OXFORDSHIRE PENSION FUND

REPORT AND ACCOUNTS

2014-2015

Registered number PS049/20

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OXFORDSHIRE COUNTY COUNCIL

Contents

Foreword by the Chief Finance Officer

Introduction

The 2014/15 Report and Accounts reflect another important year for the Oxfordshire Local Government Pension Scheme (LGPS) Fund. Key issues were the implementation of the New Look 2014 Scheme, and the results of the 2013 Valuation (both from 1 April 2014), preparing the approach for the implementation of the new Pension Boards from April 2015, and concluding the work on the potential joint working with the Buckinghamshire and Berkshire LGPS Funds.

Meeting these new challenges was accomplished alongside dealing with the increasing complexity of the administration arrangements as we welcomed many new employers to the Fund, as schools switch to Academy status, and employers outsource services to new employers.

Key Changes

The New Look Scheme from 1 April 2014 included the switch from final salary to career average salary benefits, the introduction of a new 50:50 option and changes to the employee contribution bands and contribution rates. The changes went fairly smoothly, though some employers did struggle with the new data reporting requirements associated with the new scheme. Going forward members in the scheme at the point of the change will have part of their pension calculated on the final salary basis, and part on the career average pay, and employers will need to provide information to support both calculations.

Following the 2013 Valuation, the average employer contribution rate increased in April 2014 from 19% to 19.3% of pensionable pay. Whilst the funding level had risen from 79% to 82%, the increase reflected a reduction in expected investment returns going forward as well as a lower pay base on which to recover past deficits. The actual investment returns during 2014/15 exceeded those assumed in the Valuation, which will help improve the funding level in future.

The main change in the asset allocation during 2014/15 was the winding up of the allocation to hedge funds and the establishment of an allocation to a Diversified Growth Funds. Following a competitive process supported by consultants from Mercer, Insight Investments were awarded the mandate to provide the new fund, which will seek to provide a steady return at 3%-5% above the 3 month LIBID, the interest rates at which banks will lend to each other.

The Fund

The Oxfordshire Pension Fund is administered by Oxfordshire County Council. During 2014/15 we received contributions from 140 employers within the Fund, including 44 Academy Schools. This is over a 50% increase in employer numbers over the last couple of years. The increase reflects the changing nature of public service delivery. Each new Academy and each new service provider following an out-sourcing of previous Council provided services, becomes a new employer within the Fund.

Importantly, the Fund remains cash positive, collecting around £1m each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

Foreword by the Chief Finance Officer

Investment Performance

Investment performance over the last year was just above benchmark, with an overall return on the Fund of 12.8% against the benchmark of 12.5%. All asset classes performed strongly, with returns ranging from 6.7% for the UK equities to 21.2% for the index linked gilts.

Amongst the main Fund Managers, Baillie Gifford, Wellington and UBS property all performed above their benchmarks, whereas UBS equity and Legal & General fixed income performed below benchmark. The Committee continues to monitor the performance of all managers, as well as challenging managers in respect of the social, economic and environmental elements of their investment decisions.

The Future

During 2014/15 the Committee made the decision not to pursue the option of establishing a Joint Committee alongside the Buckinghamshire and Berkshire Pension Funds. The decision was made due to the uncertainty surrounding the Government's own agenda in this area and a view that any future collaboration should be focussed on Funds with the maximum similarity to the Oxfordshire Fund, so maximising opportunities for joint arrangements and therefore improved net performance. It was felt that the Berkshire Fund differed in too many aspects for the future collaboration to be fully effective.

The Government have since confirmed their intention to require all Funds to collaborate to produce reductions in costs, although at the point of writing we are still awaiting details of the Government's proposals. It is clear though that we will continue to explore opportunities for collaboration during 2015/16.

2015/16 will see the implementation of the new Local Pension Board, set up under Government Regulations to assist the Committee in ensuring the effective governance of the Scheme. The Board, which will comprise equal numbers of employer and scheme member representatives, will focus on the likely pattern of pension payments going forward, taking into account the significant challenges facing the public sector. This in turn will lead to a review of the investment decisions of the Committee to ensure funds are available to meet these pension liabilities as they fall due. There will also be an increased focus on the performance of individual employers within the Fund, and in particular the quality of member data, which is vital to ensuring the accurate payment of individual pensions, but also the future planning of the Fund as a whole.

It therefore remains the case that the next year promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

Lorna Baxter
Chief Finance Officer
August 2015

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

- make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Pension Fund Committee has examined the Pension Fund accounts and authorised the Chairman to approve them on its behalf.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code of Practice').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Lorna Baxter
Chief Finance Officer

Members, Managers and Advisers

Administering Authority	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
Administrator	Chief Finance Officer
Pension Fund Committee	Cllr Stewart Lilly (Chairman)
County Council Members 2014/15 Membership	Cllr Patrick Greene (Deputy Chairman) Cllr Surinder Dhesi Cllr Jean Fooks Cllr Nick Hards Cllr Richard Langridge Cllr Sandy Lovatt Cllr Neil Owen Cllr Les Sibley
Representatives of District Councils	Cllr Hywel Davies (WODC) Cllr Jerry Patterson (VOWHDC)
Beneficiary Observer	Paul Gerrish
Independent Investment Adviser	Peter Davies AllenbridgeEpic Investment Advisers Limited
Fund Managers	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management UBS Wealth Management Wellington Management Insight Investment Management
Internally Managed Funds	Listed Private Equity
Actuary	Alison Hamilton FFA Barnett Waddingham LLP
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	BNP Paribas Securities Services
Performance Management	WM Performance Services
Legal Advisers	Oxfordshire County Council Legal Services
Bankers	Lloyds Bank Plc

How the Scheme Operates

Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. It is "contracted-out" of the state scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).[1] The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 9.

This career average revalued earnings (CARE), defined benefit scheme provides benefits related to actual salary for its members and the benefits are unaffected by the investment return achieved on the Scheme's assets. 'CARE' benefits build up each year with annual revaluation while pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. Since 2011 the amount is based the Consumer Price Index (CPI).

All active LGPS members at 31 March 2014 were transferred to the new LGPS for 1 April 2014. Their final salary benefits linked to the final pay definitions of the previous regulations continue while accrual of membership stopped at 31 March 2014.

Pension Investment and Administration is governed by Her Majesty's Customs and Revenue Office (HMRC) setting out personal maximum values of benefit and reporting structures for schemes.

Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at rates between 5.5% and 12.5% of pay

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects an employer experience, the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over twenty five years.

Contribution rates for 2014-2015 were based on the completed valuation of the Scheme's financial position as at 31 March 2013 and are shown on pages 8 to 9. The results of the next actuarial valuation, taking place in 2016 will be operational from April 2017.

Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 81 to 83.

[1] From 01 April 2014 new LGPS have introduced a new scheme. This is still a defined benefit scheme which is now based on Career Average Revalued Earnings (CARE)

Overriding legislation

The LGPS exists within rules laid down by HMRC. These provide time limits for benefit payments and also on the member limits to the amount of pension built up within a year and within a lifetime. At retirement a member has to declare any other benefits, not just from the LGPS but all pension provision, to ensure all benefits are within this limit. A tax charge is imposed if this limit is exceeded or if the member fails to make the declaration. Members can convert a portion of their annual pension to provide a larger tax free lump sum at retirement.

The limits an individual can build up in a year and a lifetime are set by HMRC with additional reporting timetables for fund administration.

Adjudication of Disagreements Procedure

The first stage of a dispute is, generally, looked at by the claimants' employer. The second stage referral is to the County Council and the Appointed Person. For information please contact the Pension Services Manager.

Participating Employers

Scheduled Bodies	Contribution Rate Payroll % 2014/15	Contribution Rate Additional Monetary Amount 2014/15
Abingdon Town Council	16.6	£21,000
Abingdon & Witney College	12.7	£123,000
Activate Learning	13.0	£374,000
Aspirations Academy Trust	14.0	£70,000
Banbury Town Council	16.6	£18,000
Bartholomew School Academy	16.9	£24,000
Benson Parish Council	16.6	£1,000
Berinsfield Parish Council	16.6	£700
Bicester Learning Academy	15.8	£44,700
Bicester Town Council	16.6	£11,000
Blackbird Multi Academy Trust	12.8	£93,000
Bloxham Parish Council	16.6	-
Burford School	17.5	£57,000
Carterton Town Council	16.6	£3,900
CfBT MAT	15.6	£37,300
Cherwell District Council	13.7	£1,459,000
Cherwell School Academy	14.1	£72,000
Chalgrove Parish Council	16.6	-
Cheney Academy School	14.0	£68,000
Chinnor Parish Council	16.6	£3,700
Chipping Norton School Academy	18.4	£32,000
Chipping Norton Town Council	16.6	£2,200
Cholsey Primary School (OPEN)	14.4	£10,000
Cumnor Parish Council	16.6	-
Didcot Girls' Academy	16.0	£36,000
Didcot Town Council	16.6	£14,000
Dominic Barberi Multi Academy Co	13.9	£107,000
Endeavour Academy	19.9	-
Europa School	14.4	£5,600
Eynsham Parish Council	16.6	£1,000
Faringdon Academy of Schools	15.9	£30,000
Faringdon Town Council	16.6	£6,000
Gillots School Academy	14.4	£27,000
Gosford Hill Academy School	14.4	£34,000
Hanwell Fields Academy	12.3	£32,000
Henry Box School	16.3	£34,000
Henley College	15.0	£42,000
Henley-on-Thames Town Council	16.6	£21,000
Heyford Park Free School	19.3	-
Isis Academy School	14.4	£31,000
John Mason Academy Trust	17.0	£24,960

Scheduled Bodies	Contribution Rate Payroll % 2014/15	Contribution Rate Additional Monetary Amount 2014/15
Kidlington Parish Council	16.6	£7,800
Ladygrove Park Primary School	14.4	£14,000
Langtree School Academy	14.4	£19,000
Long Hanborough Parish Council	16.6	£700
Lord Williams School	15.6	£67,000
Littlemore Parish Council	*	-
Malborough CE VC School	16.8	£27,000
Manor School Didcot Academy Trust	14.4	£17,000
Marcham Parish Council	16.6	£600
North Hinksey Parish Council	*	-
Northern House School	14.4	£21,000
North Oxfordshire Academy	12.0	-
Old Marston Parish Council	16.6	-
Oxford Brookes University	14.1	£1,492,000
Oxford City Council	20.6	-
Oxfordshire County Council	19.9	-
Oxford Diocesan Trust	13.8	£62,000
Radcliffe Academy	14.4	£7,700
Radley Parish Council	16.6	£700
Ramsden Parish Council	16.6	£200
Risinghurst & Sandhills Parish Council	*	-
Rotherfield Greys Parish Council	16.6	£100
Rotherfield Peppard Parish Council	16.6	£400
Propeller Academy Trust	13.4	£51,000
Rush Common School Academy	14.4	£16,000
Sonning Common Parish Council	16.6	£900
South Oxfordshire District Council	12.3	£693,000
St Birinus Academy	16.1	£26,000
St John's Academy Trust	14.4	£8,000
Sutton Courtenay Parish Council	16.6	£700
Thame Town Council	16.6	£12,000
The Oxford Academy	16.1	-
The Pope Francis MAC	19.3	-
Tynedale School	14.4	£2,000
Vale Academy Trust	16.0	£46,000
Vale of White Horse District Council	13.1	£648,000
Wallingford School Academy	14.6	£43,000
Wallingford Town Council	16.6	£10,000
Wantage Town Council	*	-
West Oxfordshire District Council	14.4	£1,363,000
Wheatley Area Learning Trust	18.8	£26,000

Continued on next page

Participating Employers

Wheatley Parish Council	16.6	£1,100
Whitchurch Parish Council	*	-
Willowcroft Academy Trust	14.4	£16,000
Witney Town Council	16.6	£17,000
Woodstock Town Council	16.6	£1,800

Admitted Bodies	Contribution Rate Payroll % 2014/15	Contribution Rate Additional Monetary Amount 2014/15
A2 Dominion	15.0	£30,000
Adviza	19.9	-
Allied Healthcare	19.9	-
Banbury Citizens Advice Bureau	15.0	£500
Banbury Homes	15.0	£700
Banbury Museum Trust	23.1	-
Barnardos	19.9	-
CAPITA (Vale)	15.3	£27,000
Capita Symonds Ltd	19.9	-
Cara Services Ltd	19.3	-
Care Outlook Ltd	19.9	-
Carillion (AMBS) Ltd	19.9	-
Cater Link Ltd	19.7	-
CfBT Career Service	19.6	£13,000
Charter Community Housing	15.6	
Civica	19.3	-
Community Voice	19.9	-
Cottsway Housing Association	14.5	-
Fresh Start Ltd (Bloxham School Contract)	19.9	-
Fresh Start Ltd (Langford Primary Contract)	19.9	-
Fresh Start Ltd (Sibford Gower School Contract)	19.9	-
Fusion Lifestyle	20.6	-
Grenwich Leisure Limited	16.8	-
Hayward Cleaning Services	19.9	-
Home Farm Trust - South & Vale 1 Contract	19.9	-
Home Farm Trust - South & Vale 2 Contract	19.9	-
Innovate Services Limited	10.1	-
Leonard Cheshire Disability	19.9	-
Nexus Community	15.0	-
Order of St John's Care Trust	19.9	-

Admitted Bodies	Contribution Rate Payroll % 2014/15	Contribution Rate Additional Monetary Amount 2014/15
Oxford Archaeological Unit	15.0	£61,000
Oxford Citizens' Housing Association	19.9	-
Oxford Community Work Agency	15.0	£5,400
Oxford Health NHS Foundation Trust	19.9	-
Oxford Health NHS Foundation Trust (Reablement)	19.9	-
Oxford Homeless Pathways	15.0	£11,000
Oxford Inspires	15.4	-
Oxfordshire South & Vale Citizen's Advice Bureau	13.7	£650
Oxfordshire Youth Arts Partnership	15.0	£1,000
PAM Wellbeing Ltd	19.9	-
Proclean Oxford Limited	19.9	-
Rapid Commercial Cleaning Ltd	19.9	-
Reading Quest	*	-
RM Education	12.0	-
School Lunch Company - Chesterton CE School	19.9	-
School Lunch Company - Tower Hill School	24.0	-
School Lunch Company - Cumnor School	24.6	-
Skanska Construction UK Ltd	14.7	-
SOLL Vale	16.8	-
Sovereign Vale	19.0	-
Stonham Services	13.7	-
Swalcliffe Park School Trust	15.0	£29,000
Thames Valley Partnership	15.0	£4,100
The Camden Society - City 1 Contract	19.9	-
The Camden Society - City 2 Contract	19.9	-
The Camden Society - North Contract	19.9	-
The Camden Society - West Contract	19.9	-
The Cleaning Co-op	19.9	-
United Sustainable Energy Authority	12.0	£7,000
West Oxon Citizens' Advice Bureau	15.0	£3,600

* No active members at the date of the last valuation (31 March 2013). A contribution rate will be advised by the actuary at the date an active member joins the fund.

Governance

Conflicts of Interest

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website.

