



Buckinghamshire County Council

Agenda

PENSION FUND COMMITTEE

Date Thursday 31 May 2007
Time 9.30 am
Venue Mezzanine Room 2, County Hall, Aylesbury

Agenda Item	Page No
1 ELECTION OF CHAIRMAN	
2 APPOINTMENT OF VICE CHAIRMAN	
3 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP	
4 DECLARATIONS OF INTEREST To declare any personal and prejudicial interests	
5 MINUTES This was the first meeting of the Pension Fund Committee and, therefore, there were no minutes to be confirmed.	
6 PENSION FUND PERFORMANCE	1 - 12
7 FUND MANAGER'S PRESENTATION - CAPITAL INTERNATIONAL	
8 MEMBERS' TRAINING	13 - 26
9 FUND MANAGER'S PRESENTATION - MORLEY FUND MANAGEMENT - FUND PERFORMANCE AND INTERNATIONAL PROPERTY	
10 LASALLE INVESTMENT MANAGEMENT PRESENTATION - INTERNATIONAL PROPERTY	
11 DATE OF NEXT MEETING The next meeting of the Pension Fund Committee will be held on Thursday 26 July at 9.30am in Mezzanine Room 3, County Hall.	

Dates of future meetings are:
20 September 2007 (**please note change of date**)
29 November 2007.

12 EXCLUSION OF PRESS AND PUBLIC

To exclude the Press and Public for the following items under paragraph 3 of Schedule 12A because the Report contains information relating to the financial affairs of a particular Person

13 MERCER INVESTMENT CONSULTING PRESENTATION - PRIVATE EQUITY PORTFOLIO STRATEGY PLAN 27 - 44

14 FUND MANAGERS' PRESENTATIONS - DISCUSSION

*For further information please contact: Maureen Keyworth on 01296 383603
Fax No 01296 382538, email: mkeyworth@buckscc.gov.uk*

TO: ALL MEMBERS OF THE PENSION FUND COMMITTEE



Report to Pension Fund Committee

Title: Fund Managers' Performance

Date: 31 May 2007

Author: Head of Finance

Contact Officer: Julie Edwards 01296 383910

Electoral Divisions Affected: n/a

Portfolio Areas Affected: None

Summary

To present the performance of the Pension Fund's managers for the first quarter of 2007.

Recommendation

The Group is asked to comment on the report

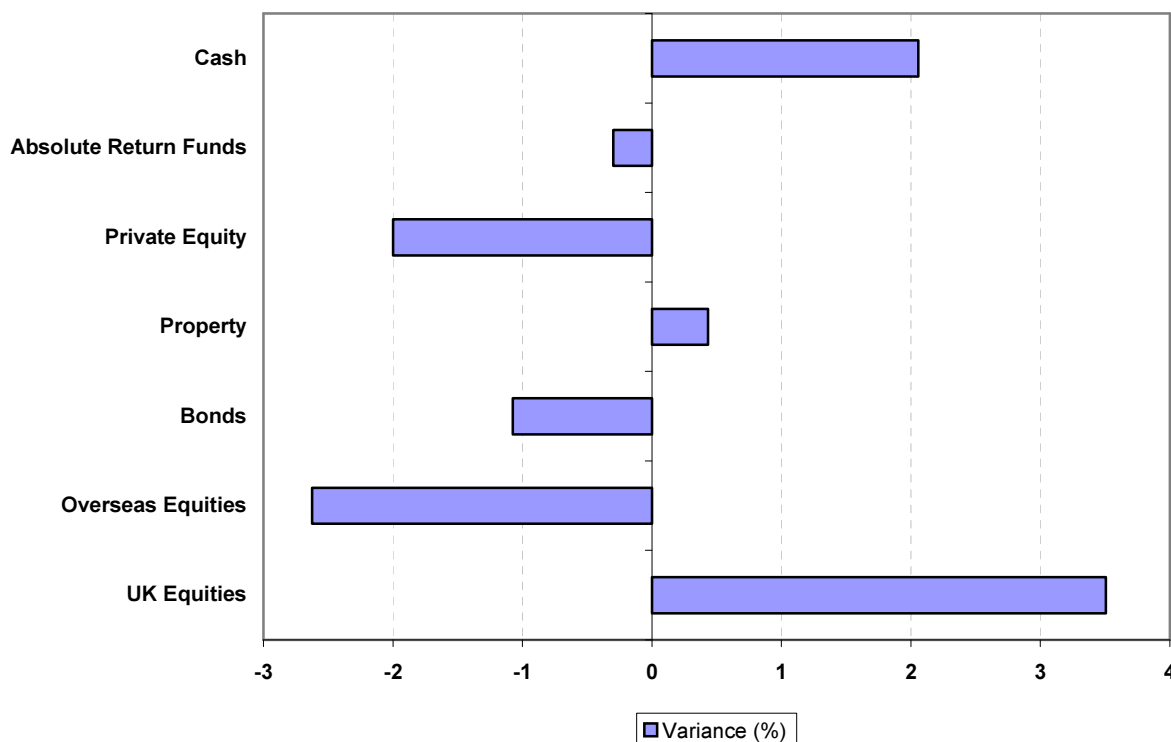
Fund Value and Asset Allocation

The market value of the Fund increased from £1,166m to £1,201m during the three months ending 31 March 2007. Table 1 below shows the asset allocation:

TABLE 1		
Asset Allocation by Class at 31 March 2007	£m	£m
Equities		
UK		399
Overseas		417
North America	142	
Europe (ex UK)	135	
Japan	59	
Developed Pacific (ex Japan)	23	
Emerging Markets	58	
Bonds		220
UK Fixed Interest Gilts	182	
UK Index-Linked Gilts	38	
Property		100
Private Equity		0
Absolute Return Funds		43
Cash		22
		1,201

Graph 1 - Variance from Strategic Asset Allocation

The graph below shows the percentage difference of the Fund's assets as at 31 March 2007 compared to the investment strategy. The investment in private equity of 2% will be staggered over the next few years; in the meantime up to an additional 2% has been allocated to UK equities.



