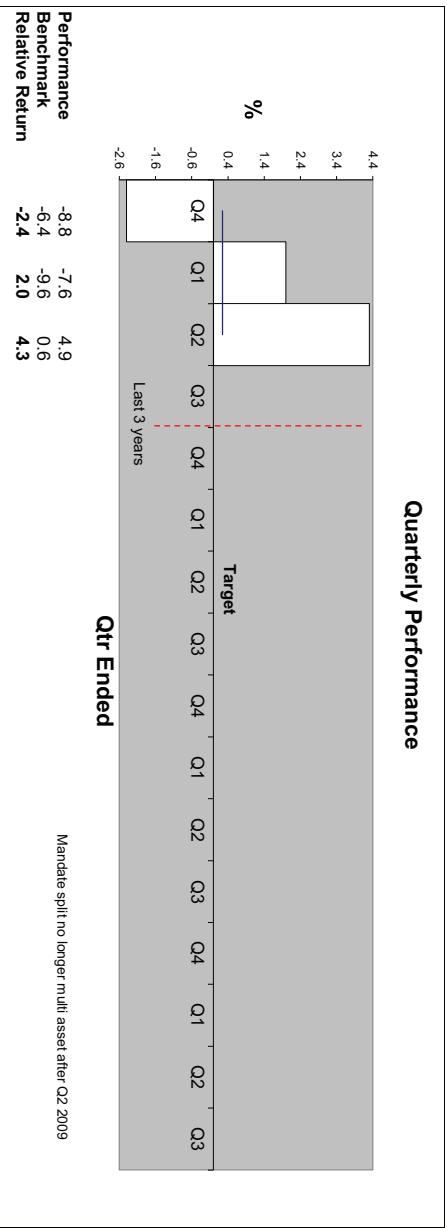
**UBS Three Year Annualised Performance**

	Overseas Equities (inc cash)	Target
Q2 2010	-0.1	1.0
Q3 2010	0.7	1.0
Q4 2010	1.1	1.0
Q1 2011	1.5	1.0
Q2 2011	0.8	1.0
Q3 2011	-0.3	1.0
Q4 2011	1.4	1.0
Q1 2012	0.9	1.0
Q2 2012	-0.7	1.0
Q3 2012	-1.3	1.0



PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7



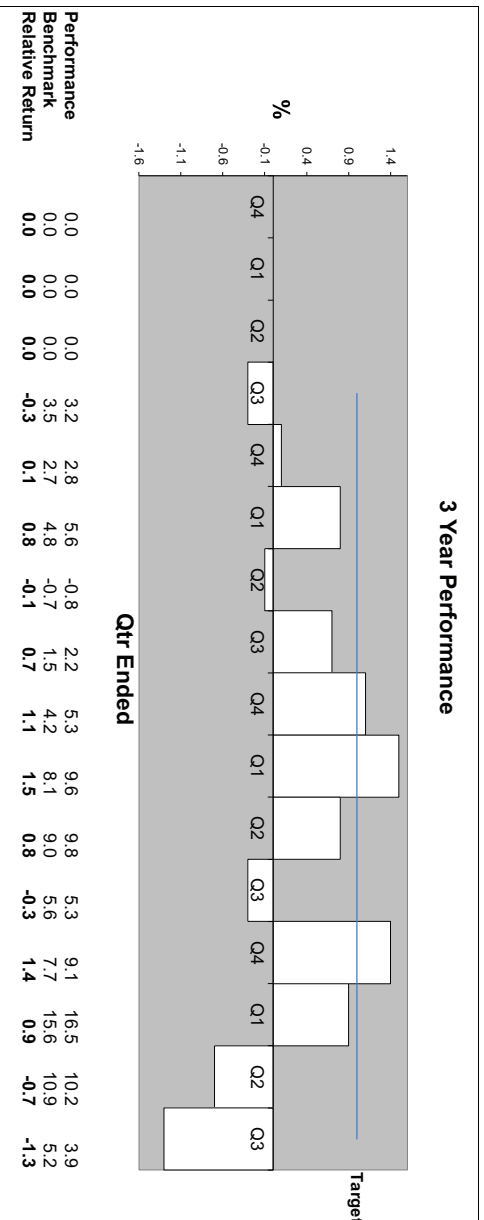
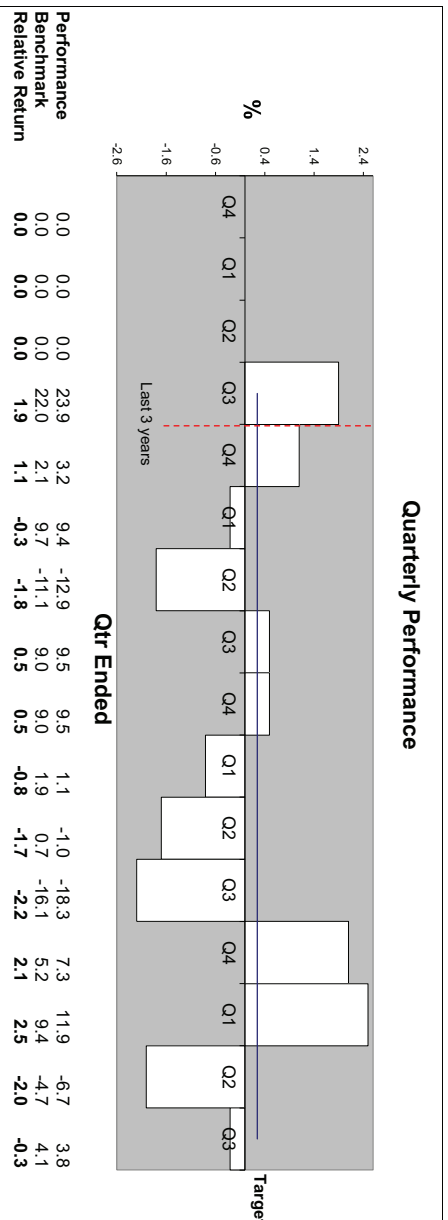
**Target Returns**