Pension Fund Committee

Committee Membership and Attendance 2014/15

Councillor	06-Jun-14	05-Sep-14	05-Dec-14	13-Mar-15
County Councillors;				
Councillor L Sibley (replaced L Atkins in 2014)	N/A	✔	✔	✔
Councillor S Dhesi (on committee since May 2013)	✔	✔	✔	✔
Councillor J Fooks (on committee since September 2009)	✔	✘ Substituted by J Howson	✔	✔
Councillor P Greene (on committee since May 2013)	✔	✔	✔	✔
Councillor N Hards (on committee since May 2013)	✔	✔	✔	✘ Substituted by J Sanders
Councillor R Langridge (on committee since May 2008)	✔	✘ Substituted by R Rose	✔	✔
Councillor S Lilly (on committee since September 2008)	✔	✔	✔	✔
Councillor S Lovatt (on committee since June 2012)	✔	✔	✔	✔
Councillor N Owen (on committee since May 2013)	✔	✘ Substituted by K Bulmer	✘	✔
District Councillors;				
Councillor H Davies (on committee since May 2013)	✘	✔	✔	✘
Councillor J Patterson (on committee since September 2010)	✔	✔	✔	✔
Beneficiaries Observer (non-voting member)				
P Gerrish(since September 2012)	✔	✔	✔	✔

Committee Members Training Received 2014/15

Councillor	Date	Training Course
COUNTY COUNCILLORS		
Councillor S Dhesi	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
Councillor J Fooks	06-Jun-14	Ask the Expert Panel
	3 Days	LGA Trustee Training Fundamentals XIII days 1, 2 and 3
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
Councillor P Greene	06-Jun-14	Ask the Expert Panel
	05-Sep-14	LGPS Administration
	19-Nov-14	UBS Second Steps
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
Councillor N Hards	06-Jun-14	Ask the Expert Panel
	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
Councillor R Langridge	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
Councillor S Lilly	06-Jun-14	Ask the Expert Panel
	19-20-Jun-14	LGA Trustees Conference 2014
	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham

Governance

Committee Members Training Received 2014/15

Councillor	Date	Training Course
COUNTY COUNCILLORS		
Councillor S Lovatt	06-Jun-14	Ask the Expert Panel
	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
Councillor N Owen	06-Jun-14	Ask the Expert Panel
	3 Days	LGA Trustee Training Fundamentals XIII days 1, 2 and 3
	13-Mar-15	Employer Risk, Barnett Waddingham
Councillor Les Sibley	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
DISTRICT COUNCILLORS		
Councillor H Davies	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
Councillor J Patterson	06-Jun-14	Ask the Expert Panel
	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham
BENEFICIARIES OBSERVER		
P Gerrish	06-Jun-14	Ask the Expert Panel
	05-Sep-14	LGPS Administration
	05-Dec-14	Renewable Energy, UBS
	13-Mar-15	Employer Risk, Barnett Waddingham

Members that have been on the Pension Fund Committee in previous financial years will have attended training events in those years in addition to the training undertaken in the current financial year.

Risk Management

Internal Risk Management

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

The Council's Internal Audit function undertook a review of the Pension Investments team in 2014/15. The overall conclusion on the system of internal control being maintained was 'G' (There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls), which is the highest rating available. There were no actions recommended as a result of the audit. One supplementary issue was identified and has been addressed through the implementation of new processes. The Pension Administration team was also subject to an internal audit during 2014/15. The overall conclusion was 'Acceptable'. There were no management actions resulting from the audit findings.

The Pension Fund Committee is responsible for the prudent and effective stewardship of the Oxfordshire County Council Pension Fund. As part of this duty the Committee oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves: Risk identification, risk analysis, risk control and monitoring.

A key tool for the management of risk is the risk register. The register incorporates an assessment of the impact and likelihood of identified risks to give a risk score, as well as the control measures in place to deal with those risks. The risk register is kept under review by the Chief Finance Officer and is presented to the Committee at least once a year.

Risks are identified and assessed using a scoring matrix. The scoring matrix assesses two elements of a risk:

- the chance of it happening
- the impact if it did happen

Risks are analysed between:

- Funding, including delivering the funding strategy;
- Investment;
- Governance
- Operational; and
- Regulatory.

Risk Management

Each element is independently assessed on a scale of 1-5 (5 being the highest risk). These scores are then multiplied to give an overall score. The risk register lists the risks identified, the consequence of each risk occurring, the score assigned to each risk and the measures in place to control the risk. This process identifies the risks with the highest scores which are then closely monitored.

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for March 2015 which is on the Council's public website).

Officers are mindful of risk in carrying out their duties on a day to day basis and any significant risks identified are reviewed and managed through processes and controls accordingly. The Pensions teams have regular team meetings through which any operational risks can be discussed and dealt with appropriately.

Risk Management

Key Risks Identified on the Pension Fund Risk Register

Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
FUNDING				
Pensioners living longer than assumed in actuarial assumptions and therefore pension liabilities increase.	4	3	12	Review life expectancy assumptions at each valuation. Set mortality assumptions with some allowance for future increases in life expectancy.
Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing.	3	3	9	Employers are charged the extra capital cost of non-ill health retirements following each individual decision. Employer ill health retirement experience is monitored.
INVESTMENT				
Failure of investment markets (market crash) leading to a failure to reduce the deficit.	5	2	10	Diversification between asset classes. Reporting and monitoring arrangements for investment performance in place. Flexibility in quarterly rebalancing.
Failure in investment performance by individual investment managers leading to a failure to reduce the deficit.	4	3	12	Thorough manager selection and due diligence process. Regular monitoring of manager performance using external advisers with knowledge of manager performance.
Inability or refusal of an employer to pay the cessation valuation.	3	3	9	Action through the courts.

Risk Management

Third Party Risk Management

The Pension Fund Committee receive quarterly investment performance reports and receive regular updates from Fund Managers which provide an opportunity to ensure their strategies are in line with expectations and to discuss any risks the Committee is concerned about. Officers also have regular meetings with the Independent Financial Advisor and Fund Managers through which performance is reviewed and key issues are discussed.

The Fund's investment managers and its custodian issue annual internal control reports prepared by their auditors. For fund managers, auditors typically issue a report based on the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These documents identify internal processes and procedures, and details of the audit testing performed on them during the year. The reports are reviewed annually by the pension investments team and are used to gain assurance that the third parties' internal controls are sufficient and are operating effectively. Any concerns are discussed with the third parties to ensure corrective action is being taken where weaknesses are identified.

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Baillie Gifford	AAF 01/06 / ISAE 3402	30 April 2014	KPMG
BNP Paribas (Custodian)	ISAE 3402	30 September 2014	PricewaterhouseCoopers
Legal & General	AAF 01/06 / ISAE 3402	31 December 2014	PricewaterhouseCoopers
UBS	SSAE16 / ISAE 3402	31 December 2014	Ernst & Young
Wellington	SSAE16 / ISAE 3402	31 October 2014	Deloitte

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. Checks are undertaken on a monthly basis to ensure compliance of the Fund's investments with the limits set out in The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013.

The fund's Independent Financial Advisor monitors the market and the activities of investment managers and informs officers if there are any concerns, such as changes in key staff.

The fund has a website which is available to both scheme employers and scheme members, which also links to national LGPS websites. Information is supplied to employers to link to their own intranet if they wish and Pensions Administration will, on request, proof read and advise on the content of employer webpages where appropriate. A quarterly newsletter is produced called Reporting Pensions which many members currently receive at their place of work as a printed booklet or on their employer's intranet. This contains various contact numbers and websites for further information and guidance. The Fund uses the pension software Altair, which has a self-service module which was introduced during 2015.

Dispute Resolution

The Fund's internal dispute resolution procedure operates inline with regulatory requirements and is outlined below:

If a member is not satisfied with any decision affecting them made in relation to the Scheme, they have the right to ask for it to be looked at again under the formal complaint procedure. They also have a right to use the procedure if a decision should have been made by their employer or administering authority, but it hasn't been. The complaint procedure's official name is the "internal dispute resolution procedure" (IDRP).

Members are made aware of other regulatory bodies, such as The Pensions Advisory Service (TPAS), which may be able to help them.

The formal complaint procedure has two stages. Many complaints are resolved at the first stage. Any complaint made will be treated seriously, and considered thoroughly and fairly.

A complaint can be taken forward by another individual on behalf of a member. This could be, for instance, a trade union official, welfare officer or partner. No charge is made at any stage for investigating a complaint under the internal dispute resolution procedure.

First stage

If a member needs to make a formal complaint, it should be made:

- in writing, using the application form provided, and
- normally within 6 months of the day when the member was told of the decision they want to complain about.

Complaints will be considered carefully by a person nominated by the body that took the decision against which the complaint is made. That person is required to give the member a decision in writing.

If the nominated person's decision is contrary to the decision the member complained about, the employer or administering authority that made that original decision will now have to deal with the case in accordance with the nominated person's decision. If the decision that is complained about concerned the exercise of a discretion by the employer or administering authority, and the nominated person decides that

Scheme Administration

the employer or administering authority should reconsider how they exercised their discretion, they will be required to reconsider their original decision.

Second Stage

A member can ask the pension scheme administering authority to take a fresh look at a complaint in any of the following circumstances:

- the member is not satisfied with the nominated person's first-stage decision,
- the member has not received a decision or an interim letter from the nominated person, and it is 3 months since the complaint was lodged,
- it is one month after the date by which the nominated person told the member (in an interim letter) that they would give them a decision, and they have still not received that decision.

This review would be undertaken by a person not involved in the first stage decision.

If a member is still unhappy following the administering authority's second stage decision, they can take their case to the Pensions Ombudsman provided they do so within 3 years from the date of the original decision (or lack of a decision) about which they are complaining.

Complaints

The Fund received nine complaints during 2014/15 of which three were found in favour of the member.

Promotion of Scheme Membership

The fund supplies template letters for employers to incorporate within their starter / new joiner process. This information will point to the centrally provided on-line guides (www.lgps2014.org) concerning costs and benefits of the LGPS for members, and also to the scheme guides. Both the brief guide and the full detailed guide are hosted on the fund website pages (www.oxfordshire.gov.uk/lgpsmembersguide). When requested the fund will comment on employer prepared automatic enrolment notices to members, which would be sent to eligible jobholders where the LGPS is the qualifying pension saving scheme.

Memberships

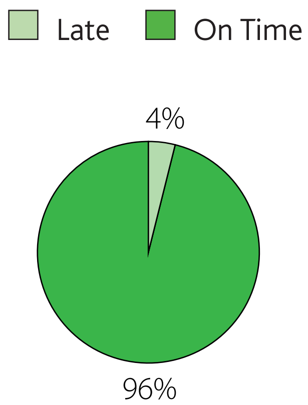
The Fund is a member of the National Association of Pension Funds and subscribes to the CIPFA Pensions Network. Officers also attend the South East Local Authority Pensions User Group.

Financial Performance

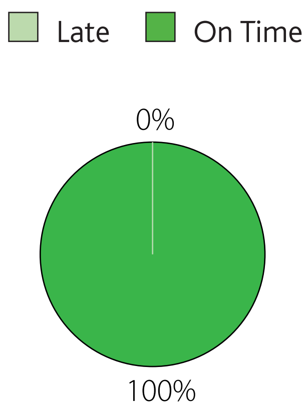
Contributions

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2014/15.

Timeliness of Receipt of Contributions by Number of Employers 2014/15



Timeliness of Receipt of Contributions by Value 2014/15



The average number of days that payments were late by during 2014/15 was 12.

Financial Performance

Budget

The below table shows budget outturn for 2014/15:

	Budget £'000	Actual £'000	Variance £'000
ADMINISTRATIVE EXPENSES			
Administrative Employee Costs	876	783	-93
Support Services Including ICT	313	357	44
Printing & Stationary	40	22	-18
Advisory & Consultancy Fees	115	9	-106
Other	104	121	17
TOTAL ADMINISTRATIVE EXPENSES	**1,448**	**1,292**	**-156**
INVESTMENT MANAGEMENT EXPENSES			
Management Fees	3,800	3,674	-126
Custody Fees	100	70	-30
TOTAL INVESTMENT MANAGEMENT EXPENSES	**3,900**	**3,744**	**-156**
OVERSIGHT & GOVERNANCE			
Investment Employee Costs	223	172	-51
Actuarial Fees	50	49	-1
External Audit Fees	57	22	-35
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	160	90	-70
Other	50	51	1
TOTAL OVERSIGHT & GOVERNANCE EXPENSES	**554**	**398**	**-156**
TOTAL PENSION FUND BUDGET	**5,902**	**5,434**	**-468**

Financial Performance

The reasons for any material variations are discussed below:

Scheme Administration Expenses

Administrative Employee Costs were underspent by a total of £93,000. This was due to vacancies within the team continuing from the previous year. Temporary staff were used to cover assistant roles but not administrator roles which resulted in an underspend on the training element of the budget.

The budget for Support Services Including ICT was overspent by £44,000 due to payment of initial license fees for new modules for immediate payments, autotask and member self-service on the pensions administration software platform.

Advisory & Consultancy Fees were underspent by £106,000. This is mainly a result of the £100,000 included in the budget for project BOB costs not being required due to the decision not to proceed with the project.

Investment Management Expenses

Fund Management Fees. Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2014/15 was £126,000 below the budget forecast.

The Global Custody Fee is dependent upon the market value of assets held, the type of investments and the number and type of trades arranged by the fund managers. It is therefore not possible to accurately predict the total fee for the year. The Global Custody Fee budget was underspent by £30,000 during 2014/15.

Oversight & Governance Expenses

Investment Employee Costs were underspent by £51,000 due to the carrying of a vacancy within the team during the year.

The expenditure on External Audit Fees was £35,000 lower than forecast, the 2015/16 budget that was approved in March 2015 has taken the lower fees in to account.

Advisory & Consultancy Fees were underspent by £70,000. This was due to lower than forecast expenditure related to the fundamental review where additional budget was included in 2014/15 for potential work on new funds or transitioning assets.

Pension Overpayments

Financial Year	Pension Overpayments
2014/15	908.20
2013/14	629.98
2012/13*	27,920.21
2011/12	810
2010/11	413.8

* £27,877.11 of overpayments was identified in 2012/13 as part of the National Fraud Initiative data matching exercise. To date £15,846.61 of this has been recovered.

Financial Performance

The Fund participates in the National Fraud Initiative data matching exercise which takes place every two years. This process matches data between different records to identify discrepancies that should be investigated further. The latest exercise for which results are available is from 2014/15. This exercise identified 574 matches for investigation. Detailed investigations of the matches are currently being undertaken.

Interim Actuarial Valuation

The Fund's actuary produces a quarterly funding update for the Fund. At the March 2015 funding update the estimated funding level was 87.9%. This compares to a level of 82.1% reported in the 2013 triennial valuation.

Administrative Management Performance

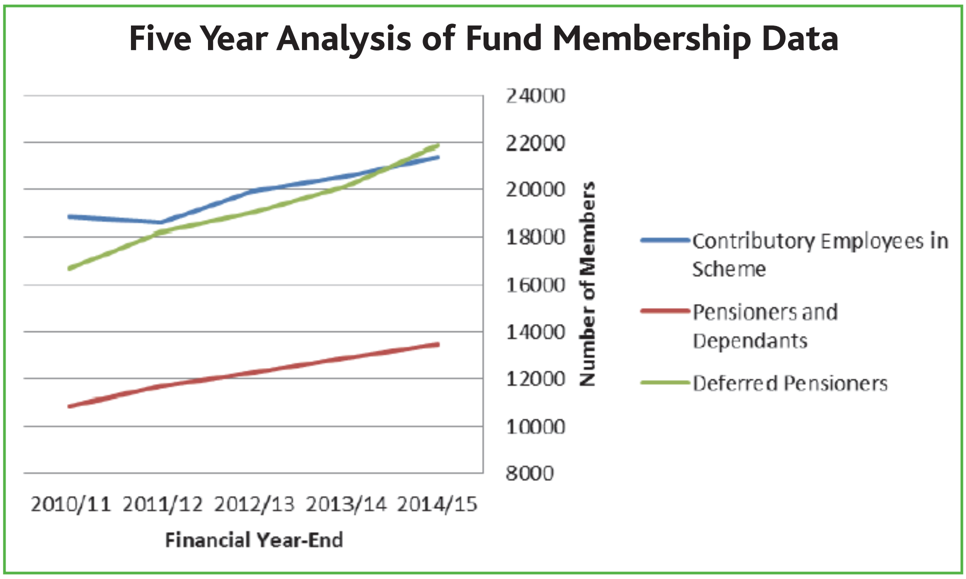
Admin Performance Indicators

Top 10 Case Types

Case Type	Completed 2014/15	Completed within target time
Processing Members Benefit When Leaving Before Retirement Date	2,740	52%
Change of Address	1,611	95%
Processing a Members Request for Estimate of Benefits	875	89%
Replying to General Pensions Enquiries	795	91%
Processing Members Election to Opt Out of LGPS	475	90%
Action GMP Notice	343	86%
Death Condolence Letters	340	92%
Deferred Benefit Quote at Normal Retirement Date	320	97%
Run Deaths Through System	314	95%
Sending Re-employment Options to Members	170	52%

	2014/15
Number of Complaints	9
Complaints as % of Workload	0.23%

Membership Analysis



Investment Review 2014/15

Economic Background

The UK economy grew by 2.8% in 2014, and the United States by 2.4% – stronger in both cases than in 2013 – while the Eurozone registered 0.8% growth after two years of contraction. Japan, meanwhile, slowed to just 0.3% GDP growth for the year. As the US programme of Quantitative Easing ended in October 2014, the Bank of Japan announced that it would step up its own programme with additional purchases of Japanese Government Bonds, and the European Central Bank followed suit early in 2015, having already cut interest rates twice during the autumn.