The value of the Fund held by each fund manager at 31 March 2007 is shown in Table 2 below:

Fund Manager	Mandate	£m	%
Alliance Bernstein	Less constrained global equities	101	8.4
Blackrock	Cash / inflation plus	20	1.7
Blackstone	Hedge fund of funds	22	1.8
Capital International	Global equities	224	18.7
LGIM	Passive global equities and bonds	320	26.6
LGIM	Bonds	175	14.6
Mirabaud	UK equities	130	10.8
Morley	Property fund of funds	102	8.5
Standard Life	Less constrained UK equities	102	8.5
Pension Fund	Cash	5	0.4
Total		1,201	100.0

Further detail of the assets held by each fund manager at 31 March 2007 is shown in Appendix 1, Table 3.

Table 4 below shows the fund managers' net performance for the quarter to 31 March 2007 compared to the benchmark:

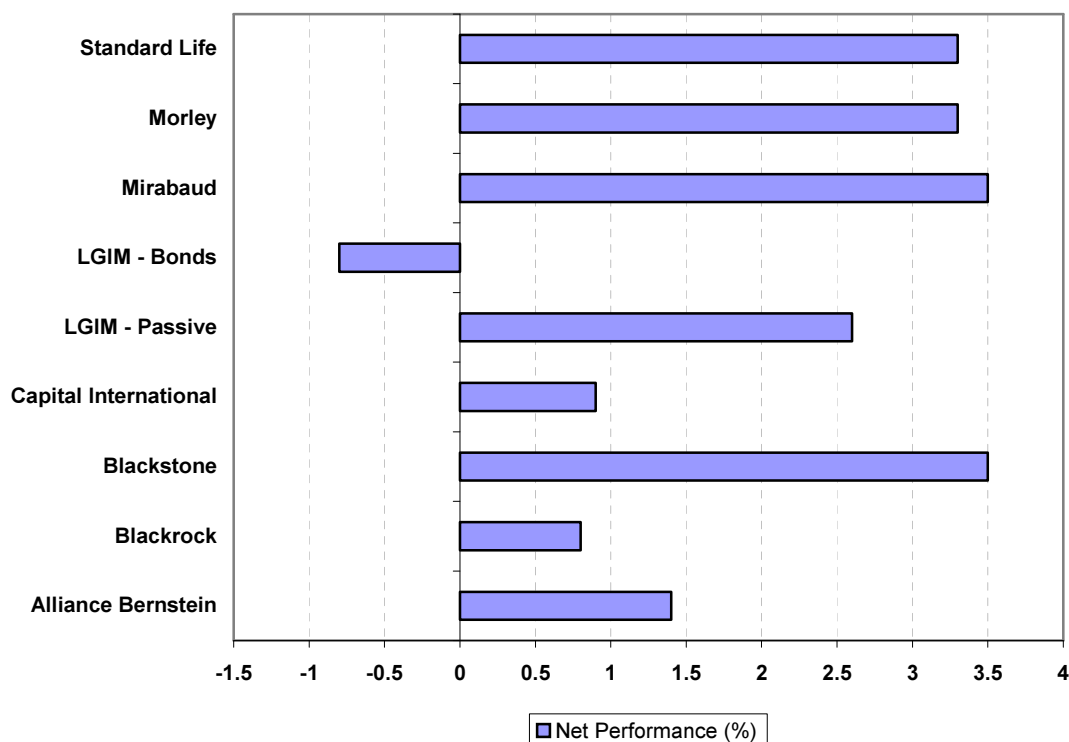
TABLE 4			
Fund Manager	Benchmark %	Net Performance %	Net Relative Return %
Alliance Bernstein	2.4	1.4	-0.1
Blackrock	0.8	0.8	0
Blackstone	1.3	3.5	2.1
Capital International	2.6	0.9	-1.5
LGIM – Passive	2.6	2.6	0
LGIM – Bonds	-0.5	-0.8	-0.3
Mirabaud	2.9	3.5	0.5
Morley	2.5	3.3	0.7
Standard Life	2.9	3.3	0.3
	2.1		

During the quarter ending 31 March 2007 the FTSE All Share, the benchmark for Mirabaud and Standard Life achieved a return of 2.9%.

Capital International's benchmark changed from a composite benchmark of several FTSE indices to the FTSE All World Index on 2 March 2007.

