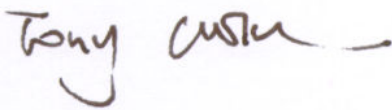


To: Members of the Pension Fund Committee

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

**Friday, 19 March 2010 at 10.15 am**

**County Hall, Oxford**



Tony Cloke  
Assistant Head of Legal & Democratic Services

March 2010

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

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### **Membership**

Chairman – Councillor David Harvey  
Deputy Chairman - Councillor Bill Service

#### *Councillors*

Jean Fooks  
Stewart Lilly

Don Seale  
John Tanner

Alan Thompson

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#### *Co-optees*

District Councillor Richard Langridge  
District Councillor Barry Wood

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#### **Notes:**

- ***A lunch will be provided***
- ***Date of next meeting: 4 June 2010***
- ***There will be a training session on Long Term Performance Review 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 December 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 31 December 2009 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 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 31 December 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 and 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, 11 and 12 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.***

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

**NOTE:** In the case of items 7 and 8, 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. Baillie Gifford**

10:45

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 6.
- (2) The representatives (Leslie Robb and Iain McCombie) of the Fund Manager will:
  - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2009;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 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. Legal & General**

11:25

- (3) The Independent Financial Adviser will report orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 5 and 6.
- (2) The representatives (Daniel Blass and Jonathan Cloke) 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 31 December 2009;

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

In support of the above is their report for the period to 31 December 2009.

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

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

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

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

12:05

The Independent Financial Adviser will report orally on the main issues arising from the reports from Alliance Bernstein and UBS 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 Independent Financial Adviser (Pages 37 - 42)**

12:15

Report of the Head of Finance & Procurement (**PF11E**)

The Pension Fund employs the services of an Independent Financial Adviser (IFA). It is appropriate to review the activities of the IFA on an annual basis. Peter Davies, the current IFA, was appointed from February 2009 for five years with an option to extend for a further five years. This is therefore his first annual review.

*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 lead to the disclosure of the amount proposed to be incurred.*

## **12. Review of Use of External Consultants (Pages 43 - 48)**

12:25

Report of the Assistant Chief Executive and Chief Finance Officer (**PF12E**)

The 2009/10 business plan for the Pension Investments team includes reviewing the need for external consultants and specifically whether it would be advantageous to have a permanent arrangement rather than appoint on an ad hoc basis. This report is the outcome of that review.

*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 lead to the disclosure of the amount proposed to be incurred.*

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

### **13. Investment of Pension Fund Cash (Pages 49 - 52)**

12:35

Report of the Assistant Chief Executive and Chief Finance Officer (**PF13**)

The report sets out proposed changes to the management of Pension Fund cash balances managed by the County Council. The changes are necessary as a result of new legislation which prevents the pooling of cash balances for investment purposes from 1 April 2010 and requires pension fund cash balances to be held in a separate bank account from 1 April 2011.

***The Pension Fund Committee is RECOMMENDED to:***

- (a) ***note the requirement for a separate bank account for Pension Fund transactions from 1 April 2011;***
- (b) ***delegate authority to the Assistant Chief Executive and Chief Finance Officer to apply the Council's approved Treasury Management Strategy separately to the management of Pension Fund cash;***
- (c) ***delegate authority to the Assistant Chief Executive and Chief Finance Officer to open separate Pension Fund bank, deposit and investment accounts as appropriate; and***
- (d) ***delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the Pension Fund in accordance with the regulations.***

### **14. Pension Fund Business Plan and Budget for 2010/11 (Pages 53 - 62)**

12:40

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

This report sets out the annual business plan and budget for the 2010/11 financial year and also includes proposals for member training.

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



- (a) **approve the Business Plan, as set out at Annex 1 to the report, for 2010/11;**
- (b) **approve the Investment Management and Scheme Administration Budget for 2010/11, as set out in Annex 2 to the report;**
- (c) **comment on the proposals for member training as set out in the report; and**
- (d) **subject to (c) above, agree the arrangements for member training.**

## **15. The Funding Strategy Statement (Pages 63 - 76)**

12:50

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

This report updates the Committee in respect of the recent consultation exercise on potential changes in the Funding Strategy Statement, and in light of the comments received, proposes a number of changes to the current Statement.

***The Committee is RECOMMENDED to amend the Funding Strategy Statement as set out in paragraph 14 in the report.***

**LUNCH**

## **16. Applications for Admission to the Oxfordshire Pension Fund (Pages 77 - 78)**

14:00

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

This report presents three applications for admission to the Local Government Pension Fund as follows:

- (a) The outsourcing of revenue and benefit services by Cherwell District Council
- (b) The outsourcing of the Child and Adolescent Mental Health Service from Children, Young People & Families
- (c) The re-tendering of the Oxfordshire Highways contract.

***The Committee is RECOMMENDED to approve the above applications subject to the agreement to the terms of the Admission Agreements and this Committee being informed when the agreements are signed.***

## **17. Local Government Pension Scheme (LGPS) - Draft (Miscellaneous) Regulations 2010 (Pages 79 - 82)**

14:10

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

On 24 December 2009, the Department for Communities and Local Government wrote to all LGPS Stakeholders in England and Wales inviting their comments on draft proposed changes to the regulations. 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 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.***

## **18. Write Off's (Pages 83 - 84)**

14:20

Report of the Assistant Chief Executive and Chief Finance Officer (**PF18**)

The report provides information on write off's which have taken place under the Council's Scheme of Financial Delegation.

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

## **19. Compensation Payments (Pages 85 - 86)**

14:25

Report of the Assistant Chief Executive and Chief Finance Officer (**PF19**)

At the December 2009 meeting, the Committee delegated responsibility for the determination of compensation payments below £5,000 in cases of complaint under the Internal Disputes Resolution Procedure to the Assistant Head of Shared Services. This report sets out the details of the one case determined since the last Committee meeting.

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

## **20. Pensions Increase**

14:30

The Assistant Chief Executive and Chief Finance Officer reports that the Department for Communities and Local Government has advised that there is a 0% increase to all

occupational pensions for April 2010 as a result of a negative value for the retail price index at September 2009. Basic state pensions will increase by 2.5% from 12 April 2010.

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

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

14:35

The Assistant Chief Executive and Chief Finance Officer reports that an audit of Fund Manager voting practices was undertaken for the period from October 2008 to September 2009. Managers are required to vote in line with RREV recommendations unless they clear any variation to this with officers. One query has been raised with Baillie Gifford where they state that they had voted in line with RREV recommendations, although the audit picked up that they had not. Baillie Gifford have apologised for this error as soon as it was brought to their attention and have indicated that they have strengthened their processes in this area.

This would appear to be the case because in December Baillie Gifford notified officers that they wanted to vote against RREV recommendations in relation to one resolution at the Extraordinary General Meeting of Cairn Energy on 21 December. The resolution was to allow the company to restructure the Capricorn long term incentive scheme (Capricorn is Cairn Energy's exploration focused subsidiary). This would have enabled executives to receive maximum payouts from their 2007 and 2008 awards despite failing to achieve their performance targets and demonstrate properly that the Capricorn business has added significant shareholder value since 2007.

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

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

## **22. Annual Pension Forum**

14:40

In looking at the possible dates for the 2010 Forum, the Assistant Chief Executive and Chief Finance Officer reports that the only dates on which members have no scheduled commitments are Friday 10 December or Wednesday 15 December 2010.

***The Committee is asked to decide on which of the two dates it wishes to hold the Forum.***

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**Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Monday 15 March 2010 at 3 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.