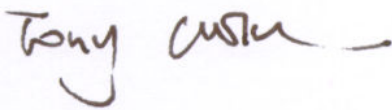


To: Members of the Pension Fund Committee

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:

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. 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.

PENSION FUND COMMITTEE

MINUTES of the meeting held on 4 September 2009 commencing at 10.15 am and finishing at 2.42 pm

Present:

Voting Members: Councillor David Harvey - in the chair

Councillor Anne Purse (in place of Councillor Jean Fooks)
Councillor Don Seale
Councillor Bill Service
Councillor John Tanner
Councillor Alan Thompson

District Council Representatives: Councillor Richard Langridge (Co-opted Member)

By Invitation: Mr P Davies (Independent Financial Adviser)
Karen Thrumble (WM Company)
Mr L Robb and Mr I McCombie (Baillie Gifford)

Officers:
Whole of meeting: Mr P Gerrish, Mr S Collins, Mrs S Fox, Mrs D Ross and Mr T Chapple (Corporate Core (Finance)) and Ms M Holyman (Corporate Core); Mr T Wheeler (consultant)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except 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.

16/09 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

Apologies for absence and temporary appointments were received as follows:

Apology from	Temporary Appointment
Councillor Jean Fooks	Councillor Anne Purse
Councillor Stewart Lilly	
Brenda Churchill (Beneficiaries' Observer)	

17/09 DECLARATIONS OF INTEREST

Councillors Harvey, Purse, Service, Tanner, Thompson and Langridge (co-opted member) declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government and Housing Act 1989. Councillor Service declared a prejudicial interest in Annex 2 to Item 16(e) and said he would leave the room for this item should Annex

2 be discussed. Councillor Tanner declared a personal interest as his wife was a beneficiary of the Pension Fund Scheme.

18/09 MINUTES

The Minutes of the meetings of the Committee held on 22 May 2009 and 16 June 2009 were approved and signed.

19/09 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION (Agenda Item 5)

The Committee was advised that Tables 1 to 10 were compiled from the custodian's records. The custodian was the Pension Fund's prime record keeper. He accrued for dividends and recoverable overseas tax within his valuation figures and might also have used different exchange rates and pricing sources compared with the fund managers. The custodian also treated dividend scrip issues as purchases which the fund managers might not have done. This might mean that there were minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 June 2009. He reported that the estimated value of the Fund at the end of August 2009 was £930m.

Councillor Harvey reported that a request had been received from UBS Global Asset Management to change the index for benchmarking Emerging Markets to the FTSE All World Emerging Markets index. This was to avoid double counting S Korea which FTSE had switched from Emerging Markets to Asia-Pacific Developed whereas MSCI had retained it in their Emerging Markets index.

RESOLVED: to

- (a) receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 8E, 9E and 10E on the agenda;
- (b) agree to change the index for benchmarking Emerging Markets to the FTSE All World Emerging Markets index.

20/09 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 6E, 7E, 8E, 9E, 10E, 11E and 12E and discussion of Annex 2 relating to Item 16 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.

ITEMS FOLLOWING THE EXCLUSION OF THE PRESS AND PUBLIC

21/09 WM COMPANY PRESENTATION ON THE PENSION FUND'S INVESTMENT PERFORMANCE FOR THE TWELVE MONTHS ENDED 31 MARCH 2009

(Agenda Item 6E)

The representative (Karen Thrumble) of the WM Company reported and reviewed the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2009. The presentation compared Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe.

Ms K Thrumble, WM Company, reviewed the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2009. The presentation compared Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe. The presentation highlighted the underperformance of the bond, hedge fund, private equity and property assets. She also reported that it had been a difficult year to add value to funds which are actively managed.

She pointed out that, over the last 10 years, Oxfordshire's fund had consistently been in the bottom quartile of the universe of local authority funds which the WM Company monitored. Members asked questions.

RESOLVED: to note the presentation by Ms Thrumble of WM Company.

22/09 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda Item 7E)

The Committee considered a report (PF7E) which set out an overview of the current and future investment scene and market developments across various regions and sectors. The Independent Financial Adviser updated the Committee orally.

RESOLVED: to receive the report, tables and graphs, to receive the oral report, and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

23/09 BAILLIE GIFFORD

(Agenda Item 8E)

The representatives Mr L Robb and Mr I McCombie reported and reviewed the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2009. The representatives reported that they would continue their strategy. The representatives responded to members' questions.

RESOLVED: to note the main issues arising from the presentation and that the representatives would advise the Chief Finance Officer what the impact on the Fund would be if they disinvested from tobacco and their views on investing in BMW.

24/09 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING
(Agenda Item 9E)

The Independent Financial Adviser reported orally on the main issues arising from the reports from Alliance Bernstein, Legal & General and UBS Global Asset Management in conjunction with information contained in the tables (Agenda Item 5). Mr Davies reported that he and the officers had met Alliance Bernstein and UBS in August. Alliance Bernstein's performance had been poor in 2008/09 but improvement was anticipated in the current quarter on the basis of the results to date. UBS's performance on equities had been better in the first two quarters of this financial year, performance on hedge funds had been poor last year but had improved this year while performance on property continued to be poor. Legal & General's performance on bonds had been good. Members asked questions.

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

25/09 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER
(Agenda Item 10E)

The Independent Financial Adviser commented on the presentation from Baillie Gifford.

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

26/09 PRIVATE EQUITY
(Agenda Item 11E)

The Committee considered a report (PF11E) which outlined the current strategy for investing in private equity and considered an opportunity to invest in real estate.

RESOLVED: to

- (a) note the funding position and performance for Private Equity;
- (b) approve the investment of €15m in the Partners Group Real Estate Secondary Fund 2009;
- (c) ask the Chief Finance Officer to invite either Adams Street or Partners Group to present a training session on Private Equity prior to the start of a future meeting.

27/09 STRATEGIC ASSET ALLOCATION – ANNUAL REVIEW

(Agenda Item 12E)

The Committee considered a report (PF12E) which reviewed the current allocation and considered whether any changes needed to be made.

RESOLVED: to:

- (a) instruct officers and the Independent Financial Adviser to undertake a fundamental review of hedge fund investment and report back to the December meeting of the Committee;
- (b) introduce allowable ranges into the asset allocation strategy for the Fund, as shown in Table 3 of the report;
- (c) raise the target allocation to Private Equity from 6% to 10% and lower the target allocation to UK and Overseas Equities by 2% in each case; and
- (d) in the event that the allocation to any of the asset classes lies outside its allotted range at the end of each quarter, beginning at 30 September 2009, instruct officers to rebalance the assets of the fund after consultation with the Independent Financial Adviser and the Chairman of the Committee.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

28/09 DRAFT REPORT AND ACCOUNTS 2008/09

(Agenda Item 13)

The Committee considered the draft Annual Report and Accounts for 2008/09 which showed the final accounts for the Pension Fund for the year ended 31 March 2009 and provided details on how the Fund operated, including sections on membership and investments. The report also included the Statement of Investment Principles. The Committee was advised that the final report would be brought to the Committee in December.

Mr Gerrish reported that the equity performance on page 16 of the report had excluded Alliance Bernstein in error. This was because their performance related to Global Equities. Their performance would be split between UK and Overseas Equities and the relevant figures updated.

RESOLVED: to receive the draft report and accounts for 2008/09, subject to noting that the errors reported at the meeting would be corrected and agreed with the Chairman prior to publication of the final report.

29/09 PENSION FUND INVESTMENT & ADMINISTRATION EXPENSES OUTTURN REPORT 2008/09

(Agenda Item 14)

The Committee considered a report (PF14) which compared the 2008/09 budget with the outturn for the year.

RESOLVED: to receive the report and note the out-turn position.

30/09 LOCAL GOVERNMENT PENSION SCHEME – DELIVERING AFFORDABILITY, VIABILITY AND FAIRNESS
(Agenda Item 15)

The Committee considered a report (PF15) which updated the Committee on the recent consultation paper from the Government and sought the Committee's view on any draft response it wished to make to the Government.

RESOLVED: to note the report and to respond to the Government that the Authority supported the change in employee contribution rates and recommended the retention of the target of 100% funding.

31/09 THE FUNDING STRATEGY STATEMENT – PROPOSED CHANGES FOR CONSULTATION
(Agenda Item 16)

The Committee considered a report (PF16) which updated the Committee in respect of recent financial issues around the Fund as a whole, and a number of admitted bodies in particular. It proposed a number of changes to the current Funding Strategy Statement, and sought the Committee's endorsement to a consultation with all key stakeholders within Oxfordshire over the Autumn on these changes, with a report back to the December Committee on a revised Funding Strategy Statement. There was no discussion on Annex 2 and as a consequence Councillor Service did not leave the room for the discussion or decision on this item.

RESOLVED: to:

- (a) agree a consultation exercise based on the issues summarised in paragraph 22 of the report subject to inserting in paragraph 22, bullet point 2, line 2 “, where appropriate,” after “and”;
- (b) instruct officers to research the costs and benefits of operating with a dual investment strategy; and
- (c) report back to the December meeting of this Committee.

32/09 DEATH GRANTS
(Agenda Item 17)

The Committee considered a report (PF17) which requested decisions in the payment of death grants.

RESOLVED: to make payment of the death benefits as recommended in the report.

33/09 WRITE OFF'S
(Agenda Item 18)

The Committee considered a report (PF18) which updated the Committee on the write off's approved under the Council's Scheme of Financial Delegation.

RESOLVED: to note the report.

34/09 ANNUAL PENSION FORUM
(Agenda Item 19)

The Assistant Chief Executive and Chief Finance Officer advised that there were no issues arising from the last Forum or about the Forum which would take place on 9 December 2009.

RESOLVED: to note the position.

35/09 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda Item 20)

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

RESOLVED: to note the report.

36/09 DATE OF SPRING 2010 MEETING
(Agenda Item 21)

RESOLVED: to note that, after consultation with the Chairman, the meeting scheduled for 26 February 2010 would be rescheduled to 19 March 2010 at 10 am.

.....in the Chair

Date of signing.....2009

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND - OVERALL VALUATION OF FUND AT 30 SEPTEMBER 2009

	COMBINED PORTFOLIO 1.7.09		UBS Overseas Equities and Property		Alliance Bernstein Global Equities		Baillie Gifford UK Equities		Legal & General UK Equity Passive		Legal & General Fixed Interest		Other Investments		COMBINED PORTFOLIO 30.9.09		OCC Customised Benchmark
	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	% of Total Value	Value £'000	% of Total Value	
Investment																	
EQUITIES																	
UK Equities	245,240	0.0%	0	0.0%	27,479	12.6%	178,552	99.1%	101,123	100.0%	0	0.0%	0	0.0%	307,153	30.8%	33.0%
US Equities	59,032	0.0%	0	0.0%	67,916	31.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	67,916	6.8%	
European Equities	48,355	0.0%	0	0.0%	66,291	30.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	66,291	6.6%	
Japanese Equities	10,226	0.0%	0	0.0%	6,086	2.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	6,086	0.6%	
Pacific Basin Equities	5,731	0.0%	0	0.0%	6,508	3.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	6,508	0.7%	
Emerging Markets Equities	36,417	4.8%	7,797	4.8%	39,767	18.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	47,564	4.8%	
UBS Global Pooled Fund	82,714	62.9%	102,132	62.9%	186,568	85.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	102,132	10.2%	
Total Overseas Equities	242,475	67.7%	109,929	67.7%	186,568	85.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	296,497	29.7%	34.0%
BONDS																	
UK Gilts	28,604	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	28,565	15.0%	0	0.0%	28,565	2.9%	3.0%
Corporate Bonds	65,737	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	72,415	38.0%	0	0.0%	72,415	7.3%	6.0%
Overseas Bonds	23,502	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	22,308	11.7%	0	0.0%	22,308	2.2%	2.0%
Index-Linked	55,291	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	59,922	31.4%	0	0.0%	59,922	6.0%	5.0%
Total Bonds	173,134	0.0%	0	0.0%	0	0%	0	0%	0	0.0%	183,209	96.1%	0	0.0%	183,209	18.4%	16.0%
ALTERNATIVE INVESTMENTS																	
Property	31,399	22.8%	37,089	22.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	37,089	3.7%	8.0%
Private Equity	64,214	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	74,065	50.9%	0	0.0%	74,065	7.4%	6.0%
Hedge Funds	27,462	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	28,463	19.6%	0	0.0%	28,463	2.9%	3.0%
Total Alternative Investments	123,075	22.8%	37,089	22.8%	0	0.0%	0	0.0%	0	0.0%	102,528	70.5%	0	0.0%	139,617	14.0%	17.0%
CASH	73,466	9.5%	15,375	9.5%	4,479	2.0%	1,640	0.9%	0	0.0%	7,405	3.9%	42,983	29.5%	71,882	7.2%	0.0%
TOTAL ASSETS	857,390	100.0%	162,392	100.0%	218,526	100.0%	180,192	100.0%	101,123	100.0%	190,614	100.0%	145,511	100.0%	998,359	100.0%	100.0%
% of total Fund			16.27%		21.89%		18.05%		10.13%		19.09%		14.58%		100.00%		