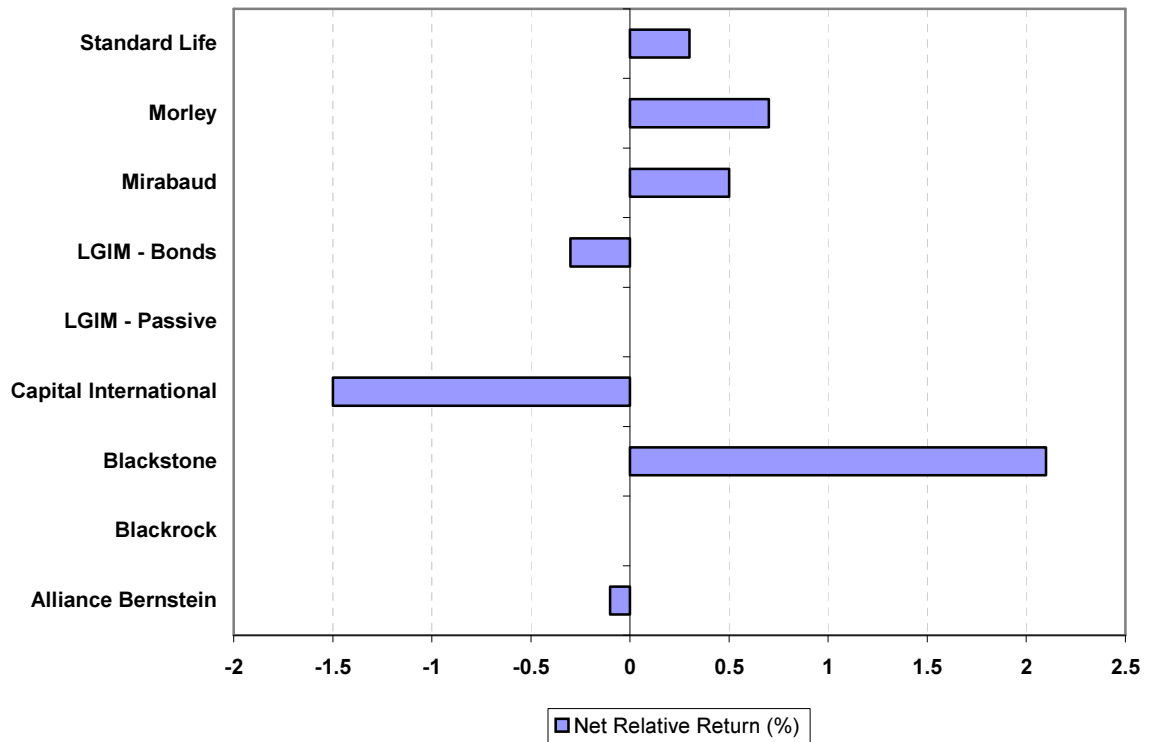
Graph 2 - Fund Managers' Net Performance for the Quarter

Fund managers' actual performance after fees.



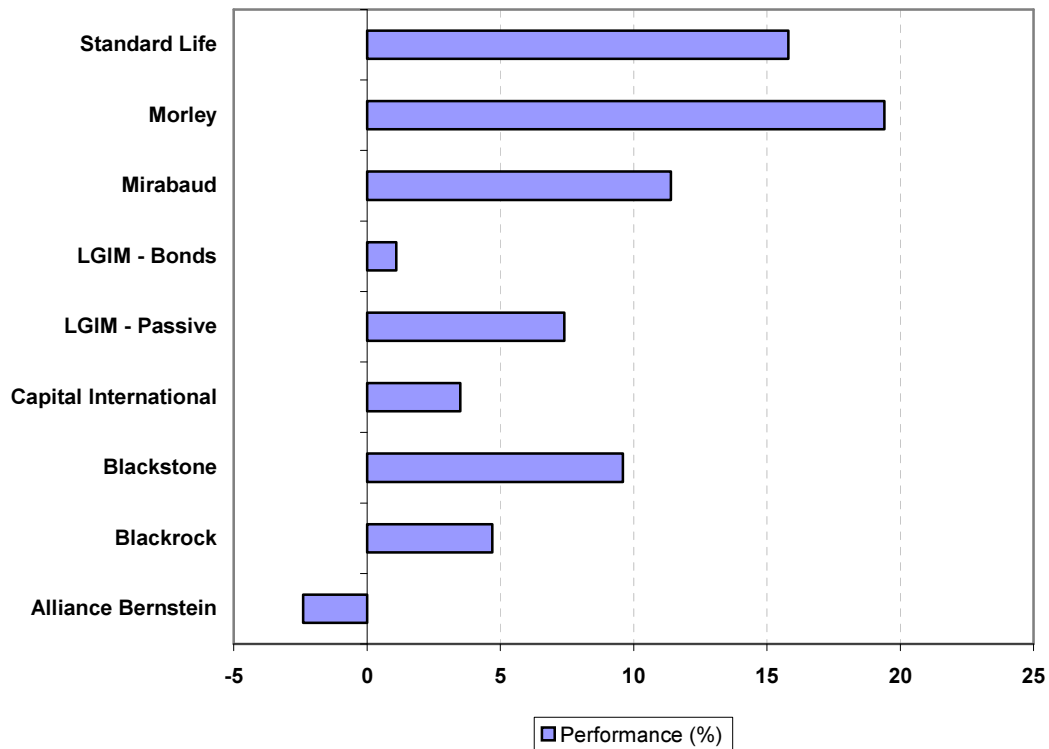
Graph 3 - Fund Managers' Net Relative Return for the Quarter

Fund managers' performance after fees compared to their benchmark



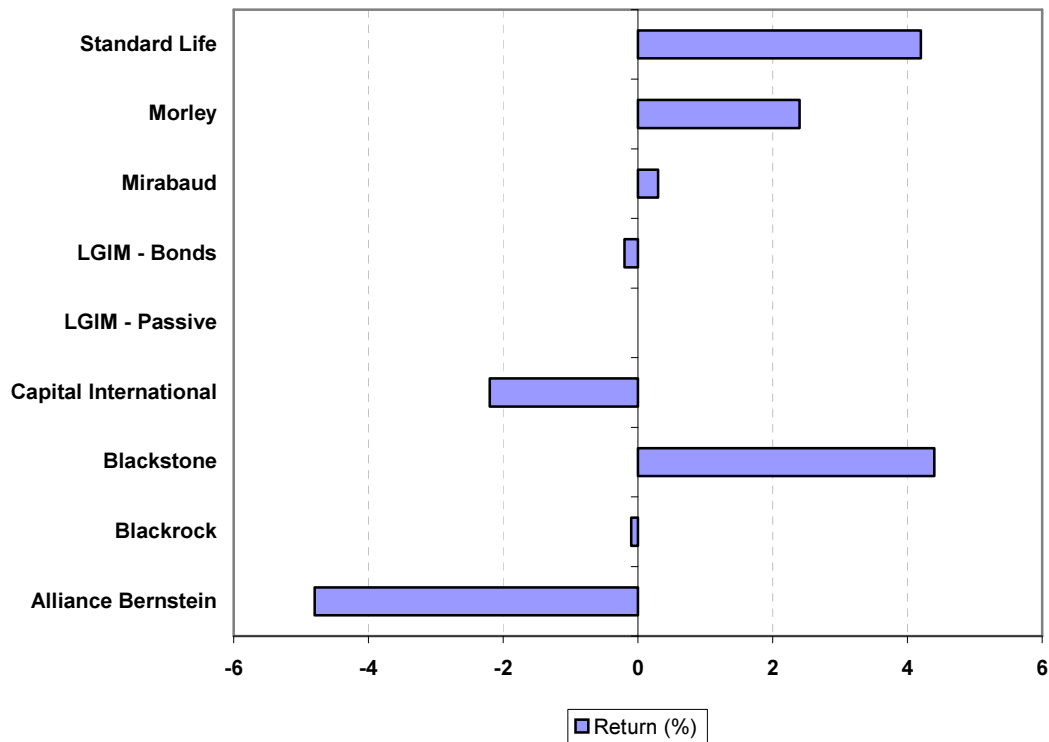
Graph 4 - Fund Managers' Gross Annual Performance