Rolling annual target of 1.00% above benchmark

**UBS - Multi  
Asset**

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 8



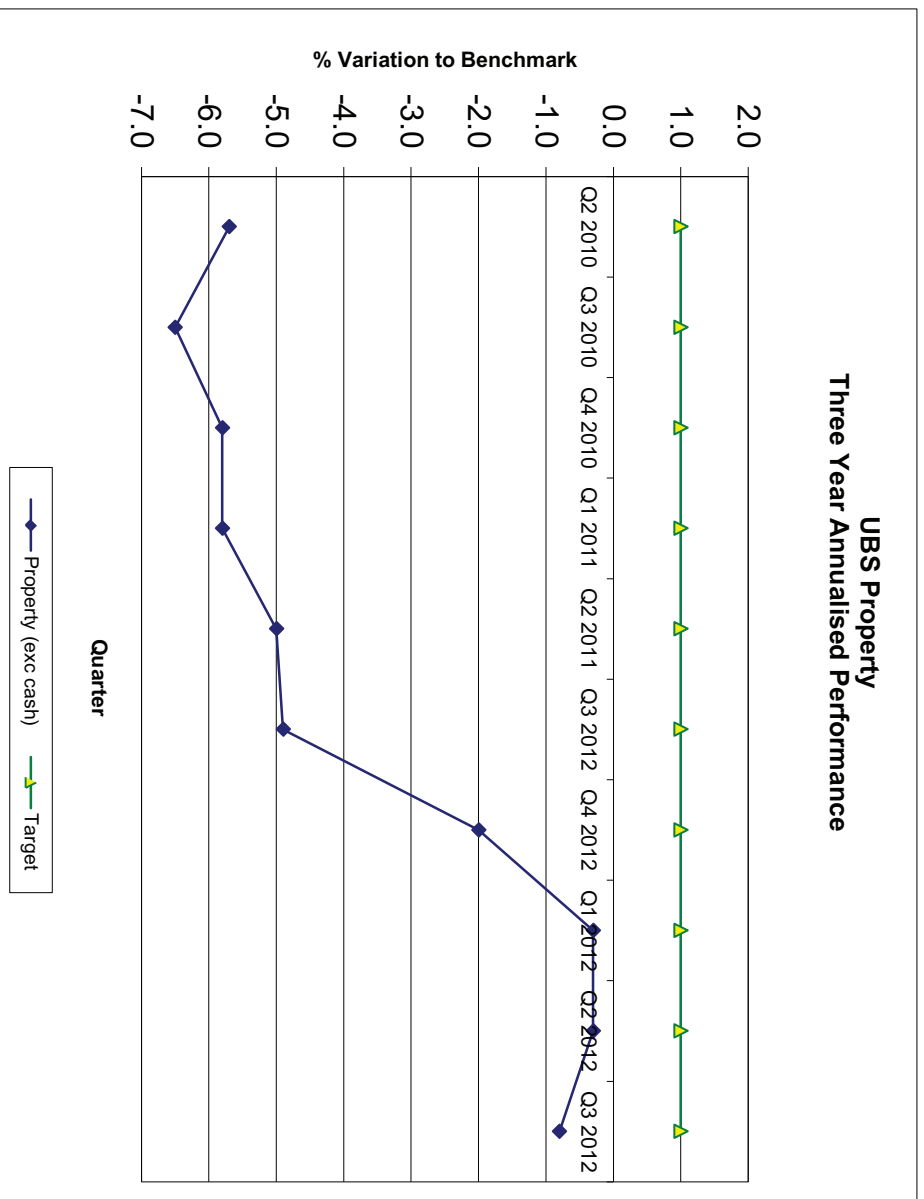
Target Returns

Rolling annual target of 1.00% above benchmark

**UBS -  
Overseas  
Equities**

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 9**

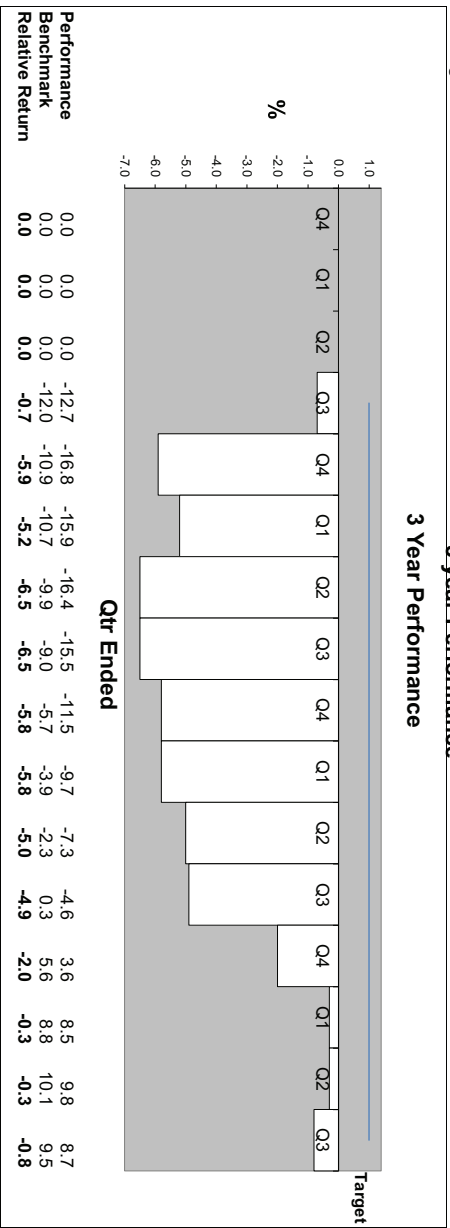
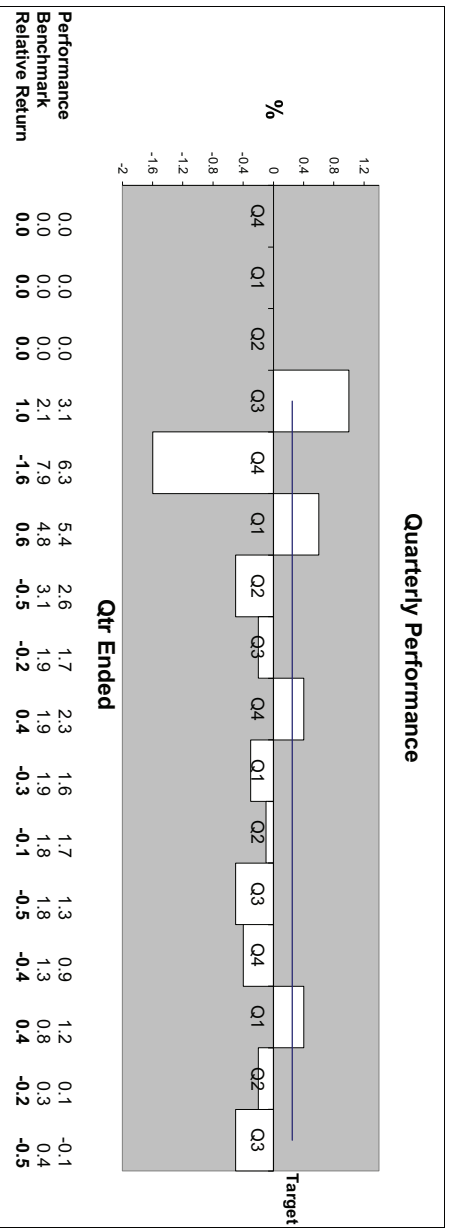


**UBS Three Year Annualised Performance**

	Property (exc cash)	Target
Q2 2010	-5.7	1.0
Q3 2010	-6.5	1.0
Q4 2010	-5.8	1.0
Q1 2011	-5.8	1.0
Q2 2011	-5.0	1.0
Q3 2011	-4.9	1.0
Q4 2011	-2.0	1.0
Q1 2012	-0.3	1.0
Q2 2012	-0.3	1.0
Q3 2012	-0.8	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 10



Target Returns

Rolling annual target of 2.0% above benchmark

Top 10 holdings at 30/09/2012

Rank	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	7,510,460	9.64
2	SCHRODERS GBP I INC.	6,227,082	7.99
3	STANDARD LIFE POOLED PTY FD	5,838,419	7.49
4	PRUDENTIAL CORP PENSIONS PTY FUND	5,423,389	6.96
5	REAL ESTATE - EUROPEAN FUND	4,952,856	6.36
Top 10 Holdings Market Value		29,952,206	38.44
Total UBS Property Market Value		77,926,000	

**UBS -  
Property**

## PENSION FUND COMMITTEE – 7 DECEMBER 2012

### OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

#### Report by the Independent Financial Adviser

#### The Economy

1. The UK economy grew by a provisional 1.0% in the September quarter, after three negative quarters, although the incidence of special events, such as the Diamond Jubilee and the Olympics, may have distorted the data. The latest annual CPI figure of +2.2% was flattered by the timing of fuel price rises in 2011, and will rebound once this year's rises have taken place. A report on the progress of the deficit reduction programme will be covered in the Chancellor's Autumn Statement on December 5<sup>th</sup>.
  
2. The US economy has continued to grow steadily, helped by an upturn in housing starts, while the official unemployment rate has fallen below 8%. The Eurozone remains in recession, with sharp falls in Spanish and Italian GDP; Germany is the only one of the larger countries expected to grow this year. China has reduced its GDP forecast to below 8%, while its territorial dispute with Japan is affecting Japanese vehicle exports to China. Most forecasts for 2013 have been adjusted downwards recently.

(In the Table below, the consensus estimates at the time of the September Committee are shown in brackets).

Consensus real growth (%)						Consumer prices latest (%)
	2009	2010	2011	2012E	2013E	
<b>UK</b>	- 4.7	+1.6	+0.9	(-0.2) -0.2	+1.1	+ 2.2 (CPI)
<b>USA</b>	- 2.5	+2.9	+1.7	(+2.1) +2.1	+1.9	+2.0
<b>Eurozone</b>	- 3.9	+1.7	+1.5	(-0.5) -0.5	NIL	+2.5
<b>Japan</b>	- 5.3	+4.2	-0.7	(+2.3) +2.1	+0.9	-0.3
<b>China</b>	+ 8.7	+10.3	+9.2	(+8.2) +7.8	+8.6	+1.9

[Source: The Economist, 10.11.12]

3. Central Banks maintained their official interest rates at low levels and continued to employ monetary measures in order to stimulate economic growth. The Federal Reserve announced in September that it would buy \$40bn of mortgage-backed securities each month until there was “an ongoing sustained improvement in the labour market”. The Bank of England, however, will not be renewing its Quantitative Easing programme in November.
4. Mario Draghi, President of the ECB, had said in July that he would do “whatever it takes” to preserve the Euro, and in September he announced a policy of ‘outright monetary transactions’ (OMT) under which the ECB would buy shorter-dated government bonds, provided the government in question had requested help and agreed to the imposition of fiscal conditions. To date neither Italy nor Spain has made such a request, but the yields on their bonds have fallen significantly in recent months and the sense of crisis in the Eurozone has – for the moment -- subsided.
5. On November 6<sup>th</sup> President Obama was re-elected for a further four years. There was an immediate fall in US equity markets because of uncertainty about whether he would be able to reach an agreement with a Republican-controlled House of Representatives to avert the imminent ‘fiscal cliff’ whereby tax cuts expire and public spending cuts come into force at the start of 2013. The gravity of this situation is underlined by the Congressional Budget Office’s forecast that the combination of these two factors would reduce US output by 3% in 2013, and increase unemployment by around 1%.

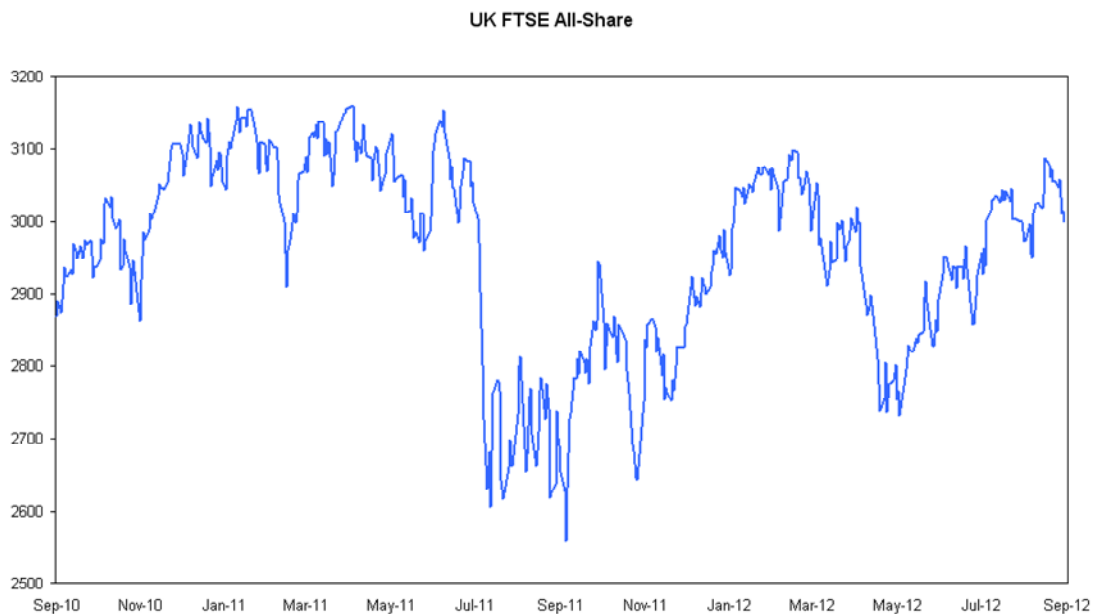
## Markets

6. **Equities** recorded gains across all regions, except for Japan, which is also the only region showing a year-on-year decline. The US Federal Reserve’s announcement in mid-September of a further programme of QE caused a sharp rise in US equity indices, which touched 4-year highs before falling back slightly at the end of the quarter. There was little divergence by sector, with Oil & Gas (+6%), Financials (+5%), Consumer Services and Health Care (each +4%) being the strongest, and only Utilities (-3%) producing a negative return. Markets ended October very close to their end-September levels.