* The benchmark indices for UK Equities and Overseas Equities may fluctuate marginally each quarter reflecting changes in the FTSE All World Index
A revised customised benchmark was introduced from 1 October 2009

TABLE 2

Oxfordshire County Council Pension Fund for Quarter ended 30 September 2009

UBS Global Asset Management - Asset Allocation Market Value £ 162,392,438

Overseas Equity Portfolio					
Asset	Control Range %	Benchmark Allocation %	Actual Allocation %	+ or - Benchmark %	Index
Overseas Equities <i>Comprising</i> Global Pooled Fund Emerging Markets	85 - 100 0 - 10	93.6% 6.4%	93.0% 7.0%	-0.6% +0.6%	See Split below * MSCI Emerging Markets Free
Cash	0 - 10	0.0%	0.0%		
Total		100.0%	100.0%		
* Global Pooled Fund Split:-					
North America		31.2%			FTSE North American Developed
Europe (ex UK)		31.2%			FTSE Europe (ex UK) Developed
Asia Pacific (inc. Japan)		31.2%			FTSE Asia-Pacific (inc Japan) Developed
Total Global Pooled		93.6%	93.0%	-0.6%	

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

Property Portfolio					
Asset	Control Range %	Benchmark Allocation %	Actual Allocation %	+ or - Benchmark %	Index
Property	90 - 100	100.0%	61.8%	-38.2%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	0.0%	38.2%	+38.2%	
Total		100.0%	100.0%		

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

TABLE 3

Oxfordshire County Council Pension Fund for Quarter ended 30 September 2009

Alliance Bernstein - Asset Allocation Market Value £ 218,526,049

Global Equities Portfolio					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
UK Equities		8.6%	12.6%	+4.0%	FTSE All World
Overseas Equities <i>Comprising</i>		91.4%	85.4%	-6.0%	
North America		44.2%	31.1%	-13.1%	
Europe (ex UK)		19.9%	30.3%	+10.4%	
Japan		8.5%	2.8%	-5.7%	
Asia Pacific (ex Japan)		7.6%	3.0%	-4.6%	
Emerging Markets		11.2%	18.2%	+7.0%	
Total Global Equities		100.0%	98.0%	-2.0%	
Cash			2.0%	+2.0%	
Total			100.0%		

Target Objective - To outperform the Benchmark by 3.0% per annum over rolling 3 year periods (gross of management fees)

TABLE 4

Oxfordshire County Council Pension Fund for Quarter ended 30 September 2009

Legal & General - Asset Allocation Market Value £ 101,122,839

UK Equities - Passive					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	%	%	%	%	
Cash	N/A	100.0%	100.0%	+0.0%	FTSE 100
	Nil	0.0%	0.0%	+0.0%	
Total		100.0%	100.0%		

Target Objective - To track the FTSE 100 Index

TABLE 5

Legal and General - Asset Allocation Market Value £ 190,614,474

Fixed Income					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Gilts	%	%	%	%	
Corporate Bonds	0 - 36	18.75%	15.0%	-3.8%	FTSE A All Gilts Stocks
Index-Linked	20 - 55	37.50%	38.0%	+0.5%	IBoxx Sterling Non-Gilt All Stocks Index
Overseas Bonds	15 - 46	31.25%	31.4%	+0.2%	FTSE A Over 5 Year Index-linked Gilts
Cash	0 - 24	12.50%	11.7%	-0.8%	JP Morgan Global Gov't (ex UK) Traded Bond
	0 - 10	0.00%	3.9%	+3.9%	
Total		100.0%	100.0%		

Target Objective - To outperform the Benchmark by 0.4% per annum over rolling 3 year periods (gross of management fees)

TABLE 6

Oxfordshire County Council Pension Fund for Quarter ended 30 September 2009

Baillie Gifford - Asset Allocation Market Value £ 180,192,005

UK Equities					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	%	%	%	%	
Cash	N/A	100.0%	99.1%	-0.9%	FTSE Actuaries All-Share
	Nil	0.0%	0.9%	+0.9%	
Total		100.0%	100.0%		

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

TABLE 7

Alternative Investments - Asset Allocation Market Value £ 102,528,000

Private Equity and Hedge Funds					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Private Equity	%	%	%	%	
Hedge Funds	6-10	6.0%	7.4%	+1.4%	FTSE Smaller Companies (ex investment trusts)
	Nil	3.0%	2.9%	-0.1%	3 month LIBOR + 3%
Total		9.0%	10.3%	+1.3%	

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.

TABLE 8

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
TOTAL PORTFOLIO PROGRESS REPORT
PERIOD 1 JULY 2009 TO 30 SEPTEMBER 2009**

Asset	Market Value 1.7.09		%		Net Purchases and Sales						Changes in Market Value						Market Value 30.9.09									
	£000				Alliance Bernstein		Baillie Gifford		Legal & General		Other		UBS		Alliance Bernstein		Baillie Gifford		Legal & General		Other		£000			
	£000				£000		£000		£000		£000		£000		£000		£000		£000		£000		£000		£000	%
EQUITIES																										
UK Equities	245,240		29		0	3,475	6,401	0	0	0	0	0	0	0	4,131	29,726	18,181	0	0	0	0	0	307,153		31	
US Equities	59,032		7		0	(4,635)	0	0	0	0	0	0	0	0	13,519	0	0	0	0	0	0	0	67,916		7	
European Equities	48,355		6		0	3,004	0	0	0	0	0	0	0	0	14,933	0	0	0	0	0	0	0	66,291		7	
Japanese Equities	10,226		1		0	(5,109)	0	0	0	0	0	0	0	0	969	0	0	0	0	0	0	0	6,086		1	
Pacific Basin Equities	5,731		1		0	(103)	0	0	0	0	0	0	0	0	880	0	0	0	0	0	0	0	6,508		1	
Emerging Market Equities	36,417		4		0	627	0	0	0	0	0	0	0	0	1,531	8,989	0	0	0	0	0	0	47,564		5	
Global Pooled Fund	82,714		10		0	0	0	0	0	0	0	0	0	0	19,418	0	0	0	0	0	0	0	102,132		10	
Total Overseas Equities	242,475		28		0	(6,216)	0	0	0	0	0	0	0	0	39,289	0	0	0	0	0	0	0	296,497		30	
BONDS																										
UK Gilts	28,604		3		0	0	0	0	0	0	0	0	0	0	0	0	768	0	0	0	0	0	28,565		3	
Corporate Bonds	65,737		8		0	0	0	0	0	0	0	0	0	0	0	0	4,836	0	0	0	0	0	72,415		7	
Overseas Bonds	23,502		3		0	0	0	0	0	0	0	0	0	0	0	0	1,987	0	0	0	0	0	22,308		2	
Index-Linked Bonds	55,291		6		0	0	0	0	0	0	0	0	0	0	0	0	1,459	0	0	0	0	0	59,922		6	
ALTERNATIVE INVESTMENTS																										
Property	31,399		4		4,458	0	0	0	0	0	0	0	1,232	0	0	0	0	0	0	0	0	0	37,089		4	
Private Equity	64,214		7		0	0	0	0	0	0	1,137	0	0	0	0	0	0	0	0	0	0	8,714	74,065		7	
Hedge Funds	27,462		3		0	0	0	0	0	0	(41)	0	0	0	0	0	0	0	0	0	0	1,042	28,463		3	
SUB TOTAL	783,924		91		4,458	(2,742)	6,401	1,026	1,096	22,180	43,420	29,726	27,230	9,756	926,477											93
CASH *	73,466		9		(4,039)	2,829	(4,787)	(634)	5,047	0	0	0	0	0	0	0	0	0	0	0	0	0	71,882		7	
GRAND TOTAL	857,390		100		419	88	1,614	392	6,143	22,180	43,420	29,726	27,230	9,756	998,359											100

* 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.

TABLE 9

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
VALUATION OF OTHER INVESTMENTS AS AT 30 SEPTEMBER 2009**

	HOLDING	COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3i Group	1,690,641	4,815,140	2.848	2.885000	4,877,499	62,360
Candover Investments	236,060	1,687,945	7.150	5.675000	1,339,641	(348,305)
Electra Private Equity	1,016,179	13,886,422	13.665	12.230000	12,427,869	(1,458,553)
F&C Private Equity Trust	4,160,000	7,339,178	1.764	1.157500	4,815,200	(2,523,978)
Graphite Enterprise Trust	852,512	2,420,093	2.839	3.297500	2,811,158	391,065
H G Capital Trust	1,782,500	9,319,756	5.228	8.595000	15,320,588	6,000,832
Henderson Private Equity	1,200,000	2,122,781	1.769	1.627500	1,953,000	(169,781)
KKR Private Equity Investors	220,000	1,906,499	8.666	5.814862	1,279,270	(627,229)
Northern Investors	520,000	516,217	0.993	1.857500	965,900	449,683
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.440000	261,189	(321,608)
Oxford Technology 4 Venture Capital Trust	1,021,820	985,164	0.974	0.550000	562,001	(433,163)
Schroder Private Equity	3,759,084	2,433,798	0.647	1.481871	5,570,475	3,136,678
Standard Life European Private Equity Trust	4,315,443	5,043,503	1.169	1.120000	4,833,296	(210,206)
SVG Capital	2,050,000	6,978,576	3.404	1.262000	2,587,100	(4,391,476)
		60,047,868			59,604,186	(443,682)
Unlisted Private Funds						
Midlands Growth Fund	2,509	306,254	122	7.500	18,818	(287,436)
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		4,158,088			4,604,327	446,239
Partners Group Secondary 2008 L.P.		2,930,734			2,385,938	(544,797)
Partners Group Asia-Pacific 2007 L.P.		2,283,484			1,775,424	(508,060)
Adams Street 2007 Non-US Fund		1,560,098			1,375,224	(184,873)
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		494,363			474,192	(20,171)
Adams Street 2008 Non-US Fund		578,290			486,300	(91,990)
Adams Street 2008 US Fund		2,119,297			2,496,783	377,486
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		150,365			135,296	(15,068)
Adams Street 2009 Non-US Developed Mkts Fund		46,100			36,385	(9,715)
Adams Street 2009 Non-US Emerging Mkts Fund		20,994			14,927	(6,066)
Adams Street 2009 US Fund		168,100			149,893	(18,207)
Oxford Technology ECF Limited Partner AC		660,000			507,030	(152,970)
		15,169,912			14,441,720	(728,192)
Cash Held by Custodian for Private Equity		45,299			45,299	
Cash held by Custodian following disinvestment of GTAA fund		12,603,740			12,603,740	
CASH HELD IN HOUSE		30,333,872			30,333,872	
TOTAL OF ALL INVESTMENTS		118,506,944			117,047,634	(1,459,310)

TABLE 10

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30 SEPTEMBER 2009**

<u>DATE</u>	<u>HOLDING</u>	<u>TRANSACTION</u>	<u>BOOK COST</u> £	<u>SALE PROCEEDS</u> £	<u>REALISED GAIN/LOSS</u> £
16/07/2009	105,000	<u>QUOTED INVESTMENT TRUSTS</u> <u>PURCHASES</u> 3i Group	232,194		
			232,194		
		<u>LIMITED PARTNERSHIP FUND OF FUNDS</u> <u>DRAWDOWNS</u>			
16/07/2009		Adams Street 2008 Non US Fund	57,123		
17/07/2009		Partners Group Asia - Pacific 2007 L.P.	417,924		
24/07/2009		Adams Street 2007 Non US Fund	55,747		
13/08/2009		Adams Street 2008 US Fund	44,606		
14/08/2009		Adams Street 2007 Non US Fund	55,865		
14/08/2009		Adams Street 2008 Direct Fund	37,258		
14/08/2009		Adams Street 2009 Direct Fund	24,853		
14/08/2009		Adams Street 2009 Non US Developed Mkts Fund	20,782		
19/08/2009		Adams Street 2008 Non US Fund	33,077		
27/08/2009		Adams Street 2009 Non US Emerging Mkts Fund	7,951		
24/09/2009		Oxford Technology ECF Limited Partner AC	150,000		
			905,186		
		Total	1,137,380		

TABLE 11

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th September 2009

Combined Portfolio

ASSET	% Weighting of Fund as at 30th September 2009	Market Value as at 30th September 2009 £'000	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
			BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %
GLOBAL EQUITIES	11.0	109,929	21.7	25.3	12.8	6.6	2.9	-4.7	-	-
UK EQUITIES	30.8	307,153	22.4	21.9	10.8	8.8	-1.1	-2.4	6.7	5.4
OVERSEAS EQUITIES	18.7	186,568	22.0	23.9	15.5	21.1	3.5	3.2	9.3	9.3
UK GOVERNMENT BONDS	2.9	28,565	3.1	3.6	11.2	12.7	6.1	7.0	6.0	6.7
UK CORPORATE BONDS	7.3	72,415	8.9	8.8	11.9	14.7	2.5	3.2	4.1	4.7
OVERSEAS BONDS*	2.2	22,308	2.0	1.9	7.8	10.7	-	9.5	-	-
UK INDEX LINKED GILTS	6.0	59,922	3.0	3.4	3.5	4.4	5.3	5.7	6.3	6.4
PRIVATE EQUITY	7.4	74,065	35.2	13.3	25.5	-15.8	-6.7	-4.1	2.8	7.3
HEDGE FUNDS	2.9	28,463	0.9	3.6	5.2	-9.1	7.7	-0.2	8.7	3.4
PROPERTY ASSETS	3.7	37,089	2.1	4.8	-21.2	-29.9	-12.0	-17.9	-0.3	-3.6
CASH/ALTERNATIVES	7.2	71,882	-	0.4	-	3.4	-	-3.0	-	0.7
TOTAL FUND	100.0	998,359	17.9	15.7	10.1	5.4	0.8	-1.8	6.7	5.3