The most dramatic – and unexpected – development was the halving in the price of oil during the second half of 2014. This was caused partly by slowing demand, but also by the decision of the OPEC group of producers to maintain production levels. This had a severe impact on the Russian economy, already weakened by the imposition of trade sanctions following its incursion into Ukraine; the rouble fell rapidly in December despite the imposition of emergency levels of interest rates. Even after recovering in 2015, the oil price still stands 40% below its mid-2014 level. The consequent reduction in consumer price inflation – to an annual rate of zero in the UK and US – has delayed the start of interest rate rises in both regions.

Market Returns

Global Equities produced a strong return of 19.2% in sterling during the year to March, overcoming a bout of nerves in early October caused by signs of a slowdown in Chinese growth and continuing weak growth in the Eurozone. US equities were responsible for the major part of this gain, with Japan and Emerging Markets also strong contributors. UK and European Equities were relative laggards, with returns in the 6-8% range. The victory in Greece's elections in January of the Syriza party has reawakened concerns about Greece's continued membership of the Eurozone, as the new government appeared to be unwilling to adhere to the terms attached to Greece's earlier bailout. Four months later, negotiations are still in progress between Greece and the European lenders.

Government bond markets defied predictions by recording strong gains for the year. Among the reasons were the reduction in inflation caused by the halving of the oil price, and the buying of bonds by Japanese and European Central Banks as part of their QE programmes. In the year to March, yields on 10-year government bonds fell by ¾% in US, by 1% in UK and by 1¼% in Germany. At shorter durations, many government bonds were actually offering negative yields in March 2015.

UK Commercial Property delivered double-digit returns for the second consecutive year, with over 20% total returns from the Office and Industrial sectors.

The Oxfordshire County Council Fund achieved a total return of 12.8% for the year, compared with a 12.5% return on its benchmark.

Outlook

Government bond yields have risen sharply during April and May 2015 from exceptionally low levels, and this may continue as the recovery in the oil price indicates a rise in the annual rate of inflation by the end of 2015. With the first US interest rate rise also expected this year, it looks unlikely that the long run bull market in bonds will continue.

The Conservative party's unexpected victory in the UK General Election has removed the near-term uncertainties of a coalition government, but has focused attention instead on the 'in-out' referendum on EU membership promised before the end of 2017. Equity markets will need to be reassured that global GDP growth is not slowing down if they are to maintain their current elevated valuation levels.

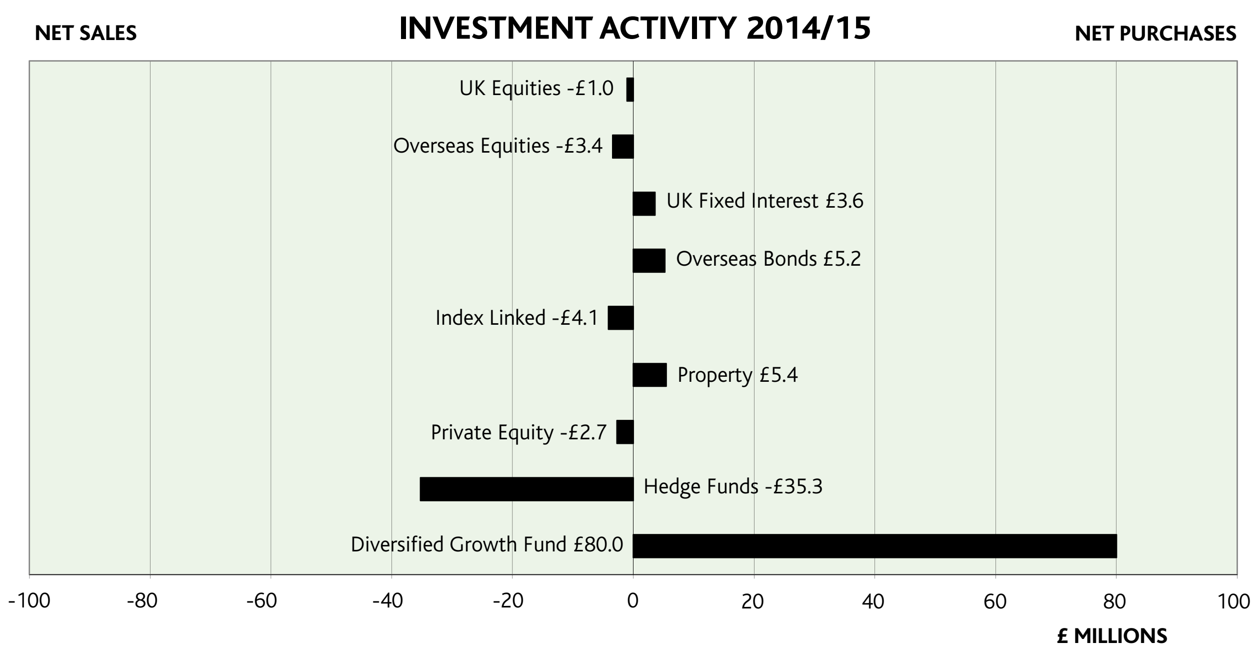
Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2015.

SECTOR		INDEX	% Total Returns Year to 31.3.15
Equities	Global	FTSE All World	19.2
	UK	FTSE Actuaries All Share	6.5
	North America	FTSE North American Developed	25.1
	Japan	FTSE Japan Developed	27.1
	Europe	FTSE Europe (ex UK) Developed	7.7
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	10.6
	Emerging Markets	FTSE Emerging Markets	16.3
Bonds	UK Government	FTSE Government UK Gilts All Stocks	13.9
	UK Index-Linked	FTSE Government Index-Linked (over 5 years)	21.1
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	13.1
	Overseas	JP Morgan Traded WXUK	8.4
Cash	UK	7 DAY £ LIBID INDEX	0.3
Property	UK Commercial	IPD (HSBC) All Balanced Funds Index	16.6

Investment Review 2014/15

Investment Activity

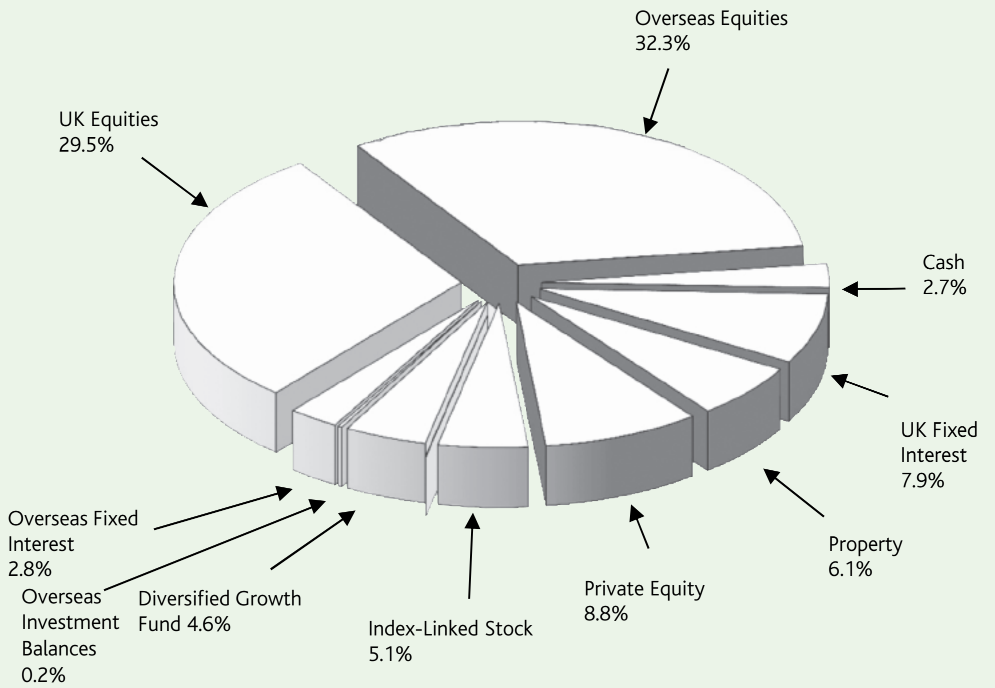
The Pension Fund invested a net £47 million during the year ended 31 March 2015. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.



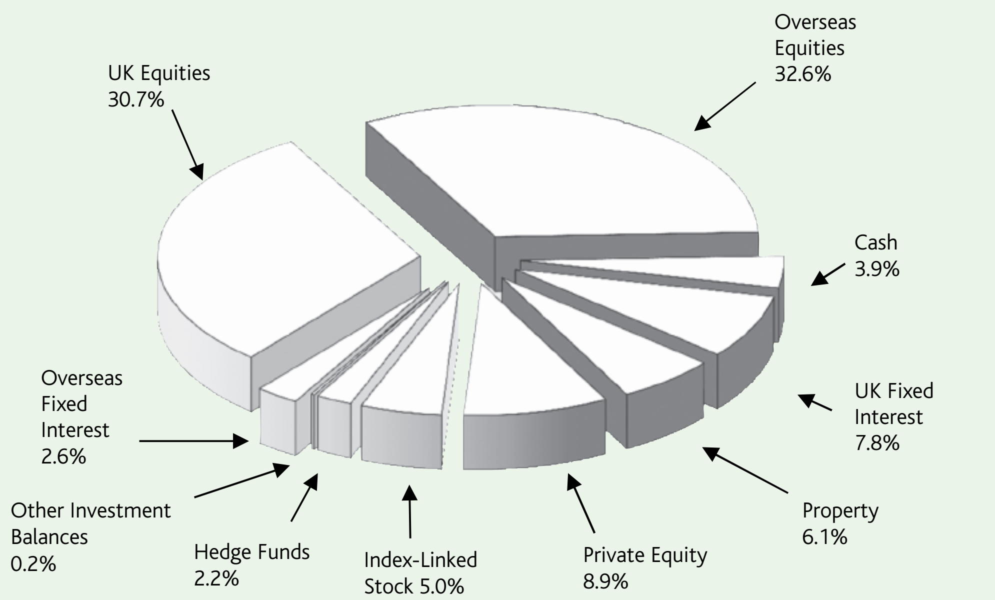
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2015 is shown in the chart below. A comparative chart of the position at 31 March 2014 is also shown. The two further charts show the distribution of overseas investments at 31 March 2015 and 31 March 2014. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

Investment Portfolio Distribution at 31 March 2015

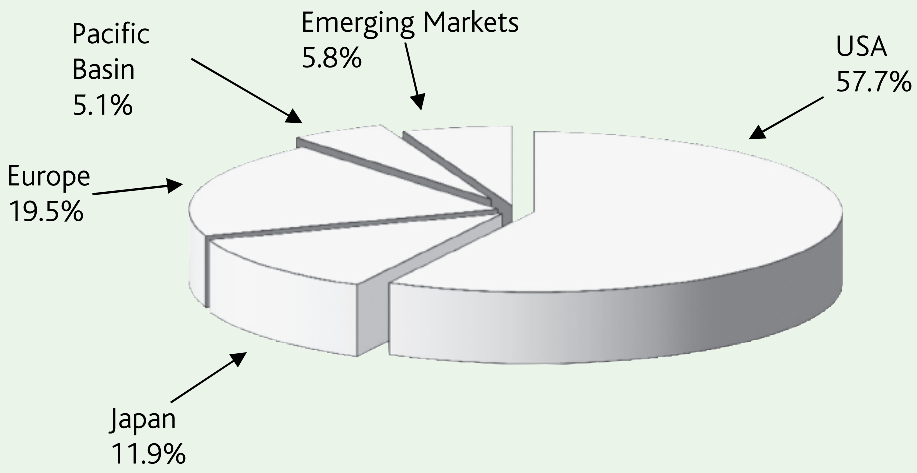


31 March 2014

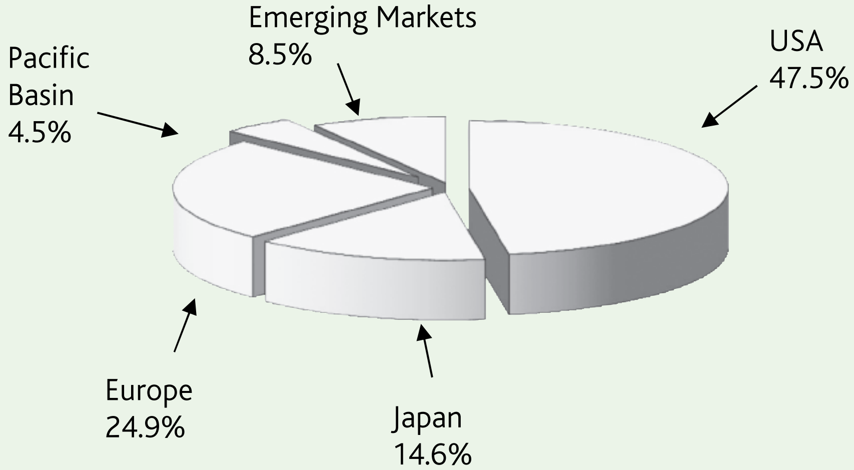


Investment Review 2014/15

Overseas Investment Distribution at 31 March 2015



31 March 2014

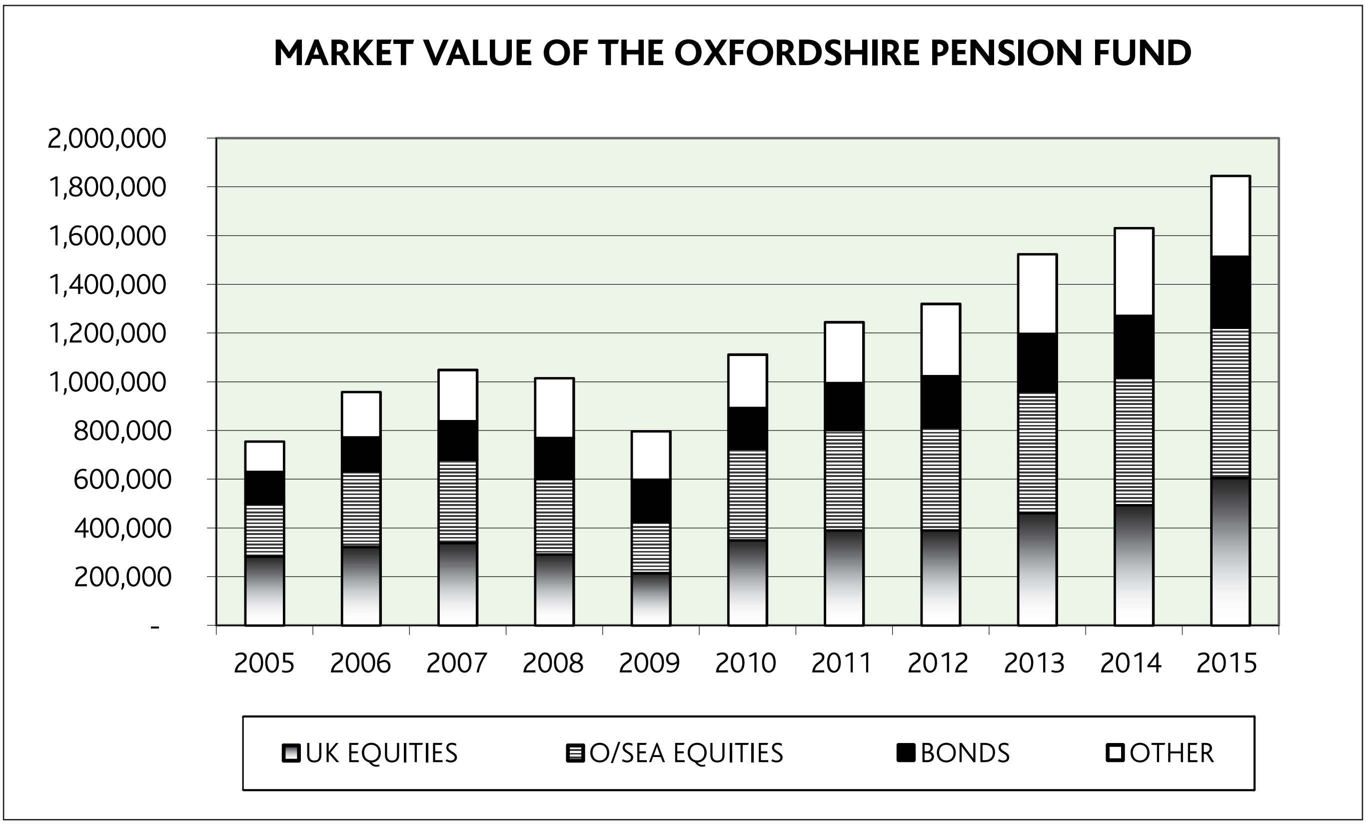


Investment Review 2014/15

Portfolio Asset Allocation over the Ten Years to March 2015

The total assets (including accruals) of the Pension Fund have grown from £755 million at end of March 2005 to £1,845 million at end of March 2015 (see chart below).