Fund managers' actual performance before fees over the previous 12 months



Graph 5 - Fund Managers' Annual Relative Return

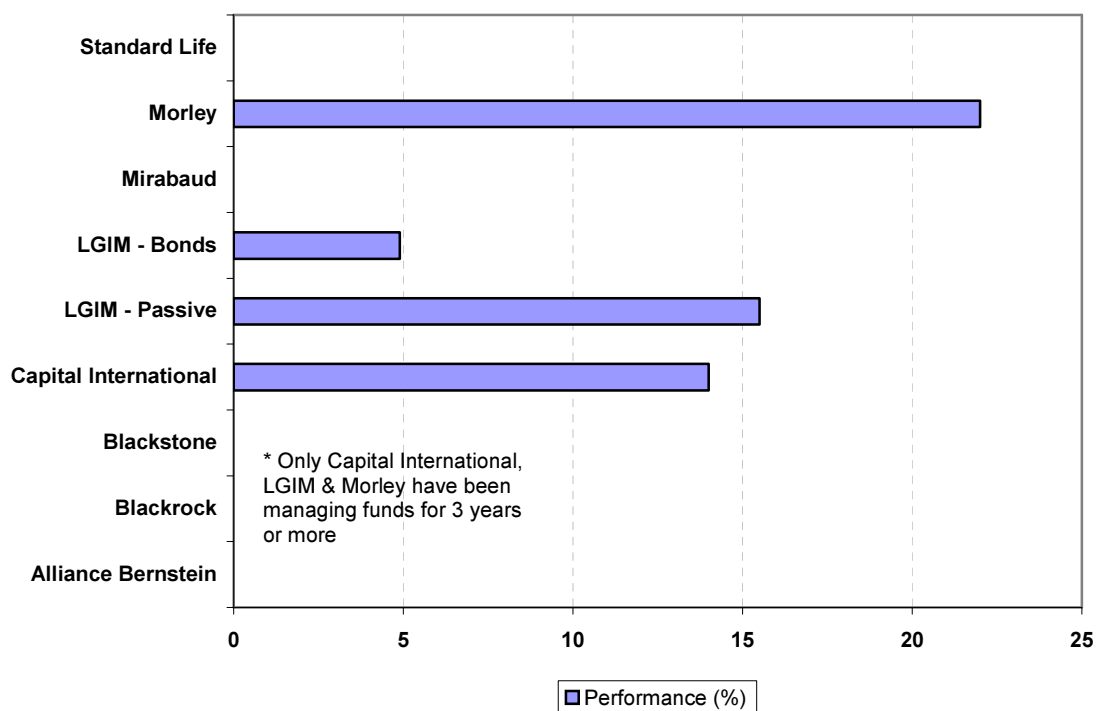
Fund managers' performance before fees over the previous 12 months against their benchmark.



See Appendix 2, Table 5 for full data.

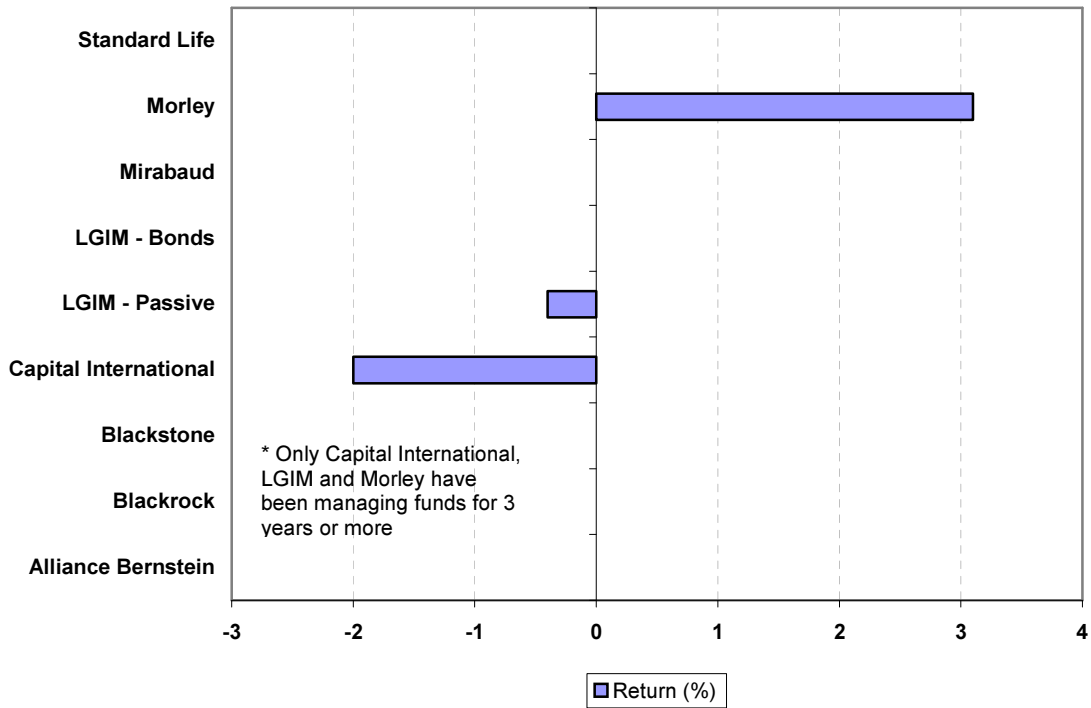
Graph 6 - Fund Managers' 3 Year Performance