* This includes L&G Currency Hedging for Overseas bonds

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

**INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS, AND FIVE YEARS ENDED
30th September 2009**

Alliance Bernstein - Global Equities

Table 12

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %
UK EQUITIES	22.1	20.8	10.1	-0.8	-0.9	-10.9	6.7	1.1
OVERSEAS EQUITIES	21.7	26.6	13.0	12.2	3.3	-1.9	9.0	6.8
North American Equities	19.3	21.5	4.6	-2.1	0.7	-9.6	4.8	-1.5
European Equities	29.4	34.1	16.8	15.5	4.0	0.1	11.8	11.4
Japanese Equities	9.3	9.7	10.8	7.4	-3.2	-5.5	4.6	4.7
Pacific Basin (excl. Japan)	27.7	20.0	38.3	27.6	14.6	8.1	17.9	10.3
Emerging Market Units	25.2	30.1	34.0	37.9	14.9	16.4	21.2	21.9
TOTAL CASH	-	1.4	-	5.7	-	n/a	-	n/a
TOTAL ASSETS	21.7	25.0	12.7	6.9	2.9	-4.6	8.5	4.9

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th September 2009

Legal & General - UK Equities Passive Mandate

Table 13

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
UK EQUITIES	21.9	21.9	9.5	10.0	-	-	-	-
CASH/ALTERNATIVES	-	-	-	-	-	-	-	-
TOTAL ASSETS	21.9	21.9	9.5	10.0	-	-	-	-

Legal & General - Bonds

Table 14

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
UK GILTS	3.1	3.6	11.2	12.7	6.1	6.8	6.0	6.6
UK CORPORATE BONDS	8.9	8.8	11.9	14.7	2.5	3.8	4.1	4.9
OVERSEAS BONDS*	2.0	1.9	7.8	10.7	-	9.5	-	-
UK INDEX LINKED	3.0	3.4	3.5	4.4	5.3	5.7	6.3	6.5
CASH/ALTERNATIVES*	-	-	-	-	-	-	-	-
TOTAL ASSETS	5.1	5.2	8.9	10.9	4.9	5.7	5.8	6.2

* 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.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED 30th September 2009

UBS Global Asset Management - Overseas Equities

Table 15

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
OVERSEAS EQUITIES	22.0	23.9	15.5	21.1	3.5	3.2	9.5	8.9
TOTAL CASH	-	-	-	-	-	-	-	-
TOTAL ASSETS*	22.0	23.9	15.5	21.1	3.5	3.2	9.5	8.9

* The Quarter ending September 2009 is the first full period of investment in a separate Overseas Equities portfolio. These assets were previously held in one portfolio with the Property assets.

UBS Global Asset Management - Property

Table 16

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
PROPERTY	2.1	4.8	-21.2	-29.9	-12.0	-17.9	-0.3	-3.6
TOTAL CASH*	-	0.1	-	2.3	-	4.8	-	4.7
TOTAL ASSETS**	2.1	3.1	-21.2	-21.2	-12.0	-12.7	-0.3	-1.3

* Historic returns for this category refer to the portfolio whilst both Overseas Equities and Property were held within one portfolio

** The Quarter ending September 2009 is the first full period of investment in a separate Property portfolio. These assets were previously held in one portfolio with the Overseas Equities.

UBS Global Asset Management - Hedge Funds

Table 17

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
Hedge Funds	0.9	3.7	5.2	-9.1	7.7	-0.2	8.7	3.4
TOTAL CASH	-	0.1	-	1.0	-	3.7	-	-
TOTAL ASSETS	0.9	3.6	5.2	-9.1	7.7	-0.2	8.7	3.4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th September 2009

Baillie Gifford - UK Equities Active Mandate

Table 18

ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
UK EQUITIES	22.4	21.9	10.8	8.0	-1.1	-2.1	6.7	5.7
TOTAL CASH	-	0.2	-	2.3	-	4.6	-	4.3
TOTAL ASSETS	22.4	21.2	10.8	8.1	-1.1	-1.8	6.7	5.8

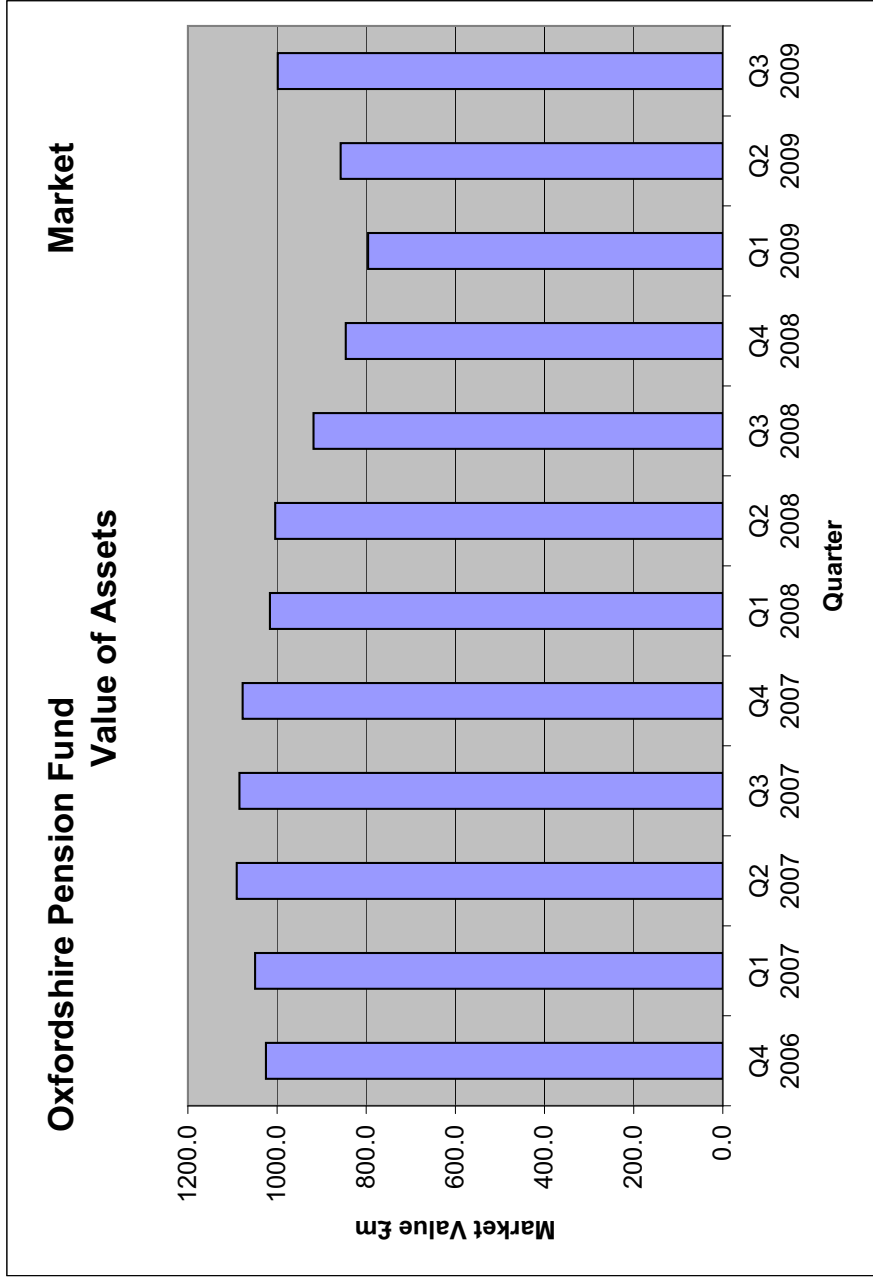
Independent Advisor - Private Equity and Internally managed cash

Table 19

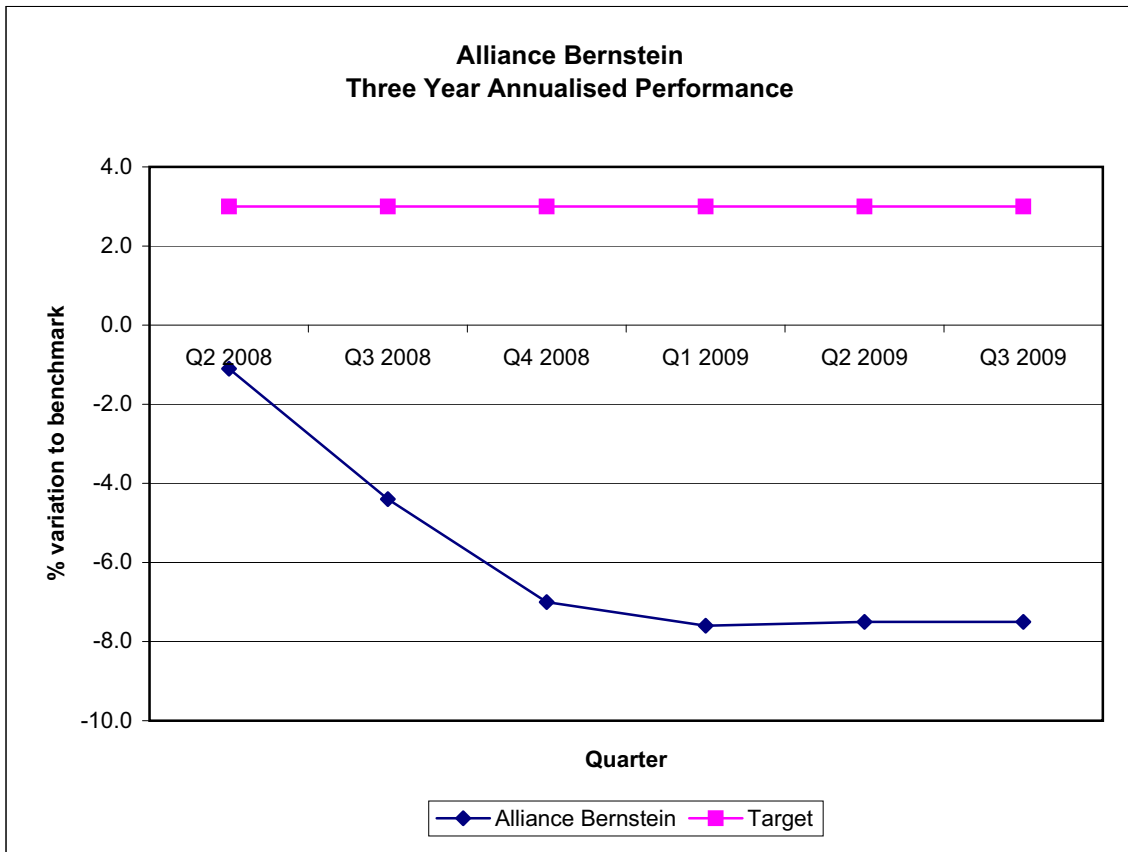
ASSET	QUARTER ENDED 30th September 2009		12 MONTHS ENDED 30th September 2009		THREE YEARS ENDED 30th September 2009		FIVE YEARS ENDED 30th September 2009	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
PRIVATE EQUITY	35.2	13.3	25.5	-15.8	-6.7	-4.1	2.8	7.3
TOTAL CASH*	0.1	0.4	1.2	3.8	4.0	3.7	4.3	6.2
TOTAL ASSETS	22.8	8.3	19.2	-13.5	-2.3	-2.6	4.0	5.3

* Cash within this portfolio includes all internally managed cash and the balance held at BoNY (including the liquidated TAA investment previously held by UBS).