Over the period the percentage in UK equities decreased from 37.5% to 32.8% and bonds decreased from 17.2% to 15.7%.



Note: In 2008 the basis of valuation changed from mid-price to bid-price

Investment Review 2014/15

Investment Benchmark and Performance

During 2014/15, the changes to the Fund's investment benchmark, agreed by the Committee as part of their Fundamental Asset Allocation Review in March 2014 were implemented. These included the deletion of the allocation to Hedge Funds, and the introduction of an allocation to Diversified Growth Funds. No action was taken on the decision to introduce an allocation to infrastructure, as no suitable opportunities were identified. The UBS equity allocation moved from thirds basis (30% each to North America, Europe (ex UK) and Asia Pacific (inc Japan) plus 10% emerging markets), to a global equity mandate. Their performance target was also amended from 1% above benchmark to 3% above benchmark (to be phased in when looking at the annual and three year figures).

The Fund uses WM Performance Services to independently measure investment performance. Returns for all of the Fund's managers and at the total fund level are reported quarterly to the Pension Fund Committee. A representative from the WM Company also gives an annual presentation to the Committee each September. The table below provides details of the Pension Fund's one, three and five year investment returns, on an annualised basis, for each asset class.

The tables indicate that performance in 2014/15 was 0.3% above benchmark with an overall return of 12.8%. The table shows the range of returns for 2014/15 across the different asset classes, ranging from 6.7% on UK equities to 21.2% on Index Linked Gilts. As well as the volatility between asset classes, the figures also show the volatility between years, with UK equities returning above average, and index linked gilts below average over a three year period. These figures indicate the importance of taking a long term view of investment performance and not making decisions based on short term returns.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2015		Three Years Ended 31 March 2015		Five Years Ended 31 March 2015	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
UK Equities	27.44	6.6	6.7	10.6	11.8	8.3	10.8
Overseas Equities	7.94	20.2	16.1	14.6	12.6	10.2	7.9
* Global Equities	25.62	18.7	18.9	14.0	13.7	9.9	9.0
UK Gilts	3.0	13.9	15.5	5.3	5.8	7.0	7.0
Index Linked Gilts	5.0	21.0	21.2	8.9	8.9	10.8	11.3
Overseas Bonds	2.0	7.6	7.1	0.7	4.3	2.3	4.5
Corporate Bonds	6.0	13.1	12.6	8.7	8.1	8.0	8.1
Property	8.0	16.6	15.6	9.6	9.2	8.7	8.7
Private Equity	10.0	5.4	16.7	16.5	15.6	12.6	14.1
Diversified Growth Fund	5.0	-	-	-	-	-	-
† Cash	0.0	-	1.8	-	1.4	-	1.1
Total Fund	**100**	**12.5**	**12.8**	**11.6**	**11.3**	**9.4**	**9.3**

* The Global Equity benchmarks have assumed a 10% allocation to UK Equities. In practice the actual allocation will continuously fluctuate.

† Cash includes cash held by Fund Managers.

Investment Review 2014/15

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a three year rolling period. The figures highlight the particularly strong performance of Baillie Gifford over recent years in their management of a UK equity mandate. Over the 3 years to March 2015, they were 2.0% above benchmark against a target out-performance of 1.25% per annum.

Wellington only received funding in September 2012 so have yet to complete a full three year's set of results.

The figures for UBS equities are disappointing, and the Committee are closely reviewing performance with the Fund Manager. Key issues leading to the poor results have been analysed, and the factors which will lead to improving results going forward have been set out.

The one year figures for Hedge Funds need to be treated with caution, as they reflect the ending of the allocation.

Fund Manager	Target %	One Year Ended 31 March 2015		Three Years Ended 31 March 2015		Five Years Ended 31 March 2015	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.25	6.6	6.7	10.6	12.6	8.3	12.3
Wellington Global Equities	2.0	18.4	19.0	-	-	-	-
UBS Global Equities	3.0*	18.3	14.0	13.7	12.0	9.0	7.6
Legal & General UK Equities - Passive	n/a	6.3	6.4	9.4	9.4	7.3	7.4
Legal & General Ex UK Equities - Passive	n/a	19.9	19.9	14.9	14.9	-	-
Legal & General Fixed Income	0.6	15.1	14.8	7.7	7.4	8.4	8.4
Diversified Growth Fund	3-5	-	-	-	-	-	-
UBS Property	1.0	16.6	17.2	9.6	10.1	8.7	9.2
Partners Group Property	Excess	16.6	5.3	9.6	4.2	8.7	7.0
Private equity	1.0	5.4	16.7	16.5	15.6	12.6	14.1
UBS Hedge Funds	Excess	3.6	-7.1	3.6	1.3	3.7	1.7
Cash	n/a	0.3	0.4	0.4	0.8	0.4	1.0
Total Fund		**12.5**	**12.8**	**11.6**	**11.3**	**9.4**	**9.3**

* - Being phased in. Target was 1% above benchmark until June 2014.

Cash held by Fund Managers is included within total Fund Manager performance.

Investment Review 2014/15

Further investment performance details comparing the Oxfordshire Pension Fund with other local authority funds and indices are shown in the table below. The figures indicate that performance, despite being above benchmark last year, fell below the average return for all LGPS funds. Over a three and five year period, the Oxfordshire Fund has outperformed the local authority average, although performance falls to below average when looked at over a ten year period.

% Returns per annum for the financial year ended 31 March 2015				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	12.8	11.3	9.3	7.4
Average Returns and other Comparators				
WM Local Authority Average Return	13.2	11.0	8.7	7.9
Oxfordshire Benchmark	12.5	11.6	9.4	8.2
Retail Price Index	0.9	2.2	3.1	3.0
Average Earnings	3.3	1.7	1.6	3.1

* The five and ten year benchmark figures are a composite of the current customised benchmark and the previously used peer group benchmark.

Asset Allocation

Asset Class	Actual % 31-Mar-15	Target % 31-Mar-15	Variation	Actual % 01-Apr-14	Target % 01-Apr-14	Variation
UK Equities	**29.1%**	**29.0%**	**0.1%**	**30.7%**	**31.0%**	**-0.3%**
Overseas Equities	**32.6%**	**30.0%**	**2.6%**	**32.7%**	**32.0%**	**0.7%**
UK Gilts	5.0%	3.0%	2.0%	4.4%	3.0%	1.4%
Corporate Bonds	2.6%	6.0%	-3.4%	3.2%	6.0%	-2.8%
Overseas Bonds	2.8%	2.0%	0.8%	2.6%	2.0%	0.6%
Index-Linked	5.1%	5.0%	0.1%	5.0%	5.0%	0.0%
Total Bonds	**15.5%**	**16.0%**	**-0.5%**	**15.2%**	**16.0%**	**-0.8%**
Property	6.1%	8.0%	-1.9%	6.0%	8.0%	-2.0%
Private Equity	9.1%	9.0%	0.1%	9.1%	10.0%	-0.9%
Hedge Funds	0.0%	0.0%	0.0%	2.2%	3.0%	-0.8%
Multi-Asset DGF	4.6%	5.0%	-0.4%	0.0%	0.0%	0.0%
Infrastructure	0.0%	3.0%	-3.0%	0.0%	0.0%	0.0%
Total Alternative Investments	**19.8%**	**25.0%**	**-5.2%**	**17.3%**	**21.0%**	**-3.7%**
Cash	**3.0%**	**0.0%**	**3.0%**	**4.1%**	**0.0%**	**4.1%**
	100.0%	**100.0%**		**100.0%**	**100.0%**	

Investment Review 2014/15

Responsible Investment

Fund managers produce reports outlining their engagement and ESG related activity. All of the Fund's investment managers are signatories to the United Nations Principles for Responsible Investment Initiative. Fund managers and officers monitor ESG related developments and ad-hoc reports are produced for the Committee on topical ESG issues relevant to the Fund, for example a report on fossil fuel investments was taken to the Committee during 2014/15.

Annual Voting Report

Introduction

The UK Stewardship Code was introduced by the Financial Reporting Council in 2010, and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code.

Principle 6 of the Code states that Institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.

The Oxfordshire County Council Pension Fund's voting policy is set out in its Statement of Investment Principles (SIP), which states that voting decisions are fully delegated to the Fund Managers to exercise voting rights in respect of the Pension Fund's holdings. Officers monitor this activity and raise any concerns with the Fund Managers. An annual voting report is produced and presented to the Pension Fund Committee. The report for 2014/15 will be presented at the September 2015 Committee meeting. Papers will be available on the Council's website once published (http://mycouncil.oxfordshire.gov.uk/ieListMeetings.aspx?CId=140&Year=0).

Employer Discretions

Pension Services can supply employers with related pension costs which would result following an employer's action on a discretionary policy. The employer's written decisions are required before pension services will take action in any circumstance which could incur additional cost, unless it is clear from an employer's current written policy statement that the decision is in accordance with that statement. For example, some employers will allow late transfers without further consideration while others need to make individual decisions.

Specific Requirements

The following tables have been prepared to assist the LGPS scheme advisory board in the production of an annual report for the LGPS as a whole.

Employer Bodies Summary as at 31 March 2015

	Active	Ceased	Total
Scheduled Body	87	0	87
Admitted Body	60	3	63
Total	**147**	**3**	**150**

Analysis of Fund Assets as at 31 March 2015

	UK £m	Non-UK £m	Global £m	Total £m
Equities	605.109	361.336	256.789	1,223.234
Bonds	142.947	36.934	109.953	289.834
Property (Direct Holdings)	0	0	0	0
Alternatives	88.482	9.443	163.900	261.825
Cash and Cash Equivalents	39.031	7.332	0	46.363
Other	0	0	0	0
Total	**875.569**	**415.045**	**530.642**	**1,821.256**

Analysis of Investment Income Accrued During 2014/15

	UK £m	Non-UK £m	Global £m	Total £m
Equities	12,628	4,345	23	16,996
Bonds	2,160	993	0	3,153
Property (Direct Holdings)	0	0	0	0
Alternatives	2,750	411	0	3,161
Cash and Cash Equivalents	250	4	0	254
Other	0	0	0	0
Total	**17,788**	**5,753**	**23**	**23,564**

Income from holdings in pooled funds accrues within the pooled fund and is reflected within the unit price so is not included within investment income.

Pension Fund Accounts 2014-15

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

Reclassification

	Notes	2015	2014
		£000	**£000**
CONTRIBUTIONS AND BENEFITS			
Contributions Receivable	6	(86,556)	(80,620)
Transfers from Other Schemes	7	(3,113)	(5,211)
Other Income	8	(423)	(476)
Income Sub Total		**(90,092)**	**(86,307)**
Benefits Payable	9	72,230	70,139
Payments to and on Account of Leavers	10	4,011	4,384
Management Expenses	11	5,434	5,080
Other Expenses	8	337	0
Expenditure Sub Total		**82,012**	**79,603**
Net Additions from dealings with members		**(8,080)**	**(6,704)**
RETURNS ON INVESTMENTS			
Investment Income	12	(23,564)	(23,288)
Commission Recapture		(2)	(1)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	(182,703)	(77,626)
Less Taxes on Income	12	81	156
Net returns on investments		**(206,188)**	**(100,759)**
Net increase in the net assets available for benefits during the year		**(214,268)**	**(107,463)**
Opening Net Assets of the Scheme		1,631,211	1,523,748
Closing Net Assets of the Scheme		**1,845,479**	**1,631,211**

The latest guidance on the presentation of management costs has been adopted; as such Investment Management Expenses of £3.611m and Administrative Expenses Borne by the Scheme of £1.469m have been combined under the new line of Management Expenses for the year ended 31 March 2014. Further details are included in Note 3.

Pension Fund Accounts 2014-15

NET ASSETS AS AT 31 MARCH 2015

Reclassification

	Notes	**2015**	**2014**
		£000	**£000**
INVESTMENT ASSETS			
Fixed Interest Securities	16b	87,748	74,957
Index Linked Securities	16b	92,133	80,201
Equities	16b	643,335	590,179
Pooled Investments	16b	839,010	703,652
Pooled Property Investments	16b	111,462	97,287
Derivative Contracts	16c	1,598	100
Cash Deposits	16d	7,332	10,285
Other Investment Balances	16d	7,008	5,593
INVESTMENT LIABILITIES			
Derivative Contracts	16c	(393)	(111)
Other Investment Balances	16d	(4,249)	(2,288)
Total Investments		**1,784,984**	**1,559,855**
ASSETS AND LIABILITIES			
Current Assets	17	50,191	58,816
Current Liabilities	18	(2,005)	(1,701)
Net current assets		**48,186**	**57,115**
LongTerm Assets	19	12,309	14,241
Net Assets of the scheme available to fund benefits at year end		**1,845,479**	**1,631,211**

Following a review of the classification of investments it was decided that the Fund's holdings in listed private equity companies should be classified under equities rather than private equity. The £91.435m listed under private equity for the financial year ended 31 March 2014 consisted entirely of listed private equity holdings and has been included within the equities category. Further details are included in Note 3.

Pension Fund Accounts 2014-15

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2014/15 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Pension Fund is part of the Local Government Pension Scheme which is a statutory, funded, defined benefit pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependants, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

Membership

The majority of fund employers are required to automatically enrol eligible job holders into the LGPS under the government's auto-enrolment legislation, employees may then choose to opt-out of the scheme. Some employers will have the option of whether to auto-enrol eligible jobholders into the LGPS or another qualifying scheme.

Members are made up of three main groups. Firstly, the contributors – those who are still working and paying money into the Fund. Secondly, the pensioners – those who are in receipt of a pension and thirdly, by those who have left their employment with an entitlement to a deferred benefit on reaching pensionable age.

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local authorities and similar bodies, such as academies, whose staff are automatically entitled to become members of the fund.
- Admitted Bodies – Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
  - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.

– Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

Full definitions are contained in The Local Government Pension Scheme (Administration) Regulations 2008.

The table below details the composition of the Fund's membership:

	As at 31 March 2015	As at 31 March 2014
Number of Contributory Employees in Scheme		
Oxfordshire County Council	10,801	11.434
Other Scheduled Bodies	9,527	7,956
Admitted Bodies	1,061	1,193
	21,389	**20,583**
Number of Pensioners and Dependants		
Oxfordshire County Council	7,874	7,556
Other Scheduled Bodies	4,833	4,635
Admitted Bodies	758	713
	13,465	**12,904**
Deferred Pensioners		
Oxfordshire County Council	14,002	13,076
Other Scheduled Bodies	6,914	6,164
Admitted Bodies	942	871
	21,858	**20,111**

Six Scheduled Bodies, all of which are Academies, plus eight Admitted Bodies joined the scheme in 2014/15. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer.

Pension Fund Accounts 2014-15

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2015 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014. Employer contribution rates currently range from 12.0% to 24.6% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

	Service Pre 1 April 2008	**Service Post 31 March 2008**
Pension	Each full-time year worked is worth 1/80 × final pensionable salary.	Each full-time year worked is worth 1/60 × final pensionable salary.
Lump Sum	Automatic lump sum of 3 × pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of 1/49th. Accrued pension is indexed annually in line with the Consumer Prices Index. The normal retirement age is linked to each individual member's State Pension Age.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Scheme members are now also able to opt to pay 50% of the standard contributions in return for 50% of the pension benefit.

Pension Fund Accounts 2014-15

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 23.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 79.

Note 3 – Summary of Significant Accounting Policies

Investments

1. 1. Investments are shown in the accounts at market value, which has been determined as follows:

   (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2015.

   (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information;

   (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

   (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2015.

