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OXFORDSHIRE COUNTY COUNCIL
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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

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	Don Seale	John Tanner
Stewart Lilly	C.H. Shouler	

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.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 3 September 2010 commencing at 10.15 am and finishing at 2.45 pm

Present:

Voting Members:	Councillor David Harvey – in the Chair
	Councillor Bill Service Councillor Jean Fooks Councillor Stewart Lilly Councillor Don Seale Councillor C.H. Shouler Councillor John Tanner
District Council Representatives:	District Councillor Richard Langridge District Councillor Jerry Patterson
Independent Financial Adviser:	Mr P Davies
By Invitation:	Mr T Wheeler (Consultant)
Officers (whole of meeting):	Mr P Gerrish (Head of Finance & Procurement), Mrs S Fox (Shared Services), Mrs D Ross (Financial Services) and Ms M Holyman (Legal & Democratic Services)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the following additional documents:
Additional information (exempt) on Pension Fund investment and administration expenses
Additional application for admission to the Oxfordshire Pension Fund
and decided as set out below. Except insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and additional documents, copies of which are attached to the signed Minutes.

53/10 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

The Chairman welcomed District Councillor Patterson to his first meeting.

54/10 DECLARATIONS OF INTEREST
(Agenda No. 2)

Councillors Fooks, Harvey, Lilly, Patterson (co-opted member), Service and Tanner declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government and Housing Act 1989.

55/10 MINUTES

(Agenda No. 3)

The minutes of the meeting of the Committee held on 25 June 2010 were approved subject to the deletion of Mr S Collins from the list of officers present at the meeting.

56/10 OVERSEAS CUSTODY SERVICES

(Agenda No. 5)

The Committee considered a report (PF5) about a change to the Fund's overseas custody services. Ms B Dowling-Jones (BNY Mellon) and Ms S Geaney (Legal Services) attended for this item.

RESOLVED to:

(a) grant a Power of Attorney to ING Slaski to enable the Fund to make investments in Poland;

(b) delegate decision-making related to custody of assets to the Head of Finance & Procurement and the County Solicitor, after consultation with the Chairman and Deputy Chairman of the Committee.

57/10 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 6)

The Committee was advised that Tables 1 to 10 had been compiled from the custodian's records. The custodian was the Pension Fund's prime record keeper. He had 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 had 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 reported that £20m cash had been allocated to fund managers (£10m for investment in overseas equities and £10m for investment in property).

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to Items 9, 10 and 11 on the agenda.

58/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 7, 8, 9, 10, 11, 12, 13 and 14 in the Agenda since it was 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 was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

59/10 WM COMPANY PRESENTATION ON THE PENSION FUND'S INVESTMENT PERFORMANCE FOR THE TWELVE MONTHS ENDED 31 MARCH 2010

(Agenda No. 7)

The representative (Karen Thrumble) of the WM Company made a presentation to the Committee (copy of her presentation is attached to the signed copy of the minutes). She reported on and reviewed the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2010. The presentation compared Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe. The presentation highlighted the improvement in performance in 2009/10 of local authority pension investment compared with the two previous years where in 2008/09 two-thirds of funds had underperformed the benchmark and in 2007/08 three-quarters of funds had underperformed the benchmark.

RESOLVED: to note the report and presentation.

60/10 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors.

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.

61/10 ALLIANCE BERNSTEIN

(Agenda No. 9)

The Committee considered the letter and performance analysis from Alliance Bernstein. The representatives (Mr N Davidson and Mr D Stewart) 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 2010. They also reported on performance and how they expected improvements in performance would be delivered. They responded to members' questions.

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

62/10 BAILLIE GIFFORD

(Agenda No. 10)

The representatives (Mr McCombie and Mr Robb) 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 2010. The representatives responded to members' questions.

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

63/10 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported that Legal & General had outperformed the benchmark and target. He added that the figures for Oxfordshire gilts and index-linked were incorrect and should therefore be deleted: the Total Assets lines were correct. UBS' performance had been under the benchmark for this quarter but its performance had been above the benchmark, but not the target, for the last 12 months. The performance of the hedge funds had also improved this quarter.

RESOLVED: to note the report.

64/10 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The Independent Financial Adviser reported that some private equity holdings were being wound down and would be sold.

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

65/10 STRATEGIC ASSET ALLOCATION - ANNUAL REVIEW

(Agenda No. 13)

The Committee considered a report (PF13E).

RESOLVED: to reduce the minimum cash balance retained at any one time to £10m.

66/10 ADDITIONAL VOLUNTARY CONTRIBUTIONS - ANNUAL REVIEW

(Agenda No. 14)

The Committee considered a report (PF14E).

RESOLVED: to note the report and to confirm the continued use of Prudential as the Council's Additional Voluntary Contribution provider subject to the following amendments to the report:

Paragraph 8, line 2 "Index" should read "Unit" and line 3 "10" should read "5";

Paragraph 34, line 4 "22/09/10" should read "22/09/09";

Paragraph 38, line 2 "£450 million" should read "£370 million".

67/10 DRAFT ANNUAL REPORT AND ACCOUNTS 2009/10
(Agenda No. 15)

The Committee considered the draft Report and Accounts for 2009/10 (PF15).

RESOLVED: to receive the draft Report and Accounts for 2009/10 and to ask the Assistant Chief Executive and Chief Finance Officer to consider whether to include a summary of the fund managers' performance if this information had not already been included in the report.

68/10 PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2010
(Agenda No. 16)

The Committee considered a report (PF16) and additional information (exempt) circulated at the meeting.

RESOLVED: to receive the report and the exempt information circulated at the meeting and to note the out-turn position.

69/10 APPLICATION FOR ADMISSION TO THE OXFORDSHIRE PENSION FUND
(Agenda No. 17)

The Committee considered a report (PF17 revised).

RESOLVED:

(a) to agree the application from RM Education subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreements are signed;

(b) to agree to delegate authority to the Assistant Chief Executive and Chief Finance Officer to determine, after consultation with the Chairman of the Committee, the additional applications arising from the retendering of the Supporting People contract (circulated at the meeting).

70/10 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 18)

The Committee was advised that the Assistant Chief Executive and Chief Finance Officer had nothing specific to report for 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 report.

71/10 ANNUAL PENSION FORUM

(Agenda No. 19)

RESOLVED: to note that the next Annual Pension Forum was scheduled for Friday 10 December 2010 at 10 am but the venue had not yet been confirmed.

.... in the Chair

Date of signing ....

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th SEPTEMBER 2010

	COMBINED PORTFOLIO 1.7.10	Alliance Bernstein Global Equities		Baillie Gifford UK Equities		Legal & General UK Equity Passive		Legal & General Fixed Interest		UBS Overseas Equities and Property		Other Investments		COMBINED PORTFOLIO 30.9.10		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**OCC Customised Benchmark**
EQUITIES																
UK Equities	**315,634**	**28,261**	**12.3%**	**212,413**	**98.3%**	**119,353**	**100.0%**	**0**	**0.0%**	**0**	0.0%	**0**	**0.0%**	360,027.0	**32.0%**	**31.0%**
US Equities	84,112	90,433	39.5%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	90,433.0	8.0%	
European Equities	38,129	37,956	16.6%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	37,956.0	3.4%	
Japanese Equities	19,886	21,146	9.2%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	21,146.0	1.9%	
Pacific Basin Equities	2,414	2,601	1.1%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	2,601.0	0.2%	
Emerging Markets Equities	53,545	47,202	20.6%	0	0.0%	0	**0.0%**	0	0.0%	15,810	6.9%	0	0.0%	63,012.0	5.6%	
UBS Global Pooled Fund	130,247									152,773	66.5%			152,773.0	13.6%	
Total Overseas Equities	**328,333**	**199,338**	**87.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**168,583**	**73.4%**	**0**	**0.0%**	**367,921.0**	**32.7%**	**32.0%**
BONDS																
UK Gilts	30,879	0	0.0%	0	0.0%	0	**0.0%**	32,365	17.5%	0	0.0%	0	0.0%	32,365.0	2.9%	3.0%
Corporate Bonds	63,867	0	0.0%	0	0.0%	0	**0.0%**	68,917	37.2%	0	0.0%	0	0.0%	68,917.0	6.1%	6.0%
Overseas Bonds	22,180	0	0.0%	0	0.0%	0	**0.0%**	22,677	12.2%	0	0.0%	0	0.0%	22,677.0	2.0%	2.0%
Index-Linked	57,251	0	0.0%	0	0.0%	0	**0.0%**	57,691	31.2%	0	0.0%	0	0.0%	57,691.0	5.1%	5.0%
Total Bonds	**174,177**	**0**	**0%**	**0**	**0%**	**0**	**0.0%**	**181,650**	**98.1%**	**0**	**0.0%**	**0**	**0.0%**	**181,650.0**	**16.1%**	**16.0%**
ALTERNATIVE INVESTMENTS																
Property	60,107	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	59,769	26.0%	2,043	1.4%	61,812.0	5.5%	8.0%
Private Equity	78,678	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	85,514	58.3%	85,514.0	7.6%	10.0%
Hedge Funds	30,492	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	30,232	20.6%	30,232.0	2.7%	3.0%
Total Alternative Investments	**169,277**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**59,769**	**26.0%**	**117,789**	**80.3%**	**177,558.0**	**15.8%**	**21.0%**
CASH	**49,299**	**1,517**	0.7%	**3,704**	**1.7%**	**0**	0.0%	**3,438**	1.9%	**1,369**	**0.6%**	**28,836**	**19.7%**	**38,864.0**	**3.5%**	[illegible]
TOTAL ASSETS	**1,036,720**	**229,116**	**100.0%**	**216,117**	**100.0%**	**119,353**	**100.0%**	**185,088**	**100.0%**	**229,721**	**100.0%**	**146,625**	**100.0%**	**1,126,020**	**100.0%**	[illegible]
% of total Fund		20.35%		19.19%		10.60%		16.44%		20.40%		13.02%		100%		

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2010 **ALLIANCE BERNSTEIN**

GLOBAL EQUITIES PORTFOLIO					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Equities		8.5%	12.3%	+3.8%	FTSE All World
Overseas Equities		91.5%	87.0%	-4.5%	
Comprising					
North America		44.0%	39.5%	-4.5%	
Europe (ex UK)		18.2%	16.6%	-1.6%	
Japan		8.0%	9.2%	+1.2%	
Asia Pacific (ex Japan)		8.2%	1.1%	-7.1%	
Emerging Markets		13.1%	20.6%	+7.5%	
Total Global Equities		100.0%	99.3%	-0.7%	
Cash			0.7%	+0.7%	
Total			**100.0%**		

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

Market Value - at 30th September 2010 £229,116,000

TABLE 3

ASSET ALLOCATION AS AT 30 SEPTEMBER 2010

ALTERNATIVE ASSETS

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Private Equity	6-10	10.0%	7.6%	-2.4%	FTSE Smaller Companies (ex investment trusts)
Hedge Funds	Nil	3.0%	2.7%	-0.3%	3 month LIBOR + 3%
Total		**13.0%**	**10.3%**	-2.7%	

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

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

Market Value - at 30th September 2010 £85,514,000 Private Equity
£30,232,000 Hedge Funds

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2010

BAILLIE GIFFORD

UK EQUITIES					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Equities	N/A	100.0%	98.3%	-1.7%	FTSE Actuaries All-Share
Cash	Nil	0.0%	1.7%	+1.7%	
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).

Market Value - at 30th September 2010 £216,117,000

TABLE 5

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2010

LEGAL and GENERAL

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

Target Objective - To track the FTSE 100 Index

Market Value - at 30th September 2010 £119,353,000

TABLE 6

FIXED INCOME					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Gilts	0 - 36	18.75%	17.5%	-1.3%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	37.2%	-0.3%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	31.2%	-0.1%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	12.2%	-0.3%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	1.9%	+1.9%	
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)

Market Value - at 30th September 2010 £185,088,000

TABLE 7

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th SEPTEMBER 2010

UBS GLOBAL ASSET MANAGEMENT

OVERSEAS EQUITY PORTFOLIO					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Overseas Equities					
Comprising					
Global Pooled Fund	85 - 100	93.6%	90.6%	-3.0%	See Split below *
Emerging Markets	0 - 10	6.4%	9.4%	+3.0%	FTSE AW Emerging Markets
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%**	**90.6%**	-3.0%	

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

Market Value - at 30th September 2010 £168,583,000

TABLE 8

PROPERTY PORTFOLIO					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Property	90 - 100	**100.0%**	97.8%	-2.2%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	**0.0%**	2.2%	+2.2%	
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).

Market Value - at 30th September 2010 £61,138,000

TABLE 9

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOTAL PORTFOLIO PROGRESS REPORT - 1 JULY 2010 to 30 SEPTEMBER 2010

Asset	Market Value 1.7.10	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.9.10	%
			UBS	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	
EQUITIES														
UK Equities	315,634.0	30	0	585	864	0	0	0	4,268	24,238	14,438	0	360,027	32
US Equities	84,112.0	8	0	2,379	0	0	0	0	3,942	0	0	0	90,433	8
European Equities	38,129.0	4	0	(4,049)	0	0	0	0	3,876	0	0	0	37,956	3
Japanese Equities	19,886.0	2	0	984	0	0	0	0	276	0	0	0	21,146	2
Pacific Basin Equities	2,414.0	0	0	38	0	0	0	0	149	0	0	0	2,601	0
Emerging Market Equities	53,545.0	5	0	2,089	0	0	0	1,483	5,895	0	0	0	63,012	6
Global Pooled Fund	130,247.0	13	10,000	0	0	0	0	12,526	0	0	0	0	152,773	14
Total Overseas Equities	328,333.0	32	10,000	1,441	0	0	0	14,009	14,138	0	0	0	367,921	33
BONDS														
UK Gilts	30,879.0	3	0	0	0	893	0	0	0	0	593	0	32,365	3
Corporate Bonds	63,867.0	6	0	0	0	2,428	0	0	0	0	2,622	0	68,917	6
Overseas Bonds	22,180.0	2	0	0	0	41	0	0	0	0	456	0	22,677	2
Index-Linked Bonds	57,251.0	6	0	0	0	(1,788)	0	0	0	0	2,228	0	57,691	5
ALTERNATIVE INVESTMENTS														
Property	60,107.0	6	1,194	0	0	0	27	566	0	0	0	(82)	61,812	5
Private Equity	78,678.0	8	0	0	0	0	1,889	0	0	0	0	4,947	85,514	8
Hedge Funds	30,492.0	3	0	0	0	0	0	0	0	0	0	(260)	30,232	3
SUB TOTAL	987,421.0	95	11,194	2,026	864	1,574	1,916	14,575	18,406	24,238	20,337	4,605	1,087,156	97
CASH *	49,299.0	5	(848)	(1,480)	733	90	(8,930)	0	0	0	0	0	38,864	3
GRAND TOTAL	**1,036,720.0**	**100**	**10,346**	**546**	**1,597**	**1,664**	**(7,014)**	**14,575**	**18,406**	**24,238**	**20,337**	**4,605**	**1,126,020**	**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 10

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

VALUATION OF OTHER INVESTMENTS AS AT 30th SEPTEMBER 2010

	HOLDING	COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3I Group	1,846,507	5,231,407	2.833	2.864000	5,288,396	56,989
Candover Investments	236,060	1,687,945	7.150	7.345000	1,733,861	45,915
Electra Private Equity	1,016,179	13,886,422	13.665	13.670000	13,891,167	4,745
F&C Private Equity Trust	4,160,000	7,339,178	1.764	1.232500	5,127,200	(2,211,978)
Graphite Enterprise Trust	852,512	2,420,093	2.839	2.887500	2,461,628	41,535
HarbourVest European Senior Loans	1,010,000	1,010,000	1.000	1.007500	1,017,575	7,575
Henderson Private Equity	1,200,000	2,122,781	1.769	1.887500	2,265,000	142,219
HG Capital Trust	1,782,500	9,319,756	5.228	8.515000	15,177,988	5,858,232
HG Capital Trust Sub Shs	356,500	0	0.000	0.557500	198,749	198,749
KKR & CO LP	220,000	1,895,369	8.615	6.726742	1,479,883	(415,486)
Northern Investors	520,000	516,217	0.993	1.782500	926,900	410,683
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.410000	243,381	(339,416)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0.974	0.400000	408,728	(586,436)
Schroder Private Equity	3,503,098	2,268,061	0.647	1.528863	5,355,757	3,087,695
Standard Life European Private Equity Trust	4,390,510	5,117,589	1.166	1.135000	4,983,229	(134,360)
SVG Capital	2,050,000	6,978,576	3.404	1.694000	3,472,700	(3,505,876)
		61,371,355			**64,032,141**	**2,660,786**
Unlisted Private Funds						
Midlands Growth Fund	2,509	306,254	122	3.500000	8,782	(297,472)
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		3,822,748			4,728,355	905,608
Partners Group Secondary 2008 L.P.		5,648,787			4,915,809	(732,978)
Partners Group Asia-Pacific 2007 L.P.		3,269,848			3,245,886	(23,962)
Adams Street 2007 Non US Fund		2,313,600			2,056,769	(256,831)
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		783,183			792,559	9,376
Adams Street 2008 Non US Fund		971,599			875,320	(96,279)
Adams Street 2008 US Fund		2,316,201			2,996,850	680,649
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		343,013			326,364	(16,649)
Adams Street 2009 Non US Developed Mkts Fund		134,851			87,561	(47,290)
Adams Street 2009 Non US Emerging Mkts Fund		68,036			46,945	(21,091)
Adams Street 2009 US Fund		544,664			531,623	(13,041)
Oxford Technology ECF Limited Partner AC		1,095,000			869,130	(225,870)
		21,311,529			**21,473,171**	**161,642**
Cash Held by Custodian for Private Equity		1,051,493			1,051,493	
CASH HELD IN HOUSE		27,784,020			27,784,020	
TOTAL OF ALL INVESTMENTS		**111,824,650**			**114,349,606**	**2,524,956**

TABLE 11

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30th SEPTEMBER 2010

DATE	HOLDING	TRANSACTION	BOOK COST £	SALE PROCEEDS £	REALISED GAIN/LOSS £
		PURCHASES			
13/08/2010	150,000	3i Group	399,361		
		LIMITED PARTNERSHIP FUND OF FUNDS DRAWDOWNS			
02/07/2010		Oxford Technology ECF Limited Partner AC	150,000		
09/07/2010		Adams Street 2009 Non US Developed Mkts Fund	19,413		
16/07/2010		Adams Street 2008 Non US Fund	60,671		
16/07/2010		Adams Street 2009 Non US Developed Mkts Fund	22,235		
23/07/2010		Adams Street 2008 Direct Fund	40,244		
23/07/2010		Adams Street 2009 Direct Fund	26,839		
06/08/2010		Adams Street 2007 Non US Fund	160,873		
20/08/2010		Adams Street 2008 Non US Fund	49,922		
20/08/2010		Partners Group Asia - Pacific 2007 L.P.	356,417		
07/09/2010		Adams Street 2009 Non US Developed Mkts Fund	15,875		
16/09/2010		Adams Street 2008 Direct Fund	39,740		
16/09/2010		Adams Street 2009 Direct Fund	26,503		
17/09/2010		Partners Group Secondary 2008 L.P.	968,401		
29/09/2010		Adams Street 2009 US Fund	41,382		
30/09/2010		Adams Street 2009 Non US Emerging Mkts Fund	5,170		
			1,983,685		
		CAPITAL DISTRIBUTIONS			
24/09/2010		KKR & CO	11,129	11,129	
		LIMITED PARTNERSHIP FUND OF FUNDS CAPITAL DISTRIBUTIONS			
15/07/2010		Partners Group Secondary 2006 L.P.	163,814	163,814	
20/08/2010		Partners Group Asia - Pacific 2007 L.P.	137,136	137,136	
17/09/2010		Partners Group Secondary 2008 L.P.	181,505	181,505	
			482,455	**482,455**	