GRAPH 1



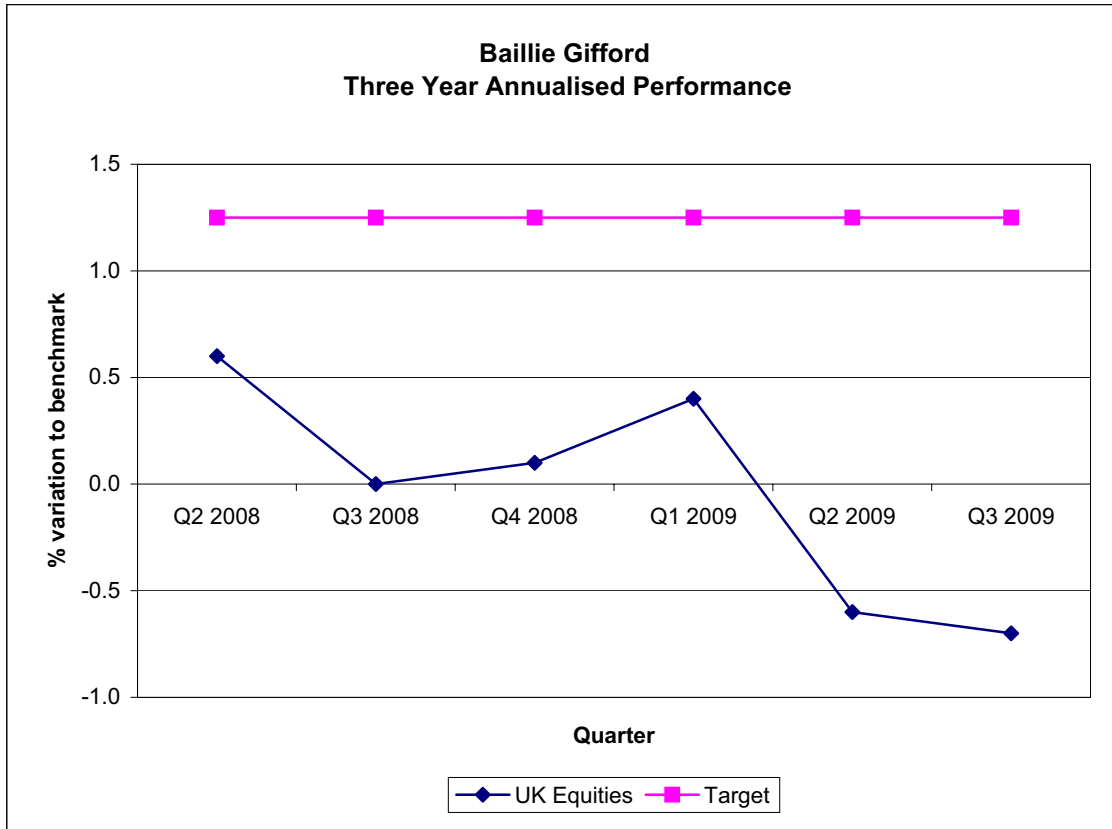
GRAPH 2



Alliance Bernstein Three Year Annualised Performance

	Alliance Bernstein	Target
Q2 2008	-1.1	3.0
Q3 2008	-4.4	3.0
Q4 2008	-7.0	3.0
Q1 2009	-7.6	3.0
Q2 2009	-7.5	3.0
Q3 2009	-7.5	3.0

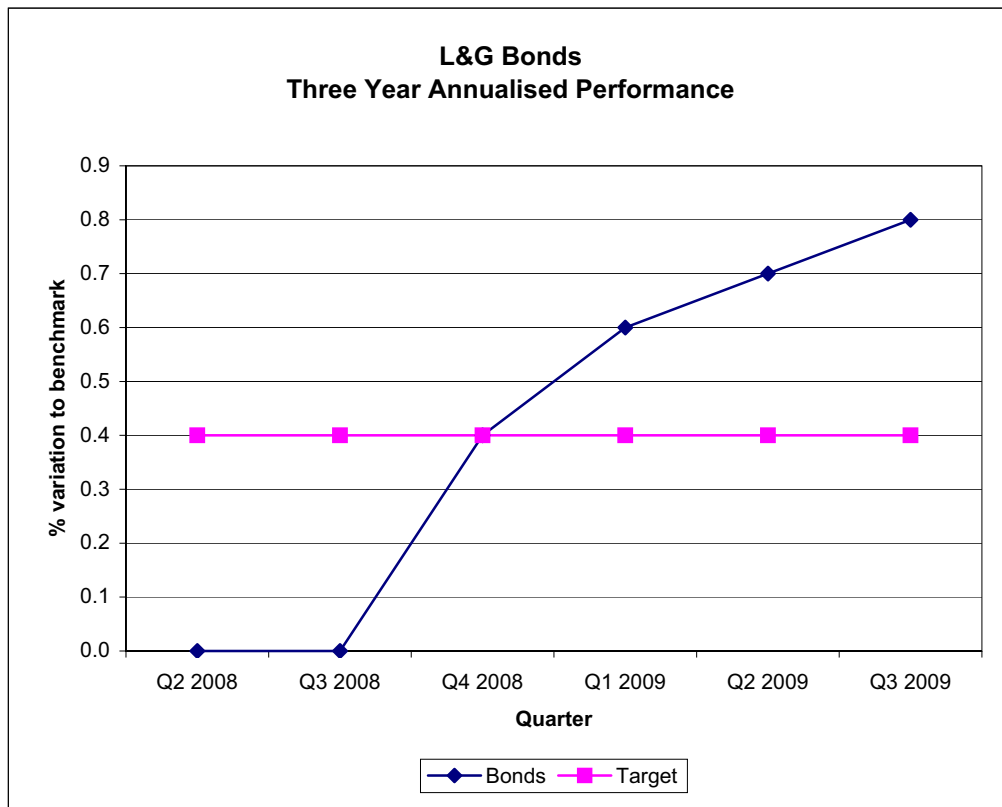
GRAPH 3



Baillie Gifford Three Year Annualised Performance

	UK Equities	Target
Q2 2008	0.6	1.25
Q3 2008	0.0	1.25
Q4 2008	0.1	1.25
Q1 2009	0.4	1.25
Q2 2009	-0.6	1.25
Q3 2009	-0.7	1.25

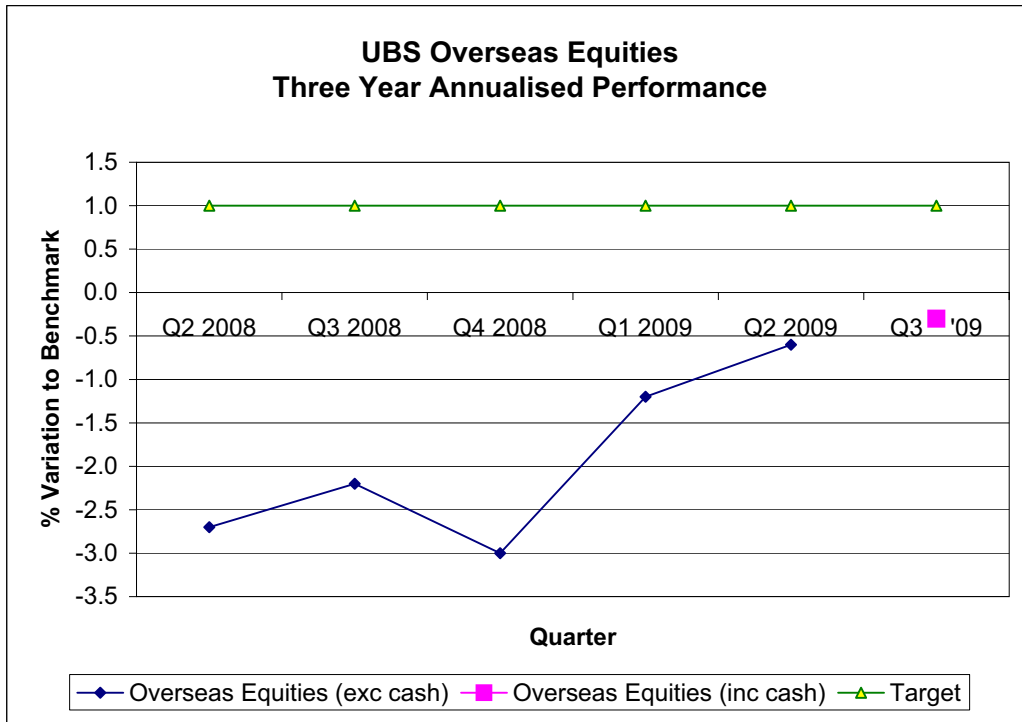
GRAPH 4



L&G Bonds Three Year Annualised Performance

	Bonds	Target
Q2 2008	0.0	0.4
Q3 2008	0.0	0.4
Q4 2008	0.4	0.4
Q1 2009	0.6	0.4
Q2 2009	0.7	0.4
Q3 2009	0.8	0.4

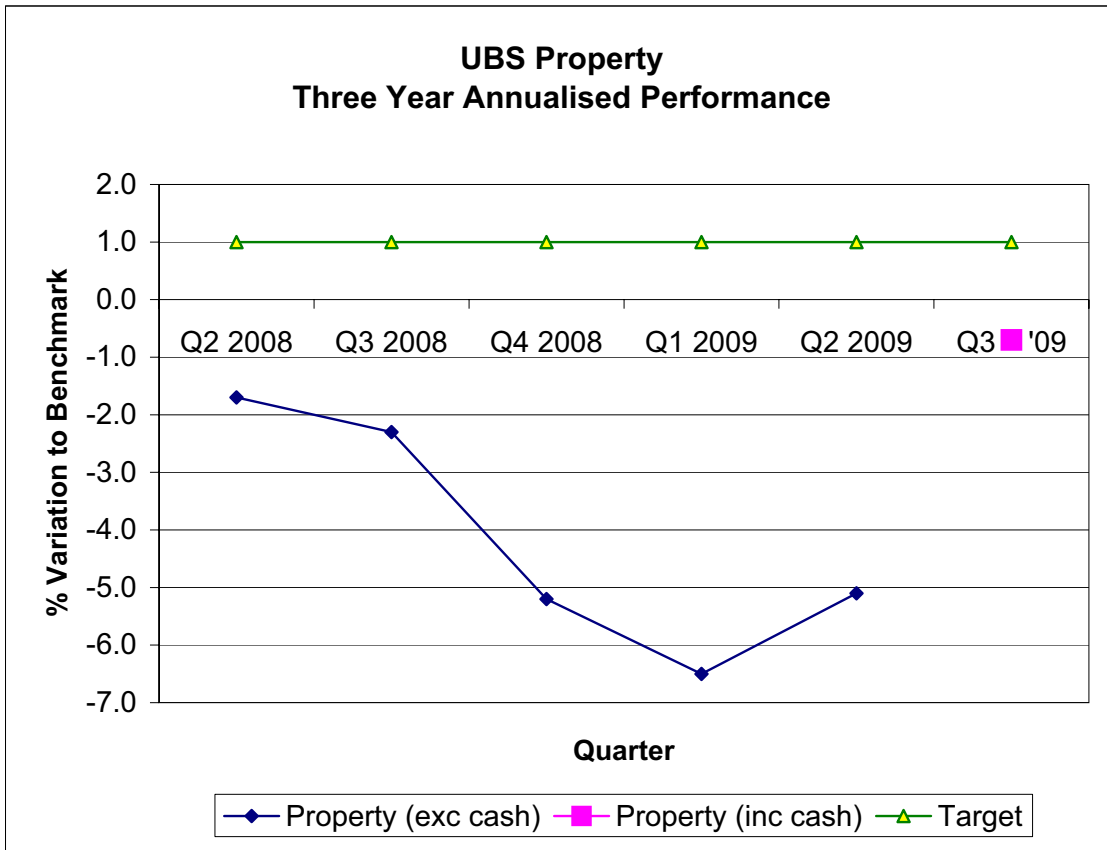
GRAPH 5



UBS Three Year Annualised Performance

	Overseas Equities (exc cash)	Overseas Equities (inc cash)	Target
Q2 2008	-2.7		1.0
Q3 2008	-2.2		1.0
Q4 2008	-3.0		1.0
Q1 2009	-1.2		1.0
Q2 2009	-0.6		1.0
Q3 '09	-0.3	-0.3	1.0

GRAPH 6



UBS Three Year Annualised Performance

	Property (exc cash)	Property (inc cash)	Target
Q2 2008	-1.7		1.0
Q3 2008	-2.3		1.0
Q4 2008	-5.2		1.0
Q1 2009	-6.5		1.0
Q2 2009	-5.1		1.0
Q3 '09		-0.7	1.0

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Division(s): N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2009

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

The Economy

1. In the quarter to September, several of the world's major economies registered a slight quarter-on-quarter growth in GDP, although this was not the case in the UK, where the 0.4% fall represented its sixth consecutive quarterly decline. The table below shows that the consensus estimates of 2009 growth for all economies except the UK have improved since my last report, as have the projections for growth in 2010. (The consensus estimates at the time of the September Committee are shown in brackets).
2. China is now included in the table, to show how it has been able to maintain growth at a high rate; it will shortly overtake Japan as the world's second largest national economy.

Consensus real growth (%)					Consumer prices (%)
	2007	2008	2009E	2010E	2009E
UK	+3.0	+0.7	(- 3.7) - 4.4	(+1.1) +1.4	+ 2.0 (CPI)
USA	+2.0	+1.2	(- 2.7) - 2.5	(+2.0) +2.5	- 0.4
Eurozone	+2.6	+0.8	(- 4.4) - 3.8	(+0.6) +1.2	+ 0.4
Japan	+2.0	- 0.2	(- 6.1) - 5.7	(+1.0) +1.4	- 1.2
China	+11.9	+ 9.0	(+7.2) + 8.2	(+7.6) +8.6	- 0.8

Source: The Economist (31.10.09)

3. While the estimates for 2010 are now fully 1% above those made in the spring, they still fall short of trend growth, so that the level of capacity utilisation will fall further, and unemployment rates are expected to continue moving upwards – reaching 10% in the US and Eurozone, and 9% in the UK.
4. When combined with higher savings rates, and the inevitable fiscal tightening, it is likely to be some time before private consumption becomes a supportive factor in the US and Europe.
5. Interest rates remain almost everywhere at their lowest levels, and governments have continued to support ailing financial institutions, as well as providing short-term targeted stimuli e.g. through “cash for clunkers” or car scrappage schemes. Central banks meanwhile have pumped money into their banking systems by means of quantitative easing (QE). It still remains to be seen whether the banks are able to supply credit to the private sector on

acceptable terms, and, looking ahead, how the financial system will cope with the eventual reversal of QE.