   (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

   (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

   (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

   (h) All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Pension Fund Accounts 2014-15

Foreign Currencies

2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

   Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

   The Actuary determines the contribution rate for each employer during the triennial valuations of the Fund's assets and liabilities. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

   In the case of inter-fund adjustments provision has only been made where the amount payable or receivable was known at the year-end. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2015.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary on-costs, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited for a fixed period and has been placed as such as an investment decision has been included under cash deposits.

Changes in Accounting Policy

9. The fund holds a number of investments in listed private equity companies. These holdings have previously been classified under investments as private equity. However, it has been determined that it would be more appropriate to include these holdings under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. In addition, this is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

In June 2014 the Chartered Institute of Public Finance & Accountancy issued a document titled Accounting for Local Government Pension Scheme Management Costs. This document aims to establish best practice in the disclosure of scheme management costs in the LGPS. Although the document is not statutory or required to be complied with by the Code, the fund has adopted the presentation of management costs in line with the guidance.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2015 was £64.433m (£51.602m at 31 March 2014). All of the unquoted private equity investments at 31 March 2015 are included within the pooled investments category in the net assets statement, as was the case at 31 March 2014.

Pension Fund Liability

The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 26. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

Pension Fund Accounts 2014-15

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,941m. There is a risk that this figure is under, or overstated in note 26 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £64.433m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund investments are valued based on the sum of the fair values provided by the administrators of the underlying funds, plus adjustments that directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	The total value for Fund of Funds Hedge Funds included in the financial statements is £0.503m. There is a risk that these investments could be under, or overstated in the accounts.

Note 6 – Contributions

	2014/15 £000	2013/14 £000
Employers		
Normal	(45,611)	(43,131)
Augmentation	0	(18)
Deficit Funding	(19,446)	(17,216)
Costs of Early Retirement	(451)	(825)
	(65,508)	(61,190)
Members		
Normal	(20,692)	(19,047)
Additional*	(356)	(383)
	(21,048)	(19,430)
Total	**(86,556)**	(80,620)

Deficit recovery contributions are paid by employers based on the maximum 25 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

	Employer Contributions		**Members Contributions**	
	2014/15 £000	2013/14 £000	**2014/15 £000**	2013/14 £000
Oxfordshire County Council	(30,817)	(30,690)	(9,837)	(9,552)
Scheduled Bodies	(30,859)	(26,016)	(9,909)	(8,521)
Resolution Bodies	(756)	(595)	(231)	(211)
Community Admission Bodies	(1,752)	(2,334)	(635)	(695)
Transferee Admission Bodies	(1,324)	(1,555)	(436)	(451)
Total	**(65,508)**	(61,190)	**(21,048)**	(19,430))

Pension Fund Accounts 2014-15

Note 7 – Transfers in

	2014/15 £000	2013/14 £000
Individual Transfers In from other schemes	(3,113)	(5,211)
Total	**(3,113)**	(5,211)

Note 8 – Other Income and Expenses

Other Income for 2014/15 of £0.423m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognized, representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

Other Expenses for 2014/15 of £0.337m consists of a debt write-off where a scheme employer went into administration.

Note 9 – Benefits

	2014/15 £000	2013/14 £000
Pensions Payable	59,484	55,992
Lump Sums - Retirement Grants	11,088	13,124
Lump Sums - Death Grants	1,658	1,023
Total	**72,230**	70,139

	Pensions Payable		**Lump Sums**	
	2014/15 £000	2013/14 £000	**2014/15 £000**	2013/14 £000
Oxfordshire County Council	29,578	27,833	6,247	6,685
Scheduled Bodies	26,342	24,900	5,441	5,779
Resolution Bodies	488	474	50	199
Community Admission Bodies	2,736	1,988	797	880
Transferee Admission Bodies	340	797	211	604
Total	**59,484**	55,992	**12,746**	14,147

Note 10 – Payments to and on account of leavers

	2014/15 £000	2013/14 £000
Refunds of Contributions	117	5
Payments for members joining state schemes	0	(4)
Individual Transfers Out to other schemes	3,894	4,383
Total	**4,011**	4,384

Note 11 – Management Expenses

	2014/15 £000	2013/14 £000
Administrative Costs	1,292	1,096
Investment Management Expenses	3,744	3,562
Oversight & Governance Costs	398	422
Total	**5,434**	5,080

A further breakdown of investment management expenses is provided in Note 13.

Pension Fund Accounts 2014-15

Note 12 – Investment Income

	2014/15 £000	2013/14 £000 Reclassification
Fixed Interest Securities	(2,371)	(2,194)
Index Linked Securities	(782)	(1,473)
Equity Dividends	(16,859)	(16,007)
Pooled Property Investments	(3,162)	(2,767)
Pooled Investments – Unit Trusts & Other Managed Funds	(113)	(613)
Interest on Cash Deposits	(254)	(219)
Other – Securities Lending	(23)	(15)
	(23,564)	(23,288)
Irrecoverable Withholding Tax – Equities	81	156
Total	**(23,483)**	(23,132)

Note 13 – Investment Management Expenses

	2014/15 £000	2013/14 £000
Management Fees	3,675	3,485
Custody Fees	69	77
Total	**3,744**	3,562

Investment Manager & Custody Fees are generally calculated on a fixed sliding scale basis and are applied to the market value of the assets managed.

Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.023m in 2014/15 (2013/14 £0.015m). This is included within investment income in the Pension Fund Accounts. At 31 March 2015 £3.911m of stock was on loan, for which the fund held £3.995m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 15 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and bodies or individuals that have the potential to control or influence the Pension Fund, or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. During 2014/15, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.060m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2014/15 £000	2013/14 £000
Short Term Benefits	51*	48*
Long Term/Post Retirement Benefits	9	9
Total	**60**	57

*Includes allowances paid to the Chairman of the Pension Fund Committee

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administrating the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2015, employer contributions to the Pension Fund from the County Council were £30.816m (2013/14 £30.690m). At 31 March 2015 there were receivables in respect of contributions due from the County Council of £3.282m (2013/14 £2.378m) and payables due to the County Council of £0.066m (2013/14 £0.058m) for support services.

The County Council was reimbursed £1.042m (2013/14 £0.960m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 16 – Investments

During 2014/15 the fund sold the majority of its investments in hedge funds and used the resulting funds to make a new investment in a diversified growth fund. The decision to disinvest from hedge funds and move in to a diversified growth fund was made as part the fundamental review looking at the fund's asset allocation which was considered by the Pension Fund Committee in March 2014.

	Value at 31.3.2015 £000	Value at 31.3.2014 £000 Reclassification
Investment Assets		
Fixed Interest Securities	87,748	74,957
Index Linked Securities	92,133	80,201
Equities	643,335	590,179
Pooled Investments	839,010	703,652
Pooled Property Investments	111,462	97,287
Derivatives:		
- Forward Currency Contracts	1,598	100
Cash Deposits	7,332	10,285
Investment Income Due	3,918	3,233
Amounts Receivable for Sales	3,090	2,360
Total Investment Assets	**1,789,626**	1,562,254
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(393)	(111)
Investment Expenses Due	(930)	(1,143)
Amounts Payable for Purchases	(3,319)	(1,145)
Total Investment Liabilities	**(4,642)**	(2,399)
Net Investment Assets	**1,784,984**	1,559,855

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2014 Reclassification £'000	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables/ (Payables) £'000	Value at 31.3.2015 £'000
Fixed Interest Securities	74,957	98,661	(91,655)	5,785			87,748
Index Linked Securities	80,201	41,394	(45,526)	16,064			92,133
Equities	590,179	101,381	(101,388)	53,163			643,335
Pooled Investments	703,652	112,976	(73,526)	95,908			839,010
Pooled Property Investments	97,287	11,229	(5,789)	8,735			111,462
Derivative Contracts FX	(11)	202,470	(204,263)	3,009			1,205
Other Investment Balances							
Cash Deposits	10,285	64,501	(68,822)	39	1,329		7,332
Amounts Receivable for Sales of Investments	2,360					730	3,090
Investment Income Due	3,233					685	3,918
Amounts Payable for Purchases of Investments	(2,288)					(1,961)	(4,249)
	1,559,855	**632,612**	**(590,969)**	**182,703**	**1,329**	**(546)**	**1,784,984**

Included within the above purchases and sales figures are transaction costs of £0.328m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

Pension Fund Accounts 2014-15

	Value at 1.4.2013 Reclassification £'000	Purchases at Cost & Derivative Payments Reclassification £'000	Sales Proceeds & Derivative Receipts Reclassification £'000	Change in Market Value Reclassification £'000	Cash Movement £'000	Increase in Receivables/ (Payables) £'000	Value at 31.3.2014 Reclassification £'000
Fixed Interest Securities	65,628	90,327	(76,142)	(4,856)			74,957
Index Linked Securities	77,416	19,715	(12,189)	(4,741)			80,201
Equities	546,370	120,406	(106,970)	30,373			590,179
Pooled Investments	676,896	19,036	(39,046)	46,766			703,652
Pooled Property Investments	86,589	9,370	(6,068)	7,396			97,287
Derivative Contracts Futures FX	758	178,181	(183,149)	4,199			(11)
Other Investment Balances							
Cash Deposits	8,995	34,889	(41,793)	(1,510)	9,704		10,285
Amounts Receivable for Sales of Investments	1,286					1,074	2,360
Investment Income Due	2,961					272	3,233
Amounts Payable for Purchases of Investments	(5,742)					3,454	(2,288)
	1,461,157	**471,924**	**(465,357)**	**77,627**	**9,704**	**4,800**	**1,559,855**

As a result of the decision to reclassify listed private equity under the equities category the 2012/13 private equity assets of £90.881m, purchases of £0.043m, sales of £5.199m, and change in market value of £4.199m are all now included under the equities line.

Note 16b – Analysis of Investments (Excluding Derivative Contracts)

Fixed Interest Securities

	2014/15 £000	2013/14 £000
UK Public Sector	46,394	39,387
UK Other	4,420	3,731
Overseas Public Sector	36,934	31,839
	87,748	**74,957**

Index linked Securities

	2014/15 £000	2013/14 £000
UK Public Sector Index Linked	92,133	80,201
	92,133	**80,201**

Equity Investments

	2014/15 £000	2013/14 £000 Reclassification
UK Listed Equities	436,277	421,026
Overseas Listed Equities:		
North America	126,281	95,587
Japan	23,702	19,035
Europe	43,193	32,732
Pacific Basin	749	0
Emerging Markets	13,133	21,799
	643,335	**590,179**

Pension Fund Accounts 2014-15

Pooled Investment Vehicles

	2014/15 £000	2013/14 £000
UK Registered Managed Funds – Property	23,207	20,045
Non UK Registered Managed Funds – Property	14,742	23,867
UK Registered Managed Funds – Other	433,063	393,933
Non UK Registered Managed Funds – Other	149,158	104,364
UK Registered Property Unit Trusts	64,070	48,269
Non UK Registered Property Unit Trusts	9,443	5,107
Non UK Registered Unit Linked Insurance Fund	256,789	205,354
	950,472	800,939

Total Investments (excluding derivative contracts)

	2014/15 £000	2013/14 £000
	1,773,688	1,546,276

Note 16c – Derivative Contracts

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by some of their Investment Managers as part of the investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Hedge Funds

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £0.503m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

Pension Fund Accounts 2014-15

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought £000	Currency Sold £000	Asset value At year end £000	Liability value At year end £000	Net Forward Currency Contracts £000
Forward OTC	1 month	13,946 GBP	21,100 USD		(269)	
Forward OTC	1 month	130 GBP	1,240 DKK	10		
Forward OTC	1 month	498 GBP	929 AUD	20		
Forward OTC	1 month	17,410 GBP	22,300 EUR	1,272		
Forward OTC	1 month	7,831 GBP	1,404,000 JPY		(57)	
Forward OTC	1 month	383 GBP	693 CAD	14		
Forward OTC	1 month	78 GBP	960 SEK	4		
Forward OTC	1 month	275 EUR	207 GBP		(8)	
Forward OTC	1 month	604 USD	397 GBP	10		
Forward OTC	1 month	443 GBP	591 EUR	16		
Forward OTC	1 month	812 GBP	1,238 USD		(22)	
Forward OTC	1 month	789 GBP	1,060 EUR	22		
Forward OTC	1 month	195 GBP	298 USD		(5)	
Forward OTC	1 month	317 GBP	431 EUR	5		
Forward OTC	1 month	260 GBP	356 EUR	2		
Forward OTC	1 month	22,620 JPY	170 EUR	4		
Forward OTC	1 month	432 USD	282 GBP	9		
Forward OTC	6 months	9,356 GBP	12,870 EUR	11		
Forward OTC	1 month	546 GBP	755 EUR			
Forward OTC	3 months	5,186 EUR	3,710 EUR	47		
Forward OTC	1 month	66 GBP	92 EUR			
Forward OTC	1 month	4,950 USD	6,323 AUD	83		
Forward OTC	1 month	1,886 EUR	1,389 GBP		(24)	
Forward OTC	1 month	472 GBP	703 EUR		(2)	
Forward OTC	1 month	2,489 USD	3,165 AUD	49		
Forward OTC	1 month	946 GBP	1,292 EUR	11		
Forward OTC	1 month	3,810 AUD	2,904 USD	9	(6)	
Forward Currency Contracts at 31 March 2015				**1,598**	**(393)**	**1,205**
Prior Year Comparative						
Forward Currency contracts at 31 March 2014				100	(111)	(11)

Note 16d Other Investment Balances

	2014/15 £000	2013/14 £000
Receivables		
Sale of Investments	3,090	2,360
Dividend & Interest Accrued	3,895	3,182
Inland Revenue	19	51
Other	4	0
	7,008	5,593
Payables		
Purchase of Investments	(3,318)	(1,146)
Management Fees	(921)	(1,104)
Custodian Fees	(10)	(38)
	(4,249)	(2,288)
Total	**2,759**	**3,305**

Cash Deposits

	2014/15 £000	2013/14 £000
Non-Sterling Cash Deposits	7,332	10,285
	7,332	**10,285**

The following investments represent more than 5% of the net assets of the scheme

	2014/15 £000	% of Total Fund	2013/14 £000	% of Total Fund
UBS Life Global Equities All Countries Fund	256,789	13.91	0	0.00
UBS Global Optimal Thirds	0	0.0	205,354	12.59
L&G UK FTSE100 Equity Index	154,479	8.37	145,112	8.90
L&G World (ex-UK) Equity Index	154,278	8.36	137,950	8.46
L&G Core Plus Bond Fund	109,953	5.96	96,388	5.91

Pension Fund Accounts 2014-15

Note 17 – Current Assets

2014/15	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,798	3,585	19	0	934	7,336
Employee Contributions	211	1,166	6	0	348	1,731
Rechargeable Benefits	60	942	0	3	17	1,022
Transferred Benefits	0	0	29	0	438	467
Costs of Early Retirement	19	260	0	0	162	441
Inland Revenue	63	0	0	0	0	63
Other	0	0	0	0	100	100
Cash Balances					39,031	39,031
Total	**3,151**	**5,953**	**54**	**3**	**41,030**	**50,191**

2013/14	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,695	3,435	19		1,440	7,589
Employee Contributions	161	1,119	6		333	1,619
Transferred Benefits		94			74	168
Costs of Early Retirement	11	515		2	287	815
Inland Revenue	146					146
Other	41	100		12	42	195
Cash Balances					48,284	48,284
Total	**3,054**	**5,263**	**25**	**14**	**50,460**	**58,816**

Note 18 – Current Liabilities

2014/15	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	0	0	0	(193)	(193)
Benefits Payable	0	0	0	(348)	(348)
Inland Revenue	(849)	0	0	0	(849)
Costs of Early Retirement	(390)	0	0	0	(390)
Staff Costs	0	(59)	0	0	(59)
Consultancy	0	0	(4)	0	(4)
Other	0	(11)	0	(151)	(162)
Total	**1,239**	**(70)**	**4**	**(692)**	**(2,005)**

2013/14	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	(7)	(166)	0	0	(173)
Benefits Payable	(11)	(169)	0	(20)	(200)
Inland Revenue	(829)	0	0	0	(829)
Costs of Early Retirement	(391)	0	0	0	(391)
Staff Costs	0	(58)	0	0	(58)
Consultancy	0	0	0	(25)	(25)
Other	(3)	(6)	0	(16)	(25)
Total	**(1,241)**	**(399)**	**0**	**(61)**	**(1,701)**

Note 19 – Long-Term Assets

2014/15	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	11,795	0	0	0	27	11,822
Costs of Early Retirement	42	278	0	0	167	487
Total	**11,837**	**278**	**0**	**0**	**194**	**12,309**

2013/14	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	13,558	0	0	0	31	13,589
Costs of Early Retirement	31	335	0	0	286	652
Total	**13,589**	**335**	**0**	**0**	**317**	**14,241**

Long-Term assets for 2014/15 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 20 – Assets under External Management

The market value of assets under external fund management amounted to £1,697.975m as at 31 March 2015. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

	31/03/2015		31/3/2014	
Fund Manager	**Market Value £'000**	**%**	Market Value £'000	%
Baillie Gifford	349,700	20.59	337,925	22.89
Legal & General	602,093	35.46	538,938	36.51
UBS	359,077	21.15	345,989	23.44
Wellington	226,635	13.35	190,821	12.93
Insight	84,221	4.96	0	0.00
Adams Street Partners	30,918	1.82	21,496	1.46
Partners Group	45,331	2.67	40,856	2.77
	1,697,975	**100.00**	1,476,025	100.00

Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2015	£'000	% of Fund
Electra Investment Trust	30,057	1.63
HG Capital Trust	21,893	1.19
British American Tobacco	16,284	0.88
Ashtead Group Plc	13,881	0.75
Prudential Plc	12,904	0.70

Pension Fund Accounts 2014-15

Note 22 – Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 23 – Additional Voluntary Contributions

	Market Value 31 March 2015 £'000	Market Value 31 March 2014 £000
Prudential	14,387	14,077

AVC contributions of £1.460m were paid directly to Prudential during the year (2013/14 - £1.554m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

Note 24 – Contingent Liabilities

There are two contingencies to note:

1) The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
2) The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next nine years, though the maximum payment has been calculated as approximately £0.160m plus pensions increase.