TABLE 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

COMBINED PORTFOLIO (BY ASSET CLASS)

		QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
ASSET	% weighting of fund as at 30th September	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	17.7%	8.8	9.0	**0.2**	10.6	5.2	**-5.4**	1.7	-7.2	**-8.9**		0.6	**0.6**
UK EQUITIES	32.0%	13.6	13.8	**0.2**	12.5	17.3	**4.8**	-1.0	0.1	**1.1**	4.5	4.4	**-0.1**
OVERSEAS EQUITIES	15.0%	8.3	9.5	**1.2**	9.2	7.7	**-1.5**	1.6	2.2	**0.6**	5.9	5.4	**-0.5**
UK GOVERNMENT BONDS**	2.9%	3.6	3.2	**-0.4**	7.2	3.6	**-3.6**	8.4	8.1	**-0.3**	5.9	5.7	**-0.2**
UK CORPORATE BONDS	6.1%	4.8	5.0	**0.2**	11.5	12.3	**0.8**	6.5	7.4	**0.9**	4.4	5.0	**0.6**
OVERSEAS BONDS*	2.0%	2.3	2.0	**-0.3**	6.6	6.7	**0.1**		12.5	**12.5**			**0.0**
UK INDEX LINKED GILTS**	5.1%	4.1	4.5	**0.4**	9.5	12.8	**3.3**	7.6	9.0	**1.4**	6.4	7.1	**0.7**
PRIVATE EQUITY	7.6%	11.5	6.4	**-5.1**	-1.6	6.0	**7.6**	-8.7	-8.0	**0.7**	-1.7	2.0	**3.7**
HEDGE FUNDS	2.7%	0.9	-1.1	**-2.0**	3.7	5.9	**2.2**	6.0	-2.5	**-8.5**	6.9	2.8	**-4.1**
PROPERTY ASSETS	5.5%	1.9	1.8	**-0.1**	18.8	17.9	**-0.9**	-9.0	-14.9	**-5.9**	-0.3	-4.1	**-3.8**
CASH/ALTERNATIVES	3.5%		0.2		-	-2.3		-	0.7			2.5	
TOTAL FUND	100.0%	8.8	8.4	**-0.4**	10.9	10.4	**-0.5**	0.9	-1.3	**-2.2**	4.8	3.3	**-1.5**

*** This includes L&G Currency Hedging for Overseas bonds**
**** Figures are currently under investigation**

TABLE 13

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th September	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
ALLIANCE BERNSTEIN GLOBAL EQUITIES	20.3%	8.8	9.0	**0.2**	10.6	4.8	**-5.8**	1.7	-7.2	**-8.9**	5.6	0.6	**-5.0**
BAILLIE GIFFORD UK EQUITIES	19.2%	13.6	13.7	**0.1**	12.5	20.3	**7.8**	-1.0	1.5	**2.5**	4.5	5.4	**0.9**
LEGAL & GENERAL EQUITIES - PASSIVE	10.6%	13.8	13.8	**0.0**	11.8	11.9	**0.1**	-	-	**0.0**	-	-	**0.0**
LEGAL & GENERAL FIXED INCOME	16.4%	4.0	4.2	**0.2**	9.5	9.9	**0.4**	7.7	8.7	**1.0**	5.8	6.4	**0.6**
PARTNERS GROUP SICAR	0.2%	1.9	1.7	**-0.2**	-	-	**0.0**	-	-	**0.0**	-	-	**0.0**
PRIVATE EQUITY	7.6%	11.5	6.4	**-5.1**	-1.6	6.0	**7.6**	-8.7	-8.0	**0.7**	-1.7	2.0	**3.7**
UBS OVERSEAS EQUITIES	15.0%	9.0	9.5	**0.5**	8.5	7.6	**-0.9**	1.5	2.2	**0.7**	5.9	5.4	**-0.5**
UBS PROPERTY	5.4%	1.9	1.7	**-0.2**	18.8	16.9	**-1.9**	-9.0	-15.5	**-6.5**	-0.3	-4.5	**-4.2**
UBS HEDGE FUNDS	2.7%	0.9	-0.9	**-1.8**	3.7	6.2	**2.5**	6.0	-2.4	**-8.4**	6.9	3.0	**-3.9**
IN-HOUSE CASH	2.6%	11.5	6.4	**-5.1**	-1.6	6.0	**7.6**	-8.7	-8.0	**0.7**	-1.7	2.0	**3.7**
TOTAL FUND	**100.0%**	**8.8**	**8.4**	**-0.4**	**10.9**	**10.4**	**-0.5**	**0.9**	**-1.3**	**-2.2**	**4.8**	**3.3**	**-1.5**

*** This includes L&G Currency Hedging for Overseas bonds**

TABLE 14

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

ALLIANCE BERNSTEIN - GLOBAL EQUITIES

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	13.7	17.6	3.9	11.5	6.5	-5.0	-1.1	-12.4	-11.3	4.3	-2.0	-6.3
OVERSEAS EQUITIES	8.3	8.0	-0.3	10.5	4.7	-5.8	2.0	-4.6	-6.6	5.8	2.0	-3.8
North American Equities	5.8	4.3	-1.5	11.9	9.0	-2.9	1.8	-7.8	-9.6	3.8	-3.3	-7.1
European Equities	13.4	11.7	-1.7	1.4	-6.6	-8.0	-1.7	-6.9	-5.2	6.4	3.2	-3.2
Japanese Equities	0.1	2.1	2.0	1.2	12.5	11.3	-1.7	-6.0	-4.3	-0.4	1.7	2.1
Pacific Basin (excl. Japan)	15.0	8.7	-6.3	17.8	5.1	-12.7	6.4	0.2	-6.2	14.2	5.4	-8.8
Emerging Market Units	12.1	16.5	4.4	23.3	19.5	-3.8	8.8	8.7	-0.1	16.5	15.6	-0.9
CASH/ALTERNATIVES		-1.1			-31.1			-25.1			-14.8	
TOTAL ASSETS	**8.8**	**9.0**	**0.2**	**10.6**	**4.8**	**-5.8**	**1.7**	**-7.2**	**-8.9**	**5.6**	**0.6**	**-5.0**

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE

TABLE 15

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	13.6	13.9	0.3	12.5	20.5	8.0	-1.0	1.3	2.3	4.5	5.3	0.8
TOTAL CASH	-	0.1		-	0.5		-	3.0		-	3.6	
TOTAL ASSETS	**13.6**	**13.7**	**0.1**	**12.5**	**20.3**	**7.8**	**-1.0**	**1.5**	**2.5**	**4.5**	**5.4**	**0.9**

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

LEGAL & GENERAL - UK EQUITIES PASSIVE MANDATE — **TABLE 16**

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	13.8	13.8	0.0	11.8	11.9	0.1	-	-		-	-	
CASH/ALTERNATIVES												
TOTAL ASSETS	13.8	13.8	0.0	**11.8**	**11.9**	0.1	-	-		-	-	

Target Objective - To track the FTSE 100 Index

LEGAL & GENERAL - BONDS — **TABLE 17**

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK GILTS**	3.6	3.2	-0.4	7.2	3.6	-3.6	8.4	8.1	-0.3	5.9	5.7	-0.2
UK CORPORATE BONDS	4.8	5.0	0.2	11.5	12.3	0.8	6.5	7.9	1.4	4.4	5.4	1.0
OVERSEAS BONDS*	2.3	2.0	-0.3	6.6	6.7	0.1		12.5	12.5			0.0
UK INDEX LINKED**	4.1	4.5	0.4	9.5	12.8	3.3	7.6	9.0	1.4	6.4	7.2	0.8
CASH/ALTERNATIVES*	-	n/a		-	n/a		-	n/a		-	n/a	
TOTAL ASSETS	**4.0**	**4.2**	**0.2**	**9.5**	**9.9**	**0.4**	**7.7**	**8.7**	**1.0**	**5.8**	**6.4**	**0.6**

*** 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.**
**** Figures are currently under investigation**
Target Objective - To outperform the Benchmark by 0.4% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

INDEPENDENT ADVISOR - PRIVATE EQUITY

TABLE 18

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PRIVATE EQUITY	11.5	9.3	-2.2	-1.6	6.6	8.2	-8.7	-9.0	-0.3	-1.7	1.5	3.2
LIMITED LIABILITY PARTNERSHIPS	11.5	-1.9	-13.4	-1.6	5.0	6.6	-8.7	2.1	10.8			0.0
TOTAL ASSETS	**11.5**	**6.4**	-5.1	**-1.6**	**6.0**	7.6	**-8.7**	**-8.0**	0.7	**-1.7**	**2.0**	3.7

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

PARTNERS GROUP REAL ESTATE SICAR - PROPERTY

TABLE 19

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.9	1.7	-0.2	-	-		-	-		-	-	
TOTAL CASH				-	-		-	-		-	-	
TOTAL ASSETS*	**1.9**	**1.7**	-0.2	-	-		-	-		-	-	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES **TABLE 20**

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
OVERSEAS EQUITIES	9.0	9.5	0.5	8.5	7.7	-0.8	1.5	2.2	0.7	5.9	5.4	-0.5
TOTAL CASH	-	-		-	-		-	-		-	-	
TOTAL ASSETS	**9.0**	**9.5**	**0.5**	**8.5**	**7.6**	**-0.9**	**1.5**	**2.2**	**0.7**	**5.9**	**5.4**	**-0.5**

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

UBS GLOBAL ASSET MANAGEMENT - PROPERTY **TABLE 21**

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.9	1.8	-0.1	18.8	18.6	-0.2	-9.0	-14.7	-5.7	-0.3	-4.0	-3.7
TOTAL CASH*	-	-0.2		-	0.2		-	-		-	-	
TOTAL ASSETS**	**1.9**	**1.7**	**-0.2**	**18.8**	**16.9**	**-1.9**	**-9.0**	**-15.5**	**-6.5**	**-0.3**	**-4.5**	**-4.2**

*** Historic returns for this category refer to the portfolio whilst both Overseas Equities and Property were held within one portfolio. Property cash shown from June 2009**
**** Total Assets for this mandate reflect Cash from June 2009 only.**

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th SEPTEMBER 2010

UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS

TABLE 22

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
HEDGE FUNDS	0.9	-0.9	-1.8	3.7	6.3	2.6	6.0	-2.4	-8.4	6.9	3.0	-3.9
TOTAL CASH	-	0.4		-	0.5		-	2.3		-	-2.2	
TOTAL ASSETS	**0.9**	**-0.9**	**-1.8**	**3.7**	**6.2**	**2.5**	**6.0**	**-2.4**	**-8.4**	**6.9**	**3.0**	**-3.9**

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

INTERNALLY MANAGED CASH

TABLE 23

ASSET	QUARTER ENDED 30th September 2010			12 MONTHS ENDED 30th September 2010			THREE YEARS ENDED 30th September 2010			FIVE YEARS ENDED 30th September 2010		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
INTERNALLY MANAGED CASH*	0.1	0.3	0.2	0.4	0.9	0.5	2.3	3.1	0.8	3.4	3.5	0.1
TOTAL ASSETS	**11.5**	**6.4**	-5.1	**-1.6**	**6.0**	7.6	**-8.7**	**-8.0**	0.7	**-1.7**	**2.0**	3.7

*** this portfolio includes cash held at BoNY**

TABLE 24

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

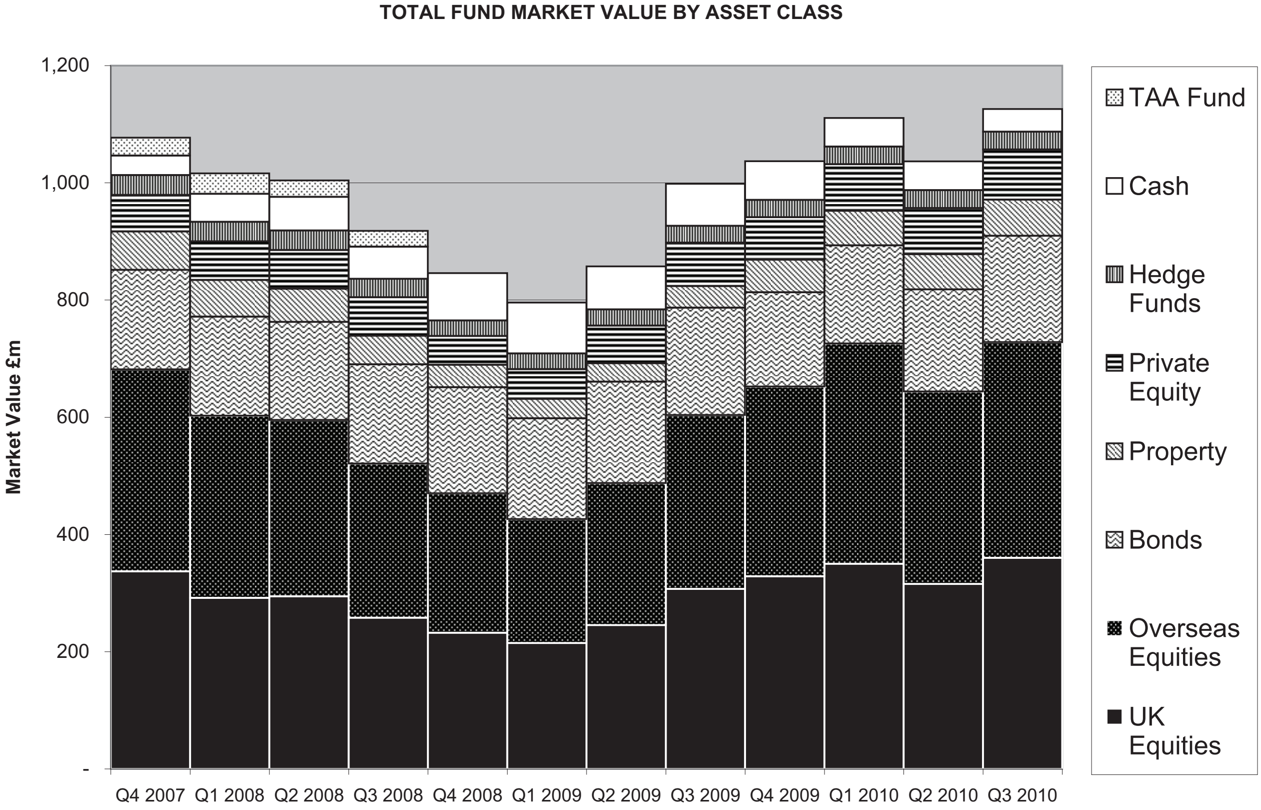
TOP 20 HOLDINGS AT 30/09/2010

	ASSET DESCRIPTION		MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS			
1	HG CAPITAL TRUST ORD GBP0.25		15,177,988	1.35
2	ELECTRA INVESTMENT TR ORD 25P		13,891,167	1.23
3	HSBC HLDGS ORD USD0.50 (UK)		10,670,515	0.95
4	BG GROUP PLC ORD GBP0.10		10,583,750	0.94
5	BHP BILLITON PLC USD0.50		9,898,590	0.88
6	BRITISH AMERICAN TOBACCO ORD	GBP0.25	9,092,420	0.81
7	RIO TINTO ORD GBP0.10		8,616,678	0.77
8	ROYAL DUTCH SHELL 'B' SHS		7,930,430	0.70
9	TESCO ORD 5P		7,107,946	0.63
10	VODAFONE GROUP	ORD USD0.11428571	7,106,289	0.63
11	UK GOVT IDX-LKD STK	1.250% 22-NOV-2027 GBP100	7,054,838	0.63
12	ROYAL DUTCH SHELL 'A'SHS	EUR0.07	6,941,772	0.62
13	STANDARD CHARTERED ORD USD0.50		6,658,931	0.59
14	IMPERIAL TOBACCO GROUP ORD 10P		6,408,480	0.57
15	GLAXOSMITHKLINE ORD GBP0.25		5,961,554	0.53
16	WEIR GROUP ORD 12.5P		5,850,108	0.52
17	REED ELSEVIER	ORD GBP0.14	5,785,741	0.51
18	TREASURY INDEX-LINKED	2.500% 26-JUL-2016	5,690,514	0.51
19	TREASURY INDEX-LINKED	2.500% 16-APR-2020	5,623,517	0.50
20	SCHRODER PRIVATE EQUITY FUNDS	SCHRODER PE 'C EUR	5,355,757	0.48
		TOP 20 HOLDINGS MARKET VALUE *	**161,406,984**	14.33
	* Excludes investments held within Pooled Funds			
	POOLED FUNDS AT 30/9/2010			
1	UBS GLOBAL ASSET MANAGEMENT	LIFE GLOBAL OPTIMAL THIRDS A	152,772,667	13.57
2	HP UK FTSE 100 EQUITY INDEX		119,352,782	10.60
3	ALLIANCE BERNSTEIN VAL INV EMG	VALUE PORTF S CAP	34,321,437	3.05
4	UBS GBL ASSET MGT GBL EMG MKTS	EQTY CL B	15,810,268	1.40
5	BAILLIE GIFFORD BRITISH SMALL	COS C NAV ACC	11,816,537	1.05
		TOTAL POOLED FUNDS MARKET VALUE	**334,073,691**	29.67
		TOTAL FUND MARKET VALUE	**1,126,020,000**	

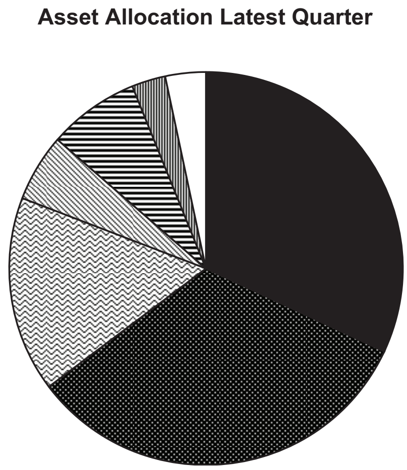
GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