- It is widely believed that the Bank of England's programme of purchases of gilt-edged stock – for which the limit has just been raised to £200bn – has, besides its supportive effect on gilt prices, also been one of the factors driving equity markets higher in recent months.

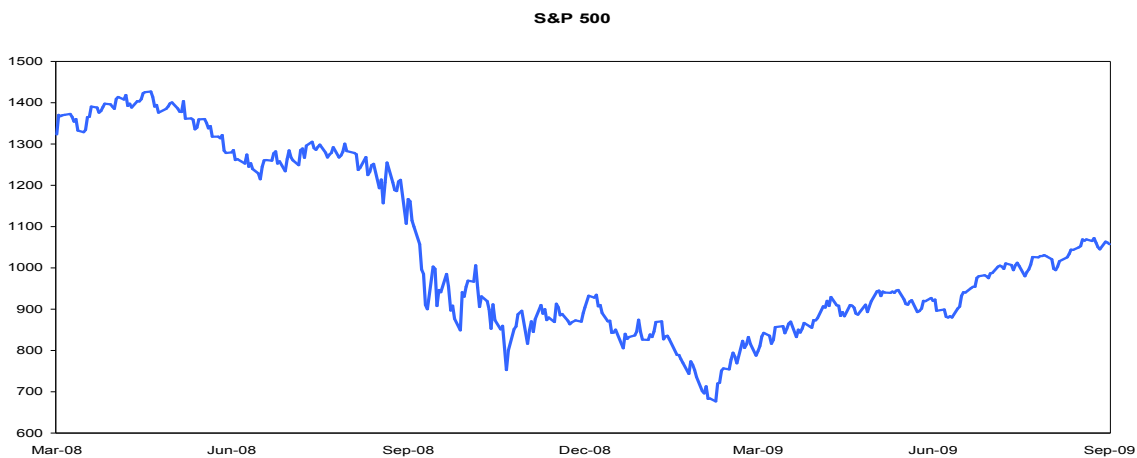
Markets

- World **equity markets** continued their strong recovery in the third quarter, and registered gains on a scale which has not been seen in the developed markets for many years. As shown in the table below, UK equities rose in line with the global average of 21%, while Continental Europe significantly faster and the US slightly slower. Emerging Markets again surged ahead, and all regions ended September 2009 at a higher level – in sterling terms – than they had ended September 2008.

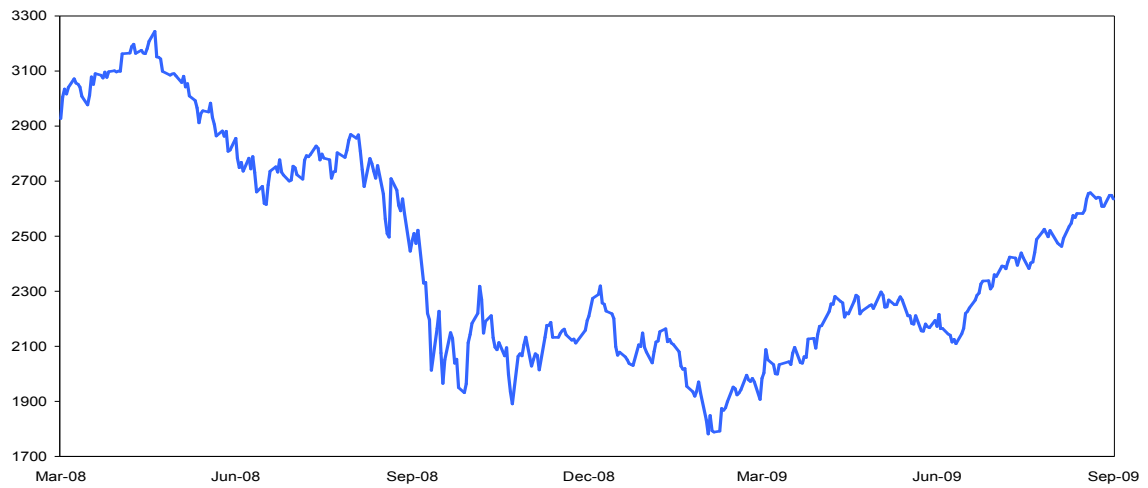
Capital return (in £, %) to 30.09.09		
	3 months	12 months
FTSE All-World Index	+21.0	+ 9.4
FTSE All-World North America	+18.6	+ 1.9
FTSE All-World Asia Pacific	+18.0	+24.2
FTSE All-World Europe (ex-UK)	+29.2	+11.3
FTSE All-World UK	+21.0	+ 5.3
FTSE All-World Emerging Markets	+24.3	+30.6

[Source: FTSE All-World Review, September 2009]

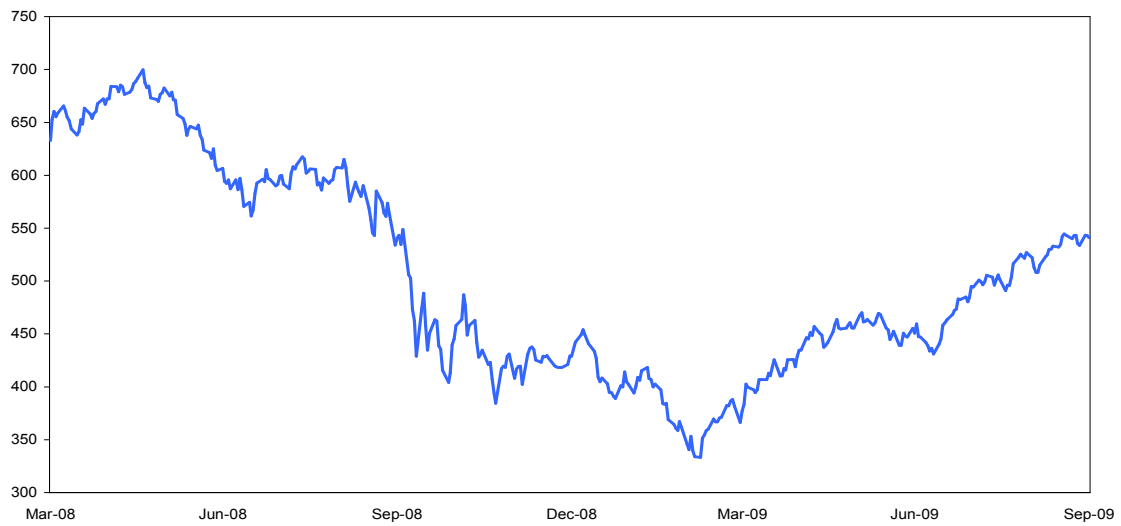
- The following graphs show the movements of US, UK, European and Asian markets during the past eighteen months. Measured from their lows of early March 2009, these four indices had risen by 56%, 48%, 62% and 52% respectively by the end of September. In October they retreated marginally.



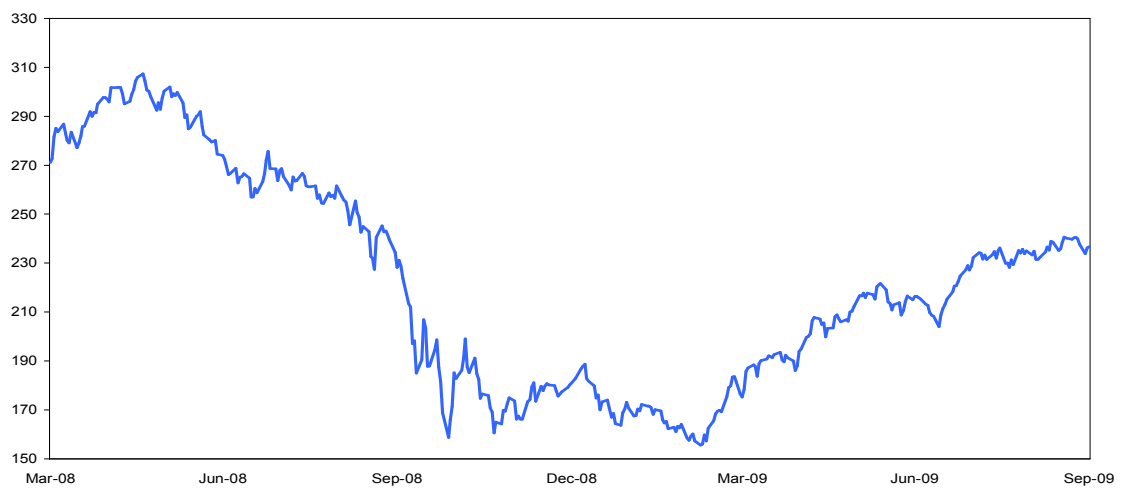
UK FTSE All-Share



FTSE World Europe ex UK



FTSE All-World Asia Pacific

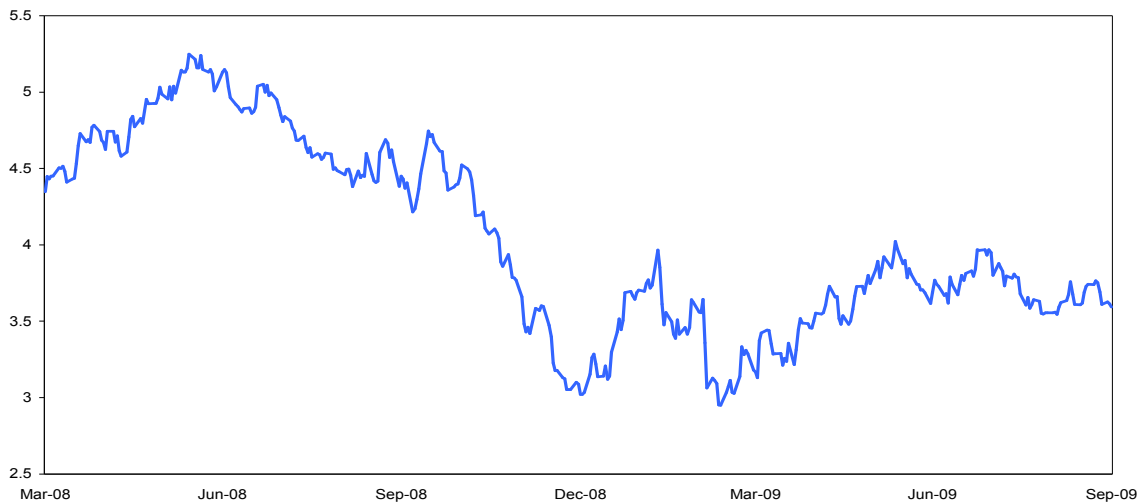


9. As noted above, **government bonds** have remained firm under the influence of QE, together with the mild outlook for inflation in present economic circumstances.

10-year government bond yields (%)				
	Sept 2008	Dec 2008	June 2009	Sept 09
US	3.84	2.22	3.52	3.31
UK	4.46	3.02	3.69	3.59
Germany	4.04	2.95	3.38	3.23
Japan	1.48	1.18	1.35	1.30

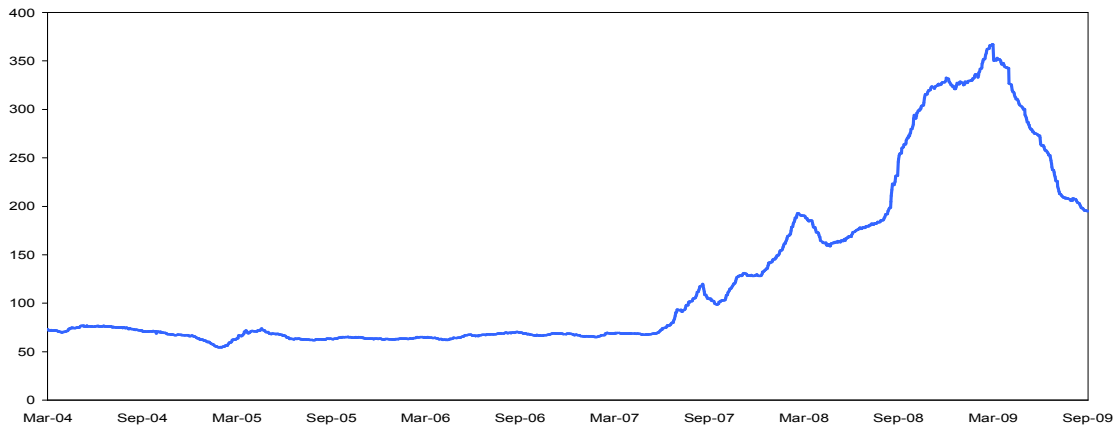
[Source: Financial Times]

Generic 10yr UK Gilt Yield



10. The **UK corporate bond** market, meanwhile, enjoyed a very strong quarter. The Iboxx Sterling Non-Gilt Index gained 8.9% as the spread between corporate bonds and gilts fell from 270bps to 195 bps, reflecting the general sentiment that the risk of further corporate bankruptcies had reduced.