As at 31 March 2015 the fund had outstanding capital commitments (investments) totalling £46.511m (31 March 2014 - £57.783m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 25 – Statement of Investment Principles

Oxfordshire County Council Pension Fund has a statement of investment principles (SIP). This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's internet.

Pension Fund Accounts 2014-15

Note 26 – Actuarial Present Value of Promised Retirement Benefits

	2015 £'000	2014 £'000
Present Value of Funded Obligation	2,940,743	2,478,689

Present Value of Funded Obligation consists of £2,848.943m (2014 – £2,202.628m) in respect of Vested Obligation and £91.800m (2014 – £276.061m) in respect of Non-Vested Obligation. The movement from March 2014 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £121.930m (2014 - £126.304m).

There has been a further increase in the present value of the Funded Obligation of £340.124m (2014 - £47.419m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase from 2.8% to 2.4% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.6% to 4.2% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.4% to 3.3% (net effect an increase in Present Value of Funded Obligations).

Pension Fund Accounts 2014-15

Note 27a – Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	2014/15			2013/14		
	Fair Value Through Profit & Loss £'000	**Loans & Receivables £'000**	**Financial Liabilities at Amortised Cost £'000**	Fair Value Through Profit & Loss Reclassification £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	87,748			74,957		
Index Linked Securities	92,133			80,201		
Equities	643,335			590,179		
Pooled Investments	839,010			703,652		
Pooled Property Investments	111,462			97,287		
Derivatives	1,598			100		
Cash		46,363			58,569	
Other Investment Balances	6,990			5,542		
Receivables		90			30	
	1,782,276	**46,453**	**0**	**1,551,918**	**58,599**	**0**
Financial Liabilities						
Derivatives	(393)			(111)		
Other Investment Balances	(4,249)			(2,288)		
Payables			(219)			(101)
	(4,642)	**0**	**(219)**	**(2,399)**	**0**	**(101)**
Total	**1,777,634**	**46,453**	**(219)**	**1,549,519**	**58,599**	**(101)**

Pension Fund Accounts 2014-15

Note 27b – Fair Value of Financial Instruments and Liabilities

The carrying values of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2015		2014	
	Carrying Value £'000	**Fair Value £'000**	Carrying Value £'000	Fair Value £'000
Financial Assets – Current				
Loans & Receivables	46,453	46,453	58,599	58,599
Financial Assets at fair value through profit or loss	1,703,100	1,703,100	1,486,804	1,486,804
	1,749,553	**1,749,553**	**1,545,403**	**1,545,403**
Financial Assets – Long-Term				
Financial Assets at fair value through profit or loss	79,176	79,176	65,114	65,114
Financial Liabilities – Current				
Amortised Cost	(219)	(219)	(101)	(101)
Financial Liabilities at fair value through profit or loss	(4,642)	(4,642)	(2,399)	(2,399)
	(4,861)	**(4,861)**	**(2,500)**	**(2,500)**
Total	**1,823,868**	**1,823,868**	**1,608,017**	**1,608,017**

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

Note 27c – Net Gains and Losses on Financial Instruments

	31 March 2015 £'000	31 March 2014 £'000
Financial Assets		
Fair Value through Profit and Loss	179,655	74,938
Loans and Receivables	39	(1,510)
Financial Liabilities		
Fair Value through Profit and Loss	3,009	4,199
Financial Liabilities Measured at Amortised Cost	0	0
Total	**182,703**	**77,627**

Note 27d – Valuation of Financial Instruments Carried at Fair Value

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

Level 1

Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3

Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

Pension Fund Accounts 2014-15

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund's financial assets and liabilities within the fair value hierarchy.

Values at 31 March 2015	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	775,272	918,622	88,382	1,782,276
Loans and Receivables	46,453	0	0	46,453
Total Financial Assets	**821,725**	**918,622**	**88,382**	**1,828,729**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(4,249)	(393)	0	(4,642)
Financial Liabilities at Amortised Cost	(219)	0	0	(219)
Total Financial Liabilities	**(4,468)**	**(393)**	**0**	**(4,861)**
Net Financial Assets	**817,257**	**918,229**	**88,382**	**1,823,868**

Values at 31 March 2014	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	670,974	772,132	108,812	1,551,918
Loans and Receivables	58,599	0	0	58,599
Total Financial Assets	**729,573**	**772,132**	**108,812**	**1,610,517**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(2,288)	(111)	0	(2,399)
Financial Liabilities at Amortised Cost	(101)	0	0	(101)
Total Financial Liabilities	**(2,389)**	**(111)**	**0**	**(2,500)**
Net Financial Assets	**727,184**	**772,021**	**108,812**	**1,608,017**

Note 28 – Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The triannual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2013 Valuation estimated that the current Funding Level is only 82%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles.
- The regular review of the performance of all Fund Managers.

Key elements of the approach to managing the investment risk as set out in the Statement of Investment Principles include:

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary when completing the 2013 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 82% down to 76% or up to 90%. A change in the CPI assumption of 0.5% per annum would lead to a reduction in the funding level to 76% or an increase to 89%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

- Credit risk – the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund.
- Liquidity Risk – the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due.
- Market Risk – the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates.

Credit Risk

The Pension Fund's, credit risk is largely associated with the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where there is a risk that the other parties may fail to meet the interest or dividend payments due, or fail to return the Fund's investment at the end of the investment period.

At 31 March 2015 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	**31 March 2015 £'000**	**31 March 2014 £'000**
UK Government Gilts	46,394	39,388
UK Corporate Bonds	114,373	100,119
UK Index Linked Gilts	92,133	80,201
Overseas Government Bonds	36,934	31,839
Non-Sterling Cash Deposits	7,332	10,285
Cash Balances	39,031	48,284
Total	**336,197**	**310,116**

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2015 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	**Balance as at 31 March 2015 £'000**	**Rating**	Balance as at 31 March 2014 £'000
Money Market Funds				
Ignis Asset Management	AAA	5,504	AAA	12,450
Bank Deposit Accounts				
Royal Bank of Scotland Plc		0	A	3
Santander UK Plc		0	A	4
Bank Current Accounts				
Lloyds TSB Plc	A	5,126	A	6,098
BNP Paribas	A+	28,401		29,729
Total		**39,031**		48,284

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the Liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 2014/15 the Pension Fund received/accrued income related to dealings with members of £90.1m (2013/14 - £86.3m) and incurred expenditure related to dealings with members of £82.0m (2013/14 - £79.6m). There were further receipts/accruals of £23.6m (2013/14 - £23.3m) in respect of investment income, against which need to be set taxes of £0.1m (2013/14 - £0.2m). The net inflow was therefore £31.6m (2013/14 - £29.8m).

These figures indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

The Fund would need to experience a significant change in either the levels of contributions received, and/or the levels of benefits payable, as well as the loss of all current investment income, before it might be required to liquidate assets at financial loss.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the resulting impact on active scheme membership. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the ongoing benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is likely to be many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, with all short term movements smoothed to reflect the long term trends.

Interest Rate Risk

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

Asset Type	Carrying Amount as at 31 March 2015 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £'000	-1% £'000
Cash and Cash Equivalents	7,332	73	(73)
Cash Balances	39,031	390	(390)
Fixed Interest Securities	289,834	2,898	(2,898)
Total Change in Assets Available	**336,197**	**3,361**	**(3,361)**

Asset Type	Carrying Amount as at 31 March 2014 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £000	-1% £000
Cash and Cash Equivalents	10,285	103	(103)
Cash Balances	48,284	483	(483)
Fixed Interest Securities	251,546	2,515	(2,515)
Total Change in Assets Available	**310,115**	**3,101**	**(3,101)**

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 16c).

Based on the Fund's exposure to various currencies at 31 March 2015 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 10.8%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

Pension Fund Accounts 2014-15

The table below shows the impact a 10.8% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure – Asset Type	**Asset Values as at 31 March 2015 £000**	**Change in Year in the Net Assets Available to Pay Benefits**	
		+10.8% £000	**-10.8% £000**
Overseas Equities	207,058	22,321	(22,321)
Pooled Overseas Equities	411,066	44,313	(44,313)
Pooled Private Equity (LLPs)	61,508	6,631	(6,631)
Pooled Property	24,185	2,607	(2,607)
Cash	7,332	790	(790)
Total Change in Assets Available	**711,149**	**76,662**	**(76,662)**

Currency Exposure - Asset Type	**Asset Values as at 31 March 2014** Reclassification	**Change in Year in the Net Assets Available to Pay Benefits**			
		+7.6%		**-7.6%**	
	£'000	**£'000** Reclassification	**£'000** Restated	**£'000** Reclassification	**£'000** Restated
Overseas Equities	169,153	181,941	12,788	156,364	(12,788)
Pooled Overseas Equities	360,670	387,938	27,268	333,403	(27,268)
Pooled Private Equity (LLPs)	48,840	52,533	3,693	45,148	(3,693)
Pooled Property	28,974	31,164	2,190	26,783	(2,190)
Cash	10,285	11,062	777	9,507	(777)
Total Change in Assets Available	**617,922**	**664,638**	**46,716**	**571,205**	**(46,716)**

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets subject to currency risk of £4.993m are now included under the equities line.

The change in year in net assets available to pay benefits figures for 2013/14 have been restated as in the published 2013/14 accounts they incorrectly showed the total value of assets after applying the percentage change rather than the change in value after applying the percentage change.

Pension Fund Accounts 2014-15

Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

Based on an analysis of historical data, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a one year period. These are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	Value as at 31 March 2015 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	570,090	11.9	637,928	502,249
Pooled UK Equities (Small Cap)	14,353	7.4	15,410	13,297
Global Equities	227,725	9.5	249,336	206,114
Diversified Growth Fund	84,221	3.5	87,161	81,282
Pooled Global Equities	256,789	10.9	284,687	228,891
Pooled Overseas Equities	154,278	9.1	168,256	140,301
UK Bonds	50,814	5.4	53,579	48,050
Overseas Bonds	36,934	6.2	39,209	34,659
UK Index Linked Bonds	92,133	8.9	100,360	83,905
Pooled Corporate Bonds	109,953	4.3	114,682	105,224
Pooled Hedge Funds	503	3.5	521	485
Pooled Private Equity (LLPs)	64,433	7.4	69,201	59,665
Pooled Property	111,462	1.6	113,221	109,703
Cash	46,366	0.0	46,375	46,357
Total Assets Available to Pay Benefits	**1,820,054**	**8.8**	**1,979,926**	**1,660,182**

Pension Fund Accounts 2014-15

Asset Type	Value as at 31 March 2014 £'000 Reclassification	Percentage Change % Reclassification	Value Increase £'000 Reclassification	Value Decrease £'000 Reclassification
UK Equities	542,935	11.6	605,645	480,226
Pooled UK Equities (Small Cap)	14,483	8.3	15,680	13,285
Global Equities	192,355	9.7	210,937	173,773
Emerging Markets Equities	17,365	13	19,626	15,104
Pooled Overseas Equities	205,354	11.4	228,847	181,862
Pooled World Equities	137,951	9.4	150,918	124,983
UK Bonds	43,119	5.1	45,331	40,907
Overseas Bonds	31,839	6.0	33,746	29,932
UK Index Linked Bonds	80,201	9.3	87,620	72,782
Pooled Corporate Bonds	96,388	4.6	100,816	91,960
Pooled Hedge Funds	35,397	2.8	36,381	34,413
Pooled Private Equity (LLPs)	51,602	8.3	55,870	47,335
Pooled Property	97,287	2.5	99,720	94,855
Cash	58,569	0.0	58,569	58,569
Total Assets Available to Pay Benefits	**1,604,845**	**9.0**	**1,749,706**	**1,459,986**

Audit Report

Independent Auditor's Statement to the Members of Oxfordshire County Council on The Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2015, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 28.

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 (as transitionally saved) and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and the auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 4, the Chief Finance Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Oxfordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Foreword, Statement of Responsibilities, Members, Managers and Advisers and how the scheme operates, Investment Review, Actuarial Statement, Summary of Benefits, Statement of Investment Principles, Governance Policy Statement, Funding Strategy Statement, Communications Policy Statement, and Communication.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Oxfordshire County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Baldeep Singh
for and on behalf of Ernst & Young LLP,
Appointed Auditor
Reading
18 September 2015

Actuarial Statement

Statement of the Actuary for the year ended 31 March 2015

Introduction

The most recent full actuarial valuation of the Oxfordshire County Council Pension Fund was at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014. This statement gives an update on the funding position as at 31 March 2015 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2015 is just based on market movements since 31 March 2013 rather than being a full valuation with updated member data.

2013 Valuation

The results for the Fund at 31 March 2013 were as follows

- The Fund as a whole had a funding level of 82% i.e. the assets were 82% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £330m which is higher than the nominal deficit at the previous valuation in 2010.

  To cover the cost of new benefits and to also pay off the deficit over a period of 25 years, a total contribution rate of 19.3% of pensionable salaries was required.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit reflecting the employer's experience within the Fund.

Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2015 are summarised below:

Assumption	31 March 2013	31 March 2015
Discount rate	5.8% p.a	5.4% p.a.
Pension increases	2.7% p.a.	2.5% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	4.3% p.a.
Mortality	95% of the S1PA tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum	
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced	
Commutation	Members will convert 50% of the maximum possible amount of pension into cash	

The effect of the change in the assumptions over the year is discussed in the final section.

Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date, therefore the smoothed asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

Actuarial Statement

At 31 March 2013, the smoothed value of the assets used was £1,510m which increased to an estimated £1,617m at 31 March 2014 and then increased further to an estimated £1,830m at 31 March 2015.

Updated position

The estimated funding position at 31 March 2015 is a funding level of 88% which is an improvement on the position at 31 March 2013 of 82% and the estimate at 31 March 2014 of 85%.

The assets have given an average return of 9% p.a. since 31 March 2013, which was greater than the assumption at the 2013 valuation so acts to improve the funding level.

The discount rate is lower as at 31 March 2015 which increases the assessed value of the liabilities. The drop in the discount rate is a result of a fall in long-term interest rates which suggests lower investment returns will be available from the assets in the future. This movement has been counteracted slightly by a drop in the assumed rate of inflation.

Overall, both the assets and the liabilities have increased from market factors but the assets have increased by a greater extent which has led to the improvement in the funding level. Payment of deficit contributions during 2013/14 and 2014/15 in line with agreed contribution schedules has also helped.

