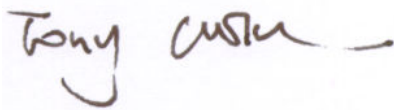


To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 4 December 2009 at 10.15 am

County Hall, Oxford



Tony Cloke
Assistant Head of Legal & Democratic Services

November 2009

Contact Officer: **Marion Holyman**
Tel: (01865) 810177; E-Mail: marion.holyman@oxfordshire.gov.uk

Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Stewart Lilly

Don Seale
John Tanner

Alan Thompson

Co-optees

District Councillor Richard Langridge
District Councillor Barry Wood

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 19 March 2010***
- ***There will be a training session on private equity prior to the meeting, starting at 9.30 am in the meeting room***

Declarations of Interest

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

The duty to declare ...

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

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

Whose interests are included ...

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

When and what to declare ...

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

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

Taking part if you have an interest ...

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

"Prejudicial" interests ...

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

What to do if your interest is prejudicial ...

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

Exceptions ...

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

Seeking Advice ...

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

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 4 September 2009 (**PF3**) and to receive for information any matters arising on them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 9 - 28)**

10:20

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

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 September 2009 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 September 2009
Tables 2 to 7	provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 8	shows net investment/disinvestments during the quarter
Tables 9 to 10	provide details on the Pension Fund's Private Equity
Tables 11 to 19	provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 30 September 2009

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 - Alliance Bernstein

Graph 3 - Baillie Gifford

Graph 4 - Legal & General

Graphs 5 & 6 - 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 and 9 on the agenda.

EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 6, 7, 8, 9, 10 and 11 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

NOTE: In the case of items 8 and 9, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

6. Overview and Outlook for Investment Markets (Pages 29 - 36)

10:30

Report of the Independent Financial Adviser (**PF6**)

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.

7. UBS Global Asset Management

10:45

(1) The Independent Financial Adviser will report orally on the performance and strategy of UBS Global Asset Management drawing on the tables at Agenda Items 5 and 6.

(2) The representatives (Mr P Harris and Ms Y Thomas) 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 2009;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2009.

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.

8. Alliance Bernstein

11:25

(1) The Independent Financial Adviser will report orally on the performance and strategy of Alliance Bernstein drawing on the tables at Agenda Items 5 and 6.

(2) The representatives (Mr G Blunden, Mr N Davidson and Mr D Stewart) 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 2009;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2009.

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.

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

12:05

The Independent Financial Adviser will report orally on the main issues arising from the reports from Baillie Gifford and Legal & General in conjunction with information contained in the tables (Agenda Item 5).

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

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

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

10. Summary by the Independent Financial Adviser

12:10

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

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

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

11. Review of Hedge Funds (Pages 37 - 42)

12:15

Report of the Independent Financial Adviser (PF11)

The Committee requested a fundamental review of hedge fund investment. The report fulfils that request. Consideration is given to the objectives of investing in hedge funds and whether those objectives are being achieved. Consideration is also given to investing in hedge fund replication vehicles as an alternative.

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.*

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

12. Pension Fund Annual Report and Accounts for 2008/09 (Pages 43 - 56)

12:30

(a) Pension Fund Annual Report and Accounts for 2008/09

A draft of the Annual Report and Accounts was approved at the meeting of the Committee on 4 September 2009. A copy of the Pension Fund Annual Report and Accounts 2008/09 has been circulated separately to members of the Committee and is also available for public inspection. The changes to the draft are:

- the inclusion of a foreword
- the correction of the fund performance information at paragraph 16
- an amendment to the Statement of Investment Principles to reflect recent decisions of the Committee.

The Committee is RECOMMENDED to adopt formally the Pension Fund Annual

Report and Accounts 2008/09.

12:35

- (b) Report to Those charged with Governance 2008/09: Oxfordshire County Council Pension Fund

The report (**PF12b**) meets requirements for the external auditors to communicate to those charged with governance audit matters of governance interest that arose from the audit of the Local Government Pension Fund Accounts.