£ Non-Gilt Spread over Gilts



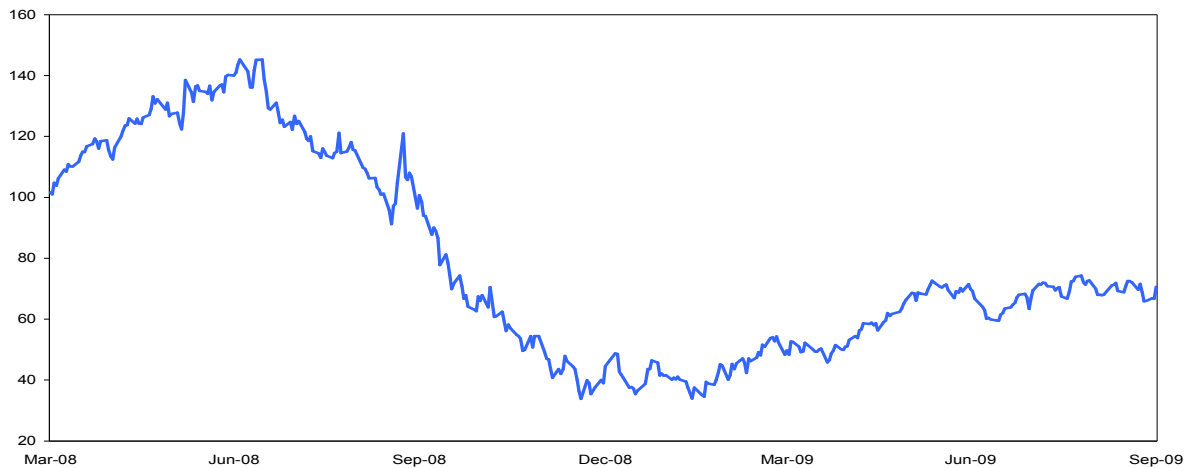
11. **UK Property** values rose for the first quarter in over two years. Yields on commercial property have fallen slightly in each of the past four months, although rental levels are also weakening. Despite strong investment demand being reported for prime office and retail sites, there is known to be a large overhang of property which could be put on the market by the banks who have lent on it, and this supply could choke off any recovery in prices.

Median fund returns to 30.9.09	3 months	12 months
Balanced Funds (n= 26)	+2.5%	- 20.4%
Specialist Funds (n= 35)	+3.3%	- 29.7%

[Source: IPD UK pooled property funds]

12. In the **Commodities** sector, oil has remained stable at around the \$70 per barrel level, whereas gold has established a price above \$1,000 per ounce. Since the end of September the price of gold has passed through the \$1,100 level on the news that India's Central Bank had purchased 200 tonnes of gold from the IMF.

Oil

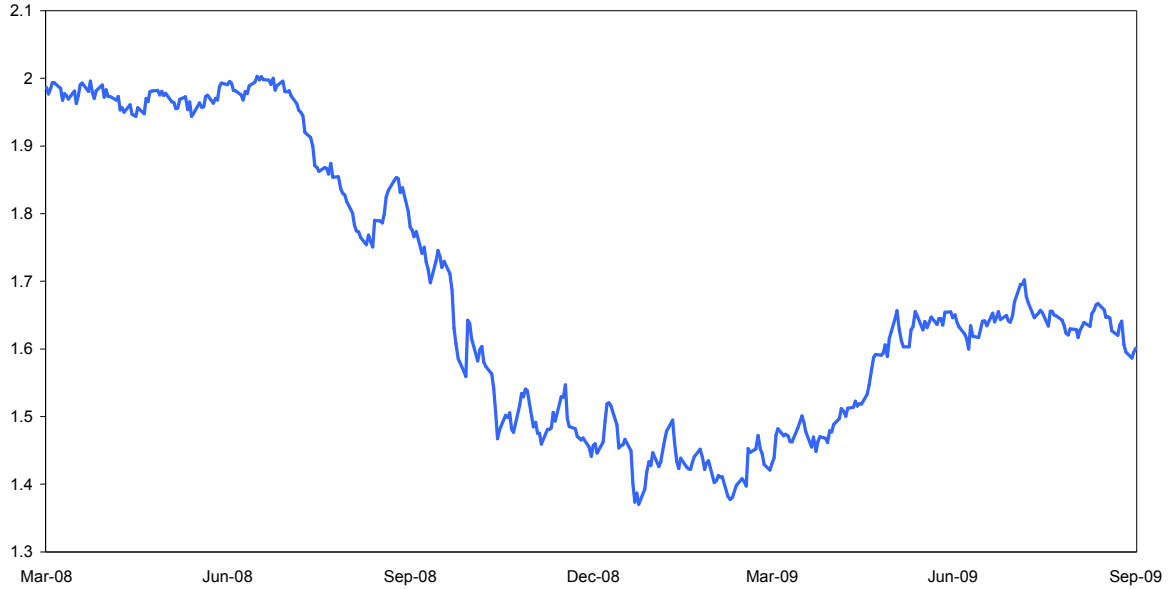


Gold



13. In the **currency** sphere, the Euro has strengthened steadily against both the pound and the dollar, ending the quarter at \$1.46 and £0.914. These represent gains of 4% and 7% respectively during the quarter.

GBP vs USD



GBP vs EUR



Outlook

14. In accordance with the decisions taken at the Strategic Asset Allocation Review [Item PF12E at the September Committee], the Pension Fund's end-September position was reviewed at a meeting held on 10 October to see whether the proportion in any asset class lay outside its prescribed range. In the event, Bonds had reached 19.3%, which is 1.3% above the top of their range. As both UK and Overseas Equities were below their target levels, it was decided to sell 2.3% from Bonds and reinvest 1.8% in Overseas Equities (with UBS) and 0.5% in UK Equities (with Legal & General). These transactions were carried out at the end of October. The effect was to bring UK and Overseas Equity weightings very close to their target levels, while leaving Bonds 1% above their target weight.
15. The Cash held in the Fund – other than the sums held by fund managers awaiting investment – amounted to some £42m. While a minimum of £15m has to be retained to meet drawdowns and possible purchases in the Private Equity sector (as agreed in May 2009), there still remained some £27m (or 2.7% of the Fund) available for investment.
16. Considering the rapid rise in equity markets over the previous six months, and the continuing uncertainty over economic recovery, there is an expectation that markets will fall back at some point. I recommended that this cash be held back for the present, in order that the Fund can take advantage of any fall back to levels where they offer better value to the investor.

PETER DAVIES
Independent Financial Adviser

November 2009

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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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INFRASTRUCTURE,
GOVERNMENT AND HEALTHCARE

**Report to those
charged with
governance
2008/09**

**Oxfordshire County
Council Pension
Fund**

September 2009

AUDIT

Content

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Appendices	6
1. Proposed audit report	
2. Accounts risk areas	
3. Results of FundRADAR valuation	
4. Recommendations	
5. Declaration of independence and objectivity	

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document. External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact June Awty, who is the engagement partner to the Authority, telephone 0207 311 1769, email june.awty@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421

Executive summary

Scope of this report

The Audit Commission's Code of Audit Practice (the Code) requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and we report to those charged with governance (in this case the Oxfordshire County Council Audit Committee) at the time they are considering the financial statements. We are also required to comply with International Standard on Auditing (ISA) 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements. It summarises the key issues identified during our audit of the Oxfordshire County Council Pension Fund's ('the Fund's') financial statements for the year ended 31 March 2009.

This report does not repeat matters we have previously communicated to you.

Summary of findings

Financial statements

The Fund is responsible for having in place effective systems of internal control which ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing a Governance Compliance Statement with its financial statements.

Our findings are detailed in section two and our proposed opinion on the accounts is presented in Appendix 1.

Status of the audit

At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:

- Receipt and review of certain direct investment manager confirmations; and
- Audit work on valuation of some investments held from FundRADAR.

Executive summary (continued)

Declaration of independence and objectivity

In relation to the audit of the Oxfordshire County Council Pension Fund for the year ended 31 March 2009, we confirm that there were no relationships between KPMG LLP and the Oxfordshire County Council Pension Fund, its officers and senior management and its affiliates that may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Exercise of other powers

We have a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it brought to the attention of the public. In addition we have a range of other powers under the 1988 Act. We did not exercise these powers or issue a report in the public interest in 2008/09.

Certificate

We are required to certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice. If there are any circumstances under which we cannot issue a certificate, then we are required to report them to you and to issue a draft opinion on the financial statements.

Fees

Our fee for the audit is £50,000. This has been contained within the fee proposed in our audit plan. We have not performed any non-audit work.

Acknowledgements

We would like to take this opportunity to thank officers and members for their continuing help and co-operation throughout our audit work.

Financial statements

The Fund is responsible for having effective systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that present fairly its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its financial statements.

We have substantially completed our work on the 2008/09 financial statements.

We also review your Governance Compliance Statement and report if we have any concerns.

Introduction

Our financial statements work can be split into four phases, detailed below.

Stage	Tasks	Timing	Completed
Planning	<ul style="list-style-type: none"> Updating our business understanding and risk assessment Assessing the organisational control environment Issuing our accounts audit protocol 	December 2008 to February 2009	✓
Control evaluation	<ul style="list-style-type: none"> Reviewing the accounts production process Evaluating and testing controls over key financial systems Review of internal audit Evaluating and testing controls over authority management and control 	March to June 2009	✓
Substantive testing	<ul style="list-style-type: none"> Planning and performing substantive work Evaluating the accounts production process Concluding on critical accounting matters Identifying audit adjustments Reviewing the Annual Governance Statement 	June to July 2009	✓
Completion	<ul style="list-style-type: none"> Declaring our independence and objectivity Reporting matters of governance interest Forming our audit opinion 	August to September 2009	-

This report focuses on the control evaluation, substantive testing and completion stages.

Financial statements (continued)

Substantive testing – critical accounting matters

The key accounting issues for 2008/09 financial statement are summarised in Appendix 2. We have now completed our testing of these areas and the outcome of our work is summarised in the Appendix.

We have completed detailed audit procedures over the investment valuation. Our FundRADAR team assisted us to evaluate the pricing of equities, hedge funds and pooled investment vehicles. The results of this work are set out in Appendix 3.

Substantive testing – adjustments to the accounts

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements in the fund's financial statements.

Substantive testing – Governance Compliance Statement

We have reviewed the Governance Compliance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Completion – other matters

ISA 260 requires us to communicate to you “audit matters of governance interest that arise from the audit of the financial statements” which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc); and
- other audit matters of governance interest.

There are no matters which we wish to draw to your attention.

Completion – opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion.

Our proposed opinion on the financial statements is presented in Appendix 1.

Appendix 1: Proposed audit report within Authority's accounts – pension fund

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Oxfordshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Oxfordshire County Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Oxfordshire County Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditors

The Responsible Financial Officer's responsibilities for preparing the pension fund accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements and [the remaining elements of the Pension Fund Annual Report]. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Appendix 1: Proposed audit report within Authority's accounts– pension fund (continued)

Opinion

In our opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

June Awty

for and on behalf of KPMG LLP

Chartered Accountants

London

Appendix 2: Accounts risk areas

This appendix summarises the key accounting issues for the 2008/09 financial statements and our final findings following our substantive work.

Issue	Risk and implications	Findings during final audit
<p>Changes to accounting requirements</p> <p>The 2008 <i>Statement of Recommended Practice on Local Authority Accounting in the UK</i> (SORP) includes a number of changes, including aligning the disclosure of the Pension Fund accounts with the Statement of Recommended Practice (SORP): Financial Report of Pension Schemes (revised May 2007).</p>	<p>There is a risk that the financial statements prepared by the Council will not appropriately comply with the updated SORP. This would result in additional time required by both local management and KPMG to address any non-compliance with the SORP and could delay the finalisation of the financial statements.</p>	<p>Finance staff have familiarised themselves with the changes required under the SORP 2008. The Council have used the SORP disclosure checklist when preparing the draft financial statements to help ensure compliance with the SORP.</p>
<p>Other investments with uncertain recoverability</p> <p>During an economic downturn the valuation of some investments become more uncertain especially where markets are illiquid or investments are in markets such as property.</p>	<p>There is a risk some investments will not be recoverable and therefore consideration of the recoverability of these will need to be addressed by the Council in the financial statements.</p>	<p>The Council has considered the recoverability of their investment portfolio and made adjustments where necessary.</p>
<p>Accounting estimates and valuations</p> <p>The current economic environment introduces a number of risks for the financial statements, in particular for estimates and valuations. This includes the valuation of investments which are carried at market value.</p>	<p>There is a risk that estimates or valuations within the financial statements are not appropriately considered on a regular basis and therefore are not representative of the current economic environment.</p>	<p>A review has been undertaken for the 2008/09 financial statements to ensure the carrying values of investments are reflective of the current economic environment at the balance sheet date. The Council has considered the valuation of investments as part of the closedown process.</p>

Appendix 3: Results of FundRADAR valuation

As noted in section two of this report the investment portfolio of the Fund has been priced independently by our FundRADAR team.