Fund managers' gross actual performance over the previous three years



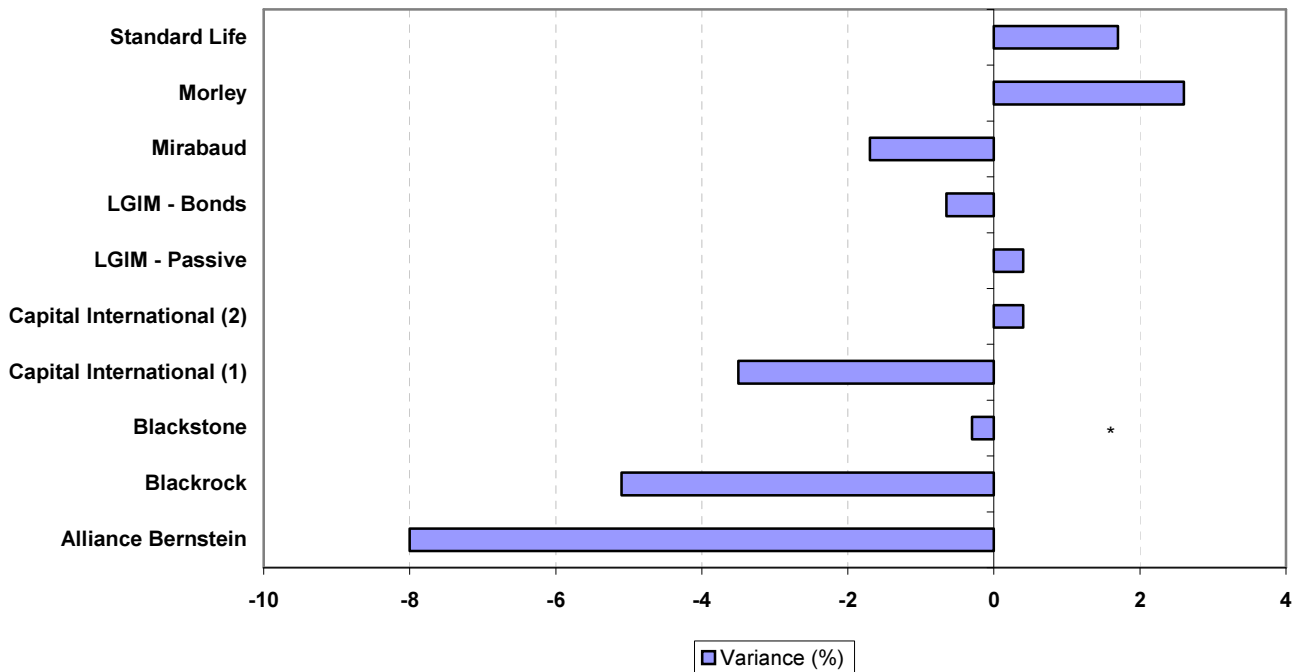
Graph 7 - Fund Managers' 3 Year Relative Return

Fund managers' gross performance over the previous three years against their benchmark.



Three years is a pension industry standard timescale for performance comparisons.

Graph 8 - Fund Managers' Performance Compared to Fund Manager Objectives



- (1) Relates to the out-performance objective (see fund manager objectives);
- (2) Relates to the limiting under-performance objective (see fund manager objectives).

Notes to Graph 8

- Alliance Bernstein's performance is shown for one year, the mandate has been in place for 18 months.
- Mirabaud performance is measured against the objective for one year rather than the 3 years stated in the objective, the mandate has only been in place since October 2004;
- Standard Life performance is measured against the objective for one year rather than the 3 years stated in the objective, the mandate has only been in place since October 2005.

Fund Manager Objectives

The objectives for each fund manager are as follows:

- Alliance Bernstein: to achieve a return 3% per annum above the benchmark return over full market cycles, gross of fees.
- Blackrock: RPI +5% net of fees per annum.
- Blackstone: cash plus 5% over a full market cycle.
- Capital International: to out-perform its benchmark by 1% per annum over a three year rolling period and limit under-performance to 3.0% in any twelve month period.
- Legal and General Investment Management (LGIM) – Passive: to match its benchmark return.
- LGIM – Bonds: to out-perform its benchmark by 0.75% per annum over a three year rolling period.
- Mirabaud – UK Equities: to out-perform its benchmark by 2% per annum over a three year rolling period.
- Morley Fund Management – Property: to out-perform its benchmark by 1% per annum over a three year rolling period.
- Standard Life – UK Equities: to exceed the benchmark by 3% per annum gross of all investment management fees over rolling 3 year periods.

Quarter 4 2007 Fund Performance in the Local Authority League Tables

The Buckinghamshire Pension Fund was ranked in the 33rd percentile for the fourth quarter in 2006 in the WM local authority universe. In the year to 31 December 2006 the Fund was ranked 41, over an average of 3 years to 31 December 2006 the Fund was ranked at 50. The Fund's 5 year average is the 77th percentile. The quarterly and annual performance recorded each quarter can be volatile; the three years and five years percentiles demonstrate the improving trend in the Fund's performance.

