

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 3 December 2010 commencing at 10.00 am and finishing at 3.48 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), Mr S Collins (Shared Services), Mrs D Ross (Financial Services) and Ms M Holyman (Law & Governance)

Part of meeting Mrs S Fox (Shared Services)

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.

72/10 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

An apology for absence was received from Peter Fryer (Beneficiaries' Observer).

73/10 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.

74/10 MINUTES

(Agenda No. 3)

The minutes of the meeting of the Committee held on 3 September 2010 were approved and signed.

75/10 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

Mr Birkett, Finance Director of CfBT, addressed the meeting on Item 17(b). He spoke in support of recommendation (b) in the report.

76/10 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

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.

Mr Davies reported that the valuation of the Pension Fund had recovered to the level it had been at March 2010 and that the valuation had increased marginally above this level by the end of November. He added that UBS had invested part of the £10m it had been allocated recently in this quarter and the remainder of it would be invested in the forthcoming quarter.

RESOLVED: 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.

77/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 6, 7, 8, 9, 10 and 11 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.

78/10 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 6)

The Committee considered a report (PF6) which set out an overview of the current and future investment scene and market developments across various regions and

sectors. Members asked questions and the Independent Financial Adviser responded to them.

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.

79/10 UBS

(Agenda No. 7)

The representatives (Mr P Harris and Mr N Melhuish) 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 September 2010. The representatives responded to members' questions.

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

80/10 PARTNERS GROUP

(Agenda No. 8)

The representatives (Mr G Waller and Ms V Sloan) of Partners Group provided a brief outline of Partners Group and the areas in which they invested. They detailed how the Pension Fund had been invested and how the funds had been performing and their future prospects. The representatives responded to members' questions.

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

81/10 PRIVATE EQUITY

(Agenda No. 9)

The Committee considered a report (PF9) which detailed the current listed and unlisted investments in private equity, reflected on the implications of the recent market volatility on the value of those investments and outlined the current strategy for investing in Private Equity.

RESOLVED: to note the report.

82/10 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported that Alliance Bernstein's recent performance had been adequate and that Baillie Gifford and Legal & General had performed well.

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

83/10 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Independent Financial Adviser reported that he had nothing further to report.

84/10 ANNUAL REPORT AND ACCOUNTS 2009/10

(Agenda No. 12)

The Committee considered the Pension Fund Annual Report and Accounts for 2009/10.

RESOLVED: to adopt formally the Pension Fund Annual Report and Accounts 2009/10.

85/10 ORDER OF BUSINESS

The Committee agreed to vary the order of business so that item 13 could be considered after lunch. It agreed to consider Item 14 and subsequent items, if time permitted, before lunch.

86/10 LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS) REGULATIONS - SI 2010/2090

(Agenda No. 14)

The Committee considered a report (PF14) which informed the Committee of the changes introduced by the Local Government Pension Scheme (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 were technical clarifications. The report detailed the most significant of these changes.

RESOLVED: to note the report.

87/10 INVESTMENT MANAGER MONITORING ARRANGEMENTS

(Agenda No. 15)

The Committee considered a report (PF15) which proposed a timetable for the monitoring arrangements for the Investment Managers for the next 16 months.

RESOLVED: to agree the programme of manager meetings as set out in the report.

88/10 MEMBERS' TRAINING PLAN

(Agenda No. 16)

The Committee considered a report (PF16) which proposed a training plan for members of the Pension Fund Committee.

RESOLVED: to approve the Training Plan at Annex 1 to the report, subject to the amendment in Annex 1, of Annual Training Events, column 3, Committee Training Day "July '11" to read "June '11".

89/10 EMPLOYER UPDATE

(Agenda No. 17c)

The Assistant Chief Executive and Chief Finance Officer advised the Committee as follows:

Oxfordshire Mental Health Matters (OMHM)

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

Oxford Spires Academy

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

RESOLVED: to note the report.

90/10 SEPARATE PENSION FUND BANK ACCOUNT

(Agenda No. 18)

The Committee considered a report (PF18) which updated the Committee on progress in meeting the regulatory requirement for a separate bank account and provided an update of the implications of the change to the Council's financial systems.

