

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 3 December 2010 at 10.00 am*

County Hall, Oxford



Peter G. Clark
County Solicitor

November 2010

Contact Officer: **Marion Holyman**
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Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Stewart Lilly

Don Seale
C.H. Shouler

John Tanner

Co-optees

District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 18 March 2011***

* ***Please note that, starting at 9.45 am in the meeting room, Paul Gerrish will give a short training session on the additional graphs circulated at agenda item 5***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, 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 - 6)

To approve the minutes of the meeting held on 3 September 2010 (**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 7 - 36)

10:10

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 2010 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 September 2010
Tables 2 to 8	provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 9	shows net investments/disinvestments during the quarter
Tables 10 to 11	provide details on the Pension Fund's Private Equity
Tables 12 to 23	provide investment performance for the consolidated Pension Fund and for the four Managers, private equity and Partners Group SICAR for the quarter ended 30 September 2010
Table 24	Top 20 Holdings

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
Graphs 7-12	Performance relative to Benchmark of the fund managers

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 7, 8, 9 and 10 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 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 37 - 44)

10:20

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

10:35

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 6.
- (2) The representatives (Mr P Harris and Mr A Sadler) 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 2010;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2010.

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. Partners Group

11:15

The representatives (Mr G Waller and Ms V Sloan) of Partners Group will provide a brief outline of Partners Group and the areas they invest in. They will then detail how the Pension Fund has been invested, how the funds are performing and their future prospects. Consideration will also be given to other potential opportunities for investment.

At the end of the presentation, members are invited to question and/or make comments and the representatives will be invited 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. Private Equity (Pages 45 - 50)

11:55

Report of the Independent Financial Adviser (**PF9**).

The reports details the current listed and unlisted investments in private equity and reflects on the implications of the recent market volatility on value of those investments. The report goes on to outline the current strategy for investing in Private Equity.

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.

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

12:15

The Independent Financial Adviser will report orally on the main issues arising from the reports from Alliance Bernstein, 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.

11. Summary by the Independent Financial Adviser

12:20

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.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

12. Annual Report and Accounts 2009/10

12:25

A draft of the Annual Report and Accounts was approved at the meeting of the Committee on 3 September 2010. A copy of the Pension Fund Annual Report and Accounts 2009/10 has been circulated separately to members of the Committee and is also available for public inspection.

The Committee is RECOMMENDED to adopt formally the Pension Fund Annual Report and Accounts 2009/10.

13. Independent Public Service Pensions Commission (Pages 51 - 66)

12:30

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

This report updates the Committee on the Interim Report of the Independent Public

Service Pensions Commission and seeks the Committee's view on a response to the Commission's subsequent call for further evidence.

The Committee is RECOMMENDED to note the findings of the interim report of the Commission, to consider the issues raised by Lord Hutton's call for further evidence, and to set out those views it wishes to see included in a final submission to the Commission, to be agreed after the Employers' Forum on 10 December 2010.

14. Local Government Pension Scheme (Miscellaneous) Regulations - SI 2010/2090 (Pages 67 - 70)

12:45

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

This report is to inform the Committee of the changes introduced by the Local Government Pension Scheme (LGPS) (Miscellaneous) Regulations, which came into force on 30 September 2010. These regulations introduced some 56 changes, with retrospective effect from April 2008, October 2008, April 2009 and December 2009, although many of these are technical clarifications. This report details the most significant of these changes.

The Committee is RECOMMENDED to note the report.

15. Investment Manager Monitoring Arrangements (Pages 71 - 74)

12:50

Report of the Head of Finance & Procurement (**PF15**)

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. The report proposes a timetable for the next 16 months.

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

16. Members' Training Plan (Pages 75 - 80)

12:55

Report of the Head of Finance & Procurement (**PF16**).

The report proposes a training plan for members of the Pension Fund Committee. The Committee is asked to review the plan and approve it for the coming year.

The Committee is RECOMMENDED to approve the Training Plan at Annex 1 to the report, subject to any amendments it wishes to make.