Your questions and views

If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.

TABLE 3
VALUE OF FUND

	BCC		Alliance Bernstein	BlackRock	Blackstone	Capital		LGIM Bonds	LGIM Passive		Mirabaud	Morley	Panthleon USA		Standard Life	Combined	
	£ '000	%				£ '000	%		£ '000	%			£ '000	%		£ '000	%
Valuation as at 31st December 2006																	
Equities:																	
UK	106	0.92	5,381	-	-	44,472	20.10	-	136,221	43.0	123,577	-	-	97,273	86.2	407,030	34.9
Foreign	-	-	42,551	-	-	44,776	20.23	-	15,997	5.1	-	-	-	1,445	1.5	104,769	9.0
U.S.A	-	-	15,536	-	-	73,164	33.06	-	63,875	20.2	-	-	-	-	-	152,575	13.1
Europe	-	-	9,058	-	-	23,934	10.81	-	23,943	7.6	-	-	-	-	-	56,935	4.9
Japan	-	-	4,061	-	-	13,896	6.28	-	9,203	2.9	-	-	-	-	-	27,160	2.3
Pacific	-	-	4,488	-	-	16,082	7.27	-	19,448	6.1	-	-	-	-	-	40,018	3.4
Other	-	-	75,694	-	-	171,852	77.65	-	132,466	41.8	-	-	-	1,445	1.5	40,018	3.4
Total Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32.7
Fixed Interest																	
UK	-	-	-	-	-	-	-	139,821	37,712	11.9	-	-	-	-	-	177,533	15.2
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Index Linked																	
Cash / Inflation Plus																	
Property U T	34	0.30	-	20,195	100.0	21,537	100.0	27,946	10,429	3.3	-	-	-	-	-	38,375	3.3
Cash instruments	11,326	98.78	1,398	-	-	4,980	2.25	2,900	-	-	1,597	99.3	704	289	0.3	41,732	3.6
TOTALS	11,466	100.0	82,473	20,195	21,537	221,304	100.0	170,667	316,828	100.0	125,174	96,551	438	99,007	100.0	1,165,640	100.0
Valuation as at 31st March 2007																	
Equities:																	
UK	41	0.8	7,405	-	-	30,359	13.58	-	134,936	42.2	125,582	-	-	100,926	98.6	399,249	33.2
Foreign	-	-	52,222	-	-	73,590	32.91	-	16,128	5.0	-	-	-	-	-	141,940	11.8
U.S.A	-	-	20,755	-	-	48,797	21.82	-	66,526	20.8	-	-	-	-	-	135,478	11.3
Europe	-	-	5,897	-	-	28,744	12.59	-	24,619	7.7	-	-	-	-	-	58,660	4.9
Japan	-	-	4,630	-	-	8,355	3.74	-	9,865	3.1	-	-	-	-	-	22,850	1.9
Pacific	-	-	8,344	-	-	29,709	13.29	-	19,938	6.2	-	-	-	-	-	57,991	4.8
Other	-	-	91,248	-	-	188,695	84.34	-	137,076	42.8	-	-	-	-	-	416,919	34.7
Total Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Interest																	
UK	-	-	-	-	-	-	-	144,372	37,520	11.7	-	-	-	-	-	181,892	15.1
Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Index Linked																	
Cash / Inflation Plus																	
Property U T	33	0.7	-	20,344	100.0	22,310	100.0	27,994	10,372	3.2	-	-	-	-	-	38,366	3.2
Cash instruments	4,764	98.5	2,147	-	-	4,646	2.08	2,263	-	-	4,702	100,393	370	1,416	1.4	100,426	8.4
TOTALS	4,838	100.0	100,800	20,344	22,310	223,600	100.0	174,629	319,904	100.0	130,284	101,885	370	102,342	100.0	1,201,306	100.0
Valuation as at 31st March 2006																	
Percentage of total Fund	0.40%		8.39%	1.69%	1.86%	18.61%	14.54%	26.63%	8.48%	10.85%	0.03%	8.52%	100.00%				

Table 5 Fund Managers' Investment Performance for the Year to 31 March 2007

		2006 Q2	2006 Q3	2006 Q4	2007 Q1	Annual
Alliance Bernstein	Return	-9.1	1.5	4.3	1.5	-2.4
	Benchmark	-6.5	3.5	3.5	2.4	2.6
	Relative Return	-2.7	-2.0	0.7	-0.9	-4.8
Blackrock	Return	-0.6	0.6	3.9	0.8	4.7
	Benchmark	1.8	0.8	1.3	0.8	4.8
	Relative Return	-2.3	-0.2	2.5	0.0	-0.1
Blackstone	Return	0.3	0.9	4.5	3.5	9.6
	Benchmark	1.1	1.2	1.2	1.3	4.9
	Relative Return	-0.8	-0.3	3.2	2.1	4.4
Capital International	Return	-6.3	4.6	4.6	1.0	3.5
	Benchmark	-5.7	3.9	5.3	2.6	5.8
	Relative Return	-0.6	0.6	-0.7	-1.5	-2.2
LGIM Passive	Return	-3.8	3.5	5.1	2.6	7.4
	Benchmark	-3.8	3.5	5.1	2.6	7.4
	Relative Return	0.0	0.1	0.0	0.0	0.0
LGIM Bonds	Return	-1.0	3.0	-0.1	-0.8	1.1
	Benchmark	-1.1	2.9	0.0	-0.5	1.3
	Relative Return	0.1	0.1	0.0	-0.3	-0.2
Mirabaud	Return	-3.3	3.4	7.7	3.6	11.4
	Benchmark	-1.8	3.6	6.2	2.9	11.1
	Relative Return	-1.5	-0.3	1.5	0.6	0.3
Morley	Return	5.4	4.9	4.6	3.3	19.4
	Benchmark	5.1	4.1	3.9	2.5	16.5
	Relative Return	0.3	0.7	0.7	0.7	2.4
Standard Life	Return	-1.3	3.9	9.3	3.4	15.8
	Benchmark	-1.8	3.6	6.2	2.9	11.1
	Relative Return	0.5	0.2	3.0	0.4	4.2
Combined	Return	-3.3	3.5	4.7	1.9	6.8
	Benchmark	-2.7	3.5	4.2	2.1	7.1
	Relative Return	-0.6	0.0	0.5	-0.2	-0.3
	WM Local Authority Universe	-3.0	3.5	4.5	*	*