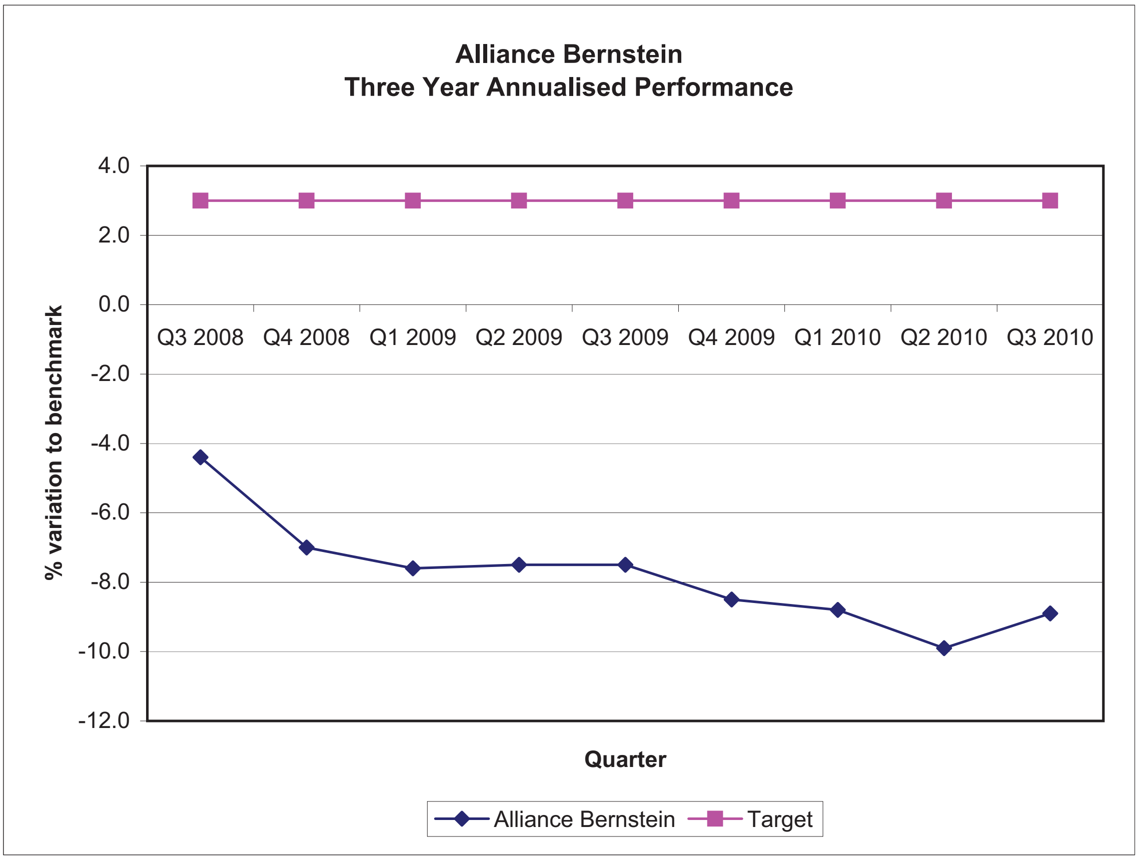
MARKET VALUE OF TOTAL FUND



Quarter	Market Value £m
Q4 2007	1,077.2
Q1 2008	1,016.1
Q2 2008	1,004.2
Q3 2008	918.2
Q4 2008	845.9
Q1 2009	795.8
Q2 2009	857.4
Q3 2009	998.4
Q4 2009	1,037.0
Q1 2010	1,111.0
Q2 2010	1,037.0
Q3 2010	1,126.0



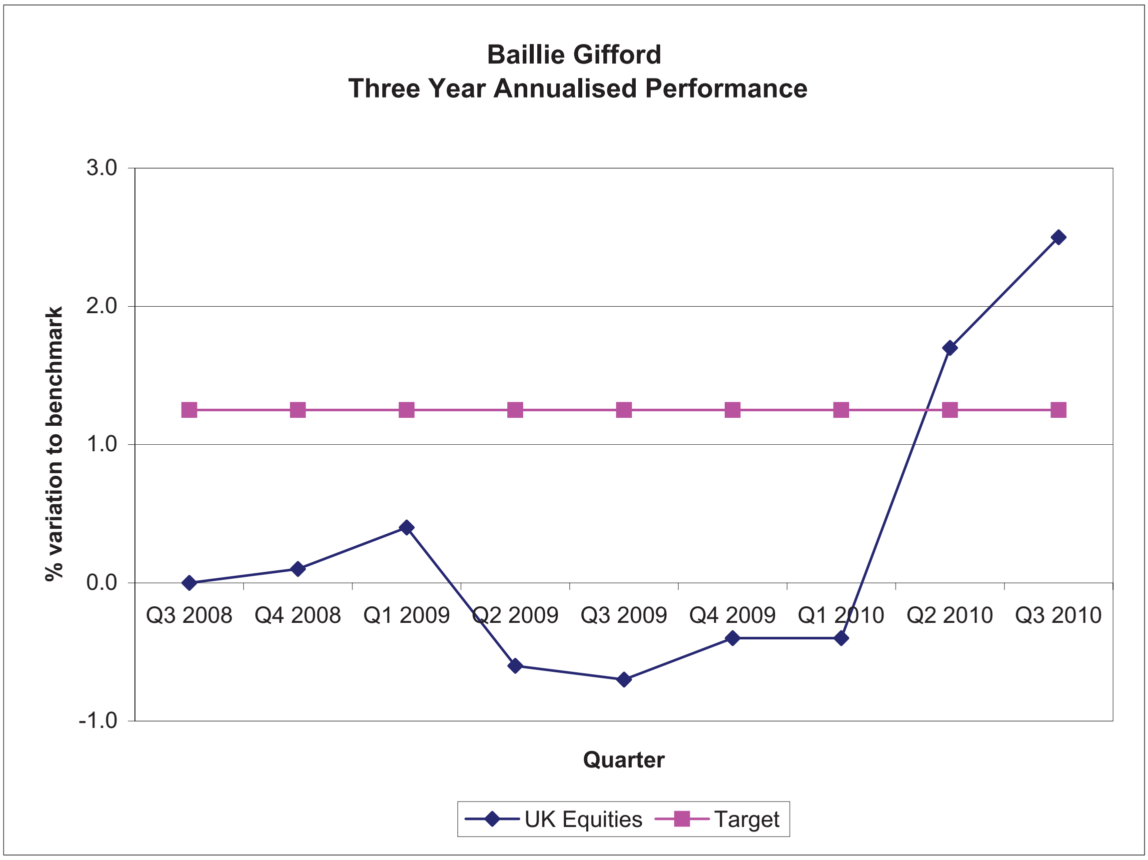
OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 2**



Alliance Bernstein Three Year Annualised Performance

	Alliance Bernstein	Target
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
Q4 2009	-8.5	3.0
Q1 2010	-8.8	3.0
Q2 2010	-9.9	3.0
Q3 2010	-8.9	3.0

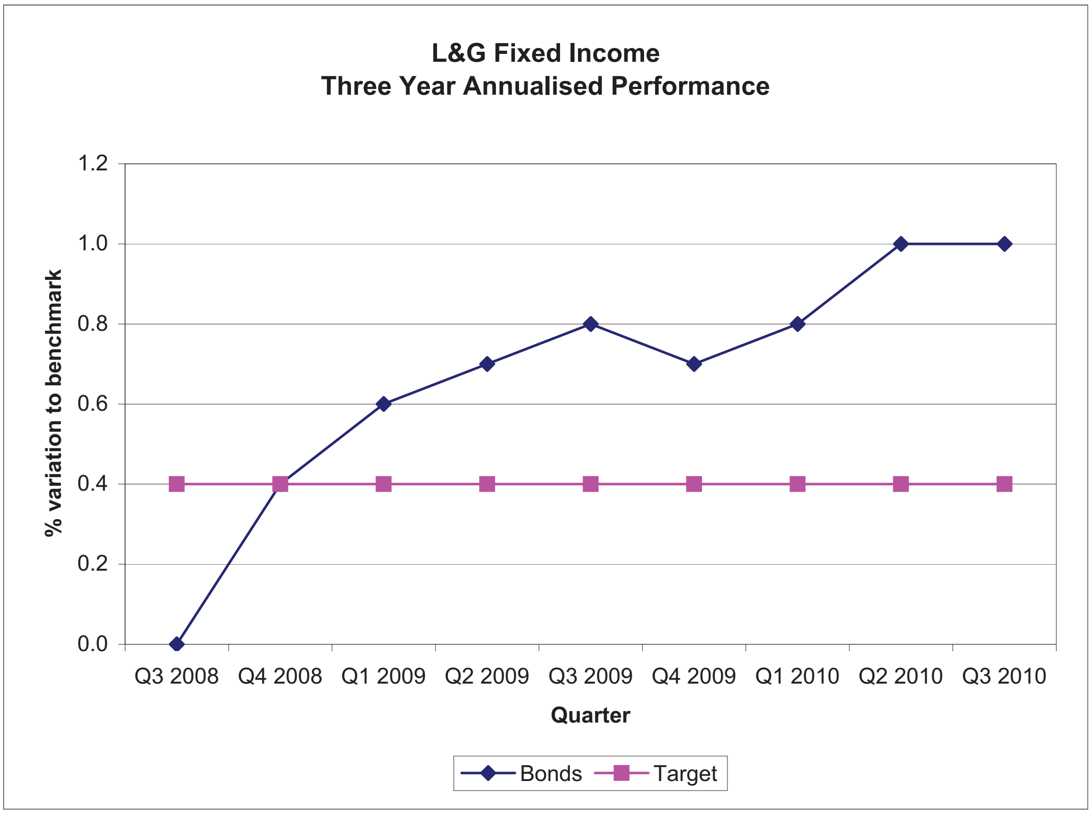
OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 3**



Baillie Gifford Three Year Annualised Performance

	UK Equities	Target
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
Q4 2009	-0.4	1.25
Q1 2010	-0.4	1.25
Q2 2010	1.7	1.25
Q3 2010	2.5	1.25

OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 4**

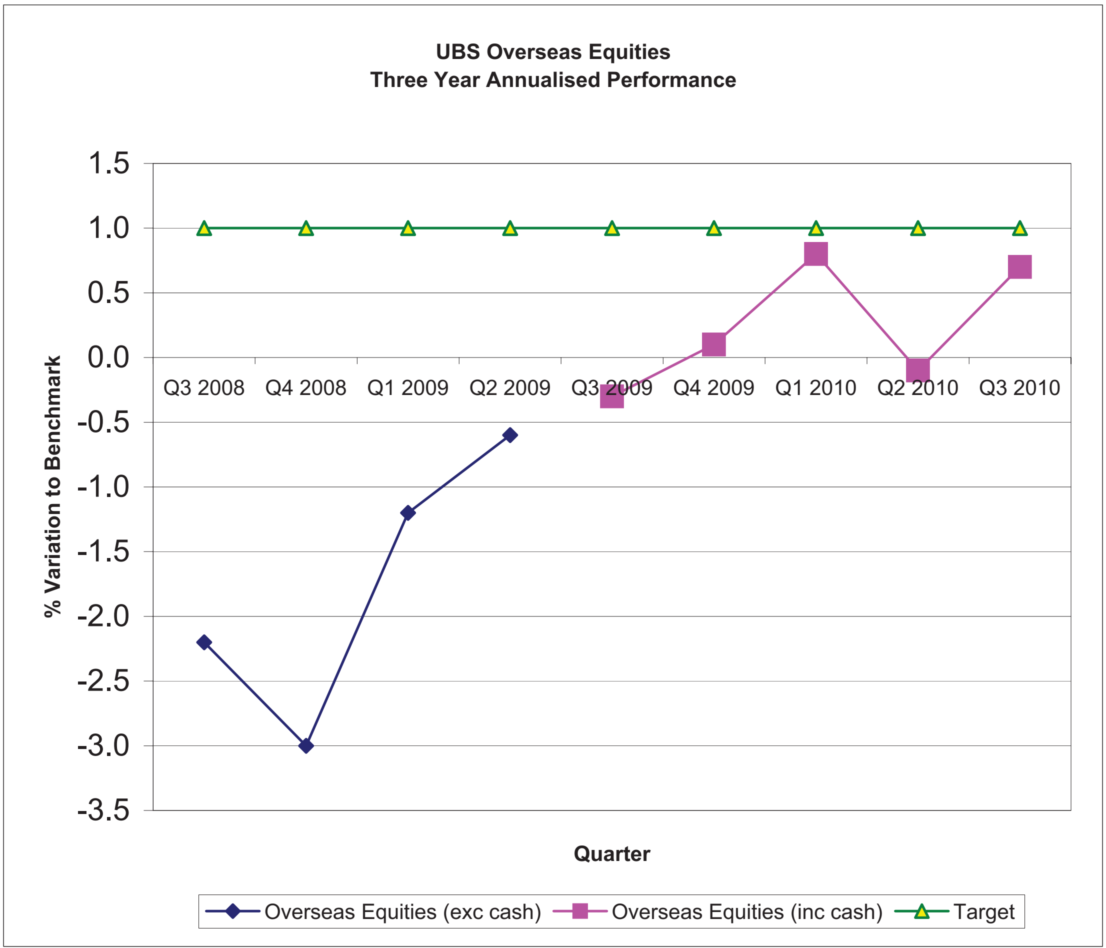


L&G Fixed Income Three Year Annualised Performance

	Bonds	Target
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
Q4 2009	0.7	0.4
Q1 2010	0.8	0.4
Q2 2010	1.0	0.4
Q3 2010	1.0	0.4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 5

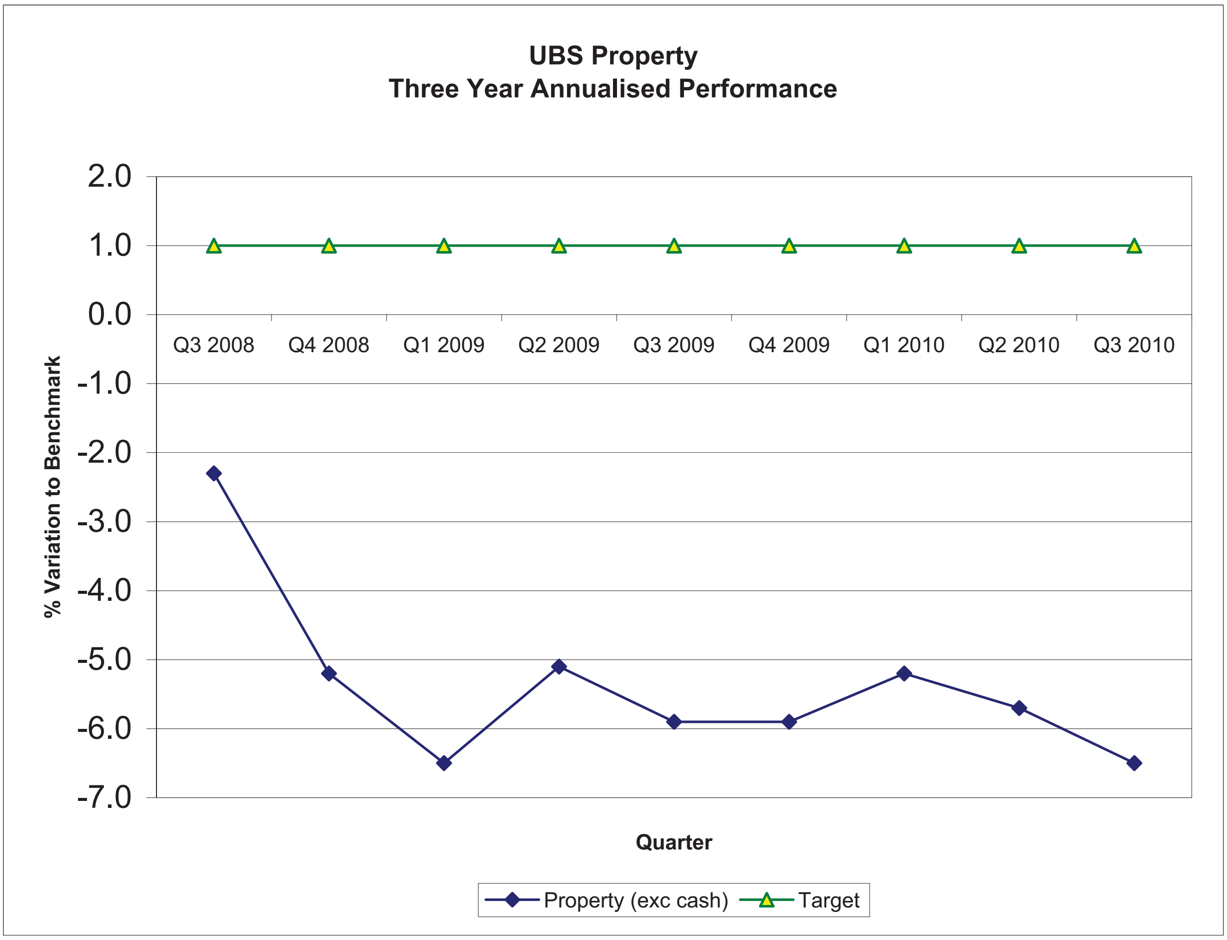


UBS Three Year Annualised Performance

	Overseas Equities (exc cash)	Overseas Equities (inc cash)	Target
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 2009		-0.3	1.0
Q4 2009		0.1	1.0
Q1 2010		0.8	1.0
Q2 2010		-0.1	1.0
Q3 2010		0.7	1.0

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 6



UBS Three Year Annualised Performance

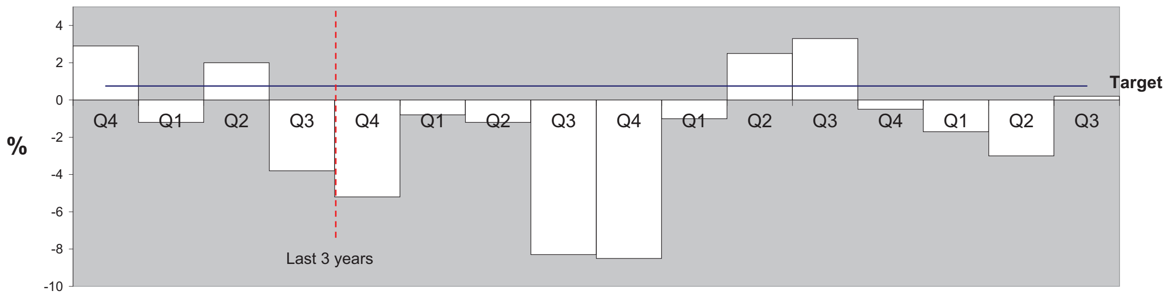
	Property (exc cash)	Target
Q3 2008	-2.3	1.0
Q4 2008	-5.2	1.0
Q1 2009	-6.5	1.0
Q2 2009	-5.1	1.0
Q3 2009	-5.9	1.0
Q4 2009	-5.9	1.0
Q1 2010	-5.2	1.0
Q2 2010	-5.7	1.0
Q3 2010	-6.5	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7

2006	2007	2008	2009	2010

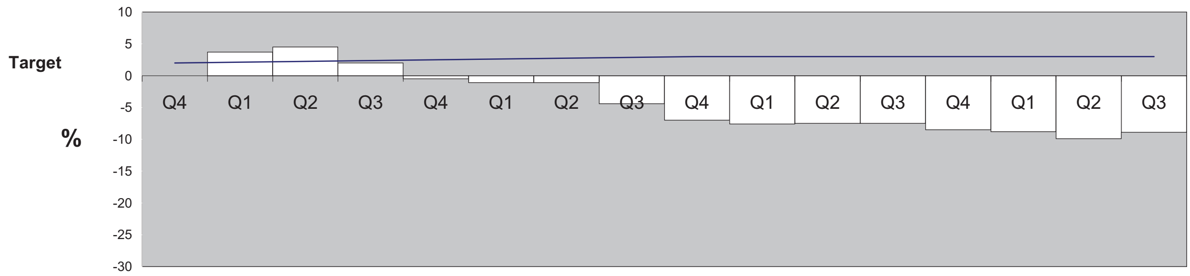
Quarterly Performance



Qtr Ended

Performance	7.1	1.1	7.3	-1.8	-4.3	-9.9	-3.0	-14.7	-12.1	-11.2	9.6	25.0	3.1	8.2	-13.7	9.0
Benchmark	4.2	2.3	5.3	2.0	0.9	-9.1	-1.8	-6.4	-3.6	-10.2	7.1	21.7	3.6	9.9	-10.7	8.8
Relative Return	**2.9**	**-1.2**	**2.0**	**-3.8**	**-5.2**	**-0.8**	**-1.2**	**-8.3**	**-8.5**	**-1.0**	**2.5**	**3.3**	**-0.5**	**-1.7**	**-3.0**	**0.2**

3 year Performance



Qtr Ended

Performance		18.7	20.9	18.6	13.7	8.9	6.2	-2.7	-8.4	-14.4	-9.9	-4.6	-5.8	-3.6	-10.3	-7.2
Benchmark		15	16.4	16.6	14.2	10	7.3	1.7	-1.4	-6.8	-2.4	2.9	2.7	5.2	-0.4	1.7
Relative Return		**3.7**	**4.5**	**2**	**-0.5**	**-1.1**	**-1.1**	**-4.4**	**-7**	**-7.6**	**-7.5**	**-7.5**	**-8.5**	**-8.8**	**-9.9**	**-8.9**

Target Returns

From Inception to 31/12/05 Rolling annual target of 1.5% above benchmark to 31/12/05
From 1/1/06 Rolling annual target of 3% above benchmark from 1/1/06

Top 10 holdings at 30/09/2010

	Holding	Value £	% of portfolio
1	ROYAL DUTCH SHELL A SHS EUR0.07	4,100,562	1.79
2	PFIZER INC	3,906,235	1.70
3	XSTRATA COM STK USD0.50	3,151,134	1.38
4	JOHNSON & JOHNSON	3,085,601	1.35
5	ASTRAZENECA ORD USD0.25	3,048,719	1.33
6	VODAFONE GROUP ORD USD0.11	2,795,608	1.22
7	BP PLC ORD USD.25	2,704,663	1.18
8	RIO TINTO ORD GBP0.10	2,701,083	1.18
9	JPMORGAN CHASE & CO	2,619,891	1.14
10	FORD MOTOR CO	2,592,786	1.13
	Top 10 Holdings Market Value	30,706,281	13.40
	Total Alliance Bernstein Market Value	229,116,000	

Alliance Bernstein

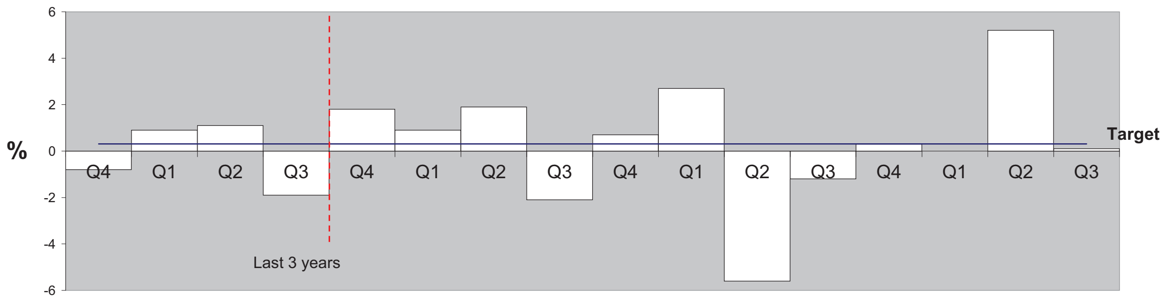
Top 10 holdings excludes investments held within pooled funds.

