

PENSION FUND COMMITTEE

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

Present:

Voting Members: Councillor David Harvey - in the chair

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

**District Council
Representatives:**

Councillor Richard Langridge (Co-opted Member)

By Invitation:

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

Officers:

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

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

16/09 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

Apologies for absence and temporary appointments were received as follows:

Apology from

Councillor Jean Fooks
Councillor Stewart Lilly
Brenda Churchill (Beneficiaries' Observer)

Temporary Appointment

Councillor Anne Purse

17/09 DECLARATIONS OF INTEREST

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

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

18/09 MINUTES

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

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

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

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

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

RESOLVED: to

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

20/09 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 6E, 7E, 8E, 9E, 10E, 11E and 12E and discussion of Annex 2 relating to Item 16 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in

maintaining the exemption outweighs the public interest in disclosing the information.

ITEMS FOLLOWING THE EXCLUSION OF THE PRESS AND PUBLIC

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

(Agenda Item 6E)

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

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

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

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

22/09 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda Item 7E)

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

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

23/09 BAILLIE GIFFORD

(Agenda Item 8E)

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

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

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

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

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

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

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

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

26/09 PRIVATE EQUITY
(Agenda Item 11E)

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

RESOLVED: to

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

27/09 STRATEGIC ASSET ALLOCATION – ANNUAL REVIEW

(Agenda Item 12E)

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

RESOLVED: to:

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

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

28/09 DRAFT REPORT AND ACCOUNTS 2008/09

(Agenda Item 13)

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

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

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

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

(Agenda Item 14)

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

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

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

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

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

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

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

RESOLVED: to:

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

32/09 DEATH GRANTS
(Agenda Item 17)

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

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

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

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

RESOLVED: to note the report.

34/09 ANNUAL PENSION FORUM
(Agenda Item 19)

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

RESOLVED: to note the position.

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

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

RESOLVED: to note the report.

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

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

.....in the Chair

Date of signing.....2009