The Committee is RECOMMENDED to accept the report (PF12b) to those charged with governance and note any comments from KPMG LLP.

13. Investment Manager Monitoring Arrangements (Pages 57 - 58)

12:40

Report of the Head of Finance & Procurement (PF13)

Each year the Committee considers the monitoring arrangements for the Investment Managers, agreeing the frequency that the managers attend Committee and how often they are seen by officers and the Independent Financial Adviser. At the meeting in November 2008 a few changes were made and it is proposed that these revised arrangements should continue in 2010/11.

The Committee is RECOMMENDED to agree the programme of manager meetings as set out in the report.

14. Actuarial Tender and the Implications for the Funding Strategy Statement (Pages 59 - 62)

12:45

Report of the Assistant Chief Executive and Chief Finance Officer (PF14)

This report updates the Committee in respect of the recent tender exercise to appoint an Actuary for the Pension Fund, following the expiry of our previous contract with Hewitt Associates. The report also provides an update on the approach to our Funding Strategy Statement following the appointment of the new Actuary, and further discussions held with a number of Admitted Bodies and with the Department for Communities and Local Government.

The Committee is RECOMMENDED to:

- (a) ***note the appointment of a new Actuary with effect from 11 December 2011; and***
- (b) ***add the option of a standard approach to future funding for all admitted bodies, with Scheduled Bodies underwriting the risk for the smaller Community Admitted Bodies.***

15. Payment of Death Benefits (Pages 63 - 64)

12:50

Report of the Assistant Chief Executive and Chief Finance Officer (PF15)

This report informs Committee of the Chief Executive's decision, under delegated powers, in the payment of a death grant and seeks delegation for future decisions where there are no contentious circumstances.

The Pension Fund Committee is RECOMMENDED to:

- (a) note the decision in making payment of the death benefits detailed in the report;***
- (b) delegate 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.***

LUNCH

16. Department of Communities and Local Government - Consultation Paper - Learning & Skills Council Staff (Pages 65 - 66)

14:00

Report of the Assistant Chief Executive and Chief Finance Officer (PF16)

This report updates the Committee on the recent consultation paper from the Government, and seeks the Committee's view on any draft response it wishes to make to the Government.

The Committee is RECOMMENDED to note the report and to consider what response, if any, it wishes to send to the Government in respect of this consultation.

17. Internal Disputes Resolution Procedure - Payment of Compensation (Pages 67 - 72)

14:10

Report of the Assistant Chief Executive and Chief Finance Officer (PF17)

This report informs the Committee about a recent complaint submitted under the Internal Disputes Resolution Procedure. The complaint investigation has found fault within Pension Services, which has financially disadvantaged a Scheme Member. As the issue cannot be resolved under the relevant Regulations, the Committee is recommended to agree a compensation payment which will hopefully avoid the need for the matter to be determined by the Pensions Ombudsman under a maladministration finding.

The Committee is also asked to consider whether such decisions in future cases can be determined by Officers, subject to an appropriate limit on the payment.

The Committee is RECOMMENDED:

- (b) ***based on the evidence of the report, and to compromise any future claim against the Council to the Pensions Ombudsman, to award compensation to Mr P of £2,629 to offset the requirement to repay compensatory pension to the same sum; and***
- (c) ***to determine its policy for future cases, based on the options covered in paragraphs 23-26 of the report.***

18. Corporate Governance and Socially Responsible Investment

14:20

The Assistant Chief Executive and Chief Finance Officer has nothing specific to report this quarter but it should be noted that all the managers have included pages within their valuation reports which provide details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

19. Annual Pension Forum

14:25

The Assistant Chief Executive and Chief Finance Officer will report orally on any issues arising from the last Forum or about the Forum which will take place on 9 December 2009.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **1 December 2009** at **3 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.