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 8

2006 2007 2008 2009 2010

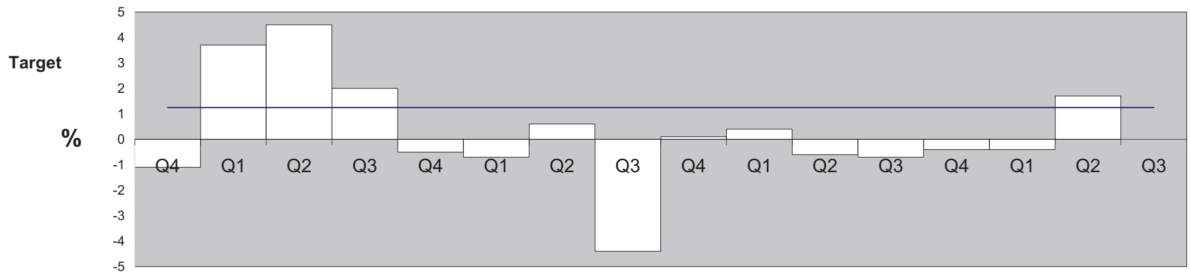
Quarterly Performance



Qtr Ended

Performance	5.4	3.8	4.5	-3.7	1.5	-9.0	1.5	-14.3	-9.5	-6.4	5.3	21.2	5.8	6.4	-6.6	13.7
Benchmark	6.2	2.9	3.4	-1.8	-0.3	-9.9	-0.4	-12.2	-10.2	-9.1	10.9	22.4	5.5	6.4	-11.8	13.6
Relative Return	**-0.8**	**0.9**	**1.1**	**-1.9**	**1.8**	**0.9**	**1.9**	**-2.1**	**0.7**	**2.7**	**-5.6**	**-1.2**	**0.3**	**0.0**	**5.2**	**0.1**

3 year Performance



Qtr Ended

Performance	18.7	20.9	18.6	13.7	8.8	7.8	-2.7	-4.7	-9.8	-7.1	-1.8	-1.7	-0.6	-4.0	0.0
Benchmark	15	16.4	16.6	14.2	9.5	7.2	1.7	-4.8	-10.2	-6.5	-1.1	-1.3	-0.2	-5.7	0
Relative Return	**3.7**	**4.5**	**2**	**-0.5**	**-0.7**	**0.6**	**-4.4**	**0.1**	**0.4**	**-0.6**	**-0.7**	**-0.4**	**-0.4**	**1.7**	**0**

Target Returns

Rolling annual target of 1.25% above benchmark

Top 10 holdings at 30/09/2010

	Holding	Value £	% of portfolio
1	HSBC HLDGS ORD USD0.50 (UK)	10,670,515	4.94
2	BG GROUP PLC ORD GBP0.10	10,583,750	4.90
3	BHP BILLITON PLC USD0.50	9,898,590	4.58
4	BRITISH AMERICAN TOBACCO ORD GBP0.25	9,092,420	4.21
5	ROYAL DUTCH SHELL 'B' SHS	7,930,430	3.67
6	TESCO ORD 5P	7,107,946	3.29
7	ROYAL DUTCH SHELL 'A'SHS EUR0.07	6,941,772	3.21
8	STANDARD CHARTERED ORD USD0.50	6,658,931	3.08
9	IMPERIAL TOBACCO GROUP ORD 10P	6,408,480	2.97
10	GLAXOSMITHKLINE ORD GBP0.25	5,961,554	2.76
	Top 10 Holdings Market Value	81,254,388	37.60
	Total Baillie Gifford Market Value	216,117,000	

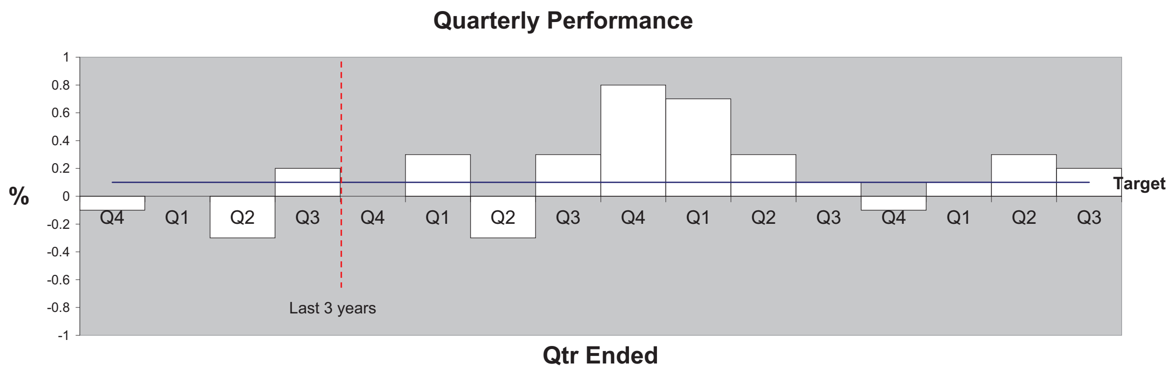
Baillie Gifford

Top 10 holdings excludes investments held within pooled funds.

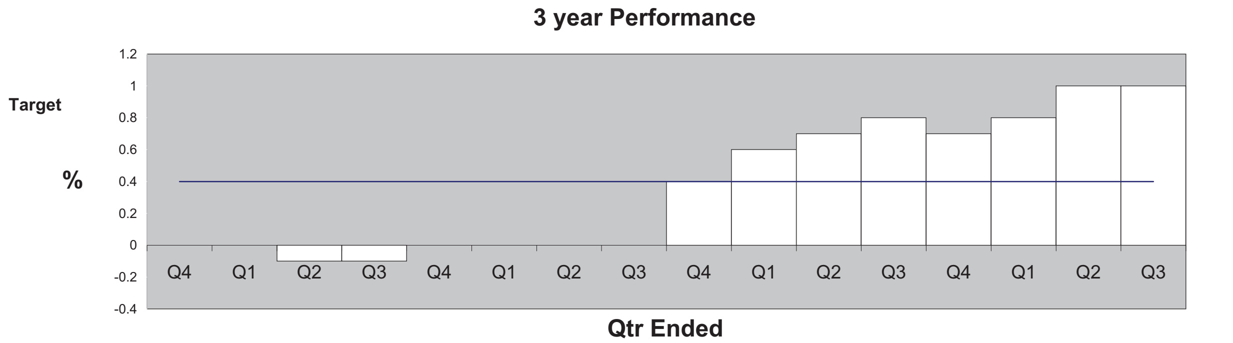
PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 9

2006	2007	2008	2009	2010



Performance	0.0	-0.6	-2.4	4.1	4.5	1.4	-1.3	0.7	4.0	-2.0	3.4	5.2	0.2	2.6	2.7	4.2
Benchmark	0.1	-0.6	-2.1	3.9	4.5	1.1	-1.0	0.4	3.2	-2.7	3.1	5.1	0.3	2.5	2.4	4.0
Relative Return	**-0.1**	**0.0**	**-0.3**	**0.2**	**0.0**	**0.3**	**-0.3**	**0.3**	**0.8**	**0.7**	**0.3**	**0.1**	**-0.1**	**0.1**	**0.3**	**0.2**



Performance		5.3	4.7	5.0	5.4	5.8	3.9	3.7	4.0	3.6	5.1	5.7	5.7	6.9	8.7	8.7
Benchmark		5.3	4.8	5.1	5.4	5.8	3.9	3.7	3.6	3	4.4	4.9	5	6.1	7.7	7.7
Relative Return		**0.0**	**-0.1**	**-0.1**	**0**	**0**	**0**	**0**	**0.4**	**0.6**	**0.7**	**0.8**	**0.7**	**0.8**	**1**	**1**

Target Returns

Rolling annual target of 0.40% above benchmark

Top 10 holdings at 30/09/2010

	Holding	Value £	% of portfolio
1	UK GOVT IDX-LKD STK 1.250% 22-NOV-2027 GBP100	7,054,837.89	3.81
2	TREASURY INDEX-LINKED 2.500% 26-JUL-2016	5,690,513.52	3.07
3	TREASURY INDEX-LINKED 2.500% 16-APR-2020	5,623,516.80	3.04
4	UK TREASURY 4.750% 07-MAR-2020	5,059,152.00	2.73
5	TSY 0 5/8% 2040 I/L GILT 0.625% 03/22/2040 DD 01/28/10	4,961,167.53	2.68
6	UNITED KINGDOM (GOV OF) 1.875% 22-NOV-2022 GBP1(	4,795,972.26	2.59
7	UK GOVT IDX-LKD STK 2.000% 26-JAN-2035	4,524,399.20	2.44
8	UNITED KINGDOM (GOV OF) 1.25% 22-NOV-2032 GBP10(	4,420,750.88	2.39
9	TREASURY TSY STK 5.000% 07-MAR-2012	3,727,339.20	2.01
10	UNITED KINGDOM (GOV OF) 4.750% 07-DEC-2030	3,698,662.50	2.00
	Top 10 Holdings Market Value	49,556,312	26.77
	Total Legal & General Market Value	185,088,000	

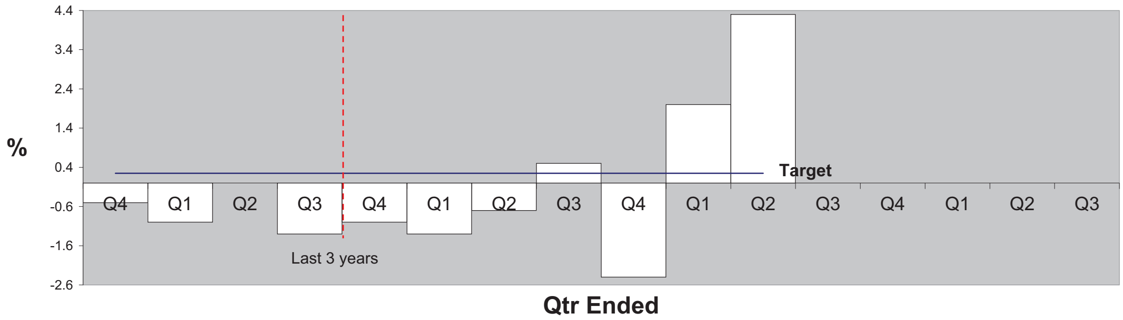
Legal & General

Top 10 holdings excludes investments held within pooled funds.

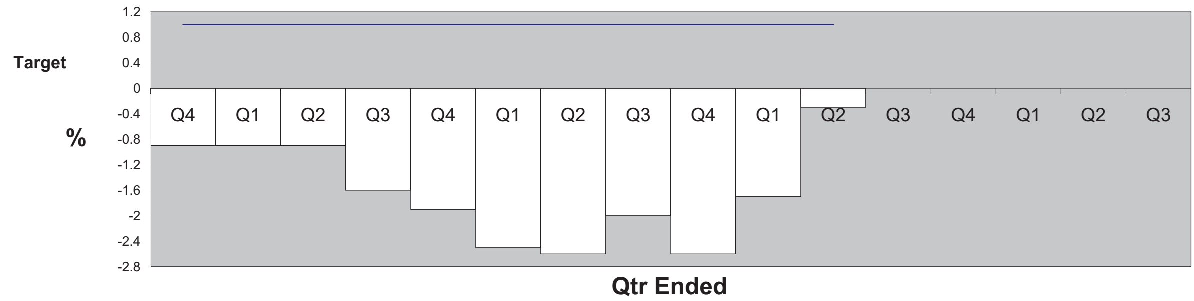
PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 10

2006	2007	2008	2009	2010



Performance	3.9	1.4	3.1	-1.1	-2.6	-8.1	-2.9	-6.2	-8.8	-7.6	4.9	0.0	0.0	0.0	0.0	0.0
Benchmark	4.4	2.4	3.1	0.2	-1.6	-6.8	-2.2	-6.7	-6.4	-9.6	0.6	0.0	0.0	0.0	0.0	0.0
Relative Return	**-0.5**	**-1.0**	**0.0**	**-1.3**	**-1.0**	**-1.3**	**-0.7**	**0.5**	**-2.4**	**2.0**	**4.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**



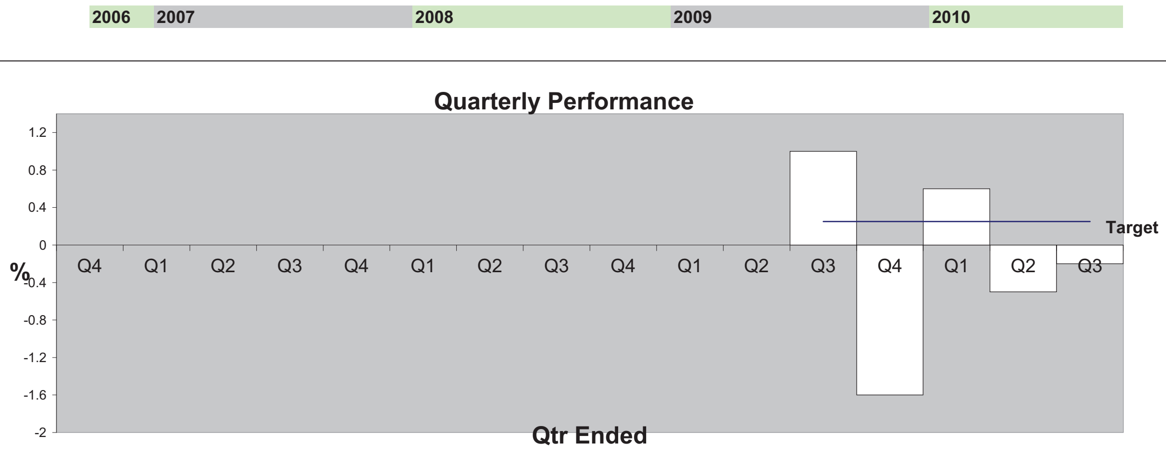
Performance	14.1	14.7	13.3	10.1	6.4	3.7	-0.5	-5.0	-9.1	-7.0	0.0	0.0	0.0	0.0	0.0
Benchmark	15	15.6	14.9	12	8.9	6.3	1.5	-2.4	-7.4	-6.7	0	0	0	0	0
Relative Return	**-0.9**	**-0.9**	**-1.6**	**-1.9**	**-2.5**	**-2.6**	**-2**	**-2.6**	**-1.7**	**-0.3**	**0**	**0**	**0**	**0**	**0**

Target Returns

Rolling annual target of 1.00% above benchmark

UBS - Multi Asset

PERFORMANCE RELATIVE TO BENCHMARK **GRAPH 11**



Performance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.1	6.3	5.4	2.6	1.7
Benchmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.1	7.9	4.8	3.1	1.9
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.0**	**-1.6**	**0.6**	**-0.5**	**-0.2**

Target Returns

Rolling annual target of 1.00% above benchmark

Top 5 holdings at 30/09/2010

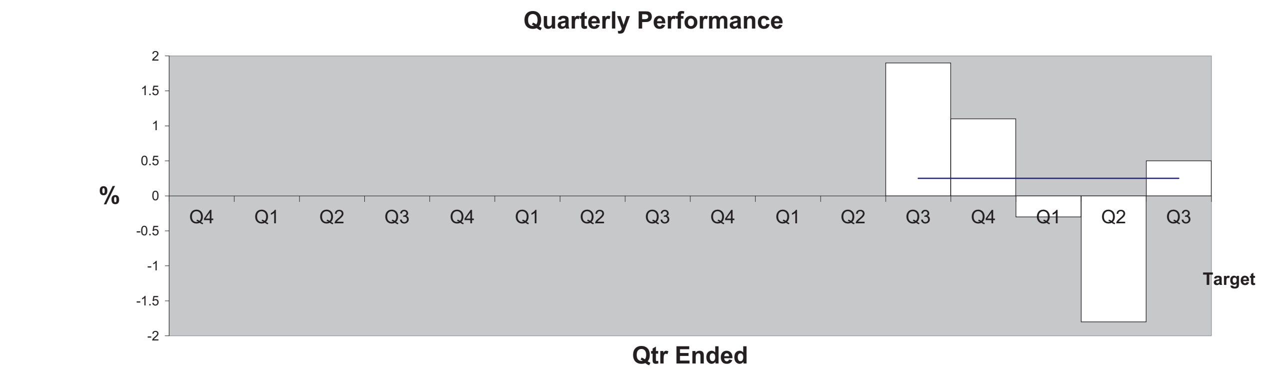
	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	7,474,255	12.23
2	STANDARD LIFE POOLED PPTY FD	5,504,471	9.00
3	PRUDENTIAL CORP PENSIONS PPTY	4,967,383	8.12
4	UBS GBL ASSET MGT TRITON PPTY	4,560,825	7.46
5	HERMES PROPERTY UNIT TRUST	4,313,750	7.06
	Top 10 Holdings Market Value	26,820,684	43.87
	Total UBS Property Market Value	61,138,000	

UBS - Property

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 12

2006 2007 2008 2009 2010



Performance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.9	3.2	9.4	-12.9	9.5
Benchmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0	2.1	9.7	-11.1	9.0
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.9**	**1.1**	**-0.3**	**-1.8**	**0.5**

Target Returns

Rolling annual target of 1.00% above benchmark

UBS - Overseas Equities

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Agenda Item 6

Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

The Economy

1. The progress of GDP growth in the major developed economies continues to be patchy. Third quarter data from the United States of 0.5% quarter on quarter growth was below expectations, although the UK growth rate of 0.8% was well ahead of the 0.4% figure expected. Forecasts for US and Japanese growth in 2011 have also been scaled back since the previous report. In China, by contrast, the central bank has *raised* interest rates in order to curb inflationary tendencies.