<b>Capital return (in £, %) to 30.9.12</b>		
	<b>3 months</b>	<b>12 months</b>
<b>FTSE All-World Index</b>	<b>+ 3.3</b>	<b>+ 14.0</b>
FTSE All-World North America	+ 3.0	+ 21.4
FTSE All-World Japan	- 4.5	- 7.4
FTSE All-World Asia Pacific	+ 1.9	+ 5.0
FTSE All-World Europe (ex-UK)	+ 6.2	+ 7.9
FTSE All-World UK	+ 3.2	+ 12.2
FTSE All-World Emerging Markets	+ 3.6	+ 8.2

[Source: FTSE All-World Review, September 2012]

The UK equity market has still not regained the levels reached in the first half of 2011.



7. Yields on the ‘safe-haven’ **bonds** remained at historically low levels, while the spread on Italian and Spanish sovereign bonds relative to Germany narrowed after Mr Draghi’s undertaking to support the Euro. In the UK, corporate bond spreads relative to gilt yields narrowed.

<b>10-year government bond yields (%)</b>					
	<b>Dec 09</b>	<b>Dec 10</b>	<b>Dec 2011</b>	<b>June 2012</b>	<b>Sept 2012</b>
<b>US</b>	3.84	3.34	1.88	1.66	1.64
<b>UK</b>	4.01	3.39	1.98	1.75	1.72
<b>Germany</b>	3.40	2.92	1.83	1.60	1.46
<b>Japan</b>	1.29	1.12	0.98	0.84	0.77

[Source: Financial Times]

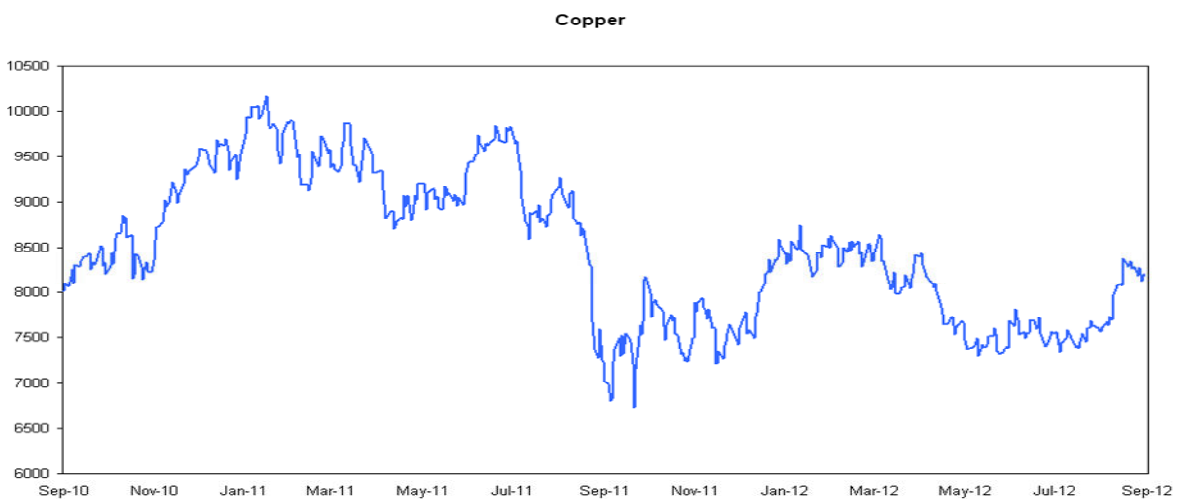
The long-dated US Treasury yield remains below 3%.

Generic 30yr US Treasury Yield





8. Values of **UK Commercial Property** continue to drift lower, with the total return of 3.3% for the past year well below the income return of some 6% (IPD UK Quarterly Property Index). Retail was the weakest sector, giving just 2.2% total return, amid the failure of several well-known outlets – most recently Comet.
  
9. In **Commodities**, the Oil price recouped most of its 2<sup>nd</sup>- quarter decline before retreating in October. Copper spiked upwards in September, but then gave up all of this rise on fears of a global economic slowdown led by China. Gold advanced steadily to a level above \$1700/oz.



10. Among **Currencies**, the dollar weakened relative to the other major denominations - by 1.5% against the euro, 2.5% against the yen and 3% against the pound.



## Outlook

11. In the next few weeks, investors will be paying close attention to the negotiations in the United States on the 'fiscal cliff' issue, with fears that deadlock here could damage sentiment on the scale of summer 2011 when the US credit rating was lowered following an earlier budgetary stalemate. In Europe, the problems of Italy and Spain will surely return to the headlines if a bailout for either country looks necessary. Looming in the background is the fear that fiscal tightening throughout Europe (including the UK) will choke off any hopes of an economic recovery in the region, and cause even higher levels of unemployment.
12. If the worst-case scenarios in the US and Europe can be averted, and China returns to an 8%+ growth rate in 2013 as forecast, there should be a positive reaction in equity markets, which already look cheap on a yield comparison relative to government bonds.

Peter Davies

Independent Financial Adviser

November 12<sup>th</sup>, 2012

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Division(s):N/A

## **PENSION FUND COMMITTEE – 7 DECEMBER 2012**

### **THE NEW LOOK LOCAL GOVERNMENT PENSION SCHEME 2014**

#### **Report by the Assistant Chief Executive and Chief Financial Officer**

##### **Introduction**

1. This report updates the Committee on the progress towards the implementation of a New Look LGPS from April 2014. In line with the Government's initial timescale for managing the change, we should have had formal consultation on the new Regulations to consider at this meeting. Unfortunately, the Government's timetable has slipped, and it is currently unclear when the consultation document will be published.
2. What this report does cover therefore are the issues arising out of the current Public Services Pensions Bill, plus the proposals on the way forward for cost sharing and scheme governance recently published by the Local Government Association and key Unions.
3. The report also covers the current consultation document from the Government on proposed changes to the Investment Regulations, introduced by the Government to reduce the barriers to LGPS funds investing in infrastructure

##### **Public Services Pension Bill and the New Look Scheme**

4. The Public Services Pension Bill, at the time of the drafting of this report, was passing through the Committee Stage in Parliament. The Bill is the Government's direct response to the report of the Independent Public Services Pension Commission, chaired by Lord John Hutton. The Bill sets out the framework for the development of all public sector pension schemes, though the specific details of the changes will be set out in the individual scheme regulations.
5. The key aspects of the Bill are:
  - (a) Enabling the creation of new, fairer Career Average schemes
  - (b) Linking normal pension ages to the State Pension Age to manage the longevity risk (with exceptions for firefighters, police and armed services where the normal pension age will be 60
  - (c) Introduction of an employer cap to protect the tax payer against future changes in cost
  - (d) Setting out new requirements for scheme governance, regulation and administration to deliver transparency and accountability

- (e) Allowing for transitional protections as necessary.
6. As a framework bill, the aim is to ensure that once enacted, the public service pension schemes can be maintained without the further need for primary legislation.
  7. Since publication of the Bill, there has been some concern expressed about the potential implications for the Local Government Pension Scheme. These concerns stem from the framework nature of the Bill, and the lack of flexibility to recognise the key differences between the funded LGPS and the other unfunded public service pension schemes.
  8. In particular concern has been expressed about Clause 16 which appears to involve the closure of the current schemes, and therefore the potential risk to accrued benefits, which Lord Hutton's Commission argued should be fully protected.
  9. There is also concern around the nature of the Regulator and the Treasury going forward in the governance of the scheme, and in particular clauses which appear to create the potential for the Treasury to determine key valuation assumptions.
  10. The nature of these concerns stem from the potential issues going forward, and the lack of clarity over the Government's intention behind the current drafting. It is hoped that these concerns will be allayed through clarifying amendments as the Bill passes through the various parliamentary stages, as well as on the publication of the specific changes to the LGPS regulations.
  11. In respect of these LGPS Regulations, these were initially due to be published in September 2012, to allow sufficient time for a consultation exercise, before the Regulations went through the necessary parliamentary processes to be in place by March 2013. This was seen as key to enable the various Fund Actuaries to take account of the proposed changes in the LGPS when conducting their Valuation exercises as at March 2013.
  12. At the time of writing this report, the consultation report on the draft Regulations has not been published. The delay has been explained in part by the unexpected complexity required as a result of the proposed scheme changes, and in part by the need to ensure consistency with the Public Services Pension Bill. A view has been expressed that delaying the enactment of the new Regulations until June 2013 would still allow sufficient time for the New Look Scheme to be effective from April 2014, and for the impact to be included in the 2013 Valuations.
  13. In the meantime, the Local Government Association and the three key local government unions (Unison, GMB and Unite) have published their own proposals, as presented to the Government, on the way forward for cost sharing and scheme governance. A copy of this joint statement is included at Annex 1.



14. This joint statement confirms that it is expected that the Regulations in terms of scheme design will be fully consistent with the previous joint proposals, as discussed by this Committee at its meeting in June 2012. The Statement then sets out 12 points which the parties believe are essential elements in addressing the issues of scheme governance and cost management.
15. Among these key elements is the proposal for a new national LGPS Board consisting of representatives of scheme employers, scheme members, the government and professional bodies. This Board would be responsible for extending best practice, increasing transparency, co-ordinating technical and standards issues, and liaising with the scheme regulator, as well as managing the future cost of the scheme and exploring issues around cost effectiveness of administration and investment arrangements.
16. There are also proposals to review the governance arrangements at local level (i.e. the future of this Committee) with a view to providing for a greater degree of segregation between the Fund and the Administering Authority, and reducing potential conflicts of interest at both Member and Officer level. It is proposed to introduce minimum skills and knowledge levels for local board members, whilst also opening boards up to include representation from fund employers and trade unions.
17. On cost sharing, it is proposed that costs are reviewed every 3 year as part of the valuation process, with proposals to amend the scheme developed by the employers and unions. The Secretary of State would be obliged to take action whenever the movement in costs is greater than 2% in either direction. A working party would be set up to look at the issue of past service deficits.