RESOLVED: to note the report and the action taken to meet the requirements of a separate bank account.

91/10 INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

(Agenda No. 13)

The Committee considered a report (PF13) which updated the Committee on the Interim Report of the Independent Public Service Pensions Commission.

The Committee made the following comments on the report:

- Change from final salary to career average
- The scheme should be easily understood
- Define pay below £21k as low pay: this might require additional pay bands to avoid "cliff edge" changes in contribution rates
- To encourage employees to join, the employee contribution rate should not be set too high
- 3% increase in employee contribution was too high
- LGPS was different from other public sector pensions as it was a funded scheme and should be treated differently
- The state pension should not be taken into account so that the LGPS pension could be reduced. It also complicated the scheme.

- The LGPS was a defined benefits scheme and should not be changed into a hybrid scheme
- There should be no cap on the level of pension an employee could receive
- Age at which an employee could receive their LGPS pension scheme could be linked to the age at which they received the state pension with the government setting the age
- Membership of LGPS should not be mandatory
- Would consider pooling administration with a number of other administering authorities if significant savings could be achieved but wanted to retain control of the investment of the pension fund locally
- Revert to 1/80th accrual
- Accrued benefits to be protected
- 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.

RESOLVED: to ask Mr Collins to circulate the draft response to all members of the Committee before he despatched the response to the Government.

92/10 CESSATION VALUATIONS

(Agenda No. 17a)

The Committee considered a report (PF17(a)) which responded 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.

RESOLVED: to:

- (a) seek recovery of the deficit from those scheme employers funding the contractual arrangements, who arguably had retained the resources to meet this deficit payment on an on-going basis, noting that there was no statutory basis to enforce this option if the relevant scheme employers did not accept responsibility; and
- (b) agree to adopt a revised approach in line with paragraphs 11-18 in the report and to ask Officers to amend the Funding Strategy Statement accordingly.

93/10 EXEMPT ITEM

RESOLVED: that the public be excluded for the duration of Item 17(b) in the Agenda since it was likely that if they were present during that 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 that item in the Agenda and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

94/10 APPLICATIONS FOR VALUATION

(Agenda No. 17b)

The Committee considered a report (PF17(b)) containing two applications for valuation.

RESOLVED:

- (a) In respect of the application in Annex 1 to the report, to confirm to the organisation that all future valuations, including a cessation valuation, would be undertaken on an on-going basis, with the Pension Fund as a whole underwriting the risk of any eventual shortfall, and gaining the benefit of any future surplus;
- (b) In respect of the application in Annex 2 to the report, to RECOMMEND Cabinet to accept the transfer of responsibility for the past service deficit in respect of those staff formerly employed by the organisation solely to work on the Connexions service, and the corresponding increase in the Council's contribution rate.

95/10 PAYMENT OF DEATH BENEFIT

(Agenda No. 19)

The Committee considered a report (PF19) on the options for the payment of a death grant.

RESOLVED: to approve the payment of the death grant equally between the member's three surviving children and her partner.

96/10 PENSION FUND VALUATION 2010

(Agenda No. 20)

The Committee considered a report (PF20) which updated the Committee on the 2010 valuation process.

RESOLVED: to note the interim valuation results produced by the Actuary and to agree it had no issues to raise as a Committee with the Actuary at the Employers' Forum.

97/10 WRITE OFF'S

(Agenda No. 21)

The Committee considered a report (PF21) which set out write off's taken under the Council's Scheme of Financial Delegation.

RESOLVED: to note the report.

98/10 REVIEW OF ADMINISTERING AUTHORITY'S ABATEMENT POLICY

(Agenda No. 22)

The Committee considered a report (PF22) reviewing the Administering Authority's current abatement policy.

RESOLVED: to agree not to have an abatement policy.

99/10 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 23)

The Committee was advised that the Assistant Chief Executive and Chief Finance Officer had no issues 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 the report.

100/10 ANNUAL PENSION FORUM

(Agenda No. 24)

The Committee was reminded that the Annual Pension Forum would take place on Friday 10 December 2010 at 9.50 am.

RESOLVED: to note the position.

..... in the Chair

Date of signing