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

Consensus real growth (%)						**Consumer prices (%)**
	2007	**2008**	**2009**	**2010E**	**2011E**	**2010E**
UK	+3.0	+0.7	- 4.7	(+1.4) +1.7	+ 1.8	+ 3.0 (CPI)
USA	+2.0	+1.2	- 2.5	(+3.0) +2.6	+ 2.3	+ 1.6
Eurozone	+2.6	+0.8	- 3.9	(+1.2) +1.6	+ 1.3	+ 1.6
Japan	+2.0	- 0.2	- 5.3	(+3.2) +2.9	+ 1.3	- 0.9
China	+11.9	+ 9.0	+ 8.7	(+9.9) +9.9	+ 8.6	+ 3.0

[Source of estimates: The Economist, 06.11.10]

2. Speculation during the summer centred on whether the Federal Reserve would decide to embark on a second round of quantitative easing (dubbed QE2) with the aim of stimulating the US economy. The disappointing data on growth and employment finally persuaded the Fed to announce in early November a programme of up to $600bn of purchases of Treasury bonds over eight months.

3. In the UK, attention was focused on the Chancellor's Comprehensive Spending Review scheduled for 20 October. This would provide details of the coalition government's spending cuts which had been announced in aggregate in the June Budget. Despite moderating the public spending cuts by some £2bn per annum, the Chancellor's measures still implied a 12.7% real cut in spending by 2014-15. Two proposals of significance for Local

Government Pension Schemes were the switch from RPI to CPI for inflation-linking of benefits, and the probable increase in employee contributions when the final Hutton Report is published.

4. While the Greek sovereign debt crisis faded from the headlines – perhaps temporarily – attention turned to other heavily-indebted members of the Eurozone, and the yield premium on Spanish, Portuguese and Irish debt widened sharply. There were fears that the healthier European economies – notably Germany – would refuse to contribute to future packages to bail out the weaker credits.

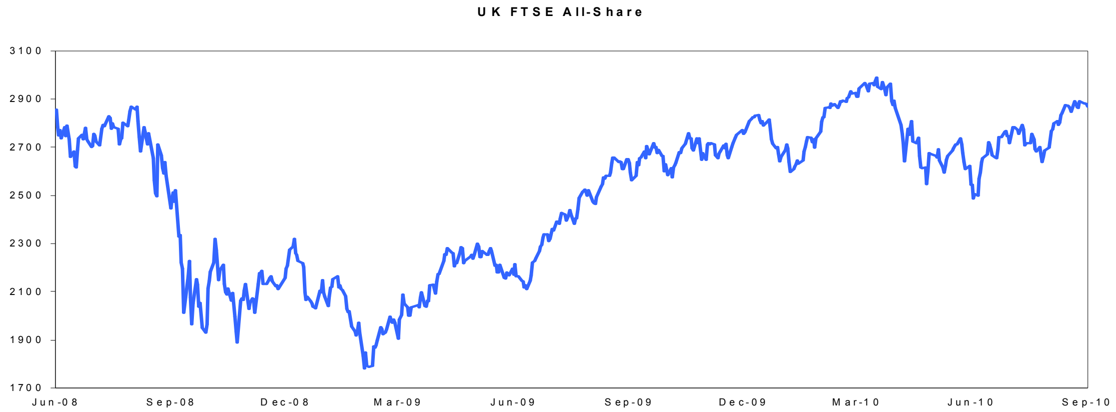
Markets

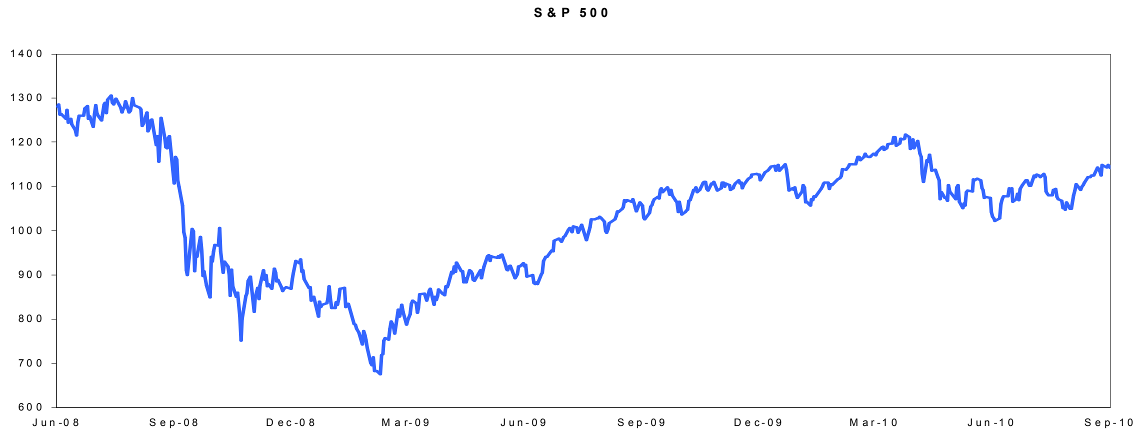
5. The slide in equity markets, which started in April and resulted in a 10-15% fall in prices, came to an end early in July, and in the subsequent rally shares had recouped most of the losses by the end of September as investor sentiment improved. Later in the autumn, most indices surpassed their April 2010 highs, to reach levels last seen in mid-2008. Ironically, one of the triggers for this strength was the expectation that the Federal Reserve would inject liquidity into the system in order to stimulate the flagging US economy.

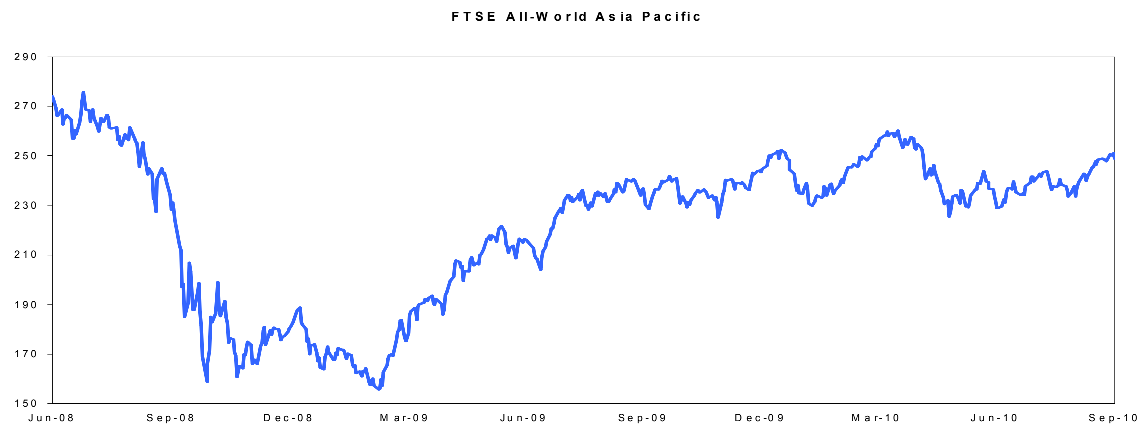
Capital return (in £, %) to 30.09.10		
	3 months	**12 months**
FTSE All-World Index	+ 8.1	+ 7.9
FTSE All-World North America	+ 5.3	+ 9.6
FTSE All-World Asia Pacific	+ 6.9	+10.1
FTSE All-World Europe (ex-UK)	+13.0	- 1.0
FTSE All-World UK	+12.7	+ 7.7
FTSE All-World Emerging Markets	+11.1	+20.3

[Source: FTSE All-World Review, September 2010]

6. All ten global industrial sectors rose during the quarter. The strongest were Basic Materials (+14%) - spurred by the rise in metals prices - and Telecommunications (+12%), while Health Care, Technology and Utilities each gained just 4 – 6%.


UK FTSE All-Share
3100
2900
2700
2500
2300
2100
1900
1700
Jun-08
Sep-08
Dec-08
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10


S&P 500
1400
1300
1200
1100
1000
900
800
700
600
Jun-08
Sep-08
Dec-08
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10


FTSE All-World Asia Pacific
290
270
250
230
210
190
170
150
Jun-08
Sep-08
Dec-08
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10

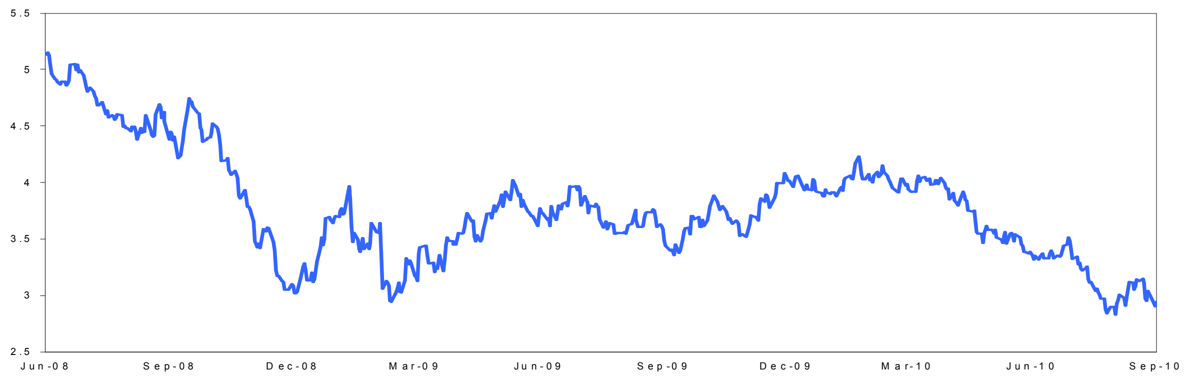
7. The second-quarter surge in **government bond** prices in the US, UK, Germany and Japan continued in the third quarter, with sharp falls in the yields as shown in the table below.

10-year government bond yields (%)				
	Dec 2008	**Dec 2009**	**June 2010**	**Sept 2010**
US	2.22	3.84	2.96	2.52
UK	3.02	4.01	3.35	2.95
Germany	2.95	3.40	2.58	2.29
Japan	1.18	1.29	1.09	0.94

[Source: Financial Times]

Generic 10yr US Treasury Yield

Generic 10yr UK Gilt Yield



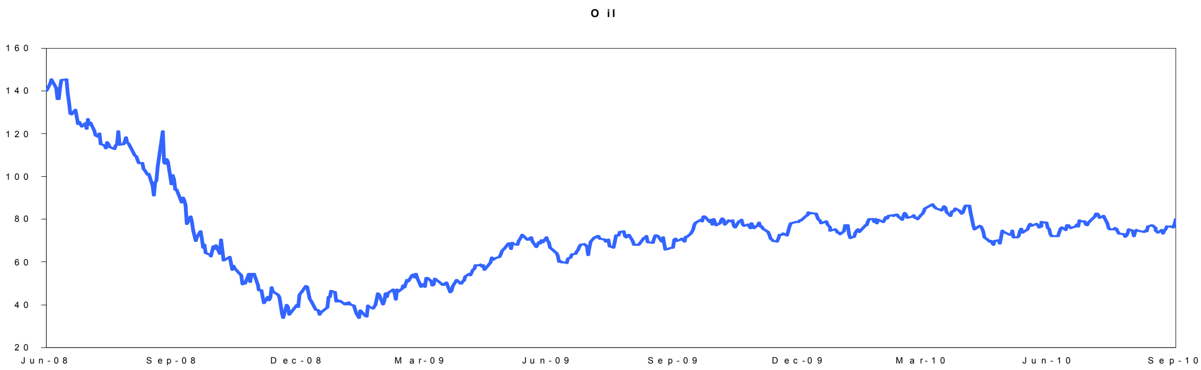
8. The spread on **UK Corporate Bonds** relative to gilts narrowed slightly during the quarter, giving good absolute returns on this sector of the portfolio.

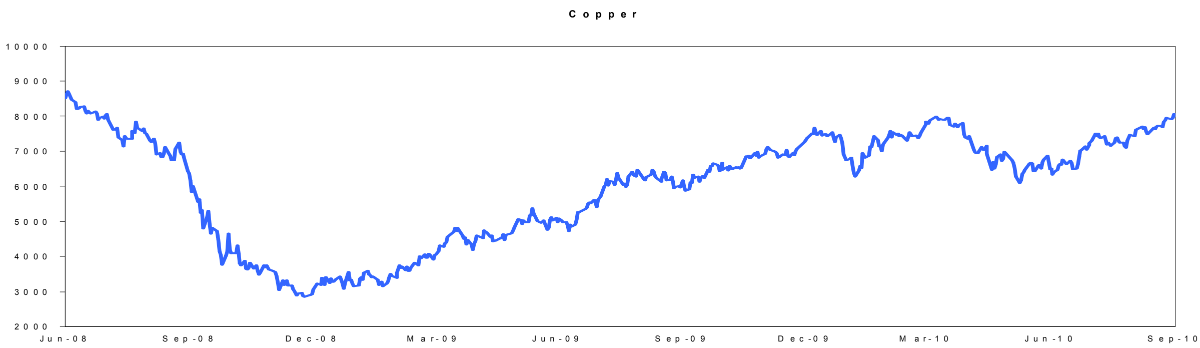
9. Values in the **UK Property** market have started to level off after their strong growth since the summer of 2009, although rental levels are sluggish and secondary properties are still not attracting much interest from investors.

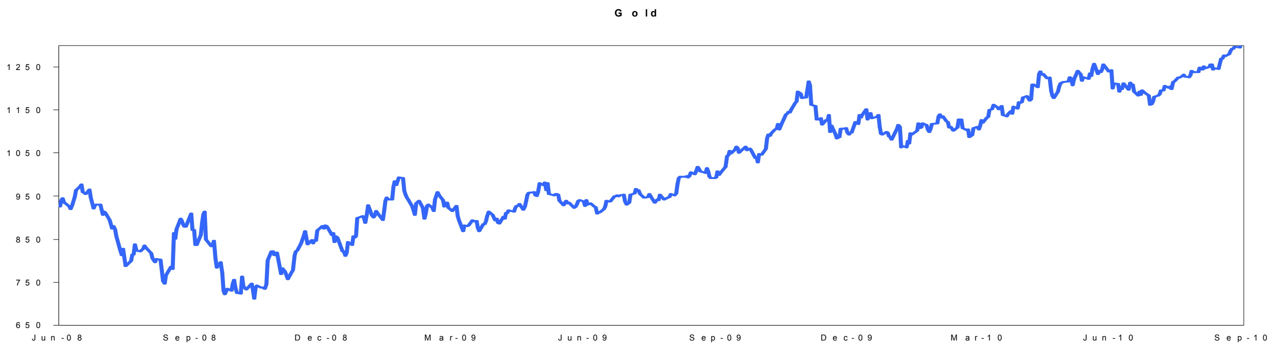
Median fund returns to 30.09.10	3 months	12 months
Balanced Funds (n= 27)	+ 1.9%	+ 18.4%
Specialist Funds (n= 31)	+ 2.0%	+ 26.7%

[Source: IPD UK pooled property funds]

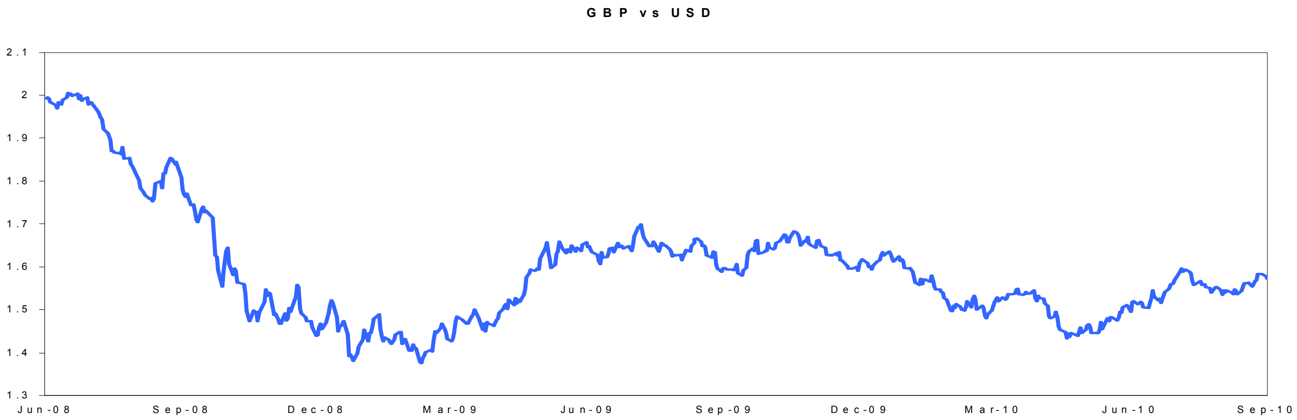
10. In **Commodities**, the oil price remained stable around the $80/barrel level, while copper and gold both appreciated further during the quarter (albeit in depreciated $ terms – see paragraph 11). Gold rose by 5% during the quarter to $1309/oz, and has since risen to $1400, on fears of monetary easing by central banks, and signs that some monetary authorities planned to become net buyers of gold.

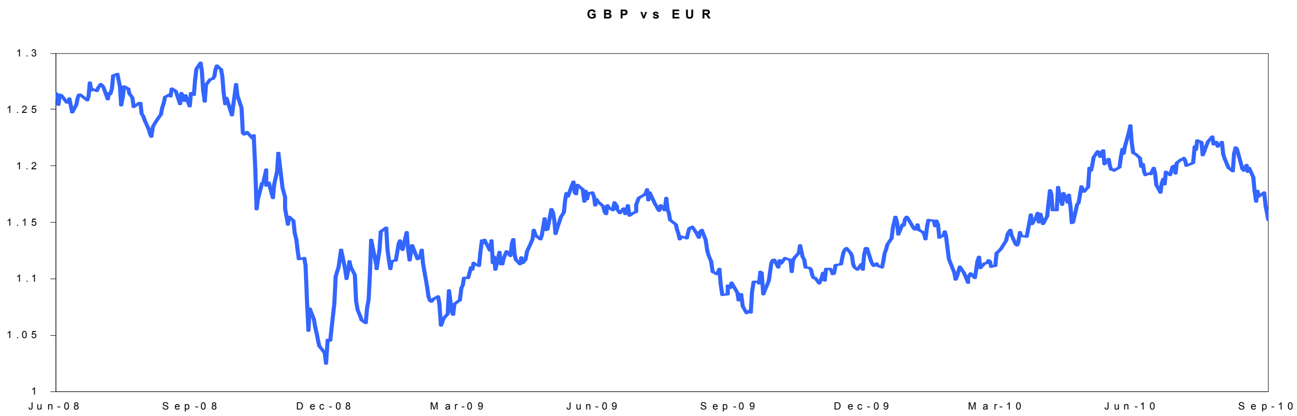






11. The feature of **currency** markets during the quarter was the weakness of the dollar. It lost 5% against the pound and the yen, and 10% against the euro, during the quarter, on fears of quantitative easing by the Federal Reserve. It then weakened further, when the Fed announced QE2 early in November. The Japanese authorities had earlier intervened to try to prevent the yen rising beyond Y83 per $, but with limited success.