Our FundRADAR team

The team is based in Frankfurt and is an interdisciplinary team of specialists including mathematicians, economists, computer specialists. The software has been specifically developed by KPMG to enable portfolio analysis.

Overview of methodology and approach

The FundRADAR pricing procedure is focused on providing a coverage as high as possible and it is based on transparent reference prices. The pricing procedure is carried out in three steps as described below.



- Equities & listed derivatives: last / bid prices from primary exchange
- Bonds: Bloomberg- Generic Price & selected broker quotes
- Manual research of reliable pricing sources (price-history, stale prices, verification with other pricing sources or mark-to-model calculations)
- Manual price verification by mark-to-model calculation (bonds & OTC derivatives)



Step 1: Bloomberg Generic Price (BGN) is an average price calculated by Bloomberg (BB) based on different broker quotations (5 for corporate and government bonds, 3 for asset backed securities). These quotes have to be within a certain range and outliers will be eliminated. Provided it is within this range the price will be assessed as being reliable. Where the BGN price is not seen to be reliable we research in BB for single quotations of this specific instrument. Stale prices or an implausible price development within a period of at least 3 business days lead to a rejection of the quote.



Step 2: We perform a manual research for reliable prices. The prices will be tested against each other, on quantitative criteria (jumps, stale prices) and on qualitative criteria (e.g. whether they reflect the Credit Default Swaps (CDS) spreads quoted for this issuer). When a reliable pricing source could be identified this will then be set as the new pricing reference for that bond as long as it fulfils the quality checks as outlined in Step 1.



Step 3: Manual fair value calculations are performed when neither step 1 nor step 2 provides a reliable external price. For corporate bonds these are mainly based on a discounted cash flow model incorporating the actual CDS spreads for this issuer or spread that could be observed from comparable bonds of the same issue for which there are reliable quotes observable. For Asset Backed Securities (ABS) the calculation is based on the assessment of the weighted average life (which is performed by using a cash flow model considering the historic prepayment rates of the collateral) and the spreads used in the DCF model (derived from specific spread matrices according to type of ABS, rating and expected time to maturity).

Appendix 3: Results of FundRADAR valuation (continued)

We have set out below the pricing methodology used by our FundRADAR service and also their findings for the work they have completed.

Pricing Methodology

The tables below set out the different pricing methodologies adopted by FundRADAR in valuing the securities. For the asset classes listed below we were able to compare the price used by the investment managers to external sources.

Value (£m)	Asset Class	Deviation (£m)	Pricing method
461m	Other (inc. pooled funds, property funds etc)	1.45m	External Price/Mark to Market
307m	Equities	-	External Price/Mark to Market

For derivative investments we validated the pricing assumptions used in the pricing by the investment manager.

Value (£m)	Derivatives	Pricing method
(0.29)m	Forward FX	Recalculation of gain/loss

Findings

A mark to market approach was used to compare the prices provided by the investment managers with ones from external price sources.

Out of securities tested using FundRADAR, whilst differences were found in some securities, the total deviation noted was £1.45m which is 0.19% of the total value of the securities. [This is not uncommon due to different pricing feeds and exchange rates being used by investment managers.]

Within the portfolio we identified 14 securities where no reliable market data was available. These are included in the Fund's portfolio at a total value of £22m. These have been confirmed to other appropriate confirmations.

Derivatives

We achieved 100% coverage of the forward foreign exchange contracts.




Using the information provided by the custodian we recalculated the gain or loss for each forward foreign exchange contract and verified the futures contract prices to external sources.

Private equity

We also commissioned one of our private equity team to review the private equity investments and associated accounting policies. Our review focussed on the Partners Group Secondary investments and we verified the valuations and associated accounting policies.

Appendix 4: Recommendations

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take.

Priority rating for recommendation		
<p>Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> 	<p>Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> 	<p>Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> 

No.	Priority Rating	Issue and recommendation	Management response	Officer and due date
1	● (two)	<p>The Fund uses the Authority's bank account and as a result the Authority can use the monies within the bank account.</p> <p>There is currently no written agreement between the Authority and the Pension Fund in respect of this arrangement. We recommend that the arrangement is formalised in an agreement which demonstrates that the Fund receives full benefit from its investment.</p>	<p>There is a common understanding on how the pension fund is recompensed by the Council for using any surplus cash. We will ensure this understanding is formally written down and agreed by the Council and the Pension Fund Committee.</p>	<p>Principal Financial Manager – Treasury and Pension Fund Investments 31 March 2010</p>

Appendix 5: Declaration of independence and objectivity

Declaration of Independence and Objectivity 2008/09

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Audit Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body, which does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Annual Letter of Guidance and Standing Guidance* (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (‘Ethical Standards’).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from this. These matters should be discussed with the Oxfordshire County Council Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm’s required independence. KPMG’s policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual (‘the Manual’). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

Appendix 5: Declaration of independence and objectivity (cont'd)

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor Declaration

In relation to the audit of the financial statements of the Oxfordshire County Council Pension Fund for the financial year ended 31 March 2009, we confirm that there were no relationships between KPMG LLP and the Oxfordshire County Council Pension Fund, its officers and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Division(s): N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2009

INVESTMENT MANAGER MONITORING ARRANGEMENTS

Report by Head of Finance & Procurement

Introduction

1. 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.

Current Arrangements

2. The current practice is as follows:

Alliance Bernstein	Seen six monthly by Committee
Baillie Gifford	Seen six monthly by officers / IFA, who then report to Committee in the intervening meetings
UBS	Seen six monthly by officers / IFA, who then report to Committee in the intervening meetings
Legal & General	Seen annually by Committee
	Seen annually by officers / IFA, who then report to Committee
Peter Davies re private equity	Specific report annually to Committee, considered quarterly by officers

3. Officer/Independent Financial Adviser (IFA) meetings are scheduled quarterly to supplement Committee meetings. This will ensure that either members or officers and the IFA will see active managers at least quarterly and the passive manager once every six months. As indicated, the IFA will report to Committee on any outcome from the officer/IFA meetings with Investment Managers where appropriate.
4. There may be occasions where the Committee or the Chairman and Deputy Chairman of the Committee would like to see a manager more frequently. This could either be done by asking the manager to attend Committee or by the Chairman and Deputy Chairman attending the officer/IFA meeting with the manager. Either of these options is available at any time.

Proposed arrangements

5. The proposed timetable for meetings over the next 16 months is as follows:

Date	Meeting	Investment Manager				
		UBS	Baillie Gifford	Alliance Bernstein	L&G	Private Equity
23 Feb 2010	Officer / IFA	√		√		
19 Mar 2010	Committee		√		√	
13 May 2010	Officer / IFA		√			√
4 June 2010	Committee	√		√		
17 Aug 2010	Officer / IFA	√		√		
3 Sept 2010	Committee		√			√
16 Nov 2010	Officer / IFA		√		√	
3 Dec 2010	Committee	√		√		
2 Mar 2011	Officer / IFA	√		√		
18 Mar 2011	Committee		√		√	

6. Manager meetings with officer/IFA have generally been scheduled to take place about two weeks before Committee meetings to allow the IFA to report on the outcome of the meetings.

RECOMMENDATION

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

PAUL GERRISH
Head of Finance & Procurement

Background papers: Nil

Contact Officer: Paul Gerrish Tel (01865) 323969

November 2009

Division(s): N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2009

ACTUARIAL TENDER AND THE IMPLICATIONS FOR THE FUNDING STRATEGY STATEMENT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. The current contract for the provision of Actuarial Services is due to expire on 10 December 2009. Over the last few months, we have undertaken a full tender process to appoint an Actuary for the Fund for the 5 year period from 11 December 2009, with an option for a further 3 years to 11 December 2017. This report provides the Committee with an update on this process.
2. The report also looks at the learning points raised during the tender process in so far as they relate to the potential approaches to the 2010 Valuation. At the last meeting of this Committee, Members considered potential changes to the Funding Strategy Statement which is the framework document for the Valuation. This report highlights variations to the approach as discussed in the September 2009 report as suggested by points raised during the tender process, as well as during a meeting with the Department for Communities and Local Government, and meetings held with a number of admitted bodies since the September Committee.

Actuarial Tender

3. The tender process followed in looking to award the actuarial contract from 11 December 2009 involved an initial request for expressions of interest, and the completion of a pre-qualification questionnaire, followed by a formal request to tender.
4. We received completed pre-qualification questionnaires from four firms of Actuaries, and following an assessment of these, all four were invited to continue to the formal tender stage. We subsequently received formal tender responses from all four companies.
5. As part of the tender responses, a number of the companies raised a series of questions around the detail of the Council's contractual terms, and in particular, the terms associated with the potential future liabilities for the successful contractor. The various points raised were considered by the relevant Council officers, and the contractual terms revised where officers felt appropriate. Each of the tenderers was then asked to confirm the detail of their tender in light of the final version of the Council's contractual terms, and to confirm their acceptance of these terms.

6. At this point in the process, one of the tenderers chose to withdraw their tender, and to withdraw from the process. The remaining three tenderers confirmed their acceptance of the contractual terms and the detail of their tenders. All three were then invited to interview.
7. On 2 October 2009, an interview Panel consisting of Councillor David Harvey, Sean Collins, Peter Davies, Sally Fox and Nick Hyde from the Procurement Team met the three remaining tenderers. Each tenderer was asked to present on their approach to help pro-actively the Administering Authority in managing the risks to which it was exposed. They were also asked to cover their approach to the 2010 Valuation in light of the severe financial market conditions, and any difference in approach between Scheduled and Admitted bodies.
8. Each tenderer was scored on a basis of their presentation (including the subsequent question and answer session) and the cost of their tender. The scores were weighted 60% in respect of the presentation and 40% on price. On the basis of the scores awarded, the Panel determined that their preferred supplier was Barnett Waddingham.
9. At the time of writing this report, we have passed the time period for the decision to be challenged by the other tenderers, and we have taken up references which indicate no reason to review the selection of the Panel. The final legal work on the contract is now being completed, with the expectation that the contract will be signed and sealed to allow Barnett Waddingham to take up the new appointment from 11 December 2009.

Proposed Amendments to the Consultation on Changes to the Funding Strategy Statement

10. At the September meeting of this Committee, it was agreed to consult on potential changes to the Funding Strategy Statement. This Statement is a requirement on the Administering Authority under the Pension Regulations, and provides the approach to funding our pension liabilities, and the framework for the Fund Valuation.
11. In summary the issues around which a consultation document would be developed were agreed as:
 - The development of a dual investment strategy
 - The development of a framework around which new admitted bodies are assessed, and required to enter a low risk fund as a condition of admission
 - Greater flexibility on recovery periods for scheduled bodies
 - A change on emphasis in setting recovery periods for admitted bodies, where the default period is life of contract or estimated future working life of current membership, unless evidence is provided to support a longer period
 - Increased provision for the monitoring role of the Administering Authority, and its right to call for an interim valuation

- An extension of the definition of exceptional circumstances when considering a six step approach to a new employer contribution rate, to include issues of affordability for the employer
 - The definition of solvency.
12. During the interview process for the new Actuary, the differences in approach to the Scheduled and Admitted bodies were raised with the various tenderers. Whilst Hewitt favour a model which allowed for less risk in their assumptions around Admitted Bodies (as they do not have the constitutional permanence of the majority of the Scheduled Bodies), others argued for a more even treatment between bodies. This argument was based on the risk of bankrupting the admitted body, or forcing it out of the Scheme, neither of which were seen to be in the public interest, nor in the interests of the Fund as a whole.
 13. This position was also discussed in a meeting with the Department for Communities and Local Government, attended by a small number of Administering Authorities. At this meeting it was suggested that the scheduled bodies should underwrite the key pension risks for the smaller admitted bodies, allowing the Funding Strategy Statement to target as near constant contribution rates for all bodies. It should be noted that this is not a subsidy. Admitted bodies will be paying the same long term rate as Scheduled bodies. If an admitted body was to close when markets were down, deficits would be passed back to the Fund to be met by the remaining bodies, or through a recovery in the financial markets. If the Admitted body was to remain open or close at a market high, then no further payments would be required from the Fund and the remaining employers.
 14. This matter has been further highlighted in a number of meetings with some of the smaller admitted bodies within the Oxfordshire Fund. Some have been concerned around the costs of the LGPS and the potential increases after the 2010 Valuation. Others are concerned in respect of their funding streams, and their future stability.
 15. One such body raised questions as to the potential implications of their pension costs if they were forced to close in 2011 as a result of a loss of their main funding source. The actuarial calculations suggested an increase in employer contributions from 18.5% to 97% of pensionable pay, an increase of c£80,000.
 16. The Body would be unable to meet such a cost, and if requested to meet such a cost would be driven out of business. The Fund would therefore receive no further contributions. If no changes are made, then the Fund would receive further contributions in line with the current contribution rate, but would hold the risk that a deficit still existed on closure.
 17. In light of these further discussions, the Committee is invited to consider whether the consultation should be more balanced than that previously proposed, and include the option of amending the Funding Strategy Statement to bring greater equality of treatment between scheduled and

admitted bodies, with the Scheduled Bodies accepting that they are underwriting the risk that Admitted Bodies will cease membership at a point where financial markets are down and a deficit exists on the closed Body's Account. In considering this addition to the consultation, the Committee should note that only around 5% of scheme members work in Community Admission Bodies. Over half of these in turn work in the Housing Associations, who given their financial strength should be expected to manage their own risk, and pay any deficit on closure. The level of risk underwritten by the Scheduled bodies is therefore relatively small compared to the risk in respect of their own liabilities.