### **Consultation on Investment in Partnerships**

18. Independent of the New Look Scheme, the Government have recently published a consultation document on proposed changes to the Investment Regulations. A copy of this consultation document is included at Annex 2.
19. The document is clear that its prime purpose is to reduce the barriers to LGPS funds investing in Infrastructure projects. In particular, the Government has been informed that a barrier to future investment is the current restriction that Funds can be invested no more than 15% in partnerships, and this is the favoured financial structure for many infrastructure investment vehicles.
20. The document proposes two alternative courses – an increase in the current limit of investments in partnerships to 30%, or the introduction of a new investment class to allow up to 15% of the Fund to be invested in Infrastructure.
21. The document asks five specific questions where the Government would welcome views. A draft response to these questions is included as Annex 3 to this report.

22. In interpreting this Fund's answer to the 5 specific questions, there is a need to understand the current context. At present, this Fund has less than 5% of its investments in partnerships (mainly to allocations to unlisted private equity) and therefore the current Investment Regulations are not a barrier to investment in infrastructure.
23. A much greater issue for this Fund is the identification of an appropriate investment vehicle which provides investment returns in line with the Fund's requirements, at an appropriate level of risk and cost. The Fund's Independent Financial Adviser is currently reviewing a wide range of investment vehicles which support infrastructure investment. These vehicles also differ across geography, asset types and mix of equity/debt investments. It is proposed that we run a seminar on the issue of infrastructure investment, potentially on the afternoon of the March Committee meeting.
24. A current hot topic within the widespread infrastructure debate at present is the investment in housing, and the investment in local infrastructure projects. This is matched in the current Government consultation in question 5, where the Government is looking to identify means to facilitate investment in infrastructure specifically in the United Kingdom. This raises again the nature of the fiduciary duty of the members of the Pension Fund Committee, (and the potential conflict of interests question picked up in the joint proposals on Scheme Governance discussed above). We would also seek to address this issue as part of the planned seminar.
25. The proposed response to the Government's consultation document at Annex 3 does include much of this context, as well as the response to their specific 5 questions.

## **RECOMMENDATION**

26. **The Committee is RECOMMENDED to:**
  - (a) **note the latest position on the New Look LGPS 2014 as detailed in this report;**
  - (b) **agree the response to the Government Consultation on Investment in Partnerships based on the draft at Annex 3; and**
  - (c) **agree to hold a seminar on infrastructure investments, provisionally to be held on the afternoon of the 8 March 2013 Pension Fund Committee.**

SUE SCANE  
Assistant Chief Executive and Chief Financial Officer

Background papers: None  
Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management) – Tel: (01865) 797190

November 2012

# **LGPS 2014 - JOINT STATEMENT**

## **UPDATE ON PROGRESS OF WORKSTREAMS 1 AND 2**

### **SCHEME DESIGN (WORKSTREAM 1)**

The proposals agreed jointly by the Local Government Association (LGA) and trade unions were roundly endorsed by employers and members in a consultation exercise undertaken in the summer.

It was expected that draft regulations designed to implement these proposals would be the basis of a statutory consultation in the autumn. However the work involved in developing the details required for regulations has taken longer than initially envisaged and we would now expect regulations by the end of the year.

The delay will not change the basis of the agreement reached and we can confirm that the regulations will set out the scheme consulted on in the summer.

### **SCHEME GOVERNANCE AND COST MANAGEMENT (WORKSTREAM 2)**

The Local Government Association (LGA) and trade unions reached agreement on and submitted to government at the end of July a set of proposals covering the future governance and cost management of the scheme.

Extensive and detailed discussions have since followed with the government on these proposals and a point of final sign off has not yet been reached. However in order to clarify the nature of those discussions and to dispel any misinformation that may be circulating we set out below the essential elements of those proposals.

<b>1</b>	<b>Both governance and cost management are equally essential to the future sustainability of the scheme and should not be considered in isolation</b>
<b>2</b>	<b>A national LGPS board would be set up to include representatives of scheme employers, scheme members, the government and professional bodies. The remit of the board would be to extend best practice, increase transparency, co ordinate technical and standards issues and provide an effective liaison with the scheme regulator</b>

<b>3</b>	<b>The board would also manage the future cost of the scheme and explore effective improvements in value for money in the areas of administration and investments</b>
<b>4</b>	<b>Although not having any statutory powers of its own the board would make recommendations to the Secretary of State, the regulator or professional standards bodies in order to further its remit</b>
<b>5</b>	<b>At the local level we propose that boards provide for a greater degree of segregation between funds and administering authorities and that the potential for conflicts of interest at both member and officer level is reduced</b>
<b>6</b>	<b>Membership of local boards is proposed to require a minimum recognised level of skills and knowledge and to include representation for fund employers and trade unions</b>
<b>7</b>	<b>We also propose that best practice with regard to transparency and accountability is extended across all funds</b>
<b>8</b>	<b>For cost management a total future service target cost for the scheme from April 2014 be set at 19.5%</b>
<b>9</b>	<b>The cost of the scheme shall be measured at each valuation taking into account both model and individual fund data with movements in cost driven by changes to membership data or assumptions reflected in changes to future scheme design</b>
<b>10</b>	<b>Such changes are to be considered, and actions to amend the scheme agreed by both employers and unions with recommendations made to the Secretary of State. Where the movement is 2% or more in either direction the Secretary of State shall be obliged to take action</b>
<b>11</b>	<b>Although financial assumptions are excluded from the formal process we are proposing that movements in these be considered by the national board in order to ensure the future sustainability of the scheme</b>
<b>12</b>	<b>Finally the project have recommended that a working party be set up to investigate potential solutions to the issue of past service deficits.</b>

We shall continue to work closely with government and are seeking to agree an outcome with regard to these proposals as soon as possible. It would be our intention for narrative covering governance and cost management to be included with the draft regulations in the forthcoming statutory consultation.

LGPS 2014 Project Board  
1<sup>st</sup> November 2012





Department for  
Communities and  
Local Government

# Local Government Pension Scheme: Investment in Partnerships

Consultation

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Telephone: 030 3444 0000

November 2012

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# The consultation process and how to respond

## Scope of the consultation

<b>Topic of this consultation:</b>	Local Government Pension Scheme - Investment in Partnerships
<b>Scope of this consultation:</b>	This consultation seeks views on whether any amendment is necessary to remove specific barriers preventing Scheme funds from being invested in infrastructure investment vehicles designed to control risk exposure and provide both future income stream to funds and necessary capital input into projects intended to stimulate growth.
<b>Geographical scope:</b>	England and Wales.
<b>Impact Assessment:</b>	Not required as no impact on business or individuals

## Basic information

<b>To:</b>	This consultation is aimed principally at local government.
<b>Body responsible for the consultation:</b>	The Department for Communities and Local Government is responsible leading on the policy and the consultation exercise.
<b>Duration:</b>	6 weeks, with a further consultation period if it is then necessary to introduce amending statutory provisions
<b>Enquiries and how to respond</b>	<p>For enquiries and to respond to this consultation. Please e-mail <a href="mailto:sandra.layne@communities.gsi.gov.uk">sandra.layne@communities.gsi.gov.uk</a></p> <p>When responding, please ensure you have the words "Investment in Partnerships" in the email subject line.</p> <p>Alternatively you can write to:            Local Government Pension Scheme - Investments            Department of Communities and Local Government            5/F6 Eland House            Bressenden Place            London SW1E 5DU</p> <p>For more information, please see <a href="http://www.communities.gov.uk">www.communities.gov.uk</a></p>

<p><b>Compliance with the Code of Practice on Consultation:</b></p>	<p>This consultation complies with the Code and it will be for 6 weeks. We are seeking views from the following parties with an interest in the Local Government Pension Scheme:</p> <p>The Welsh Assembly</p> <p>The Chief Executives of:</p> <ul style="list-style-type: none"> <li>County Councils (England)</li> <li>District Councils (England)</li> <li>Metropolitan Borough Councils (England)</li> <li>Unitary Councils (England)</li> <li>County and County Borough Councils in Wales</li> <li>London Borough Councils</li> <li>South Yorkshire Pension Authority</li> <li>Tameside Metropolitan Borough Council</li> <li>Wirral Metropolitan Borough Council</li> <li>Bradford Metropolitan City Council</li> <li>South Tyneside Metropolitan Borough Council</li> <li>Wolverhampton Metropolitan Borough Council</li> <li>London Pension Fund Authority</li> <li>Environment Agency</li> </ul> <p>Town Clerk, City of London Corporation  Clerk, South Yorkshire PTA  Clerk, West Midlands PTA  Fire and Rescue Authorities in England and Wales  Police Authorities in England and Wales  National Probation Service for England and Wales  Local Government Association (LGA)  Employers' Organisation  LGPC</p> <p>ALACE  PPMA  SOLACE  CIPFA  ALAMA</p> <p>Association of Colleges</p> <p>Association of Consulting Actuaries  Association of District Treasurers  Society of County Treasurers  Society of Welsh Treasurers  Society of Metropolitan Treasurers  Society of London Treasurers  Association of Educational Psychologists</p> <p>NAPF  NALC</p>
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	<p>Society of Local Council Clerks</p> <p>Trades Union Congress</p> <p>GMB</p> <p>UCATT</p> <p>UNISON</p> <p>Unite</p> <p>NAEIAC</p> <p>NAPO</p> <p>MOCOP Members</p> <p>Equal Opportunities Commission</p>
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## Background

<b>Getting to this stage:</b>	Subsequent to the publication of the Government's <i>Blueprint for Technology</i> and the signing of a memorandum of understanding between pension industry representatives and the Government on examining ways pension funds could invest in infrastructure projects, concern has been expressed that extant provisions of the LGPS (Investment and Management of Funds) Regulations 2009 may be placing an unintended bar on authorities seeking to invest in this particular area.
<b>Previous engagement:</b>	See above

## How to respond

1. Responses to this consultation must be received by **18 December 2012**.
2. You can respond by email to [sandra.layne@communities.gsi.gov.uk](mailto:sandra.layne@communities.gsi.gov.uk) or write to:

Local Government Pension Scheme - Investments  
Department of Communities and Local Government  
5/G6 Eland House  
Bressenden Place  
London SW1E 5DU

3. When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and, where relevant, who else you have consulted in reaching your conclusions.