Outlook

12. The sharp rally in equities during the third quarter was not based on any improvement in the global economic outlook, but rather on the anticipation – subsequently confirmed – that the US authorities would need to inject further liquidity into markets as a stimulus to GDP growth via increased lending.

13. At the same time, prices of industrial metals have risen strongly, on rising demand by China and other Asian producers, but this carries with it the threat of higher consumer prices in the West. With Western governments already introducing austerity programmes to pare their fiscal deficits, this further squeeze on consumer spending would be most unwelcome.

14. The substantial rises in equity markets over the past 18 months have been justified by the strong gains in corporate profits since the credit crisis. Earnings per share in the US, Europe and Asia ex-Japan are expected to rise by 35 – 40% in 2010, with a further rise of 10-15% in 2011. Even so, 2010 price/earnings averages of 11-12 in Europe and 13 – 14 in US and Asia ex-Japan are below historic averages. If profits do indeed grow as expected in 2011, then prospective multiples for 2011 do not make equities look expensive.

15. While medium- to long-term government bond yields in US, UK, Germany and Japan still look extremely low on any prospective view of likely inflation levels, they are attractive as secure, liquid assets to Central Banks, clearing banks, insurers and pension funds seeking to match their liabilities. It is on these grounds, as well as providing insurance against deflation, that they have been in such demand.

16. While changes in sentiment, or unexpected events, can always cause sudden fluctuations in equity markets, the Fund's present position of holding a high equity content, and a low cash balance, looks justified on fundamental grounds.

PETER DAVIES
Independent Financial Adviser

November 2010

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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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of the Local Government Act 1972.

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Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. Following the General Election Results in May 2010, the new coalition government set up the Independent Public Service Pensions Commission under the chairmanship of Lord John Hutton. The Commission was tasked with conducting a fundamental structural review of public service pension provision, and reporting back to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead while protecting accrued rights.

2. This report updates the Committee on the Interim Report of the Commission, and highlights the issues where the Commission has called for further evidence. The Committee is invited to identify those issues that it would wish to include in any response to the Commission.

The Interim Report from the Commission

3. The Commission published its interim report on 7 October 2010. The 170 page report has been widely welcomed as a comprehensive and informed analysis of the issues. The report has set out the background to the current issues, sought to dispel a few wider held myths, set out the principles against which all future changes should be assessed, and some broad issues for debate on future reform.

4. Lord Hutton in presenting his report has noted and welcomed the recent reforms to public service pension schemes. However, it is his view that maintaining the status quo is not tenable. He argues for long term structural reform and a more prudent approach to meeting the costs of public service pensions.

5. Lord Hutton talks of the mistaken view that public sector pensions should be regarded as gold plated. He notes that the average public service pension of £7,800 is fairly modest by any standard. He also notes that over 50% of all pensioner members receive less than £5,600 per annum, and 90% of pensioners receive less than £17,000.

6. Whilst stating his view that these are modest sums, Lord Hutton does note the declining numbers of employees working in the private sector who have access to a pension scheme and the declining value of those pension arrangements that are available. However Lord Hutton dismisses “the race to the bottom” as an answer. He notes the critical role played in this country by the public services and recognises the compelling public policy objective in

ensuring we can recruit and retain a quality workforce to maintain these vital public services.

7. However Lord Hutton argues that there is a clear need for reform to reflect the changing pensions landscape since many of the current pension schemes were designed. In particular, Lord Hutton argues that there is a need to address unfairness between the costs and benefits for scheme members and tax payers, and between current and future generations. Lord Hutton argues that the final salary schemes are inherently unfair, rewarding primarily the high earners, and should not be the basis for schemes going forward.

8. In looking at developing proposals for reform, Lord Hutton has identified 4 principles against which he argues proposals should be assessed. These are:

- Affordability and Sustainability – Lord Hutton argues that it is a political decision to determine the level of pension costs that the Country can afford to pay but does state that any decision must be taken on a long term basis. Viewing pension costs as a % of GDP is seen as a reasonable measure. Lord Hutton though is clear that affordability requires a reasonable view of the discount factor used to discount future liabilities to determine current costs and states that current figures are at the high end of the spectrum. In terms of sustainability, Lord Hutton argues that any scheme needs to be flexible enough to cope with future uncertainty, particularly changes in longevity.
- Adequate and Fair – The Interim report does not define adequate but does refer to the need to maintain pensions at a level that avoids the burden on the welfare state. On fairness, the report highlights the need for fairness between those on different incomes, in different services, between employers/tax payers and employees, between generations and between the public and private sectors.
- Supporting Productivity – Lord Hutton is particularly concerned to avoid barriers to an efficient labour market, so allowing individuals to switch between sectors and services, and allowing employers more freedom in designing the structures for the delivery of their services. He draws attention to the barriers created by the current Fair Deal arrangements.
- Transparent and Simple – Lord Hutton has commented that the current debate on public sector pensions is hampered by a lack of clear and widely accepted information. He is also concerned that employees do not have sufficient understanding to make the choices open to them and understand the trade offs involved. The Commission also wants to see a future scheme which reduces the current level of administration costs (including the costs of investment management).

9. In examining any scheme changes, Lord Hutton has recognised the need to protect the accrued pension rights of public sector workers. The interim report though made clear that this does not extend to protecting the current terms for future accrual.

10. Lord Hutton has considered the differences between the LGPS, which is the only funded scheme in the public sector, and the other unfunded schemes.

The Commission has concluded that no changes should be made to the current funding basis. The transitional costs of moving the unfunded schemes to a funded basis are prohibitive, but there is no argument for removing the funding for the LGPS.

Short Term Reform

11. In the interim report, Lord Hutton has stated that there is a requirement for fundamental review of the schemes, which along with the need to protect accrued rights, will delay the addressing of the issues identified into the longer term. He has therefore proposed short term measures to address the issues of increased longevity, the perceived imbalance between employee and employer contributions and the concern that overall funding levels are too low.

12. Lord Hutton has determined that the only viable short term option is to increase employee contribution rates. In making this statement, the Commission has stated that it does not believe it to be appropriate to introduce employee contributions for the armed forces at this time. The Commission also argues for the need to protect the low paid, to avoid widespread opt out and fall back onto the welfare state.

13. The interim report stated that it was a matter for Government to determine the manner and level of any increases. Subsequently though the Chancellor has stated that he expects further proposals to be presented in the final report from the Commission.

14. A target figure of £1.8b has been identified as the consequence of an average 3% increase in contributions from the unfunded schemes. It is not clear how this would be achieved, given the significant differences in current contribution rates, which range from 1.5% in parts of the Civil Service, 1.8% in the Judiciary up to 11% in the police and firefighter schemes.

15. For the LGPS, an average 3% increase would raise an estimated £750m, allowing the Government to reduce the level of funding provided in the local government settlement. There is an issue of how this will be managed given the imminent publication of the 2010 Valuation results which set the employer contribution rates for the next three years. These would need to reduce in line with the increases in employee contributions to avoid the need for cuts in services.

16. It is not clear how any changes in employee contribution rates will be managed in the LGPS. The Government did consult in the Autumn of 2009 on changes in contribution rates which largely protected employees on salaries up to £30,000 with reductions for those on £12,000 - £15,000 and £18,000 - £22,000, increases on 0.2% to 0.3% for those on £30,000 to £75,000, increases on 1% for those on £75,000 to £100,000 and increases of 2.5% for those above £100,000. The Government's own estimates suggested that the average increase in these proposals was just 0.1%. Any change which protects the low paid (whether the cut off is £15,000, £18,000 or £22,000) will therefore require significant increases in contribution rates for everyone else. Alongside the current pay freeze, and the changes to pension

tax relief, any significant increase could lead to large numbers of opt outs, particularly amongst the highest paid, and those with considerable service.

Call for evidence for Final Report

17. On 1 November 2010, Lord Hutton wrote to all stakeholders with a call for evidence for his final report. A copy of this letter is attached as Annex 1. The letter asks 25 specific questions centred around seven key topics.

18. Question one is around **scheme design**, and simply asks for comments on future scheme design, noting the Commission has already ruled out a scheme based on final salary, or solely based on an actual defined contribution scheme.

19. This Committee has previously called for a scheme based on career average salaries and may wish to repeat that response today. In addition, the Committee should consider the merits of introducing a cap on the salary at which funded pension benefits can accrue, or the option of a hybrid scheme which converts to a defined contribution option above the cap (with or without employer contributions, notional or actual).

20. In terms of adequacy, transparency and simplicity, the introduction of a cap or a hybrid scheme may not score highly. Adequacy can be defined in both absolute terms (in line with welfare payments) but also in relative terms. A previous Pensions Commission chaired by Lord Turner defined adequacy in terms of percentages of salary prior to retirement and the ability to maintain a previous standard of living. Introducing a cap will not impact on adequacy in absolute terms but will clearly penalise those on higher salaries in relative terms. This group is already targeted in terms of the changes to pension tax relief, and higher contributions, and any cap needs to be seen in this context.

21. The LGPS already allows members to increase their pension provision through Additional Voluntary Contributions for which the employer makes no contributions. Any hybrid scheme needs to take account of this to avoid over-complicating the pension arrangements for an individual.

22. Questions two through to nine cover **risk sharing** and a series of issues around fairness. The Committee has already considered this issue to an extent in the debate around cost sharing which is yet to be implemented within the LGPS. The letter specifically asks the question around the longevity risk and there does appear to be merit in linking the normal retirement age to longevity forecasts to try and standardise the period for which pension benefits are payable.

23. Alongside any movement in the normal retirement age, there needs to be a link to the accrual rates to ensure the level of pension remains at the targeted levels of income i.e. if retirement ages are increased, accrual rates should reduce to maintain the proportion of salary paid in final pension.

24. In terms of fairness between employees and employers/taxpayers, the initial models were set up with a funding ratio of 6:9 between employee:employer. It is argued that this is a realistic target to adhere to.

25. Also in terms of fairness, there is a much supported view that pension arrangements (benefits, contribution rates, retirement ages etc.) should be standardised for all non-uniformed public service workers, with a separate sub-set of arrangements for the uniformed workers, reflecting the nature of their work. The Committee is invited to comment further on this, including the standardisation of normal retirement age across public services.

26. The question on different treatment for those at different income levels has been covered above. The LGPS already differentiates through contribution rates dependent on full time equivalent salary (a change introduced by the previous Government based on differential benefits under the tax regime). Further differentiation will work against the objective of transparency and simplicity and may be difficult to justify in terms of fairness.

27. The third group of questions (numbers 10-13) is centred around **adequacy**. As noted above, adequacy can be (and should be) measured both in absolute and relative terms. Lord Turner's Pensions Commission set out benchmark rates for pensions as follows:

- Gross Income less than £9,500 — Pension 80% of Salary
- £9,500 - £17,499 — Pension 70% of Salary
- £17,500 - £24,999 — Pension 67% of Salary
- £25,000 - £49,999 — Pension 60% of Salary
- Gross Income above £50,000 — Pension 50% of Salary

28. Lord Turner justified these figures in terms of the costs that fall out on retirement (beneficial tax arrangements, national insurance contributions, travel to work, pension contributions, housing costs etc). If these figures can be viewed as a reasonable guide to relative adequacy, it would suggest that current accrual rates could be reduced. An accrual rate of 1/80th rather than the current 1/60th would provide a pension of 50% of average salary, with at the lower salary range the state pension bringing the overall pension above Lord Turner's benchmark figures. (NB The change to career average schemes would have an impact on these calculations, so more detailed calculations of the accrual rate would need to be undertaken).

29. It is argued that between the public services pension and the state pension, an employee should be receiving an adequate level of income. If individuals are left to make their own arrangements to ensure an adequate pension, it is likely that many will not, and the burden will fall back onto the welfare state. Individuals though should be free to make their own arrangements to increase their pension above what are deemed adequate levels (subject to the tax regime).

30. Questions 14 to 17 refer to **employee understanding and choice**. Our experience indicates that the majority of individuals do not consider their pension options until late in their careers when retirement is on the near

horizon. Most employees do not exercise any choice over their pension arrangements, remaining in the LGPS as the default option rather than opting out, and taking the old default option when going for an AVC. Allowing scheme members choice in shaping their own pension arrangements is unlikely to be widely taken up, and the additional administration involved and the potential difficulties in transferring the pension benefits between employers are likely to outweigh any advantage.

31. If the Government wants to ensure all employees make adequate arrangement for their retirement, they should consider making membership of the pension scheme a mandatory requirement of employment in the public service, with those wishing to opt out doing so on the basis they also opt out of future support from the welfare state in retirement.

32. There are two questions (18 and 19) on **pensions and plurality of provision of public services**. The Commission here is looking for potential changes to the Fair Deal arrangements to support a more level playing field between public and private sectors in tendering for contracts, as well as looking at which workers can join public sector schemes.

33. Given the Commission’s wish to avoid a race to the bottom in pension provision, this is a difficult issue to reconcile. Relaxation of the Fair Deal arrangements which protect the pension benefits of those transferring to the private sector under TUPE are likely to accelerate a levelling down of pension provision, as part of the drive to reduce the costs of public service provision.

34. Relaxing the Fair Deal arrangements would appear to be inconsistent with opening up public service pension scheme to wider membership and indeed would indicate only those directly employed in public services would have the right to membership. If Fair Deal is preserved, then the current admission arrangements for the LGPS appear sufficient.

35. The Commission has asked three questions (20-22) on the **administration costs** of public service schemes. In particular, the Commission is looking at what scope there is for rationalising the number of local government pension funds.

36. There is arguably a conflict between the idea of fewer (presumably regional) schemes and the Government’s drive to localism, and improving the local democratic input to service provision. However, current administrative arrangements are based on multiple employers within a single Fund, so an extension of this cannot be ruled out simply on principle.

37. A key issue to consider is the practical issues of administering a scheme for local employers (particularly some of the smaller admitted bodies) from a regional centre. To ensure efficiency savings from rationalisation, there is a clear need to improve communication channels, including the transmission of employee data between employers and administering authority. A review of the arrangements for the nationally administered Teachers Pension Scheme could point to appropriate arrangements going forward.

38. The final three questions (23-25) are in respect of **transition issues**. These questions primarily are looking to identify best practice from private sector arrangements. Key amongst transition issues is the protection of accrued rights and what this means. A number of options exist:

    (i) Close the existing arrangements for new accrual, but allow the accrued benefits to move in line with previous Regulations i.e. the benefits accrued would still be valued on the basis of the individual's final salary, and be payable at their normal retirement age under the current Regulations.
    (ii) Close the existing arrangements for new accrual, revalue the benefits on the basis on an agreed index (presumably CPI in line with the new arrangements for deferred benefits), with benefits payable in line with the regulations at the time of retirement.
    (iii) Close the existing arrangements and transfer all accrued benefits into the new scheme on an equivalent basis.

39. The third option would arguably be the most transparent and simplest going forward, but could be subject to the greatest opposition from existing scheme members, especially those closest to retirement. The first option will mean the longest delay in seeing the benefits of the changes working their way through to employer contribution rates and therefore the tax payer. The Committee may therefore wish to consider option (ii) as its preferred way forward.

Employers' Forum

40. The issues covered by Lord Hutton and the Commission which he chairs are clearly of significance to those in the public services. Before finalising the response of the Oxfordshire Fund, it is therefore proposed to cover the issues included in this report as part of the Employers' Forum on 10 December 2010.

41. It is therefore proposed to submit a consolidated response to Lord Hutton's call for evidence after the Forum, in accordance with his deadline of 17 December 2010.

RECOMMENDATION

42. **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.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

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November 2010

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Independent Public Service Pensions Commission

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1 November 2010

Call for evidence for final report

On 7 October I published the interim report of my independent review of public service pensions. This reflected the large number of submissions of evidence received in response to my first call for evidence for which I was very grateful.

The interim report set out the landscape around public service pensions and considered the case for reform. My final report will look at options for structural reform. I consider such reform is vital, given concerns around fairness, increases in longevity, management of risk and the need to reduce barriers to different ways of providing public services and mobility between public and private sectors.

I would like to invite evidence and views from you by Friday 17th December that will assist me in considering the issues outlined below.

Scheme Design

There are many different types of pension schemes that exist in the UK and throughout the world. Traditional models include:

- Final salary schemes, which generate a pension based on salary towards the end of employment;
- Career average schemes, where the amount of pension received is usually based on salary across a period of employment;
- Defined contribution (DC) schemes, where the amount of pension usually relies on the level of contributions paid into a fund, the investment performance of the fund and the annuity rate which converts the fund into an income in later life;

There are also a range of hybrid schemes, which usually combine elements of final salary or career average schemes (DB schemes) with elements of defined contribution (DC) provision. Some possibilities include:

- 'Capped schemes' - a DB scheme up to an income level, with a DC scheme for any income over that level;
- 'Combination schemes' - a scheme where a member simultaneously earns benefits that are part DB and part DC on the same income;

- 'Nursery schemes' – where a member starts in a DC scheme and then earns DB benefits after a number of years in employment;

There are also examples of different types of scheme design that operate in different countries. These include:

- Collective DC schemes – which are similar to DC schemes but where an attempt is made to manage investment risk across generations in an effort to improve returns on average across generations;
- Notional DC schemes – which are unfunded DC schemes and protect members from some of the investment risk associated with typical DC schemes;

Q1) What is an appropriate scheme design for public service pensions? Why?

Risk-sharing

As well as the overall scheme design, there are certain parameters such as normal pension age, indexation factors and contribution rates that can be used to manage risks in different types pension schemes.

There are different risks involved with saving for retirement that are faced by members of pension schemes or by employers who provide the pension scheme. For example, there is a chance that pension scheme members will live longer than expected when the scheme was established which will result in either increased costs for the employer or reduced benefits for scheme members. Other risks associated with some forms of pension saving include risks that investment returns deviate from what has been expected or that earnings grow at a different rate from that assumed.

Generally speaking, in pure defined contribution schemes the scheme members bear most risks and in final salary schemes employers bear most risks (and ultimately in the case of public service schemes, taxpayers). I am seeking views on how risks should be managed between scheme members and public service employers. Specifically:

Q2) Which risks associated with pension saving should the scheme members bear, which by the employer and which should be shared? Why?
Q3) What mechanisms could be used to help control costs in public service schemes? For example, is there merit in flexible normal pension ages linked to changes in longevity? What indexation factor should be used in a career average type scheme to ensure a reasonable balance of risk between scheme members and taxpayers?
Q4) Where and how have risks associated with pensions been effectively shared in private sector companies?
Q5) Which international examples of good practice in the area of risk sharing should the Commission consider when compiling the final report? Why?
Q6) What should the split between member and employer contributions look like?
Q7) Should there be different treatment of different professions (for example, lower normal pension ages for some public service employees)?

Q8) Should there be different treatment for those at different income levels?
Q9) What is the appropriate normal pension age for the different public service schemes? Should this vary across schemes and, if so, why?

Adequacy

A key outcome for public service pensions is that they offer an adequate level of income in retirement, particularly where people have devoted the majority of their working life to public service.

There are different views about what an adequate level of income is in retirement and how this should be measured. Lord Turner's Pension Commission produced some benchmark replacement rates but other approaches could include using poverty thresholds at lower income levels. Other commentators suggest looking at household resources rather than individual income, which could give a broader picture of potential standards of living in retirement.

Q10) How should the Commission think about measuring adequate levels of resources in retirement?
Q11) What should be considered an adequate level of resources in retirement?
Q12) Should a full state pension and a full public service pension ensure people have adequate resources in retirement? Or should room be left for individuals to make their own arrangements?
Q13) How should this change where people work part careers in public service?