18. The consultation on the changes to the Funding Strategy Statement will now take place over December and January with a report back to the March 2010 Committee for agreement, prior to the 2010 Valuation.

RECOMMENDATION

19. **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.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

Contact Officer: Sean Collins, Assistant Head of Shared Services
Tel: (01865) 797190

November 2009

Division(s): N/A

PENSION FUND COMMITTEE –4 DECEMBER 2009

PAYMENT OF DEATH BENEFITS

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. 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.
2. In accordance with the Council's Constitution and Scheme of Delegated Powers this decision can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee.
3. In the case detailed below Pension Services were asked to make payment ahead of the next scheduled Committee meeting. There were no contentious issues surrounding this request.

Case 1

4. Death in service on 21 July 2009.
5. Member was survived by his wife, daughter and two step-sons. A copy of the member's will has been provided confirming that the estate is payable to his wife.
6. A death benefit of £47,684.88 plus interest is payable from the Local Government Pension Scheme.
7. A report was made to the Chief Executive, who after consultation with the Chairman of the Pension Fund Committee agreed that payment should be made to the widow of the deceased.

Delegation

8. Currently in all cases where a scheme member has not made any expression of their wishes the decision regarding the payment of death benefit is referred to this Committee.
9. As this particular case has shown, this can lead to delays in making payment at a time of personal distress and possible financial difficulties. Therefore this report asks members to consider whether the decision to make payment in straightforward and non-contentious cases can be delegated to the Assistant

Head of Shared Services (Financial Services) after consultation with the Chairman of the Pension Fund Committee.

RECOMMENDATION

10. **The Pension Fund Committee is RECOMMENDED to:**
- (a) note the decision in making payment of the death benefits detailed above; and**
 - (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.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

Contact Officer: Sally Fox Tel: (01865) 797111

October 2009

Division(s): N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2009

DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT CONSULTATION PAPER – LEARNING AND SKILLS COUNCIL STAFF

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. On 18 September 2009 the Department for Communities and Local Government (CLG) issued a consultation paper and draft Statutory Instrument to Local Authorities setting out proposals to amend the regulations to comply with Fair Deal for staff transferring from the Learning and Skills Council (LSC) to Local Education Authorities on 1 April 2010. This report covers the main elements of the proposal, and seeks the Committee's views of any issues it wishes to cover in a response to the Government. The Government has asked for response by 18 December 2009.
2. The second part of the consultation exercise is to manage the transfer of assets and liabilities in administering authorities affected by the merger of Probation Boards to Probation Trusts. This does not affect the Oxfordshire Pension Fund. Although future arrangements could have some effect on rechargeable compensatory payments but further details are needed.

Background

3. The Apprenticeships, Skills, Children and Learning Bill contains provision to dissolve the LSC. If and when this bill receives Royal Assent, the dissolution of the LSC will result in approximately 950 staff, nationwide, transferring employment from the LSC to Local Education Authorities. As a result staff would not be able to retain membership of the Civil Service Pension Scheme but would become eligible to join the Local Government Pension Scheme (LGPS).
4. Learning and Skills Council staff are currently members of the Civil Service Pension Scheme (PCSPS). As such many members retain a normal retirement date of age 60, when full unreduced benefits are payable and some eligible members can receive certain benefits from age 50. However, the normal retirement date within the LGPS is age 65 and the earliest date at which all members will receive certain benefits will be age 55 from April 2010.
5. Other transferring staff are members of the PCSPS stakeholder pension. It has not yet been established how broad comparability would be best achieved for staff within this group.

Consultation Proposals

6. The Fair Deal requirements assess the broad comparability of pension schemes including the dates at which benefits are payable. Since many of the

transferring LSC staff are entitled to payment of benefits at an earlier date than available within the LGPS, CLG is proposing to amend LGPS regulations to retain the age 60 retirement date and age 50 for payment of certain benefits for this group of staff.

7. Given the regulatory changes since 2008 have all focussed on increasing and standardising the retirement ages within the LGPS to a normal retirement of age 65 (with age 55 being the earliest date at which certain benefits are payable) it would seem contradictory and a backwards step to amend the regulations for such a small group of members. Particularly since the driver has been the standardisation and simplification of the regulations.
8. Of the 950 staff nationwide this will apply to 8 people within Oxfordshire.
9. One alternative to the proposed regulation changes is to give transferring staff an actuarially increased transfer value in to the LGPS to take account of the increased ages at which benefits are payable.
10. A second option, if the proposal to increased retirement ages is unacceptable, is for CLG to consider whether the administration of this small group should be undertaken by one of the larger administering authorities (which would require Oxfordshire to set up payments of contributions to this authority) rather than have small numbers of staff scattered across all administering authorities. This option would also require a separate set of scheme paperwork to be prepared for this small group of staff.
11. Although not included in the consultation paper there are two further options available to CLG. One is for amendments to be made to the PCSPS Regulations to allow these members to remain within the scheme following the reorganisation.
12. Alternatively admission to the Teachers' Pension Scheme (TPA) could be sought since the work of these staff could be deemed to be more in line with that of members of the TPA.

RECOMMENDATION

13. **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.**

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

Background papers: CLG Consultation Letter & Draft SI

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

November 2009

Division(s): N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2009

INTERNAL DISPUTES RESOLUTION PROCEDURE – PAYMENT OF COMPENSATION

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. 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).
2. Once the employer has issued their determination of the dispute, the Member has the right to have their dispute reviewed a second time through an independent officer appointed by the Administering Authority. In both the case of a Stage 1 and a Stage 2 determination, the investigating officer is limited to examine whether the dispute has arisen through a breach of the relevant Pension Regulations. Where the dispute is upheld, the investigator can order the re-instatement of the position as if the Regulations had been properly applied.
3. In the event the Member remains unhappy after a Stage 2 determination, they have the right to take their dispute to the Pension Ombudsman. As well as reviewing questions of dispute in respect of the Regulations, the Ombudsman has the power to review questions of maladministration and award compensation accordingly.
4. This report focuses on the situation where the initial review of the dispute finds that whilst no breach of the Regulations has occurred, there is a clear case of maladministration, which has led to financial loss for the Member. The report deals with a specific case and the general principle.

Complaint Raised by Mr P

5. On 2 September, the County Council as a scheme employer received a complaint made by a former employee in respect of his pension provision. This complaint has been reviewed under the relevant Regulatory provisions, and can be summarised as follows:
6. Mr P initially retired from the County Council in 1997 on grounds of redundancy. As part of the retirement package Mr P received 10 compensatory added years.
7. Shortly after his redundancy, Mr P found alternative employment and contacted Pension Services to establish the impact of his new employment on

his pension provision. He was advised that given the circumstances of the new job, there was no impact on his pension.

8. Mr P then began a second new employment in 1999. Pension Services wrote to Mr P to inform him of the maximum salary he could earn before he would suffer a reduction in his pension, and also highlighted the potential for his compensatory pension to be impacted.
9. Mr P then telephoned Pension Services to request clarification of the position in respect of his compensatory pension, and followed up his query in writing. The file notes show that in both the telephone and written response Mr P was told that he could work up to a further 11 years and 99 days before his compensatory pension was impacted.
10. In 2002, Mr P changed jobs again, leaving this employment in May 2009.
11. It was only following the ending of this third employment, that Pension Services first informed Mr P that his employment following his redundancy had indeed impacted on his compensatory pension. In a letter in August 2009, Pension Services informed Mr P that the initial advice he had received was wrong, and that the maximum additional LGPS qualifying service he could accrue before his compensatory pension was impacted was 1 year 265 days. This letter therefore informed Mr P that he had been overpaid compensatory pension amounting to £2,629. This letter also informed Mr P that his on-going compensatory pension would also be reduced, though this would be offset by the new pension now payable in respect of Mr P's subsequent employments.
12. The review of the case has shown that the position as set out in August 2009 is indeed the correct interpretation of the position through the correct application of the Pension Regulations. These Regulations make it clear that where compensatory pension is awarded, the total pension benefit cannot exceed the maximum that the Member could have accrued if not made redundant.
13. In the case of Mr P, at the point of redundancy, there was a further 11 years and 265 days to his 65th birthday. As he received 10 compensatory added years, this left just 1 year and 265 days before his compensatory pension would need to be reduced. It is unclear why the error was made in providing the previous information to Mr P, although it looks like the calculation ignored the compensatory added years.
14. In his letter of complaint, Mr P has stated that he feels it unfair that he now needs to repay the £2,629 which he has received as a result of errors by Pension Services. He accepts the reduction in his compensatory pension going forward.
15. The difficulty here is that in terms of the County Council as employing authority, the Regulations have been correctly applied in the letter of August 2009, and the repayment of the compensatory pension is due. There is no

power to make a decision to over-ride the terms of the Pension Regulations. The service where Mr P was employed before his redundancy is entitled to receive the repayment of the compensatory pension, which they have been meeting since Mr P's redundancy in 1997.

16. However, a review of previous appeal determinations made by the Pensions Ombudsman has indicated that he is likely to find a case of maladministration against the County Council as Administering Authority. Previous cases would also suggest that the Ombudsman would find that Mr P had suffered financial loss and would award compensation accordingly.
17. The basis for this finding is the clear evidence that Mr P received incorrect information to specific questions he raised with Pension Services at a point before he had accrued the 1 year 265 days allowable service. It also seems quite clear from the correspondence that Mr P was keen to take no action that would have reduced his pension in payment, including the compensatory added years. As such, had Mr P been properly informed of the limits to his new service he could have chosen to seek employment outside the public sector, thereby gaining a similar salary and potentially pension without any impact on his LGPS pension. (n.b. The reduction on compensatory pension is based on the opportunity to accrue further LGPS service, not service actually accrued, so Mr P would not have been able simply to opt out of the LGPS to avoid the reduction in his compensatory pension).
18. There therefore seems to be two choices open to this Committee. Firstly it can accept the position as it is, and require Mr P to go through Stage 2 of the pensions complaints process and then on to the Pensions Ombudsman. Whilst it is possible that the Pensions Ombudsman may find against Mr P, or award compensation lower than the £2,629 Mr P is asking to be waived, this route will require both Mr P and the Administering Authority to undertake further work, with a strong likelihood of a public finding of maladministration, with compensation at or above the £2,629 level requested.
19. This therefore suggests a second choice to this Committee to award Mr P compensation, payable from the Administering authority's budget equal to the £2,629 he is required to repay from his compensatory pension. This action would be taken to compromise any future claim for compensation.
20. If the Committee were to agree this action, no money would in fact transfer, but the money moved between the administering authority budget and the service budget accordingly. Under such an option it is not possible to prevent Mr P taking his case to the Pensions Ombudsman (though as the compensation would have restored the position to that Mr P has asked for, it would seem unlikely). However the Ombudsman would take into account any compensation payment already made by the Council in determining any further payment, thereby minimising the risk to the Council of any need to make a duplicate payment.

21. Based on the evidence of this case it is recommended that the Committee follow option 2 above, and award compensation to Mr P of £2,629 to offset the requirement to repay compensatory pension to the same sum.

General Principles for Future Cases

22. The Committee is also asked to consider what process it would wish to follow in future cases. There appears to be three choices available to the Committee.
23. The first option is to have a blanket policy where no compensation is payable in advance of any finding from the Pensions Ombudsman. All complainants would then be forced to go through Stage 2 of the Pensions Complaints process, and then onto the Ombudsman.
24. The second option is to delegate authority to the Assistant Head of Shared Services (Financial Services), who determines all complaints on behalf of the County Council, to award compensation in all cases where he finds a clear case of fault by the County Council either acting as employer, or as administering authority, and where the financial loss resulting from this fault is clearly identifiable. A limit could be placed on this power, initially suggested at £5000. All cases below this sum would be brought to the Committee for information, with cases above this level brought to the Committee for determination. Given the liability issues involved, the authority for the Assistant Head of Shared Services to award compensation would need to be following consultation with both the Chairman of the Pension Fund Committee and the County Solicitor.
25. The third option is to ask the Assistant Head of Shared Services to bring all cases where he believes there is identifiable fault and financial loss to this Committee for determination.
26. It is likely that a number of cases will have to go to the Ombudsman for determination as it is not always possible to determine where the responsibility for mal-administration lies, or to determine the level of compensation. Recent cases determined on behalf of the County Council have included cases where a Member has complained that they have lost money on a transfer of pension due to delays in making the transfer. In such cases it can be difficult to apportion blame between the scheme member, their current employer, their previous pension provider and the administering authority. Even where blame can be apportioned, the payment of compensation by way of a cash payment may not be appropriate, as the loss is in future pension value, which is difficult to determine at the point of complaint.

RECOMMENDATION

27. **The Committee is RECOMMENDED:**

- (a) based on the evidence of this 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**
- (b) to determine its policy for future cases, based on the options covered in paragraphs 23-26 above.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: IDR P Complaint & Response as held by Pension Services

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November 2009

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