*Data not available

May 2007

Buckinghamshire County Council

Pension Fund

Training Needs Analysis for Committee Members

MERCER

Human Resource Consulting

Mercer Human Resource Consulting Limited is authorised and regulated by the Financial Services Authority
Registered in England No. 984275 Registered Office: 1 Tower Place West, Tower Place, London EC3R 8BU



Marsh & McLennan Companies

Overview

This training needs analysis provides a summary of training needs and suggested types of appropriate training for the Committee Members of the Buckinghamshire County Council Pension Fund. This has been based on an analysis of a questionnaire which has been completed by each Committee Member. The questionnaire was based on the Trustee Knowledge and Understanding Scope Guidance document issued by the Pensions Regulator and adapted for the purpose of the Local Government Pension Scheme (LGPS).

The suggested plan is broken down into 2 sections. The first covers those needs that can be addressed by group training. The second covers those remaining areas which apply on an individual basis.

Purpose and Scope

The purpose of the training analysis is to document the Committee Members' training needs in line with the trustee knowledge and understanding (TKU) requirements of the Pensions Act 2004 as adapted for LGPS.

The Pensions Act 2004 requires that occupational pension scheme trustees have knowledge and understanding of the law relating to pensions and trusts and the principles relating to the funding of schemes and the investment of scheme assets. Trustees must also be conversant with scheme documents. Whilst these regulations do not apply to the Committee Members of the Buckinghamshire County Council Pension Fund it was considered good practice to apply them nonetheless.

Guidance published by The Pensions Regulator details the following areas of required knowledge, understanding and conversance:

Trust and Pensions Law

- The law relating to trusts
- The law relating to pensions

Funding

- Funding: defined benefit occupational arrangements
- Funding: defined contribution occupational arrangements (including AVCs)
- Contributions: defined benefit occupational arrangements

Investment

- Investment: defined benefit and defined contribution occupational arrangements (including AVCs)
- Strategic asset allocation: defined benefit occupational arrangements
- Investment choices: defined contribution occupational arrangements (including AVCs)
- Fund management: defined benefit and defined contribution scheme arrangements (including AVCs)

Documents

- The scheme's trust deed and rules
- The scheme's Statement of Investment Principles
- The scheme's Statement of Funding Principles
- Other relevant scheme documents

The training analysis includes suggested training that could be undertaken to meet the needs of the trustee knowledge and understanding requirements under the Pensions Act 2004 (as adapted for LGPS), both for existing and new Committee Members.

Types of Training available

The following means of improving knowledge and understanding are available:-

- Session at Committee meeting or separately as a way day, which can be run by advisers or providers.
- Local Government Pensions Committee training programme.
- “Off the shelf” training courses – these could be used for individual Committee Members who have identified a greater training need in a particular area than other Committee Members, and newly appointed Committee Members. These training courses are offered by a number of providers (consulting firms, commercial training companies, NAPF, trade unions). Whilst such courses will offer generic information on occupational pension schemes they are unlikely to specifically relate to LGPS.
- Trustee certificate or Pension Plan Executive Certificate – the Pensions Management Institute (www.pensions-pmi.org.uk), again noting the limitation for LGPS.
- Self training – the papers for each Committee meeting to include a document covering relevant pension issues. This document would not necessarily need to be discussed at the meeting, but could be read by the Committee Members to improve their own knowledge on the topic. Similarly, individual Committee Members could be provided with details of published documents through which they could access/read about issues in which they are not confident of their knowledge.
- On-line bank of information e.g. mercer.pen, PMI and Pensions Regulator websites
- Seminars run by external institutions (e.g. local and national NAPF and PMI), investment managers and consulting firms.
- E-learning courses i.e. The Pensions Regulator www.thepensionsregulator.gov.uk and NAPF

The Committee Members participating in the analysis are:-

Quintin Ings-Chambers

Frank Downes

Julie Edwards

Peter Hardy

Chester Jones

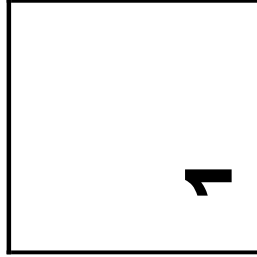
David G Meacock

Clive Palfreyman

Don Phillips

Cec Tallack

Jacqueline Yates



Suggested Training Plan

Applicable to all Committee Members in relation to the Buckinghamshire County Council Pension Fund.

In analysing the questionnaire responses, we have identified areas requiring all Committee Members to obtain training as those where at least half the responses were “not confident” or “partially confident”. Individual training needs have been identified separately where they are not covered by those picked up on a “group” basis.

We have left blank the Priority and Timeframe columns which can be completed once agreed with Committee Members.