LUNCH

17. Admitted Bodies

(a) Cessation Valuations_(Pages 81 - 84)

14:00

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

The report responds to the concerns from a number of Admitted Bodies to the Oxfordshire Pension Fund about the potential costs associated with the ending or significant scaling down of their Fund membership. Fund membership may end or significantly reduce as a result of the unaffordability of continued membership of the Local Government Pension Scheme, insolvency of the company itself, or the loss of a contract under a re-tendering exercise. The report considers alternative options to the current practice in undertaking cessation valuations, or future valuations following closure of the scheme to new members or a significant reduction in membership on loss of a contract. Members are asked to consider the principles to adopt going forward.

The Committee is RECOMMENDED:

- (a) to consider its approach to future valuations for community admission bodies in the event of closure, cessation or significant membership reduction following TUPE ; and***
- (b) to determine whether it wishes to agree a revised approach in line with paragraphs 11-18 in the report and to ask Officers to amend the Funding Strategy Statement accordingly.***

EXEMPT ITEM

The Committee is RECOMMENDED that the public be excluded for the duration of item 17(b) in the Agenda since it is likely that if they were present during this item there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

THE REPORT RELATING TO THE EXEMPT ITEM HAS NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE IT.

(b) Applications for Valuation_(Pages 85 - 90)

14:10

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

The Committee is asked to consider the two applications set out in the report.

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

information in the following prescribed category:

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 authority's decisions on these applications.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PUBLIC AND PRESS

(c) Employer Update

14:20

The Assistant Chief Executive and Chief Finance Officer reports as follows:

Oxfordshire Mental Health Matters (OMHM)

Trustees from OMHM made a submission to this Committee in June to request that the closure valuation was assessed on an on-going basis. Following the departure of the remaining staff, the closure valuation was updated resulting in a revised closure valuation amount of £21,000.

Oxford Spires Academy

Oxford School is taking academy status from 1 January 2011 and so will become a scheduled scheme employer from that date.

The Committee is RECOMMENDED to note the report.

18. Separate Pension Fund Bank Account (Pages 91 - 94)

14:25

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

At the Pension Fund Committee meeting on 19 March 2010, the implications of changes to the Local Government Pension Scheme Management and Investment of Funds Regulations were reported. The report referred to the requirement for the administering authority to hold all monies held on behalf of the Pension Fund in a separate bank account from 1 April 2011. It was noted that the operation of a separate bank account would require changes to financial systems including SAP but the implications were not known at the time of the meeting. A further report was to be presented to the Pension Fund Committee at a later date.

This report notes the progress to date in meeting the regulatory requirement for a separate bank account and provides an update of the implications of the change to the Council's financial systems.

The Pension Fund Committee is RECOMMENDED to note the report and the action taken to meet the requirements of a separate bank account.

19. Payment of Death Benefit (Pages 95 - 96)

14:30

Report of the Head of Finance & Procurement (PF19)

The report considers the options for the payment of a death grant. The circumstances of the case have the potential to make the payment of the grant contentious. A Committee decision is therefore required.

The Committee is RECOMMENDED to approve the payment of the death grant equally between the member's three surviving children and her partner.

20. Pension Fund Valuation 2010 (Pages 97 - 100)

14:35

Report of the Assistant Chief Executive and Chief Finance Officer (PF20)

This report updates the Committee on the 2010 Valuation process, highlighting some of the interim results and issues. The final Valuation report is not due to be published until the end of March 2011.

The Committee is RECOMMENDED to note the interim valuation results produced by the Actuary and consider any issues it would wish to raise with the Actuary at the Employers' Forum.

21. Write Off's (Pages 101 - 102)

14:40

Report of the Assistant Chief Executive and Chief Finance Officer (PF21)

The report sets out 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.

22. Review of Administering Authority's Abatement Policy (Pages 103 - 106)

14:45

Report of the Assistant Chief Executive and Chief Finance Officer (PF22)

Oxfordshire County Council, as Administering Authority, of the Oxfordshire Local Government Pension Scheme is required to formulate and keep under review its Abatement Policy. The report reviews the policy.

The Committee is ASKED to decide:

(a) whether it wishes to have an abatement policy, and if yes;

- (b) *the value at which the pension should be protected; and*
- (c) *what level should be used in the formula for calculating abatement.*

23. Corporate Governance and Socially Responsible Investment

14:50

The Assistant Chief Executive and Chief Finance Officer has no 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.

24. Annual Pension Forum

14:55

The Committee is reminded that the Annual Pension Forum will take place on Friday 10 December 2010 at 10 am.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Tuesday, 30 November 2010 at 4 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.