## Additional copies

4. This consultation paper is available on the Department for Communities and Local Government website at [www.communities.gov.uk](http://www.communities.gov.uk)

## Confidentiality and data protection

6. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

7. If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the department.

8. DCLG will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

## Help with queries

10. Questions about the policy issues raised in the document can be sent to the address given at paragraph 2 above.

11. A copy of the consultation criteria from the Code of Practice on Consultation is at [www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance](http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance). Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please email: [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)

or write to:

DCLG Consultation Co-ordinator,  
Zone 8/J6,  
Eland House,  
Bressenden Place  
London SW1E 5DU

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# Chapter 1 - Introduction

- 1.1 The primary responsibilities of local authority pension funds are to deliver the returns needed to pay Scheme members the pensions they have worked hard to earn, and to protect local taxpayers and employers from high pension costs. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the Investment Regulations) are designed to enable local fund managers to pursue effective investment strategies that meet these goals. By requiring that funds and risks are spread across a number of different types of investment, and setting limits on the proportion of funds that can be invested in each type of investment, the Investment Regulations help to minimise risk and protect the interest of taxpayers.
- 1.2 Within this framework, it is important that local fund managers have appropriate levels of flexibility to maximise their investment opportunities. In this context, concerns have been expressed that local authority pension funds have not been in a position to diversify their investments into vehicles established to take advantage of potential returns from investment in infrastructure. It has been suggested that this is as a result of certain investment category limits within the Investment Regulations, particularly where investments which use Limited Liability Partnerships have to be considered under the overall restriction applying to partnerships. This consultation, therefore, seeks views on whether there is merit in amending the Investment Regulations to provide further flexibility in the area relating to partnerships.
- 1.3 The consultation will close on 18 December 2012 and details of how to respond are set out at the beginning of the document. Importantly, this consultation should not be seen as an endorsement by Government of any particular investment vehicle. Those decisions remain properly as ones for individual local pension authorities, in the light of their own analysis. Rather, this consultation is seeking to identify and remove any unnecessary barriers to investments which can form an integral part of a local investment portfolio and can also assist in stimulating growth.

# Chapter 2 - Setting the context

## Framework for local investment decisions

- 2.1 Local pension authorities must ensure that their funds will provide a consistent and known income stream over the long term. This will help minimise the impact of managing pension costs, stabilise the level of employer contribution rates and limit local taxpayers' exposure over the medium to long term. In developing their investment strategies, local fund managers must operate within the framework set by the Investment Regulations. These require funds to be invested across a spread of different types of investment to minimise risk, and limit the proportion of funds that can be invested in each type of investment. A copy of the Investment Regulations can be found at: [www.legislation.gov.uk/ukSI/2009/3093/contents/made](http://www.legislation.gov.uk/ukSI/2009/3093/contents/made) .
- 2.2 All local authority pension funds are required to have in place a Statement of Investment Principles which will describe the Fund's investment objectives, the types of investments held and the Fund's attitude to risk. Any local investment decision must comply with the Fund's Statement of Investment Principles, must be supported by a clear business case and must have been made in the light of appropriate and proper advice. Final investment decisions rest, in the main with locally elected councillor members of investment committees, although such committees may include other co-opted representative, and the committee will have given due regard to the available professional advice and the appropriate use of public funds.

## Investing in infrastructure

- 2.3 In November 2010, the Government published its *Blueprint for Technology*<sup>1</sup> which set out the Government's aim to make the UK the most attractive place in the world to start and invest in innovative technology companies. The blueprint highlighted the role that pension funds, both in the private and public sector, can play in filling gaps in the provision of growth finance and equity funding for small businesses. Whilst recognising that decisions whether or not to invest in any particular product or sector will remain entirely a matter for individual pension funds, the blueprint encouraged local authorities to consider doing more to match the investment strategies of local authority pension funds with the needs of UK start-ups.
- 2.4 In November 2011, HM Treasury, the National Association of Pension Funds and the Pension Protection Fund signed a Memorandum of Understanding<sup>2</sup>. All parties agreed that there is the potential for mutual

<sup>1</sup> [www.bis.gov.uk/assets/biscore/innovation/docs/b/10-1234-blueprint-for-technology.pdf](http://www.bis.gov.uk/assets/biscore/innovation/docs/b/10-1234-blueprint-for-technology.pdf)

<sup>2</sup> [www.hm-treasury.gov.uk/d/foi\\_memorandum\\_of\\_understanding.pdf](http://www.hm-treasury.gov.uk/d/foi_memorandum_of_understanding.pdf)

benefit for the Government and pension funds to facilitate investment in infrastructure. The parties agreed to work together to help establish the arrangements necessary for efficient and appropriate investment in UK infrastructure assets. This work has included the development of the Pension Investment Platform, which will seek to raise funds from both public and private sector pension schemes.

- 2.5 More recently, in July 2012, Professor John Kay published his independent review of UK Equity Markets and Long Term Decision Making<sup>3</sup>. The review posed several challenges to the relationship between pension funds and markets. Overall, the report recommends that there should be a shift in the culture of the stock market, with the intention of promoting more long term decision making both with a view to improving cash flow returns for pension funds and to provide a source of long term capital investment in businesses to enable them to grow.

## The case for change

- 2.6 Within this context of debate about the role of pension schemes within infrastructure investment, some - including the National Association of Pension Funds - have expressed concern that local authority pension funds have not been in a position to diversify their investments into vehicles established to take advantage of potential returns from investment in infrastructure. In particular, it has been suggested that difficulty is caused by the 15% limit set by the Investment Regulations on investment in partnerships.
- 2.7 Commentators argue that, in common with other types of investment with a similar degree of risk, infrastructure investment vehicles are usually organised as limited partnerships. This means that any investment in vehicles such as the Pension Investment Platform (see paragraph 2.4) must be taken together with existing investments in other limited partnerships, including limited partnerships and the use of private equity via a partnership, in considering whether a fund's investment strategy fits within the permitted limits. It has been suggested that, in view of this, the current 15% limit is too low and would put some local authority pension funds at risk of exceeding this limit, and so unable to pursue infrastructure opportunities. It has been argued that this, in effect, limits diversification by constraining access to an asset class that may be well suited to a local authority pension fund's long term needs.

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<sup>3</sup> [www.bis.gov.uk/assets/biscore/business-law/docs/k/12-917-kay-review-of-equity-markets-final-report](http://www.bis.gov.uk/assets/biscore/business-law/docs/k/12-917-kay-review-of-equity-markets-final-report)



2.8 In September 2012, the Smith Institute published a report on local authority pension funds and investing for growth<sup>4</sup>, which arrived at similar conclusions. Among its proposals it recommended that Government should consider reviewing and exploring potential changes to the restrictions on investments as currently set out in the Investment Regulations. In particular questions were posed in relation to limits for investment in limited liability partnerships which fall under the general definition of partnerships.

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<sup>4</sup> [www.smith-institute.org.uk/file/local%20authority%20pension%20funds%20-%20investing%20for%20growth.pdf](http://www.smith-institute.org.uk/file/local%20authority%20pension%20funds%20-%20investing%20for%20growth.pdf)

## Chapter 3 - Proposals for consultation

3.1 As indicated, by virtue of this consultation, Government is not endorsing any particular type of investment or investment vehicle. Those decisions remain properly as ones for individual local pension authorities, in the light of their own analysis, with final decisions resting with locally elected councillors. Similarly, the Government is not proposing to fundamentally change the framework for investment provided by the Investment Regulations. Those regulations provide necessary and effective protections for local council tax payers, the principle of which must remain.

3.2 However, in light of the context described in the previous chapter, this consultation seeks views on whether action is necessary to amend those regulations to remove any unnecessary barriers to investments in infrastructure. If action is considered necessary, the Government would welcome views on what steps it should take.

3.3 The Government considers that there are two clear options for change:

**A) Increase the limit on investments in partnerships from 15% of a local authority pension fund to 30%.**

Such an increase could facilitate investment in infrastructure investment vehicles along side other existing arrangements organised as limited partnerships. However, there would be no direction for funds to spread investment in limited liability partnerships between different classes of investment. For example, a fund could use this higher limit to increase the proportion of funds that could be invested in other investment opportunities such as private equities. In addition, any increase to the proportion of funds invested in partnerships must be considered within the increased risk potentially involved in such vehicles.

**B) Create a new investment class for investment in infrastructure (including via limited liability partnerships), with an appropriate investment limit of 15% of an overall fund.**

Again, this approach would need to be considered in the context of increases in risk associated with investment in limited liability partnerships. However, it may help to protect against concentration of investment in a particular type of investment. In considering this option, respondents are asked in particular to offer views on how this might best be defined in regulation.

3.4 In the light of the options set out above, the Government would welcome views on the following questions:

- Q1. How best could the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 be amended to enable local authority pension funds to invest more easily in infrastructure vehicles?
- Q2. What would be the most appropriate limit on investments in partnerships contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009?
- Q3. Should a new investment class for investment in infrastructure (including via partnerships or limited liability partnerships) be created and be inserted into the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009? If so, what would be an appropriate limit for such a class? How might this be best defined in regulation?<sup>5</sup>
- Q4. Are there other ways, not specifically raised in this consultation document, that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 could be amended to increase flexibility for local authority pension funds to invest in infrastructure projects?
- Q5. Are there ways in which the Regulations could be amended to facilitate investment in infrastructure specifically in the United Kingdom, where local funds believe that appropriate rates of return can be achieved?