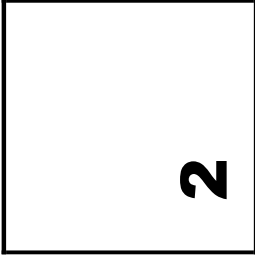
Area of TKU	Identified Training Need	Question	Training Recommended	Priority	Suggested Timeframe
Pensions Law	How Committee Members are protected.	6	Training: In-meeting training session with lawyer who can explain protections available. Alternatively, seek written legal advice.		
	The requirements and implications of an employer ceasing to participate in the fund.	8	Training: In meeting training session with pensions adviser / actuary.		

Area of TKU	Identified Training Need	Question	Training Recommended	Priority	Suggested Timeframe
	<p>The legislative and regulatory framework to which the Fund and the Committee Members are subject.</p>	9	<p>Training: In-meeting training session with pensions adviser and lawyer. Proprietary courses are unlikely to address specifics of LGPS.</p>		
	<p>How benefits offered by the State fit with the benefits offered by the Fund, including connections between state benefits and Fund benefits and other legislation which might impact in the management of the scheme e.g. anti-discrimination legislation.</p>	10	<p>Training: TPR Trustee Toolkit Pensions Law Tutorial. http://www.trusteetoolkit.com or in-meeting training session with pensions adviser.</p>		
	<p>The Role of the Committee and external parties (e.g. TPR, the Pensions Ombudsman and the Pension Advisory Service) in resolving disputes.</p>	11	<p>Suggested Reading: The Pensions Regulator: Guidance from the Regulator http://www.thepensionsregulator.gov.uk/pdf/webGuidanceForTrustees.pdf The Pensions Regulator’s website http://www.thepensionsregulator.gov.uk/ (see Opra Archive, Other Publications for a guide to “Solving Disputes”) In addition, refer to Fund’s legal documentation or seek legal confirmation of procedure.</p>		

Area of TKU	Identified Training Need	Question	Training Recommended	Priority	Suggested Timeframe
Investment	Major asset classes and characteristics, in particular specialised asset classes, instruments and techniques, their distinguishing characteristics and with profit investments, how they work and their advantages and disadvantages.	14	<p>Training: In-meeting training session with investment adviser or proprietary courses for generic training. Administrator should be able to respond to administration procedures point under Q27.</p> <p>TPR Trustee Toolkit Asset Classes, Fund Management and Strategic Investment Tutorials</p> <p>http://www.trusteetoolkit.com</p> <p>Suggested Reading: Pensions World monthly magazine; Investment manager publications</p>		
	Principles of Strategic Asset Management.	25			
	How (DC) / AVC schemes are funded including the risks borne by members.	26			
	Principles behind an appropriate investment strategy under the AVC Scheme Administration procedures in relation to the AVC Scheme and Committee responsibilities in this context	27			

Area of TKU	Identified Training Need	Question	Training Recommended	Priority	Suggested Timeframe	
Funding and Contributions	Valuation of scheme assets for actuarial valuation purposes and for employer financial statements	15	Training: In-meeting session with actuary for scheme specifics or proprietary courses for generic learning.	.		
	Defined benefit scheme funding *	16	TPR Trustee Toolkit Funding Your DB Scheme and Funding Principles Tutorials. http://www.trusteetoolkit.com			
	The powers of the Committee Members in relation to funding including setting funding targets and contribution rates	17	Suggested Reading: CIPFA note “Guidance on Preparing and Maintaining a Funding Strategy Statement”. There are a number of other related documents available for purchase from CIPFA’s website: http://www.cipfa.org.uk			
	The impact of funding.					
	Underlying contributions calculations for the Fund.	21				
	Managing funding deficits. *	24		Mercer publications “A Brief Guide to Valuations”.		
	How transfers arise and the different impact of individual and bulk transfers.	19				
	*Although a majority expressed confidence in these areas, it is useful to consider as part of the wider funding training and so is included as a group training recommendation.					

Area of TKU	Identified Training Need	Question	Training Recommended	Priority	Suggested Timeframe
	Additional pension funding options available to employees, including AVCs, added years arrangements, FSAVCs, stakeholder pensions and personal pension arrangements.	20	Training: In-meeting session with pensions adviser or proprietary courses for generic learning. For information on scheme specific charges, seek input from administrator.		
	How expenses are levied, including on transfer for DC/AVC schemes.	26			
Conversance	Broad principles contained in the Fund rules.	29	Training: In-meeting session with pensions adviser / legal adviser. Pick up investment related issues with investment adviser.		
	Investment charges	31	Funding Strategy Statement is a key document and should be reviewed and understood. This could be picked up with valuation training if not sooner.		
	Funding Strategy Statement	32	Other: A summary of “other documents” should be drawn up including where they are held and when they were last reviewed.		
	Other documents as set out in Q33	33			



Individual Training Needs

Where an individual has scored “not confident” or “partially confident” and this has not been picked up under group training needs, these items have been identified and reported separately. Each individual will receive his or her own summary report. In addition, and in order to expedite efficient training solutions where more than one person has a similar need, the Head of Finance and Assistant Head of Finance have received a consolidated report of individual training needs.

The type of training has not been identified. These will be for the individual Committee Members to decide given their learning preferences and other time commitments. However, the type of learning available to individual Committee Members includes:-

- On-line training from the Pensions Regulator and the NAPF*.
- Proprietary courses available from most consultancies*, the NAPF* and Local Government Pensions Committee
- Mercer publications specific to LGPS.
- Reading material available on-line from such sites as the Pensions Regulator, NAPF and PMI and available from the scheme’s own advisers.

- Committee Members should also consider attendance at local NAPF and / or PMI meetings as considered appropriate.
- Attendance at investment manager seminars.
- Brief conversations with scheme advisers.

*Note that on-line and proprietary courses may have limitations vis a vis the particular circumstances of LGPS although much of the content may be relevant and helpful.

MERCER

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Marsh & McLennan Companies



INVESTOR IN PEOPLE

Agenda Item 13

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

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