Employee understanding and choice

A principle against which options for long-term structural reform will be judged is that schemes should be widely understood. But this principle may require trade offs to be made with other principles outlined in the interim report such as fairness and sustainability. I would therefore welcome views on:

Q14) How much do workers value and understand pensions? Is there any evidence this differs between groups (for example, by age, by income)?
Q15) Which forms of scheme design will encourage employees to save for their retirement? Is there any evidence from pension scheme reforms influencing opt out rates in the private sector?
Q16) What best practice exists in the private sector around communication of benefits with scheme members?
Q17) Should any new scheme design offer members a degree of choice in the level of contributions paid and benefits received? For example, should members be able to receive a higher pension if they want to take the pension later? Why?

Pensions and plurality of provision of public services

It is important that public service pensions support productivity and ensuring plurality of provision of public services is an important part of this. Different public service pension structures and eligibility for public service schemes may impact differently on the ability of providers outside of the public sector to supply public services. Therefore I would be interested in views on:

Q18) Whether and how public service pensions could be structured to support a more level playing field between the public and private sectors when tendering for contracts?

Q19) Which non-public service employees should be eligible for membership of public service schemes?

Administration costs

There appears to be a wide variation in the administration costs across different public service schemes, and costs seem to be higher than those in the private sector in some cases. The final report will consider whether there is scope for rationalisation and cost reduction.

Q20) What evidence is there on administration costs (excluding fund management costs) of private sector pension schemes? How do these compare with those in the public service schemes?

Q21) How do private sector schemes ensure that there is good quality and efficient scheme administration? Which measures can be applied to public service schemes?

Q22) Is there scope for rationalising the number of local government pension funds? If so, how could this be achieved?

Transition issues

Ensuring there is a smooth transition from the current pension scheme structures to whatever new arrangements are put in place will be crucial if scheme members and taxpayers are to have confidence that the new arrangements are fair, suitable and sustainable in the long-term.

Q23) How can the Commission ensure an effective transition to the new arrangements?

Q24) What can the Commission learn about moving to a new scheme from best practice in the private sector and internationally?

Q25) How have accrued rights been protected or transferred during changes in schemes in the private sector?

In addition, I would also be interested in any further views respondents may have on any other issues relating to public service pensions that are not outlined above, including those raised in my interim report.

I look forward to receiving your input by Friday 17th December emailed to pensions.commission@hmtreasury.gsi.gov.uk. Any responses received will be published on the Independent Public Service Pensions Commission website shortly after the publication of my final report.

Yours sincerely

Lord Hutton of Furness
Chair, Independent Public Service Pensions Commission

Independent Public Service Pensions Commission: terms of reference (issued 20 June 2010)

To conduct a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

In reaching its recommendations, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes;
- implementation and transitional arrangements for any recommendations; and
- wider Government policy to encourage adequate saving for retirement and longer working lives.

As part of the review, the Commission is invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit. The commission is invited to produce the final report in time for Budget 2011.

Scheme coverage

- For civil servants:
    - o Principal Civil Service Pension Scheme
    - o Principal Civil Service Pension Scheme (Northern Ireland)
- Armed Forces Pension Scheme
- For NHS employees:
    - o NHS Pension Scheme
    - o NHS Superannuation Scheme (Scotland)
    - o Health and Personal Social Services Northern Ireland Superannuation Scheme
- For teachers:
    - o Teachers' Pension Scheme (England and Wales)
    - o Scottish Teachers' Superannuation Scheme
    - o Northern Ireland Teachers' Superannuation Scheme

- For Local Government:
    - o Local Government Pension Scheme (England and Wales)
    - o Local Government Pension Scheme (Scotland)
    - o Northern Ireland Local Government Pension Scheme

- Police Pension Scheme (administered locally)

- Firefighters' Pension Scheme (administered locally)

- United Kingdom Atomic Energy Authority Pension Schemes

- Judicial Pensions Scheme

- Department for international Development – Overseas Superannuation Scheme

- Research Councils' Pension Schemes

In addition to the schemes mentioned above, there are a number of smaller schemes and many established to cover only one senior appointment which do not specifically need to form part of the review but which will be required to act on the recommendations.

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Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS) REGULATIONS – SI 2010/2090

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. 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.

2. 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.

Ill-Health Retirements

3. The regulations applying to all tiers of ill-health retirement change the wording of the medical opinion sought on the certificate, from "being able to obtain gainful employment to that of "being capable of undertaking any gainful employment". Thereby confirming it is the ability to work rather than actually getting employment.

4. The importance of employers maintaining records to confirm that reduced hours are being worked as a result of ill health is emphasised. Since where the member is in part-time service wholly or partly as a result of their medical condition any ill-health benefits are calculated on full membership prior to the reduction in hours. This protection is now extended to benefits following a death in service where part-time employment had been a result of a medical condition which contributed to the death.

5. Tier 3 ill-health benefits are paid for a maximum of three years (reviewed at eighteen months) unless changed to a tier 2 benefit, and the regulations now impose a time limit on an employer to decide on this review. Where a tier 3 benefit has been paid within 3 years of normal retirement age, the regulations allow benefits to be suspended if the person does get other work and the employer is agreed that the new employment is 'gainful'. If no other work is taken up then at normal retirement age the pension will continue for the member's life time.

6. If tier 3 benefit has been awarded within 18 months of normal retirement age the employer does not have to review the benefit unless the member gets other work within that timescale.

7. Where a third tier ill health pension has been paid for the appropriate period, and then suspended, the member becomes a ‘pensioner member with deferred benefits‘. The member can ask employers for early payment of their pension, before age 60.

8. Where a member leaves on tier 1, or tier 2 ill health but then returns to another LGPS employment, which is again terminated on grounds of ill health the member cannot end up with more membership than if he had left with tier 1 from the original membership.

Contributions

9. There is clarification of the period / date for setting the new contribution rates each year – by a change in the wording from “on 1st April 2009, and each subsequent anniversary” to “on the first day of the pay period in which 1st April 2009 falls, and on the first day of the pay period in which each subsequent 1st April falls”.

10. The regulations also confirm that no contributions are due on or after a member’s 75th birthday.

Transfer of Previous Pension Rights

11. Prior to these regulations being issued, members with previous local government pension membership could only transfer these periods of membership sequentially and had to do so within twelve months of re-joining the LGPS.

12. These regulations have removed the sequential requirement thereby allowing the transfer in of any previous LGPS membership within the first twelve months of re-joining the LGPS.

13. Additionally the regulations allow “a window of opportunity”, for the next year, to all current members to re-consider their earlier decisions and to link previous service to their current membership. Furthermore scheme employers do not have any right of veto to this option, which could, depending on take up, significantly increase their costs.

Pension Credit Members

14. These regulations confirm that pension credit members can now take benefits from age 60, subject to the appropriate actuarial reduction.

Nominated Co-habiting Partners

15. These regulations confirm that only active members can elect to pay additional contributions to uprate pre 6 April 1988 membership to count towards a nominated co-habitee’s survivor pension.

Pension Increases

16. These regulations make explicit that administering authorities have the power to enforce the payment by employers of contributions arising through Pension Increase liabilities. This includes employers without any active employees.

17. **RECOMMENDATION**

The Committee is RECOMMENDED to note the report.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers:

Contact Officer: Sally Fox Tel: 01865 797111

November 2010

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Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

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.

Current Arrangements

2. The current practice is as follows:

Alliance Bernstein Baillie Gifford UBS	Seen six monthly by Committee Seen six monthly by officers / IFA, who then report to Committee In this way these managers are seen quarterly, either by Committee or by the officers / IFA
Legal & General	Seen annually by Committee Seen annually by officers / IFA, who then report to Committee
Partners Group Adams Street	One of these Limited Liability Partners is seen annually
Peter Davies re private equity	Specific report annually to Committee, considered quarterly by officers

3. Officer/Independent Financial Adviser (IFA) meetings with Investment Managers 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. Meetings with the Limited Liability Private Equity Partners are set up from time to time when officers and the IFA deem it appropriate. At the end of 2009, the Committee agreed to see one of them each year.

5. 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 for the Chairman and Deputy Chairman attending the officer/IFA meeting with the manager. Either of these options are available at any time. The Committee may recall this happened recently when Alliance Bernstein were asked to attend the Committee two meetings in a row.

6. The Management and Investment of Funds Regulations 2009 require that Investment Managers report all action taken every three months and investments must be reviewed every three months. The Committee receives written reports from the Investment Managers quarterly and reviews the investments at each Committee meeting. Officers believe that combining this with the above practice for manager monitoring complies with the regulation.

Proposed arrangements

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

		Investment Manager				
Date	Meeting	UBS	Baillie Gifford	Alliance Bernstein	L&G	Private Equity
2 Mar 2011	Officer / IFA	√				√
18 Mar 2011	Committee		√	√		
17 May 2011	Officer / IFA		√	√		√
3 June 2011	Committee	√			√	
16 Aug 2011	Officer / IFA	√				√
2 Sept 2011	Committee		√	√		
15 Nov 2011	Officer / IFA		√	√		
2 Dec 2011	Committee	√				√
28 Feb 2012	Officer / IFA	√			√	√
16 Mar 2012	Committee		√	√		

8. 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.

Regular Interim Meetings

9. In 2009, in addition to the monitoring meetings with the investment managers, regular meetings were introduced between committees. These usually take place about half way between committee meetings, just after the quarter end. These meetings are initially between the officers and the Independent Financial Adviser. The Chairman and Deputy Chairman then join the meeting for the last hour or so.

10. The meetings are an opportunity to consider current issues related to Pension Fund investments and for the Chairman and Deputy Chairman to raise issues as they wish. At each meeting consideration is given to:

- the value of the Pension Fund assets;
- the IFA's quarterly report on Private Equity; and
- the strategic asset allocation and whether any rebalancing is required.

RECOMMENDATION

11. **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: 07717 888 631

November 2010`

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Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

MEMBERS' TRAINING PLAN

Report by Head of Finance & Procurement

Introduction

1. In June 2010, the Committee received a report assessing the Committee against CIPFA's six principles for Pension Fund Investment. One area identified as a high priority for improvement was for a skills and knowledge audit to be undertaken against the CIPFA framework and a training plan developed. I have undertaken an audit and identified those areas where limited training has taken place and where I believe development is required. I have then put together a training plan to deliver an improvement in the Committee's knowledge and skills.

Training Plan Framework

2. The Committee has previously expressed a preference for training sessions prior to Committee meetings or for training events to take place in Oxford for the benefit of most committee members. Training events outside Oxford tend to be more time consuming and were not necessarily tailored to the Committee's specific needs.

3. As a consequence of the committee's views a plan has been developed with three elements:
   (1) Annual training events in July and December;
   (2) Pre-committee training; and
   (3) External seminars and conferences.

Annual Training Events

4. There is a Pension Fund Forum in December each year where the Fund's Actuary and Independent Financial Adviser provide an overview of the Fund from their perspective. This Forum tends to be topical and is open to all scheme employers. This year's event is on 10 December and should be of particular interest because of the outcome of the triennial valuation.

5. I believe one further annual training session each year is warranted. We had one in June 2009 and November 2010. The one this year would have been earlier had we been able to agree a date. The general feedback from the recent event was that it was very good and a worthwhile event. This training session will be tailored each year to suit the Committee's needs and all Committee members would be encouraged to attend.

Pre-Committee Training

6. We will continue the practice of having a training session before each committee meeting. There was no session prior to this committee meeting because of the closeness to the events held on 4 November and 10 December.

External Seminars and Conferences

7. Although the Committee has not been entirely in favour of external events and conferences, they can be a useful way to improve knowledge, particularly about topical issues. For example a number of recent events have majored on the recent interim report from Lord Hutton on the future of Public Sector Pensions. In addition, they can be an ideal opportunity to network with officers and councillors from other schemes.

8. External events can be time consuming but often the benefits outweigh this disadvantage. They are not usually expensive to attend as they are often free or heavily subsidised by the industry. It is for this reason they have been retained within the training framework.

Priorities for Training Content

9. In recent years, there has always been a substantial amount of training on various investment topics. It is important to continue with this. However, the audit against the CIPFA framework identified some gaps in training that need to be addressed. This included topics such as those services supporting the fund, Financial Regulation and communication.

10. As a consequence, the training plan has been drafted to include sessions on these topics, as well as the broader training on fundamentals (given on 4 November) and topical training such as the triennial valuation.

11. The proposed Training Plan for the coming year is attached at Annex 1. The Committee is asked to review the plan and consider whether there should be any additions or deletions.

Financial and Staff Implications

12. The budget for training has been £12,000 in recent years, although it has generally been underspent. The plan is likely to increase training costs, mainly in relation to the annual training event. However, unless there is a significant increase in members' attendance at external seminars and conferences, it is likely that the training budget would still be underspent if this plan was approved.

RECOMMENDATION

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

PAUL GERRISH
Head of Finance & Procurement

Background papers: Nil

Contact Officer: Paul Gerrish Tel: 07717 888631

November 2010

ANNEX 1

Pension Fund Committee – Members' Training Plan – November 2010

Background

CIPFA recently published a Knowledge and Skills Framework that identified six areas of knowledge that in an ideal world all Committee members would have. Officers have gone through this framework and identified those areas where training has been provided and assessing the various areas for importance. Using this assessment, they have selected a number of areas where training could usefully be provided. This has then been formulated into a plan for the next year as follows.

	Event	Date	Training Need To Be Delivered
Annual Training Events	• Committee Training day	Nov '10	▪ Duties and responsibilities ▪ Benefits framework ▪ Investment framework ▪ Corporate governance ▪ Manager selection
	• Pension Fund Forum	Dec '10	▪ Valuation process ▪ Knowledge of the valuation process and the need for a funding strategy ▪ Implications for employers of ill health and outsourcing decisions ▪ Importance of monitoring asset returns relative to liabilities ▪ Risk and return of main assets
	• Committee Training day	July '11	▪ To be determined

	Event	Date	Training Need To Be Delivered
Pre-committee meetings	• Services supporting the Pension Fund • Financial regulation • Communication • Specific Investment Topics		▪ What services are provided and by whom ▪ Procurement process for services provided externally ▪ Performance measurement of support services ▪ Accounts and audit regulations ▪ Signing off accounts and annual report ▪ Role of internal and external audit ▪ Fund responsibilities ▪ Fund policy ▪ To be determined
External Seminars and Conferences	Examples include: • NAPF Local Govt Conference • LGC Investment Conference • Fund Manager events	Various	▪ Refresher training ▪ Keeping abreast of current developments ▪ Exchange of ideas and information with other funds

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Division(s):N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

VALUATION ON CESSATION OR SIGNIFICANT REDUCTION IN FUND MEMBERSHIP

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report responds to the concerns from a number of Community 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 LGPS, 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 revised 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.

2. This report does not cover the Scheduled and Designated Bodies for which the Regulations assume continuous Fund membership. Nor does this report consider the Transferee Admission Bodies where any deficit falls back onto the sponsoring employer.

Current Valuation Approach

3. The requirements on the Fund Actuary to carry out a valuation exercise and produce a rates and adjustment certificate setting out employer's contributions are set out in the Local Government Pension Scheme (Administration) Regulations 2008 under regulations 36 and 38. The Actuary is required to set a contribution rate to secure the solvency of the Fund and to ensure that the assets held by the fund are neither materially higher nor lower than the expected liabilities of the Fund.

4. The Administering Authority is required to obtain from the Actuary a revised rates and adjustment certificate where an admission agreement is set to end, or where it believes that there have been material changes to the expected liabilities and assets since the last Valuation.

5. Circumstances which can require a revised rates and adjustment certificate therefore include:

   - an employer proposing to close their admission agreement to new members
   - an employer proposing to cease their admission agreement, for both new and existing members
   - an employer ceasing business

- the transfer of a significant proportion of staff (up to 100%) to a new employer under TUPE.

6. Both our current and former Actuary in preparing a revised rates and adjustment certificate under these circumstances would seek to minimise the risk of any future deficit falling to the Fund as a whole. As such, the Actuary has discounted future liabilities based on conventional gilt yields, rather than the more generous discount rate used in an on-going valuation, which reflects the higher investment returns associated with the equity holdings within the Fund. The Fund could therefore choose to invest the assets held in the name of these employers in conventional gilts and therefore guarantee the future income streams (though the liabilities can never be guaranteed as they will vary with future inflation, longevity etc outside the assumptions set by the Actuary).

7. The use of the lower discount rate can make a significant difference to the results of the valuation process. In one case, the Actuary calculated a cessation valuation on the basis of the low risk discount rate as £95,000. Discounting the future liabilities using the on-going discount rate showed that the employer was £1,000 in surplus.

8. The adverse financial circumstances facing the Country at the moment have led a number of the admitted bodies within the Oxfordshire Pension Fund to review the costs of the membership. The latest announcements on public sector spending have also left a number of these bodies questioning their future viability in light of potential cuts in their funding. We have been approached by a number of these bodies who are expressing concern about the costs of their on-going pension liabilities and the costs of any closure or cessation valuations. Depending on the constitution of these bodies, this concern may be a personal financial concern as they have ultimate liability for any deficit. For others where the company is limited by guarantee, the concern is more around the wish to act reasonably in respect of making adequate provision for pension liabilities to avoid any future legal challenge.

9. The issue with an employer facing a significant reduction in their Fund membership as a result of a TUPE transfer is related and again we have been approached by a number of organisations in this situation. It is worth pointing out again that this scenario does not relate to those bodies initially set up under a TUPE transfer under contract with a Scheme Employer where the body has been admitted to the Fund as a Transferee Admission Body.

10. The key feature for this group of employers is that under the Regulations, any new Admission Body starts fully funded and therefore any deficit at the time of transfer remains with the initial Admission Body. However the money to fund this deficit is retained by the contracting body. The initial Admission Body can therefore be faced with a significant cessation valuation or significant increase in contribution, when expressed as a percentage of payroll, without any funding to meet this liability.

An Alternative Approach to Future Valuations

11. This Committee has previously considered the financial burden on community admitted bodies and agreed to change the practice of our previous Actuary who undertook all valuations for admitted bodies on a low risk basis. This decision was taken in the knowledge that it may increase potential deficits on cessation of an admission agreement. The Committee has also agreed, after detailed consideration of the exceptional circumstances, to undertake a cessation valuation for a community admission body using the on-going discount rate. These changes have been reflected in the Funding Strategy Statement for the Oxfordshire Fund.

12. The Committee is now invited to consider whether to agree a set of principles whereby future valuations undertaken on the cessation of an admission agreement or on a proposed future date for the cessation of the admission agreement are undertaken using on-going discount rates rather than the lower risk discount rate based on conventional gilt yields. This would reduce the risk of significant and unplanned pension liabilities falling to admission bodies at the time they can least afford to meet the cost and potentially would enable many to continue to provide a public service after closing their membership to the LGPS.

13. It should be noted that if the Fund's assets behave in the long term in line with the assumptions used by the Actuary in carrying out their valuation, such a change in valuation practice will not lead to any additional costs to the Fund or its remaining members.

14. However it is accepted that such a policy does carry some risk, as there can be no guarantee in respect of the long term investment performance. However it should be noted that less than 3% of scheme members work within community admission bodies and of those around half work for Housing Associations or Government sponsored bodies. It would be expected that, in the event of these bodies ceasing membership, the low risk discount factor would be applied in the case of this latter group given their strength of covenant.

15. The use of the on-going discount rate would therefore be restricted to those community admission bodies that have a direct link to the remaining employers in the Fund (whether that is through the provision of financial support or the links in service provision). To minimise further the risk to the Fund, it would also be expected that, where such a body was suffering a declining membership before the cessation of the admission agreement, it was paying for past service deficit by way of a cash sum, rather than as a percentage of payroll, so minimising the deficit on cessation.