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<sup>5</sup> By way of illustration consultees may wish to look at s.2(3) of the Housing and Regeneration Act 2008





Oxfordshire County Council  
Oxfordshire Customer Services  
Unipart House  
Garsington Road  
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Local Government Pension Scheme – Investments  
Department of Communities and Local Government  
5/G6 Eland House  
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Telephone: 01865 792422  
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Sent via email: [sandra.layne@communities.gsi.gov.uk](mailto:sandra.layne@communities.gsi.gov.uk)

This matter is being dealt with by Sean Collins  
Email: [sean.collins@oxfordshire.gov.uk](mailto:sean.collins@oxfordshire.gov.uk)

28 November 2012  
Direct Line: 01865 797190

Dear Ms Layne

### **Investment in Partnerships**

I am writing on behalf of the Oxfordshire Pension Fund Committee who considered the above consultation document and agreed this response at their meeting of 7 December 2012.

The Committee noted that the primary driver for the consultation was to ensure all Pension Funds were in a position to properly diversify their investments and take advantage of the returns available from investments in infrastructure. In particular the consultation addressed the Investment Regulations limitation on investments in partnerships, whereby the current 15% limit was seen as a limiting factor to infrastructure investments, as partnerships were seen as the main investment vehicle for such investments.

For the Oxfordshire Pension Fund, our current investments in partnerships is less than 5% of the total fund, and therefore the current Investment Regulations are not seen as a major barrier to future investment in infrastructure. Our response below to your five specific questions needs to be seen in that context.

The Committee is currently exploring the opportunities available to invest in infrastructure. This review is in the context of the overall investment position of the Fund, the trends in the overall net cash position of our Fund, and the anticipated future streams of contribution and investment income, and pension payments. The key barrier to any investment in infrastructure will be the identification of an investment vehicle that seeks to deliver a targeted income stream at an appropriate level of risk and over an appropriate time period, and provides a better alternative to other investment vehicles that deliver similar results.



A second barrier to investment in infrastructure will be developing a fuller understanding of the various investment vehicles, and balancing the risks/returns across different infrastructure assets, different geographical areas, and different equity/debt models. Many of the new infrastructure investment vehicles do not have a track record against which future performance can be assessed (accepting the normal proviso that past performance is no guarantee of future performance).

Related to the issue of understanding the various investment vehicles available is the potential conflict of interest in investing in local infrastructure projects, and the lack of clarity over the fiduciary responsibilities of the Pension Fund Committee Members. That responsibility is seen to be to the members of the Pension Fund first and foremost, and not necessarily to the local community in Oxfordshire or indeed in the United Kingdom itself. The need to avoid challenge on delivery of the fiduciary responsibility can be seen as a barrier to targeting investment in local infrastructure programmes.

In that context, our response to your five specific questions is as follows:

1. *How best could the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 be amended to enable local authority pension funds to invest more easily in infrastructure vehicles?*

Extend the limits on contributions to partnerships, as this is the most common vehicle type used to make infrastructure investments but is also commonly used for other alternative investments such as private equity.

2. *What would be the most appropriate limit on investments in partnerships contained within the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009?*

Not sure what the most appropriate limit is but the 30% proposed should be adequate. Maintaining a limit at around 30% still recognises the risks involved in investing through partnership vehicles and so still acts to limit funds exposure to these risks.

Investments in partnerships are typically used to make investments in alternative asset classes. According to the Towers Watson Global Pension Assets Study, at the end of 2011 the typical allocation to alternatives (assets other than equities, bonds and cash) in the largest seven pension fund markets was 18.5%. A report by Mercer placed UK pension fund investments in alternatives at 15% of fund assets. The 2011/12 WM annual review of Local Authority Pension Funds which covers 84 LGPS funds found that 9% of fund assets were allocated to alternatives and that there was a trend towards increasing allocations to alternatives.

These reports suggest that at present a 30% limit should allow sufficient scope for LGPS funds to make infrastructure investments while also allowing room for individual differences between scheme investment strategies and future changes in investment preferences.

3. *Should a new investment class for investment in infrastructure (including via partnerships or limited liability partnerships) be created and be inserted into the Local Government Pension Scheme (Management and Investment of Funds Regulations 2009)? If so, what*

*would be an appropriate limit for such a class? How might this be best defined in regulation?*

No. This may cause issues around defining what constitutes infrastructure investments. The current limits are not based on limits on individual asset classes so this would not fit with current structure of the investment limits. Having a limit on infrastructure investments alone would not make sense as why would there then not be limits for private equity etc.?

4. *Are there other ways, not specifically raised in this consultation document, that the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 could be amended to increase flexibility for local authority pension funds to invest in infrastructure projects?*

Not within the boundaries set out in the consultation document (i.e. that there is a requirement for arbitrary limits in some form).

However, it would be useful to clarify how the investment limits for partnerships in the Regulations are intended to work, and in particular how they deal with the pattern of a significant commitment at the outset of a new partnership, followed by a series of drawdowns and distributions, so that the actual investment is never equal to the full commitment. Questions include:

- Is the test therefore made at the point of the initial commitment?
  - Or at the point of each drawdown?
- How are undrawn commitments and expected distributions to be taken into account?
- Can future drawdowns be made against firm commitments when appreciation of assets takes the investment above the investment limit?

5. *Are there ways in which the Regulations could be amended to facilitate investment in infrastructure specifically in the United Kingdom, where local funds believe that appropriate rates of return can be achieved?*

Do not believe that this is necessary as the change proposed to increase the partnership limit to 30% should give funds sufficient opportunity to invest in infrastructure and then, as stated in the consultation, the fund will be free to decide what investment is best be that infrastructure in the UK or otherwise. Given the fiduciary responsibility of Pension Fund Trustees it is not clear whether targeting infrastructure investment specifically in the United Kingdom can be a legitimate objective.

We thank you for the opportunity to offer our view on the Consultation, and we hope they are useful in determining any future changes.

Yours sincerely

Sean Collins  
Service Manager (Pensions, Insurance and Money Management)

On behalf of the Oxfordshire Pension Fund Committee

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Division(s): N/A

## **PENSION FUND COMMITTEE – 7 DECEMBER 2012**

### **Local Government Pension Scheme (Miscellaneous Regulations) 2012**

#### **Report by Assistant Chief Executive and Chief Financial Officer**

##### **Introduction**

1. The Local Government Pension Scheme (Miscellaneous) Regulations 2012 (SI 2012 / 1989) were issued in August 2012. Generally these regulations were a tidy up of previous regulations, with changes effective from October 2012, although there is backdating to April 2008 in some instances.
2. These regulations have also made amendments to the scheme to bring it into line with the requirements of automatic enrolment.
3. The changes referred to above have been summarised in the LGPC Bulletin 94 which is attached as an appendix to this report.
4. These regulations do, however, contain several areas of specific interest, or require decisions from the Committee. These are detailed below.

##### **Early Release of Benefits**

5. These regulations require the administering authority to introduce a policy for instances where a scheme member wishes to apply for the early release of their deferred benefits but their former employer is no longer an active scheme employer, and there is no successor body.
6. A draft policy is attached to this report. The Committee also needs to determine how any cases will be heard. As it is anticipated that there will be very few cases, it is recommended initially that this Committee delegates the decision, in consultation with the Chairman, to a panel of Officers (excluding both the Pension Services Manager and Service Manager, Pensions, Insurance and Money Manager to avoid conflict of interest with complaint procedure).

##### **Bond Requirements**

7. These regulations introduce the requirement that both transferee and community admission bodies must carry out an actuarial assessment of the level of risk arising from the premature termination of the provision of service

by reason of insolvency, winding up or liquidation of the admission body, and, where assessed as necessary, must put an indemnity or bond in place.

8. As a result of this change the Pension Admission Agreement has been updated.

## **Closure Valuations**

9. Administering authorities have been granted new powers to obtain actuarial valuations and revised rates and adjustment certificates in instances where an employing authority ceases, or the administering authority believes that they will cease, to be a scheme employer. Previously this option only applied to admission bodies.

## **RECOMMENDATION**

### **10. The Committee is RECOMMENDED to**

- a) **Agree policy for assessing requests for early payment of pensions**
- b) **Agree to delegate the decision making under this policy to a panel of Officers, in consultation with the Chairman.**
- c) **Note the change of bond requirement**
- d) **Note the change of power to request closure valuations and revised rates and adjustment certificates.**

Sue Scane  
Assistant Chief Executive and Chief Finance Officer

Background papers:

Contact Officer: Sally Fox  
Tel: 01865 797111

November 2012

## Appendix A

### **Local Government Pension Scheme (Miscellaneous) Regulations 2012**

Extract from LGA Bulletin 94 – The SI includes amendments which, among other things:

- Allows employees with a contract of employment that's for less than 3 months the option to join the LGPS
- Fundamentally changes the way employees of admission bodies join the LGPS
- Provides that employees cannot complete a form to opt-out of membership of the LGPS before their employment commences
- Changes the final pay calculation for those members who cease active membership on or after 1 October 2012 to include pensionable pay from membership of the LGPS with a previous employer
- Clarifies the position regarding flexible retirement where members have to take all of their benefits built up before 1 April 2008 on taking flexible retirement but can take all, some or none of their post 1 April 2008 benefits
- Extends power to administering authorities to award early payment of pensions where the employing authority ceases to exist
- Amends an anomaly in the Benefit, Membership and Contributions Regulations 2007 so that pensioner members with a suspended tier 3 pension benefit can now opt to take payment of benefits from age 60 at an unreduced rate should that member meet the rule of 85
- Allows pensioner members with a suspended tier 3 pension benefit who can prove that they are suffering from a medical condition which renders them permanently incapable of any gainful employment to apply for early payment of their benefits
- Amends the definition of an eligible child to cross reference to the Equality Act 2010
- Provides for children's pensions to take into account any additional contributions made by the deceased member and also ignores any reduction in the deceased's membership that resulted from a reduction in hours due to the member's ill health (as determined by an Independent Registered Medical Practitioner)

- Reintroduces the option to elect to pay additional contributions to allow pre 6 April 1988 membership to count for a nominated cohabiting partner's pension. Elections have to be made before 1 April 2013 or no later than 12 months from the date the scheme member first signs a nominated cohabiting partner's nomination form in respect of that partner (whichever is later)
- Requires a separate admission agreement to be in place where a transferee admission body is performing the functions of a scheme employer in more than one contract (for contracts entered into from 1 October 2012)
- Extends the provision of an indemnity or bond to Community Admission Bodies
- Provides administering authorities with the power to obtain a closing actuarial valuation and a revised rates and adjustments certificate where an employing authority ceases to be a scheme employer or there is reason to believe they will cease to be a scheme employer in the future
- Allows a police and crime commissioner, and a chief constable to become a scheme employer from 22 November 2012
- Where an employing authority is required to contribute to more than one LGPS fund or merges or amalgamates with another employing authority in a different fund or moves its main place of business to a different geographical area, the Secretary of State can, on or after 1 October 2012 and upon application from the employing authority, decide whether to issue a direction substituting one fund for another
- Allows LGPS funds to pay the annual allowance tax charge following a request to do so from a member, with a consequential reduction in the member's benefits. This amendment has been backdated to 6 April 2011
- Requires administering authorities to issue an annual benefit statement to each of its active, deferred and pension credit members by no later than 6 months after the end of the tax year to which the statement relates
- Clarifies that the LGPS fund for an academy is the one within whose local government area the academy is located except in cases where the London Pensions Fund Authority (LPFA) was the administering authority prior to conversion as in such cases the LPFA remains the appropriate fund for the academy.