The next full triennial valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

Mark Norquay FFA
Associate, Barnett Waddingham LLP

Barnett Waddingham
Public Sector Consulting

Summary of Benefits at March 2015

Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2014. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website. www.oxfordshire.gov.uk/pensions

Employers' Discretion

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.

The specific areas include how employers will exercise discretionary powers to, award additional pension for a member, agreement to flexible retirement on request of the member, setting up a shared cost AVC scheme, and waiving the reduction to a pension which is being paid early.

Retirement

The 2014 scheme reintroduced the 2 year vesting period to qualify for any benefit other than that following a death in service. The scheme retirement age is linked to State Pension Age (SPA) for men and women, membership of the scheme continues when employment continues after SPA. All pensions contributions must cease before the 75th birthday.

Scheme benefits can be taken voluntarily after leaving employment from age 55, but the benefit payable will be reduced. Alternatively when retirement is deferred until after SPA, the benefit will be increased.

The regulations confirm 'normal retire-ment age' to be the personal state retirement age but not before age 65, but protection is offered to those members who previously had the entitlement for earlier retirement with an unreduced benefit. The protections offered are limited according to the age of the member and may not apply on the whole of their membership.

The earliest age for payment of pensions is age 55 and from April 2014 employer's approval is no longer required.

Flexible retirement options, from age 55 were introduced from April 2006. A person could reduce their hours or grade and request a payment of pension while continuing in employment. Employers have to agree to the whole arrangement.

Ill health retirement – the Regulations provide 3 tiers of benefit depending upon the likelihood of the member being able to obtain gainful employment in the future. An employer's assessment for ill health pension is based upon capability to carry out duties of the member's current job and must be supported by appropriate independent medical certification.

From age 55, unreduced benefits are payable immediately when an employer terminates employment due to a redundancy or efficiency dismissal.

Benefits

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is

Summary of Benefits at March 2015

2 years. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 to 31 March 2014 the standard calculation is 1/60 of final years' pensionable pay for each year of membership. From April 2014 the standard calculation is pay x 1/49 for the year with annual pension revaluation. NB Where members choose to pay into the 50/50 section of the scheme their accrual for that period will be pay x 1/98 and not 1/49 as shown.

Example – retirement in 2015
25 years membership to 31 March 2014 and then 1 year in the 'new scheme', 'final pay' £15,000 for period to 31 March 2014

Annual Pension
20 years x 1/80 x £15,000 = **£3,750**
5 years x 1/60 x £15,000 = **£1,250**
£15,000 /49 = **£306.12**

Retirement Grant
20 years x 3/80 x £15,000 = **£11,250**

Members can choose at retirement to exchange pension for a larger retirement grant lump sum. AVC funds can also be used to provide a larger tax free lump sum. This combined lump sum can be up to 25 percent of the member's individual total pension fund value.

There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant. Elected members can only remain in the LGPS for their current period of office, and is not available for newly elected councillors.

Liability to pay future benefits

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

Increasing Benefits

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential.

Additional Regular contributions (ARC's) to the LGPS to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.

Additional Pension Contributions (APC) gives members the opportunity to buy additional pension of up to £6,675. Payment can be made by a one off, or regular monthly payments.

Prudential AVCs. A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership

Members may also make their own arrangements using a stakeholder pension or an FSAVC.

Summary of Benefits at March 2015

Death

Following a death in service a death grant of up to three times pensionable pay is payable. There are no minimum service requirements to qualify, but there are limits to the total of death grant payable if the member also has pensions on payment or in deferment. Scheme members are recommended to keep their 'expression of wish' nominations current.

- Pensions are due to the eligible survivors: partners and /or children. The pension due to survivors reflects the changing regulations and the partnership status. Whilst the regulations no longer require prior nomination of co-habitees, eligibility must be determined before making payment. Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension

The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership to 31 March 2014 with enhancements assessed under the CARE scheme from 1 April 2014 until the members state retirement age.

For a widow or widower married before the member left employment all of membership can be used.

For civil partners and cohabiting partners only membership from 6 April 1988 is allowable for pension calculations.

Statement of Investment Principles

Introduction

Oxfordshire County Council has drawn up this Statement of Investment Principles to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Authority has consulted its actuary and independent financial adviser in preparing this statement.

Investment policy falls into two parts: strategic management and day-to-day management. The strategic management of the assets is the responsibility of the Authority and is driven by its investment objectives set out below. Day-to-day management of the assets is delegated to investment managers as described in the management of the assets section below.

Overall Responsibility

The County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. The Council is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The review and monitoring of investment performance and fund administration is delegated to the County Council's Pension Fund Committee. The Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of nine County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

The Committee meets quarterly and is advised by the Chief Finance Officer and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.0% per annum over a rolling three-year period.

In looking to deliver these objectives the Committee will take into account the fact that the Fund is immature with the cash received from employer and employee contributions exceeding the cash required to pay benefits and the costs of administering the Fund. This enables the Committee to take a long term view.

Risk

There are several risks to which any pension fund is exposed. The overriding risk is a deterioration of the funding level of the Fund. This could be caused by the differential movement of markets within the global economy or investment managers performing poorly and not achieving their target rate of return, or even their benchmark return.

To mitigate such risks, the following strategy has been adopted:

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of poor performance by investment managers;
- diversification of investments, including investing in alternative assets with a low degree of correlation;

Statement of Investment Principles

- use of a number of different investment managers to spread the risk of poor performance.
- diversification of investment styles, e.g. growth and value

Investment managers are required to implement appropriate risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. The managers report on portfolio risk each quarter.

Strategic asset allocation

In March 2014, the Pension Fund Committee reviewed the benchmark for the strategic allocation of assets, following the results of the 2013 Valuation. The revised benchmark is set out in the table below:

Asset Class	Asset Allocation %	Range %
UK Equities – passively managed – actively managed	9 20	
Total UK Equities	29	27 – 31
Overseas Equities – passively managed – actively managed	7 23	
Total Overseas Equities	30	28 - 32
Total Equities	**59**	**55 - 63**
UK Gilts Index Linked Gilts Overseas Bonds Corporate Bonds	3 5 2 6	
Total Bonds & Index Linked	**16**	**14 - 18**
Property Private Equity Diversified Growth Fund Infrastructure Cash	8 9 5 3 0	5 – 9 6 – 11 4 – 6 2 - 4 0 – 5
Total Other Assets	**25**	
Total All Assets	**100**	

Statement of Investment Principles

Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2014. The assets are currently managed as set out in the following table.

Asset Class	Investment Manager	Benchmark	Annual Target
UK Equities	Baillie Gifford	FTSE Actuaries All-Share	+1.25%
	Legal & General	FTSE 100	Passive
Global Equities	UBS Global Asset Management	MSCI All Countries World Index (ACWI)	+3.0%
	Wellington	MSCI All Countries World Index (ACWI)	+2.0%
Overseas Equities	Legal & General	FTSE All World (ex-UK)	Passive
Bonds & Index Linked	Legal & General		+ 0.6%
- UK Gilts		FTSE A All Gilts Stocks	
- Index Linked		FTSE A Over 5 year	
- Corporate bonds		IBoxx Sterling Non-Gilts	
- Overseas bonds		JPMorgan Global Govt (ex UK) traded bond	
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Private Equity			
- Quoted Inv. Trusts	Chief Finance Officer	FTSE smaller companies (including investment trusts)	+ 1.0%
- Limited Partnerships	Adams Street Partners Group		
Diversified Growth Funds	Insight Investment	3 month Libid	+3.0% to +5.0%
Cash	Internal	3 month Libor	–

Target performance is based on rolling 3-year periods

Statement of Investment Principles

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

Restrictions on Investment

The investment managers are prohibited from holding investments not defined as 'investments' in the LGPS (Management and Investment of Funds) Regulations 2009. Use of derivatives and currency hedging is permitted within pre-agreed limits. Underwriting is permitted, provided that the underlying stock is suitable on investment grounds and complies with existing investment criteria.

The regulations limit the powers of the Council to invest. The key restrictions are:

- not more than 10% (15%) of the Fund may be invested in unlisted securities of companies;
- not more than 10% of the Fund may be held in any single holding;
- not more than 10% of the Fund may be held as a deposit in any single bank, institution or person;
- not more than 2% (5%) of the Fund may be contributed to a single partnership
- not more than 5% (30%) of the Fund may be contributed to partnerships in total.
- not more than 10% of the Fund may be deposited or loaned to local authorities
- not more than 25% (35%) of the Fund may be invested in open ended investment companies where the collective investment schemes constituted by the companies are managed by one body.
- Not more than 25% (35%) in any single insurance contract.

Where figures are quoted in brackets, the Council could increase its limit as long as certain conditions are met.

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 22.8%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 25%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- It is proposed that the increase should be retained for the three year period up to the implementation of any asset allocation review following the 2016 Valuation. The increase will be reviewed as part of the 2017 Fundamental Asset Allocation Review and expires no later than 30 June 2017.

Statement of Investment Principles

- To increase the limit on the total of the Fund to be allocated to partnerships to 30%.
- This increase reflects the decision of the Committee to allocate £20m for ad hoc property investments. £10m has been allocated to a property partnership, bringing the total allocated to partnerships to 4.3%. To ensure the Fund retains the flexibility required to make investments in private equity and property partnerships as opportunities arise, the limit needs to be raised in line with the higher limit set by the Regulations.
- As the actual allocations will remain within the bands set by the fundamental asset review, the Fund will remain fully diversified.
- The increase should be reviewed as part of the 2017 Fundamental Asset allocation Review and as such will be in place until June 2017.
- The decision to increase both limits has been made in line with the requirements of the Regulations.

Realisation of Investments

Investment managers are required to maintain portfolios which consist of assets that are readily realisable. Any investment within an in-house or pooled fund which is not readily tradable requires specific approval. It is recognised that investment in Limited Partnership private equity funds are long term investments and as such are not readily realisable.

Monitoring and review

The individual manager's performance, current activity and transactions are monitored quarterly by Independent Financial Adviser and the Officers of the fund, and all issues of concern reported directly to the Committee. Quarterly reports from all Managers are made available to the Committee, who can raise any issues they wish to follow up. All Managers formally report to the Committee once a year, spread over the four quarterly meetings, with the Committee retaining the right to request more frequent attendance if they have matters of concern. The investment management performance of the Fund as a whole is reviewed annually by the Committee, supported by a presentation by State Street Global Services.

Social, Environmental & Ethically Responsible Investment

The Council's principal concern is to invest in the best interests of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. However, the Council requires its Investment Managers to monitor and assess the social, environmental and ethical considerations, which may impact on the reputation of a particular company when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Council believes that the operation of such a policy will ensure the sustainability of a company's earnings and hence its merits as an investment; it will also assess the company's sensitivity to its various stakeholders.

The Investment Managers report at quarterly intervals on the selection, retention and realisation of investments on the Council's behalf. These Report/Review Meetings provide an opportunity for the Council to influence the Investment Manager's choice of investments but the Council is careful to preserve the Investment Manager's autonomy in pursuit of their given performance. The Council will use meetings to identify Investment Managers' adherence to the policy and to ask Investment Managers to report regularly on any engagement undertaken.

Exercise of Rights attached to Investments

The Council takes an interest in the way the companies in which it has made investments manage their affairs. It will always exercise its voting rights to promote and support good corporate governance and socially responsible corporate behaviour.

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, subject to an annual review by the Pension Fund Committee.

Investment Managers are required to report quarterly on action taken. The Council, through its Investment Managers, may act with other pension funds to influence corporate behaviour and, apart from the exercise of voting rights in concert with others, may make direct representation to the boards of companies through its Investment Managers in concert with others, on issues of social responsibility.

Custody & Stock Lending

Custodian services are provided by BNP Paribas. In accordance with normal practice, the Scheme's share certificates are registered in the name of the custodian's own nominee company with designation for the Scheme. Officers receive and review internal control reports produced by the custodian. The custodian regularly reconciles their records with the investment manager records, providing a regular report to officers which they in turn review.

The custodian holds the majority of the Fund's assets. Exceptions include some pooled funds, held by the relevant Investment Manager's custodian, the diversified growth fund assets and a working cash balance, which is held by the County Council and invested in the wholesale money market.

The Council allows the custodian to lend stock and share the proceeds with the Council. This is done to generate income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the custodian.

Compliance

The Council will monitor compliance with this statement annually. In particular it will obtain written confirmation from the Investment Managers that they exercised their powers of investment with a view to giving effect to the principles contained in the Statement so far as is reasonably practicable. The Council undertakes to advise the Investment Managers promptly and in writing of any material change to the Statement.

The Pension Fund Committee has assessed itself against the updated Principles of Pension Fund Investment in June 2010 and is broadly compliant. This statement also complies with the guidance given by the Secretary of State.

Review of this Statement

The Council will review this Statement in response to any material changes to any aspect of the Fund, its liabilities, finances and its attitude to risk, which has a bearing on its stated investment objectives. A formal review of the strategic asset allocation will be undertaken annually. In addition the Council will undertake a strategic review of this Statement every three years to coincide with the actuarial valuation.

Governance Policy Statement

Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 55 of the Local Government Pension Scheme Regulations 2013.
2. As required by the Regulations, the Statement covers:
   - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
   - The frequency of any committee/sub-committee meetings;
   - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
   - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.
4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:
   - The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
   - The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.
6. A more detailed interpretation of these terms of reference includes the following:

   a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme

   b) regularly review and approve the asset allocation for the pension fund's investment

   c) approve and maintain the fund's Statement of Investment Principles

   d) approve and maintain the fund's Funding Strategy Statement

   e) approve and maintain the fund's Governance Policy Statement

   f) approve and maintain the fund's Communications Policy Statement

   g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager

   h) review the performance of the fund, and its fund managers

   i) appoint an actuary, independent financial advisor(s), and custodians for the fund

j) approve an annual report and statement of accounts for the fund

k) approve an annual budget and business plan for the investment and administration of the fund

l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund

m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

7. The Committee's members shall be appointed by full Council and shall comprise
   - 9 County Councillors
   - 2 Representatives of the City and District Councils of Oxfordshire.

   These 11 members of the Committee shall have full voting rights. The County Councillors will be appointed such that the majority party on the Council has a majority of seats on the Committee before taking into account the political party of the City/District representatives.

8. The beneficiaries of the Fund will also have the right to be represented by an observer to the Committee. As employees of the County Council are prohibited from having voting rights on Council Committees, and as active employees of the County Council are the single largest group of stakeholders within the Fund, providing voting rights to the Observer could prejudice the appointment against the largest stakeholder group. Therefore the Observer will not have any voting rights, but has the right to speak on any issue, subject to the approval of the Chairman of the Committee. The Beneficiaries Observer will be appointed through the appropriate trade union(s).

Operational Procedures

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.

10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.

11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.

12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.

13. The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Statement of Investment Principles, and the Funding Strategy Statement, and any significant subsequent changes.

Governance Policy Statement

Local Pension Board

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.
15. The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.
16. The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund's website.

Informal Governance Arrangements

17. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.
18. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

    All members are required to follow the member code of conduct. This includes the following requirements relating to potential conflicts of interest:

19. You must, within 28 days of taking office as a member or co-opted member, notify the council's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.
20. You must disclose the interest at any meeting of the council at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a "sensitive interest"[2].
21. Following any disclosure of an interest not on the council's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.
22. Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.

Conflicts of Interest

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website.

Funding Strategy Statement

Introduction

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 58 of the Local Government Pension Scheme Regulations 2013, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004.
2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 6 June 2014. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meetings on 19 March 2010 and 8 March 2013 following a full consultation exercise with the scheme employers.
3. The Funding Strategy Statement will be subject to further review to allow for the impact of the forthcoming proposals for changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund and the growing maturity of the Fund. Any change will only be made after full consultation with all scheme employers.

Purpose of the Funding Strategy Statement

4. The three main purposes of this Funding Strategy Statement are to:
   - Establish a clear and transparent strategy, specific to the Fund, which will identify how employer pension liabilities are best met going forward.
   - Support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
   - Take a prudent longer term view of the funding of the Fund's liabilities.

Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are to:
   - Enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the tax-payer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.
   - Ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensuring sufficient liquid resources to meet regular pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first instance from incoming employer and

Funding Strategy Statement

employee contributions to avoid the expense of disinvesting assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.

- Manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.
- Maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments solely on social or ethical grounds. The Fund's principal concern is to invest in the best financial interests of its employing bodies and beneficiaries. Investment Managers should monitor and assess the social, environmental and ethical considerations which may impact on the reputation of a particular company, as well as the company's sensitivities to its various stakeholders. Investment Managers should engage with companies on these issues where appropriate. Such a policy should ensure the sustainability of a company's earnings, and hence its merits as an investment.

6. The purpose of the Fund is to:
   - Pay out monies in respect of pension benefits, transfer values and the costs of scheme administration and investments; and
   - Receive monies in respect of contributions, transfer values and investment income.

Responsibilities of Key Parties

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.
8. The key responsibilities of the Administering Authority are to:
   - Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19th of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.
   - Invest all surplus monies within the Fund in accordance with the relevant Regulations, and the Fund's Statement of Investment Principles.

- Ensure there is sufficient cash available to meet all liabilities as they fall due.

- Maintain adequate records for each individual scheme member.
- Pay all benefits and transfer payments in accordance with the Regulations.
- Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.
- Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.
- Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.

9. The key responsibilities of individual employers are to:

- Correctly deduct contributions from employee pay.
- Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.
- Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.
- Provide adequate membership records to the Administering Authority as required.
- Notify the Administering Authority of all changes in membership details.
- Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.

10. The key responsibilities of the Fund Actuary are to:
    - Prepare triennial valuations including setting employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.
    - Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Solvency and Target Funding Levels

11. The Fund must determine the level at which the Fund will be deemed solvent, and should then aim for a target funding level whereby the assets of the Fund, and anticipated future income streams (by way of investment income and contributions) meet this solvency level in respect of the anticipated liabilities of the Fund.
12. The Funding Strategy Statement must set out how solvency and target funding issues will be addressed across different classes of scheme employer, and the timescales against which any deficit recovery plan must be delivered.
13. Solvency Level – The Pension Fund Committee has determined that the solvency level should be set such that the value of current assets, and anticipated income streams is equal to 100% of the anticipated value of future liabilities. Any lower figure cannot be sustained in the longer term, and therefore would introduce an unacceptable level of risk into the management of the Fund and the delivery of the Funds aims.

Funding Strategy Statement

14. Funding Level – The funding level is the percentage the current assets and future income streams form of the anticipated liabilities at any given time. The Actuary will calculate the current funding level based on a series of financial assumptions to be agreed with the Administering Authority. In particular the Actuary will seek to smooth short term variations in asset values rather than taking the strict market value at the point of valuation.
15. In discounting the value of the liabilities back to the point of the valuation, the Actuary will in general allow for an assumed premium investment return from equity and other higher risk assets held in the Fund. Where the future participation within the Fund is not assured, or at the point a cessation valuation is required, the Administering Authority retains the right to instruct the Actuary to complete a valuation on a low risk basis, such that the future liabilities are discounted by reference to current gilt yields, with no allowance for the premium investment return from higher risk assets. Where an employer is pooled, or where another scheme employer is prepared to underwrite the financial risks, valuations can still be undertaken on an ongoing/higher risk basis, even where there is a question about the long term participation of an employer within the Fund.
16. The funding level of individual employers will in general be based on a shared investment experience (i.e. it is assumed that the total assets allocated to each employer have an identical proportion of each asset class), but the individual membership experience of each employer's individual scheme members (i.e. liabilities will reflect the individual retirement decisions of scheme employers/members, patterns of ill-health retirements etc, so that no one employer is required to subsidise the decisions of another – although see pooling arrangements below).
17. Deficit Recovery Plans – Where the triennial valuation identifies the funding level of any given employer has fallen below the target funding level a deficit recovery plan must be agreed. The Committee has agreed that in normal circumstances any deficit recovery plan must aim to restore the funding level to the 100% target within a maximum of 25 years. This was set as the standard Recovery Period in the 2007 Valuation.
18. The Administering Authority retains the right to require a shorter recovery period where it has concerns about the financial standing of the employer, or where it has concerns regarding the level of an employer's participation in the Fund going forward (e.g. significant decline in membership numbers, admission is linked to a short term service contract etc). Individual employers have the right to negotiate a lower recovery period than the standard period if they so wish.
19. In cases of exceptional financial hardship, and where the fall in funding level is seen to have been heavily influenced by short term factors which will not remain in the longer term, the Administering Authority does have the discretion to agree a longer recovery period than the standard 25 years, to maintain a more stable employer contribution rate. It should be noted that this discretion will not be exercised where the Administering Authority believes the nature of the pressure on the funding level is long term in nature, and the extension of the recovery period is simply going to shift the increase in contribution rates to a later period.

Funding Strategy Statement

20. The Actuary, in consultation with the Administering Authority may choose to vary the recovery period downwards for any individual employer in order to maintain as near stable contribution rate as possible.
21. The Administering Authority also has the discretion to agree stepping arrangements with individual employers, to enable them to manage an increase in their contribution rate over a number of years. The standard stepping period will be a period of 3 years, but in exceptional circumstances the Administering Authority has the discretion to increase this to 6 years. This again should be seen as a mechanism for maintaining as near stable contribution rates as possible, rather than a means for delaying an inevitable increase in contribution rates.
22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. Since the 2010 Valuation, the Administering Authority agreed that the deficit payments for all smaller employers must be made by way of a cash amount, whilst allowing the larger employers to determine between a cash amount and a percentage of pensionable pay.
23. Pooling – Whilst in general the funding level of each individual employer will be based on its own membership experience, it is recognised that this can create high volatility in an employer's contribution rate, and therefore their financial standing and/or their continued participation in the Fund.
24. Some of the most vulnerable employers within the Fund are the small transferee admission bodies, who have been admitted to the Fund following the successful bid for an outsourcing contract from one of the scheduled scheme employers. Not only are such employers exposed to the risks associated with their size, but because of the fixed term nature of their participation in the Fund (in line with the length of their service contract) they are less able to benefit from the discretions available in managing any subsequent deficit recovery plan.
25. The Administering Authority therefore has the discretion, following consultation with the sponsoring scheme employer, to allow such transferee admission bodies to be pooled with their sponsoring employer. As transferee admission agreements require the sponsoring employer to underwrite any future pension costs associated with the transferee admission body, such pooling arrangements involve no greater risk whilst maintaining more stable contribution rates in regards to the delivery of the outsourced service. At the end of any such admission agreement, any cessation valuation can be undertaken on the standard high risk basis, or the assets and liabilities can be retained within the pool and the deficit carried forward and allocated as part of the retendering of the service.
26. The Fund has also pooled together the smaller scheduled/designated employers, and separately the remaining smaller admitted bodies. Each employer within the pool shares the same membership experience, so for example the costs of a single expensive ill-health retirement are shared across all employers in the pool rather than falling to the employer who employed the scheme member at the point of their retirement.

Funding Strategy Statement

27. Following a consultation exercise at the beginning of 2013, the Administering Authority determined that all Academy Schools with 50 or less LGPS members should be required to pool as a standalone group. A small Academy School can seek the approval of the Administering Authority to permanently opt out of the pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities underwritten by the Academy Trust. Any Academy School with over 50 LGPS members has the right to opt to join the pool on a permanent basis.
28. The Administering Authority will also consider applications from individual academy schools under a single Umbrella Trust to operate a single pool for all academies within the Umbrella Trust. (The Administering Authority will treat a Multi-Academy Trust as a single employer and therefore with its own individual employer contribution which applies to all schools within the Trust – subject to total members exceeding 50).
29. If an employer ceases to be a member of the Fund (whether through choice, the ending of a service contract, or the departure of their last active member), the Administering Authority will instruct the Actuary to carry out a cessation valuation, unless the deficit is held as part of a pooling arrangement for a transferee admission body. As noted above, the cessation valuation will be undertaken on a low risk basis, unless another scheme employer has underwritten the financial risk, or the employer is a member of a pool. The Administering Authority will explore payment plan proposals to meet the cessation cost over an agreed period of time, to reduce the risk of non-payment and ensure the Fund maximises the receipt of money due.
30. Where a scheme employer fails to meet the cessation valuation, the cost will fall to the sponsoring employer in the case of a transferee admission body, the other members of the pool for a pooled body, and the Fund as a whole in all other cases. Similarly, where liabilities accrue in respect of scheme members where their former employer is no longer a scheme employer (orphan liabilities), these liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

Links to Investment Policy as set out in the Statement of Investment Principles

31. This Funding Strategy Statement has been prepared in light of the Fund's Statement of Investment Principles (SIP). This document sets out the strategic allocation of the Fund's investments, the restrictions on investment, and the benchmarks against which Fund Management performance will be measured. A target outperformance of 1.0% above these benchmarks has been set for the Fund as a whole.
32. As noted above, the Actuary takes note of the actual investment allocation and the split between high and low risk assets in determining the discount factor to be applied to scheme liabilities. This allocation is in turn determined by the Statement of Investment Principles. As the Fund becomes more mature (i.e. the ratio of pensioners/deferred members to active members increases), the investment approach as set out in the Statement of Investment Principles will move to reduce the overall level of risk. This in turn will worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.

33. The Fund has previously consulted on changing the Funding Strategy Statement to allow multiple investment approaches to reflect the different levels of maturity of individual scheme employers. The consultation identified no real appetite for such a change, nor a current need, and as such, the Fund maintains a single investment strategy for the whole Fund.

Identification of Risks and Counter-Measures

34. The Administering Authority recognises a number of risk areas in the establishment of its funding strategy. These risks fall broadly under the headings of financial, demographic, regulatory and governance.
35. The key financial risks are around the variations to the main financial assumptions used by the actuary in completing their valuation. This includes the financial markets not achieving the expected rate of return, and/or individual Fund Managers failing to meet their performance targets. The main approach to counter this risk is to ensure diversification of the investment portfolio, and the employment of specialist Fund Managers. The Pension Fund Committee with advice from their officers, and their Independent Financial Advisor monitor performance on a quarterly basis.
36. In completing their valuation, the Actuary does provide a sensitivity analysis around the key financial assumptions, including future inflation forecasts. The Actuary also produces a quarterly monitoring report to consider movements in the Funding Level since the last valuation.
37. The demographic risks largely relate to changing retirement patterns and longevity. The Actuary reviews past patterns at each Valuation and adjusts their future forecasts accordingly. Where possible, employers are charged with the cost of retirement decisions made outside the valuation assumptions and in particular, are required to meet the hidden costs of early retirements.
38. The regulatory risks are in respect of changes to the LGPS Regulations themselves, as well as the impact of changes in taxation and national insurance rules, and national pension issues (e.g. the current auto-enrolment changes). The Administering Authority monitors all consultation documents which impact on the Fund, and responds directly to the Government where appropriate. The Administering Authority will seek advice from the Actuary on the potential impact of regulatory changes.
39. The main governance risks arise through unexpected structural changes in the Fund membership through large scale out-sourcings, redundancy programmes or closure of admission agreements. The main measures to counter such risks are regular communications between the Administering Authority and scheme employers, as well as monitoring of the monthly contribution returns to indicate changing trends in membership.
40. The main governance risks can be mitigated to an extent, by the ability to set shorter recovery periods where there are doubts about an employer's future participation in the Fund, as well as the requirement to pay all deficit contributions by way of a cash figure rather than as a percentage of the pensionable pay bill.

Funding Strategy Statement

Monitoring and Review

41. The Administering Authority has undertaken to review this Funding Strategy Statement at least once every three years, in advance of the formal valuation of the Fund.

42. The Administering Authority will also monitor key events and consider an interim review of the Funding Strategy Statement where deemed necessary. Such key events include:

   - a significant change in market conditions,
   - a significant change in Fund membership,
   - a significant change in Scheme benefits, and
   - a significant change to the circumstances of one or more scheme employers.

Communications Policy Statement

Introduction

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund, established within the 1995 Regulations and now prepared under Regulation 61 of the Local Government Pension Scheme Regulations 2013.

Purpose

2. This policy sets out the Oxfordshire Pension Fund's strategy for its communications with members, members' representatives and employing authorities.
3. The strategy also covers the promotion of the scheme to prospective members.
4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:
   - Active members
   - Deferred members, and
   - Pensioner members
5. Employing authorities, as defined within the regulations:
   - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
   - Designating Bodies being the Town and Parish Councils
   - Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that all individual employers and scheme members, as defined above, have access to scheme information, their benefits, and proposed and actual changes.
7. To enable the Scheme Manager / Administering Authority to discharge efficiently their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

Communication Policy

8. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. All Oxfordshire County Council Pension Fund communications do, and will continue to, make reference to these central resources.
9. Local communication will focus on specific administration for employers and members of the Oxfordshire County Council Pension Fund. The key local communications, publication media and frequency are detailed in the annex to this policy.
10. This emphasis does not materially alter this policy but will affect the content of local communications. The continuing encouragement to use the national websites will avoid duplication of development.

Review of This Policy

11. The Regulations require the policy statement is prepared, written and published, and for these purposes publish means being accessible on the publically available pensions website.

Communications Policy Statement

Communications Policy Annex - Local Communications

	Available to:	Method of Distribution	Frequency
Communication Policy	Employers Members – active, deferred and pensioner Prospective scheme members Employee representatives	Website	Annual review, or earlier where there is a material change
Pensions Increase Notification	Pensioner members	Website Post	Annually – in February
Annual Benefit Statements	Active members Deferred members	By post to individuals, either to home address or via employers	Annually – by August
Employers Forum	Employers in the Oxfordshire Pension Fund	Meeting	Annually – December
Newsletter – Reporting Pensions (With one Newsletter Including Summary of Accounts for Pensioners)	Active scheme members	Paper distribution with assistance from employers Website	Quarterly
Beneficiaries Report from the Pension Fund Committee Beneficiary's Advisor	Active members Employee representatives	Email distribution to employers for notice boards and intranets Post Website	Quarterly
Pensions User Group	Employer human resource and payroll contacts	Meeting Email distribution of agenda and action notes	Quarterly
LGPS Summary Information Guide Membership Forms	Prospective scheme members Employers for new starters, job application packs	Paper copies Download from County website Email	All Year

	Available to:	Method of Distribution	Frequency
Provide Presentations and Talks on LGPS Matters Facilitate Pensions Seminars for Prudential 'Basic LGPS scheme and AVC Talks'	Active members Employers	Staff meetings Part of pre-retirement courses Induction meetings for new joiners Active members group meetings	Ad hoc as required Timings as agreed with the Prudential and individual employer area
Development of Electronic Information Systems, External County Council Website and Intranet Pages	All targeted audiences should be able to access information, especially from the external site		Regular reviews to keep up to date

Notes:

Website: www.oxfordshire.gov.uk/pensions

Communication

The Pension Fund Committee approved a Communication Strategy, which sets out the fund's communication policy with all employing bodies, contributors and pensioners. The following initiatives are currently in place:

- **Annual Report and Accounts** – The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** – The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund information with their annual newsletter.
- **Annual Pension Fund Forum** – An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.
- **Pensions Employer/User Group** – This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** – presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Brief Guide to the LGPS** – a reduced version of the scheme guide, with main points available for all from the website. We encourage all employers to link their starting information for new employees to this guide.
- **Reports by Beneficiaries Representative** – The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** – a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.

- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have dedicated sections, with links to newsletters, guides, and national websites.
- **Intranet** – is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intranet sites for employees.
- **Talking Pensions** – This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements** – Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles** – we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford, OX4 2GQ

Telephone:
01865 797133 or 01865 797125

email: pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Principal Financial Manager
(Treasury Management & Pensions Investment)
Financial Services
Oxfordshire County Council
County Hall
Oxford OX1 1ND

Telephone: 01865 328001

email: pension.investments@oxfordshire.gov.uk

BENEFICIARIES REPRESENTATIVE

c/o Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford
OX4 2GQ

SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE

Disputes to be sent to:

Pensions Services Manager
Oxfordshire County Council
Unipart House
Garsington Road
Oxford, OX4 2GQ

Telephone: 01865 797111

email: sally.fox@oxfordshire.gov.uk

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
BN1 4DW 0845 600 0707
www.thepensionsregulator.gov.uk

The Pension Tracing Service

The Pension Service
Mail Handling Site A
Wolverhampton
WV98 1LU 0845 6002 527
www.gov.uk/find-lost-pension

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London
SW1V 1RB 0300 123 1047
www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

11 Belgrave Road
London
SW1V 1RB 0207 630 2200
www.pensions-ombudsman.org.uk

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COUNTY COUNCIL