16. In terms of pension deficits crystallised at the point of a TUPE transfer, the options are to :

(i) continue with the existing practice, and require the initial employer to pick up the deficit either through a cessation valuation if all scheme members have transferred or through an on-going cash amount if they remain members of the scheme. This option does appear to be consistent with the Regulations.

(ii) seek recovery of the deficit from those scheme employers funding the contractual arrangements, who arguably have retained the resources to meet this deficit payment on an on-going basis. There is no statutory basis to enforce this option if the relevant scheme employers do not accept responsibility.

(iii) treat the deficit in line with "orphaned" scheme members, so that the deficit is recovered across all employers. This would be the end result in the event that the deficit is not recoverable under the first two options.

17. The most appropriate option would be to transfer any deficit with the staff who transfer, so that the funding moves with the deficit. This would also have the benefit of levelling the playing field for the tendering exercise, where the current contract holder needs to include an element in their costs to cover past service deficits, whereas all other tenderers can ignore this cost. This option though is not seen to be possible under the current Regulations. Members may wish to write to the Department for Communities and Local Government on this point.

18. In the meantime, the Committee is invited to consider whether it would be happy to move to following option (ii), i.e. inviting those scheme employers funding the contract to own the deficit and resort to option (iii) where this is declined.

RECOMMENDATION

19. **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 above and to ask Officers to amend the Funding Strategy Statement accordingly.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

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

November 2010

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

Agenda Item 17b

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Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

SEPARATE PENSION FUND BANK ACCOUNT

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. At the Pension Fund Committee meeting held on 19 March 2010, the implications of changes to the Local Government Pension Scheme Management and Investment of Funds Regulations were reported. (Agenda Item 13). 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.

2. 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.

SAP Changes

3. A separate bank account was opened in the name of the pension fund, with the Council's bank, in April 2010. However, in order for pension fund transactions to be routed directly through the new account, major changes are required to the existing financial systems. A project team was formed to identify the technical and procedural changes required in order to direct the transactions via the new bank account. Finance and ICT staff are working with Serco (the County Council's contractor for the provision of systems and application support for the SAP system) to implement the required system changes.

4. The project team has considered two technical solutions which could enable the separate bank account to be operational by 1 April 2011. These are discussed below. The key differences are in relation to the use of a separate 'company code' for the pension fund. The 'company code' indicates to which part of an organisation the transaction relates.

Option A – Use Existing Company Code

5. Pension Fund transactions could be routed through a separate bank account with continued use of the County Council's existing 'company code' on SAP. This option would require the least amount of work by Serco to implement the technical changes and a portion of the costs of the development would be borne by Serco under existing contractual obligations.

6. This solution would meet the minimum legislative requirements but would require additional administrative work. In order to operate the separate bank account within the existing 'company code', new procedures for invoicing, cash receipting and reconciling would need to be developed and maintained.

7. Operating separate processes and procedures for Pension Fund transactions would result in one-off and ongoing implications for staff training, procedural manuals, internal controls, audit testing etc. Use of different processes would also have ongoing consequences for the organisation in relation to transferability of staff and business continuity. Although this is the cheaper option, it is less desirable in terms of the final solution. It is less efficient operationally and could introduce internal control weaknesses.

8. The latest budget estimate of Serco costs for option A, is £15,300, based on Serco's standard day rates. Negotiations are ongoing, the final costs may be lower. This charge would be at least £10,000 higher without the existing contractual provision with Serco.

Option B – New Company Code

9. This option involves operating the Pension Fund bank account from a newly created 'company code'. All pension fund transactions would have a new 'company code' identifier which would be separate from the existing Oxfordshire County Council 'company code'.

10. Other local authorities using SAP are implementing a separate 'company code' for Pension Fund transactions. This is seen as the best practice solution to the new requirements. Use of a separate 'company code' provides a comprehensive solution and enables the continued use of existing financial procedures. It also provides for greater transparency in terms of reporting and year-end accounting.

11. The separate 'company code' solution is considered to be the most efficient solution operationally and allows an improved level of separation of transactions for accounting and audit purposes.

12. The latest budget estimate of Serco costs for option B, is £27,900, based on Serco's standard day rates. Negotiations are ongoing, the final costs may be lower. This charge would be at least £10,000 higher without the existing contractual provision with Serco.

Other Costs

13. In addition to the Serco costs outlined above, both options would incur a charge from the County Council's ICT department. The ICT recharge relates to technical work which will be undertaken in-house and project management costs, including significant testing of the final solution. The latest estimate of the County Council's ICT costs for the project is £20,000 to £25,000.

14. As a result of the requirement to operate a separate bank account for the pension fund, additional staff resources will be required to undertake separate daily dealing procedures and administrative and accounting functions on an ongoing basis. This workload is estimated as equivalent to 0.5 FTE.

Next Steps

15. The project team agreed that the increased costs of option B are outweighed by the benefits of more efficient, transparent processing and recording of transactions. The risks associated with the requirement to set up separate financial procedures to operate the bank account with the County Council's 'company code' in option A should be avoided.

16. The County Council will work with Serco to implement the technical changes required to SAP to enable the use of a separate 'company code' for Pension Fund transactions from 1 April 2011 and use of a separate bank account.

17. The timeframe for completion of the project, including testing and go-live, is challenging but is currently considered achievable. Estimates of the cost of this project were not available when the Pension Fund Budget for 2010/11 was agreed and were therefore not included in the budget. However, the 2010/11 forecast for Pension Fund consultancy fees was a £45,000 underspend. The additional ICT and Serco costs relating to this project therefore result in a current forecast of an overspend of approximately £8,000 for the Pension Fund consultancy fees budget, subject to fees negotiation with Serco.

RECOMMENDATIONS

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

PAUL GERRISH
Head of Finance and Procurement

Background papers: Nil

Contact Officer: Donna Ross, Principal Financial Manager
Tel: (01865) 323976

November 2010

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Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

PAYMENT OF DEATH BENEFIT

Report by Head of Finance & Procurement

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 dependent at any time.

2. In accordance with the Council's Constitution and the Scheme of Delegated Powers this decision can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee. At the meeting on 4 December, the Pension Fund Committee delegated authority to the Assistant Head of Shared Service (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.

3. This report considers the payment of a death grant that it is deemed likely to be contentious. As a consequence, the Committee is asked to make the determination.

The Case

4. The member died on 29 July 2010. The death grant due is £9,923.71.

5. The member died without making a nomination and there is no will either. As a consequence we do not know the wishes of the member.

6. The member is survived by three children aged 17, 23 and 25. The 17 year-old has a disability (and will receive a pension) and the father has declared himself as his legal guardian. The member is also survived by a partner who has declared himself to be responsible for administering the member's estate. The member and her partner appear to have been cohabiting for about six years, although at the time of writing confirmation of this fact was being sought from the partner.

7. There appears to be a family rift and there is no contact between the partner and the three children or the children's father. The member and the children's father appear to have been divorced in 2004. As a consequence any decision over the payment of the death grant is likely to be contentious.

8. As the member died intestate, any balance of her estate after expenses should be split between the three children, although this could adjust by the court in favour of a person who was maintained, either wholly or partly, by the deceased. We clearly do not know the member's financial circumstances or any details of the financial arrangement between the member and her partner. However, it would appear that the children and the partner are eligible to receive the death grant.

9. The Committee appears to have one of three options:

   (1) Pay the death grant to the partner;
   (2) Share the death grant equally to the three surviving children; or
   (3) Share the death grant in some way between the four of them.

10. As the balance of the member's estate would be paid to the three children, I do not believe that paying the whole of the death grant to the partner is an option in the absence of any knowledge of the member's wishes.

11. If we followed the laws of intestacy, then we could share the grant equally between the three surviving children. This would be a reasonable decision, although it may be harsh on the partner as he will not receive any of the balance of the estate. We do not know of his financial position.

12. In the absence of any information about the wishes of the member, it may be fairer to share the grant equally between the partner and the three surviving children. This may also be the least contentious option.

13. Either the second or third options would be reasonable. On balance I would recommend that the Committee take the third option and share the grant equally between the four relevant individuals.

RECOMMENDATION

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

PAUL GERRISH
Head of Finance & Procurement

Background papers: Various documents obtained from the partner and the children's father.

Contact Officer: Paul Gerrish Tel: 07717 888631

November 2010

Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

PENSION FUND VALUATION 2010

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. Under the Pension Fund Regulations, the Administering Authority must arrange for the valuation of the Pension Fund on a three yearly cycle. The requirement is therefore for a Valuation of the Fund as at 31 March 2010, with the Valuation report and the Rates and Adjustment Certificates which set out the individual contribution rates for all of the Fund employers required to be published by 1 March 2011.

2. This report sets out the interim results for the Fund as a whole and highlights some of the key issues taken into account in determining the results, issues to be considered before final results are published and those issues which employers need to consider in implementing the results.

The Interim Results

3. Barnett Waddingham, the Fund's new Actuary has produced interim results for the whole of the Fund. These results are consistent with the Fund's Funding Strategy Statement and use Barnett Waddingham's "Dynamic Gilt Plus" model which aims to smooth out as much of the fluctuation in contribution rates as possible.

4. Based on their 2007 model, the overall employer contribution rate for the Fund would have risen 2.9% of pensionable pay, from 19.9% to 22.8%. A major component of this increase is the impact of the poor return on assets over the three year period between valuations. However, in producing the overall results for the Fund, Barnett Waddingham have made a number of changes to assumptions to those they used in undertaking 2007 Valuations.

5. The first change is to allow for the recent Government announcement to link pension increases to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). Historically, CPI has run around 0.5% below RPI. This factor alone reduces the average employer contribution rate to 19.8%.

6. The second adjustment to the figures is to assume that the recently announced changes in state retirement age will influence the retirement age from the LGPS. Assuming current members retire one year after their current eligible retirement date further reduces the average employer contribution rate to 18.8%.

7. The third change is to make a short term adjustment in respect of the planned public sector pay freeze. This makes a further reduction in the average contribution rate, reducing the figure to 18.4%.

8. The final change made by the Actuary is based on a review of actual patterns in longevity and ill-health retirements within the Fund. As a result of this review, the Actuary has increased mortality assumptions in the short term, though with improvements in the longer term, as well as increasing the allowance for tier 1 ill health retirements. These changes led to an increase in the average employer contribution rate to 19.0%.

9. In the final result therefore, the average employer contribution rate has reduced by 0.9% of pensionable pay. If the contribution rate was to be maintained at 19.9%, the recovery period could be reduced to 20 years rather than the current 25 years.

10. Whilst the average result will see a reduction of 0.9% in the employer contribution rate, or a 5 year reduction in the recovery period, results for individual employers will vary around this average.

11. Factors which will affect an employer's result relative to the average Fund figure include:

    - Overall membership profile, with the more mature the membership (i.e. greater proportions of deferred and pensioner members, compared to active members), the higher the increase in contribution rate. In such cases, a smaller proportion of the liabilities are impacted by the new assumptions for active members around pay freezes, and later retirement ages.
    - Profile of active membership, with the older the active membership, the higher the increase in contribution rates, as again a smaller proportion of the liabilities are impacted by the new assumptions as a result of known or assumed transitional arrangements.
    - Changes in Membership profile since last valuation. The impact here is more complex. Above average increases in active membership lead to an increased recovery in past service deficits and a larger base against which to recover remaining deficits, which lead to a lower contribution rate. However if the increase in active membership has been as a consequence of above average pay awards this will have increased the past service liabilities and led to increases in contribution rates.
    - Previous Funding Levels. Ironically, those who were better funded at the 2007 valuation will have seen a higher increase in their contribution rates, as they will have suffered more by the poor performance of our investment assets.

12. The Actuary is currently in the process of calculating the contribution rates for the individual employers within the fund and these are being issued as they become available.

Key Issues to be Determined

13. In completing the interim results, the Actuary has taken account of all known factors, as well as probable changes. However at this stage no allowance has been made for any changes resulting from the work of the Independent Public Service Pension Commission chaired by Lord Hutton (see report at Agenda Item 13) nor for any impact of the potential increases in employee contribution rates.

14. In the case of the Hutton Commission, given the fundamental nature of the reforms envisaged as necessary by Lord Hutton, it is likely that there will be no significant impact during the three years covered by this current Valuation.

15. However the potential increases in employee contribution rates are set to be implemented from April 2012. If they are to deliver short term benefits to public spending, then the increased income from the higher employee contributions will need to be matched by an equal reduction in Government funding provided through the local government settlement. This in turn will require reductions in the employer contribution rates if employers are not to be faced with further service reductions to balance budgets.

16. At the present time it is not clear the size, nature and timing of any increases in employee contributions. It is therefore not possible for the Actuary to assess how the changes will impact differently across individual employers, based on variations in their membership profile. The Actuary cannot therefore include reductions on individual employer contribution rates on any accurate basis.

17. In the event that the Government makes clear the basis of the changes either at the time of the local government settlement in early December, or in the budget statement in March 2011, it may be possible for the Actuary to revise the contribution rates before the formal publication of the rates and adjustment certificate. Otherwise the Actuary will either need to include adjustments on the basis of guesswork, or seek a means to issue a revised rates and adjustment certificate for April 2012.

Key Issues for Employers

18. For individual employers, one of the key issues on receipt of their initial contribution rate is the extent they wish to trade amendments in their recovery period for amendments in their contribution rate (subject to the maximum 25 year recovery period as set out in the Funding Strategy Statement), the extent to which they wish to stagger any increases in contribution rate and whether they wish to seek a reduction in contribution rate by the payment of a one off lump sum.

19. The other key issue is the approach to managing the impact of any service reductions on their contribution payments. Normal practice is to publish the contribution rate as a percentage of pensionable pay. Where employers make significant reductions in their pensionable pay bill as part of proposals to

deliver balanced budgets and continue to pay contributions based on the published percentage rate, they will significantly underpay contributions towards their past service deficit.

20. Alternatives open to employers are to have their contribution rate published as a percentage of pensionable pay for future service only and a cash sum for past service deficits or to ensure that where pensionable pay budgets are reduced, money is set aside in reserves equivalent to the past service percentage of pensionable pay.

21. If employers fail to make suitable provision, then they will be faced with significantly higher contribution rates in the 2013 Valuation.

Employers' Forum

22. All employers will have the opportunity to discuss the 2010 valuation process, the interim results and the outstanding issues with the Actuary at the Employers' Forum on 10 December 2010.

RECOMMENDATION

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

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

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

November 2010

Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

WRITE OFF'S

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. In November 2007 a change was made to the Scheme of Financial Delegations to allow write offs, under £7,500, chargeable to the pension fund to be approved by the Assistant Head of Finance (Shared Services) acting as Director and the Head of Finance (Corporate Finance) acting as s151 Officer. Under the Scheme of Financial Delegation, such write offs need to be reported to this Committee for information.

2. For debts between £7,500 and £10,000 chargeable to the pension fund approval would need to be sought from the Assistant Chief Executive and Chief Finance Officer. These write offs will also need to be reported to this Committee for information.

3. Debts in excess of £10,000 would require approval of Pension Fund Committee

Current Cases

4. The Assistant Head / Head of Finance (Shared Services) and (Corporate Finance) have approved the write off of £444.87, chargeable to the pension fund in respect of the following cases.

   - Member died May 2010 – pension overpaid for one day amounting to £2.94.

   - Member died June 2010 –pension of £11.35 overpaid.

   - Member died in August 2010 – after receiving all documents it was found that the guaranteed minimum pension (GMP) information held was incorrect. This information is used to calculate the level of pensions increase which had resulted in an overpayment (back to 2006) of £65.99.

   - Overpayment of a child's pension amounting to £364.59. This arose because payment of the pension was made for eight months after age 17 without evidence of continuing in education. Since 2006 recovery of this amount has been followed up on a regular basis, but all agreements to make repayment have not been honoured. Legal Services have now advised that the case should be closed and the amount written off.

RECOMMENDATION

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

SUE SCANE
Assistant Chief Executive and Chief Finance Officer

Background papers: Nil

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

November 2010

Division(s): N/A

PENSION FUND COMMITTEE – 3 DECEMBER 2010

REVIEW OF ABATEMENT POLICY

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. Oxfordshire County Council, as Administering Authority, of the Oxfordshire Local Government Pension Scheme (LGPS) is required to formulate and keep under review its Abatement Policy.

2. The requirement for an abatement policy was introduced many years ago to bring the superannuation regulations into line with the tax regime at that time.

3. The Abatement Policy sets out the extent, if any, to which the amount of retirement pension payable to a member should be reduced, or extinguished, in cases where the member has started a new employment with a scheme employer where the member is eligible to join the LGPS. This could apply to any retirement, except for those members taking flexible retirement, since this is excluded within the regulations.

4. This policy only applies to funded pensions and not any awarded under the former Compensation Regulations.

Current Policy

5. In accordance with Regulation 109 of the 1997 Pension Regulations, the policy of Oxfordshire County Council concerning the abatement of retirement pensions in new employment is as follows:

   (a) No abatement to be applied to pensions of less than £1,500 a year or when awarded to someone retiring on their own benefits; and

   (b) In other cases, abatement will only apply if new earnings and pension in payment exceed 125% of the leaving pay, increase by the appropriate pension increases.

6. No abatement to be applied to pensions of less than £1,500 a year or when awarded to some one retiring on their own benefits; and

7. In other cases, abatement will only apply if new earnings and pension in payment exceed 125% of the leaving pay, increased by the appropriate pension increases.

Consultation on the Policy

8. The LGPS (Administration) Regulations state that before formulating that policy, an administering authority must consult with the authorities who employ active members for whom it is the appropriate administering authority.

9. A short questionnaire was sent out to scheme employers. Ten replies were received, although one of these related to the Teachers' Pension Scheme rather than the LGPS.

10. Seven of the nine respondents agreed that the administering authority should have an abatement policy.

11. Four respondents supported maintaining the protection on a pension value of £1,500. Although other replies suggested increasing this to £2,000 or £3,000.

12. Eight of the nine replies agreed that no abatement should be applied in instances where a member has retired on their own benefits.

13. Asked whether there should be a change to the formula for calculating abatements, one response suggested a straight pound for pound reduction; one response suggested a slight decrease to 120% whilst the majority were in favour of maintaining the current 125% level.

Financial and Staff Implications

14. At retirement members are advised of the abatement policy and asked to contact Pension Services should they become re-employed. Pension Services will then provide the maximum earnings which a member can receive without impacting on their pension benefits.

15. There are occasions when members do not advise Pension Services of their re-employment – these cases are highlighted via the National Fraud Initiative for investigation and recovery of any overpayments.

16. Under the current tax regulations member benefits are assessed in accordance with the lifetime allowance at the point benefits are brought into payment.

Formulating a New Policy

17. In formulating a policy concerning abatement, an administering authority must have regard:

    (a) To the level of potential financial gain at which it wishes abatement to apply

    The current policy is set at £1,500 which would with the application of pension increase (using RPI since CPI is not yet available) now be just under the £2,000, as suggested by one survey respondent.

(b) To the administrative costs which are likely to be incurred as a result of abatement in the difference circumstances in which it may occur;

Pension Services have dealt with 21 cases during the past financial year. On average these cases would take no more than half an hour to calculate and check.

In instances where, for example, re-employment has not been declared the administrative costs can be much higher since the calculations are more complex and there may be a recovery of any overpaid pension from members.

(c) To the extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service

This potential loss of confidence needs to be considered against the fact that the pensions, which are or could be subject to abatement, have already been fully funded and the general move towards encouraging people to work for longer to supplement their pension incomes.

RECOMMENDATION

18. **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.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: N/A

Contact Officer: Sally Fox Tel: 01865 797111

November 2010

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