In addition there is a further amendment which updates the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. This now requires a local authority's policy statement (relating to the exercise of their discretion to base redundancy pay on actual pay and/ or to award a compensation payment of up to a maximum of 104 weeks pay) to include employees of both technical institutes and federated schools.



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Division(s): N/A

## **PENSION FUND COMMITTEE – 7 DECEMBER 2012**

### **EMPLOYER UPDATE**

#### **Report by Assistant Chief Executive and Chief Financial Officer**

##### **Introduction**

1. This report is to update members on recent employer issues including applications for admission and the possible closure of a scheme employer.
2. The report also appraises members of academy conversions and the intention to consult with academies on future pooling arrangements.

##### **Admission Agreements**

3. All admission agreements reported in September relating to Oxford Health NHS Foundation Trust; The Camden Trust and Home Farm Trust have been signed.
4. The admission agreements for Care Outlook and Fresh Start Catering have yet to be finalised.
5. The September report failed to include details of the application from Hayward Services Limited who took over the cleaning contract of St Birinus School.
6. This application and TUPE transfer of two members of staff, both of whom are members of the pension scheme, was prior to the school converting to academy status.
7. However, to reflect the subsequent change in status of the school, the admission agreement will be a three way agreement between the academy, contractor and the fund, thereby ensuring that any pension liabilities are underwritten by the academy.

##### **Academy Consultation**

8. In March 2012 this Committee decided to defer establishing new pooling arrangements for academies in Oxfordshire until such time as the number of academies was more significant.
9. There are now 26 academies in Oxfordshire with another 36 schools either starting or in the process of converting to academy status. To date, ahead of the 2013 valuation process, the employer contribution rate for the majority of

academies has been kept in line with the Oxfordshire County Council contribution rate.

10. Given the valuation process will, potentially, produce very different employer contribution rates for the academies and with the increasing numbers of academies, it felt that now is an opportune time to consult with academies to seek their views on the options of pooling.
11. This report seeks Committee approval to undertake a consultation with the academies to inform future Committee decisions regarding pooling which can then instruct the 2013 valuation process.

### **RECOMMENDATION**

**12. The Committee is RECOMMENDED to:**

- (a) note the progress of previously approved applications for admitted body status;**
- (b) retrospectively approve the application for admitted body status by Hayward Services; and**
- (c) agree the consultation process with academies in relation to pooling options.**

Sue Scane  
Assistant Chief Executive and Chief Finance Officer

Background papers: None  
Contact Officer: Sally Fox, Pensions Services Manager, Tel: (01865) 797111

November 2012



Division(s):N/A

## **PENSION FUND COMMITTEE – 7 DECEMBER 2012**

### **THE APPOINTMENT PROCESS FOR A NEW FUND MANAGER**

#### **Report by the Assistant Chief Executive and Chief Financial Officer**

##### **Introduction**

1. This report responds to the Committee's concern about the time taken to finalise the appointment of Wellington as the Fund's new global equity manager, after the initial decision of this Committee to remove the previous manager. The report sets out the key elements of the timetable, and seeks to identify any learning points for future fund manager selection processes.

##### **Timetable for the Appointment of Wellington**

2. The initial decision to seek a new global equity fund manager was made by this Committee at its meeting on 18 March 2011. Money was initially passed to Wellington on 4 September 2012 some 76 weeks (18 months) later.
3. The initial element of the exercise to appoint a new Fund Manager was the selection of consultants to support the officers in managing the process. A number of Pension Funds employ investment consultants who can undertake a fund manager selection process on a permanent/retained basis, but this Committee has previously determined not to do so.
4. Given the expected size of the contract to support the fund manager selection process, the Council's procurement rules which the Pension Fund Committee is required to follow, stipulate that quotes must be obtained from a minimum of three potential suppliers before an appointment can be made.
5. The identification and selection of consultants was one aspect of the process where there was undue delay. Having identified the need for consultants at the end of March, it was not until May/June that requests for quotes were sent out. It should be noted that this period saw the transition in the overall management of the Pension Fund following the retirement of Paul Gerrish at the end of March 2011, and the delay can in part be explained by the transition.
6. It should also be noted that over the April/May period, the Pensions Investment team is heavily engaged in the work to close the Pension Fund Accounts. During this period, the Pension Investment team also successfully managed the transfer of assets from the former Fund Manager to Legal & General who managed the resources during the transitional period in their passive fund. The work pressure associated with the requirement to meet

statutory deadlines on the closedown timetable, on top of managing the transfer of assets was also a factor which led to the delay in seeking quotes.

7. The last of the three quotes was not received back until the second week of July. The quotes were then examined, clarifications sought where necessary, and bFinance appointed as consultants for the project at the end of July.
8. During August, officers met with bFinance to discuss the Pension Funds requirements in respect of the new mandate, the minimum requirements of any potential Fund Manager and to agree the selection criteria and scoring weighting for the tender exercise. bFinance worked on the documents over the August/September period in consultation with the officers, and these were finally signed off and the tender exercise launched at the beginning of October. Any delays during this aspect of the process, tended to reflect the summer holiday commitments of the key officers from the Council and bFinance.
9. The tenders closed at the end of November, in line with the timescales determined under the OJEU process. bFinance completed their first analysis of the results and presented these to the officers of the Council on 14 December 2011. A long list of 6 Fund Managers was identified before Christmas, and interviews were set up for 10/11 January 2012.
10. Following the officer interviews, 3 Fund Managers were shortlisted to be interviewed by Members, and these interviews were set up for 14 February 2012. Wellington were appointed following these interviews.
11. Following the decision to appoint Wellington, there was considerable legal work both to agree the Investment Management Agreement, and to set up the necessary legal framework in the various new overseas markets including power of attorneys, custodian accounts, filing tax forms etc. The complexity of the legal issues in some of the overseas markets, meant that this activity was not fully completed until August 2011.
12. Only with the legal work completed, could the final arrangements be made between the Council, Wellington, Legal & General and Bank of New York Mellon (the Custodian) for the liquidation of assets where appropriate and the transfer of the remaining assets and cash to Wellington. This was completed over the first week in September 2012.

### **Lessons to Learn?**

13. There is little publically available benchmark data which indicates how long it should take to appoint a Fund Manager. Our conversations with bFinance and Wellington, plus ad hoc conversations with others in the industry suggests that our experience in the appointment of Wellington is towards the longer end of the timescale, but is not significantly longer.
14. If like many Pension Funds we retained Investment Consultants who could have managed the process for us, we could have reduced the timescale by

the 4 months it took to appoint bFinance. The downside of such an approach is the additional costs of retaining the investment consultants. This Committee determined not to retain investment consultants when it last considered this issue.

15. The Council could also have looked for a pooled arrangement which would have reduced some of the legal work required in setting up the custodian agreements in some of the more difficult overseas markets. As this work was intertwined with other legal issues, it is difficult to determine how much quicker a pooled arrangement could have been finalised. The downside of a pooled arrangement is the restrictions in respect of exercising separate voting rights, as well as reduced transparency in the actual assets the fund is invested in.
16. Where future fund manager selections do not involve a segregated component in the more difficult overseas markets, the time required to complete all the necessary legal documentation should be significantly reduced.
17. There were certain aspects of the timeframe where the delay was a direct consequence of the timing of the decision, which led to additional work pressures at both the start and end of the process due to the conflict with the work required to close the accounts in line with the statutory deadlines. The timing of any future fund manager appointment process cannot readily be fixed to avoid key pressure points in the year, so workload may again be a determining factor in the time scale for future selections.
18. Finally it should be noted that throughout the period of the transition between fund managers, the Fund was invested in the Legal and General passive fund. The Fund continued therefore to receive investment returns in line with the market paying fees at a passive fund level. It is not easy to establish what the value of the Fund would have been if the transition to Wellington had been any quicker, but there is no guarantee that the investment returns net of the higher fees would have been greater, than the actual returns earned.

## **RECOMMENDATION**

19. **The Committee is RECOMMENDED to consider the report and determine any changes they would wish to see to the process for the appointment of future fund managers.**

SUE SCANE

Assistant Chief Executive and Chief Financial Officer

Background papers: None

Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management) – 01865 797190

November 2012

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Division(s):N/A

## **PENSION FUND COMMITTEE – 7 DECEMBER 2012**

### **Pension Fund Scheme of Delegation**

#### **Report by Assistant Chief Executive and Chief Financial Officer**

#### **Introduction**

1. This report is to seek Committee approval for two minor changes to the Pension Fund Scheme of Delegation which was last updated in June 2012.

#### **Internal Dispute Resolution Procedure (IDRP)**

2. The formal pension complaint procedure is a three stage process:
  - Stage 1 will be determined by either the scheme employer, or administering authority depending upon the nature of the complaint
  - Stage 2 is an independent review by person with delegated authority from this Committee
  - Stage 3 is referral to the Pension Ombudsman
3. Following the recent retirement of the Independent Stage 2 person, current arrangements have been reviewed and this report seeks Committee approval to agree that:
  - a. Stage 1 complaints to be determined by the administering authority will be delegated to the Pension Services Manager
  - b. Stage 2 complaints are to be determined by the Service Manager, Pensions, Insurance and Money Management
  - c. Both the Pension Services Manager and the Service Manager, Pensions, Insurance and Money Manager can determine non-contentious cases, after consultation with the Chairman of the Pension Fund Committee, to the value of £5,000, subject to reporting to the next meeting of the Pension Fund Committee.

#### **Write Off Cases**

4. The Committee is also asked to accept the change to the write off procedure to allow the Pension Services Manager to approve write off amounts of up to £500; subject to reports being made to this Committee.

## **RECOMMENDATION**

The Committee is **RECOMMENDED** to:

- (a) approve the proposed changes to the Pension Fund's Scheme of Delegation, as set down at paragraph 3 of the report; and**
- (b) accept the change to the write off procedure to allow the Pension Services Manager to approve write off amounts of up to £500; subject to reports being made to this Committee.**

Sue Scane  
Assistant Chief Executive and Chief Finance Officer

Background papers:

Contact Officer: Sally Fox Pension Services Manager, Tel: (01865) 797111

November 2012

## **Pension Fund Scheme of Delegation**

### **Introduction**

1. The Council's Constitution sets out the general Scheme of Delegation to the Strategic Directors and a small number of other Officers. These named posts are therefore authorised by the council to exercise the specific powers and functions of the council.

2. It is not possible for such a small number of people to take all the necessary decisions and authorise expenditure, and therefore further delegation of these powers is allowed. The Scheme of Delegation is the formal record of that authorisation.

3. The Scheme of Financial Delegation is made by Joanna Simons, Chief Executive, in accordance with the Contract Procedure Rules (part 8.3) of the Council's Constitution, to enable delegation of her authority to sign contracts and other financial authorisations. The levels of delegation applicable to pension fund authorisations and financial transactions are shown within the Chief Executive's Office Scheme of Delegation and the Oxfordshire Customer Services Scheme of Delegation. Appendix (a) shows the main extracts of the schemes of delegation which were relevant to usual pension fund administration and investment activities, at the date of the report.

4. Schemes of Financial Delegation are reviewed and amended throughout the year. Amendments are signed off by relevant service directors, the section 151 officer and the county solicitor.

5. In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

### **Internal Disputes Resolutions Procedure (IDRP)**

6. Under the Local Government Pension Scheme (Administration) Regulations 2008, a Member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates).

7. The Pension Fund Committee (at their meeting on 07 December 2012) delegated authority to the Pension Services manager, after consultation with the Chairman of the Pension Fund Committee, to determine non-contentious cases to a maximum of £5,000, subject to reporting to the next meeting of the Committee on such determinations.

8. Once the employer has issued their determination of the dispute, the Member has the right to have their dispute reviewed a second time by an independent officer appointed by the Administering Authority.

9. At their meeting on 07 December 2012, the Pension Fund Committee delegated authority to the Service Manager, Pensions, Insurance and Money Management, to undertake second stage reviews, in all cases; after consultation with the Chairman of the Pension Fund Committee, to determine non-contentious cases, to a maximum of £5,000 subject to reporting to the next meeting of the Committee on such determinations.

### **Death Benefits**

10. The Local Government Pension Scheme Regulations (2007) state that if a scheme member dies before his 75th birthday, the administering authority at their absolute discretion may make payment, in respect of the death grant to or for the benefit of the member's nominee or personal representatives or any person appearing to the authority to have been his relative or dependant at any time.

11. In accordance with the Council's Constitution and Scheme of Delegated Powers, death grant decisions can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee.

12. At their meeting on 4 December 2009, the Pension Fund Committee delegated authority to the Assistant Head of Shared Services (Financial Services), after consultation with the Chairman of the Pension Fund Committee, to determine non-contentious cases, subject to reporting to the next meeting of the Committee on such determinations. Due to a directorate restructure the delegated authority has transferred to the Service Manager, Pensions, Insurance and Money Management post.

### **Power of Attorney – Custody Accounts**

13. The Pension Fund's Global Custodian makes arrangements for the custody of assets in relevant countries. Where they do not have a presence in a particular country, a sub-custodian may be appointed. In some countries regulators require the Pension Fund to grant a Power of Attorney to allow the sub-custodian open an account on behalf of the Fund.

14. In March 2011, The Pension Fund committee delegated decision-making related to the custody of assets to the Chief Finance Officer and Monitoring Officer, after consultation with the Chairman of the Committee.

### **Pension Fund Cash Management Strategy**

15. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash balances held by the administering authority are managed by the Council's Treasury Management and Pension Fund Investment team. The Pension Fund Committee have delegated authority to the Assistant Chief Executive and Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy.



16. To avoid cashflow deficits or the excessive build up of cash over the strategic asset allocation, the level of cash balances is reviewed as part of a quarterly asset allocation by the Independent Financial Adviser and the Pension Fund Investments officers.

### **Strategic Asset Allocation**

17. The Pension Fund strategic asset allocation is approved by the Pension Fund Committee and is periodically reviewed by the Independent Financial Adviser. Due to market volatility and the varying performance levels of fund managers, the actual asset allocation fluctuates on a daily basis.

18. The Independent Financial Adviser and officers review the actual asset allocation on a quarterly basis and make arrangements to transfer assets or cash to fund managers, to rebalance the fund.

19. Decisions to rebalance the fund within approved strategic asset allocation ranges are delegated to officers. Arrangements to rebalance the fund outside the strategic asset allocation ranges, are taken after consultation with the Chairman of the Pension Fund committee, and reported to the next Committee.

### **Voting rights**

20. Investment Managers are delegated authority to exercise voting rights in respect of the Pension Fund's holdings in accordance with RREV recommendations. Where Fund Manager's take a contrary view to RREV guidance they must obtain permission from officers to vote differently. In practice, the decision is delegated to the Service Manager, Pensions, Insurance and Money Management or the Principal Financial Manager, Treasury Management and Pension Fund Investments.

### **Private Equity**

21. In February 2011, The Pension Fund Committee resolved to transfer the responsibility for private equity fund management decisions to the lead officer for Pensions Investment. The Fund's Independent Financial Adviser is responsible for advising officers on the management of the private equity portfolio. Officers consider the advice and decide whether or not to act on the recommendations. In practice, private equity decisions are delegated to the Service Manager, Pensions Insurance and Money Management, or in his absence the Principal Financial Manager, Treasury Management and Pension Fund Investments.

## **Scheme of Financial Delegation – Extracts**

### **Authority to Sign Purchase Orders, Invoices and Contracts for the Oxfordshire County Council Pension Fund**

#### **Sole signatories for Pension Fund Goods and Services**

##### Up to £500,000 for Goods and Services

Chief Executive

Assistant Chief Executive and Chief Finance Officer

Director for Environment & Economy

##### Up to £200,000 for Goods and Services

Deputy Chief Finance Officer

Service Manager – Pensions, Insurance and Money Management

Principal Financial Manager – Treasury Management & Pension Fund Investments

Pension Services Manager

##### Up to £25,000

Team Leader – Pensions Administration

Team Leader – Pensions Administration

#### **Joint signatories for Pension Fund Goods and Services**

##### Up to £500,000

Deputy Chief Finance Officer

Service Manager – Pensions, Insurance and Money Management

with the Chief Executive for Goods and Services over £500,000.

Assistant Chief Executive and Chief Finance Officer

Deputy Chief Finance Officer

With the s151 officer for Goods and Services over £500,000

Director for Environment and Economy

**Income (Debt) Write Offs**

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee. The authorisation of debt write offs up to and including £500 is delegated to the Pension Services Manager and for debts between £501 and £10,000 is delegated to the Service Manager – Pensions, Insurance and Money Management in conjunction with:

Assistant Chief Executive and Chief Finance Officer for amounts between £7,500 and £10,000 and with the Deputy Chief Finance Officer for amounts below £7,500.

**Cash Management**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, state that the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund and formulate an investment policy to govern how the authority invests any Pension Fund cash. Management of the Oxfordshire Pension Fund cash balances is delegated to the Treasury Management team. The Treasury Management team responsible officers list is authorised by the Section 151, or Deputy Section 151 Officer. Officers authorised to enter into Money Market arrangements are listed as Dealers on the Treasury Management Responsible Officers List.

**Fund Management and Custody Agreements – 2 signatories required**

Service Manager – Pensions, Insurance and Money Management

Principal Financial Manager – Treasury Management and Pension Fund Investments

Authorisers listed in the approved Treasury Management Responsible Officers List.

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Division(s): N/A

## **PENSION FUND COMMITTEE – 7 December 2012**

### **Write Off's**

#### **Report by Assistant Chief Executive and Chief Finance Officer**

#### **Introduction**

1. The Scheme of Financial Delegations to allow write offs, under £7,500, chargeable to the pension fund to be approved by the Service Manager (Pensions, Insurance and Money Management) acting as Director and the Deputy Chief Finance Officer acting as s151 Officer. Under the Scheme of Financial Delegation, such write offs need to be reported to this Committee for information.
2. For debts between £7,500 and £10,000 chargeable to the pension fund approval would need to be sought from the Assistant Chief Executive and Chief Finance Officer. These write offs will also need to be reported to this Committee for information.
3. Debts in excess of £10,000 would require approval of Pension Fund Committee

#### **Current Cases**

4. The Service Manager (Pensions, Insurance and Money Management) / Deputy Chief Finance Officer have approved the write off of £733.96 chargeable to the pension fund in respect of five cases.
5. In all cases the member has died resulting in an over payment of pension, which could not be recovered. The smallest amount was £4.93 and the highest amount was £633.12
6. The two highest amounts to be written off are £84.74 and £633.12 and both relate to cases where the estates were insolvent.

#### **RECOMMENDATION**

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

Sue Scane  
Assistant Chief Executive and Chief Finance Officer

Background papers: Nil  
Contact Officer: Sally Fox, Pensions Service Manager, Tel: (01865) 797111  
November 2012

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