

PENSION FUND COMMITTEE

12 December 2025

**FUNDING STRATEGY AND INVESTMENT STRATEGY
REVIEWS UPDATE**

**Report by the Executive Director of Resources & Section 151
Officer**

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the progress with the reviews of the Funding Strategy Statement and Investment Strategy Statement.**

Executive Summary

2. The Pension Fund is in the process of reviewing its Funding Strategy Statement (FSS). Following the approval of the draft FSS at the Pension Fund Committee on 5th September 2025 this report provides an update on progress.
3. As the triennial valuation of the Pension Fund nears completion the Fund has commenced the fundamental review of its asset allocation. The asset allocation will be included in the Investment Strategy Statement (ISS) that will be presented to the Pension Fund Committee on 6th March 2026. This report provides an update on the review.

Funding Strategy Statement Review Update

4. An updated FSS for the Pension Fund was approved at the Pension Fund Committee on 5th September 2025. This has now been issued for consultation to employers. The consultation runs for six weeks closing on Friday 19th December 2025. To date four responses have been received.
5. As well as the FSS the consultation included several other policies that sit alongside the FSS and have been updated in line with new guidance:
 - Pass-through Policy
 - Prepayments Policy
 - Academies Policy

- Bulk Transfer Policy
- Cessation Policy
- Contribution Review Policy

Investment Strategy Review Update

6. The Pension Fund has commissioned Apex to undertake a review of the Fund's investment strategy. Part of the review will involve modelling analysis on the current portfolio (both the current allocation and current strategic allocation) and several alternative strategies to determine whether adjustments to the existing strategy could optimise the risk-return characteristics and carbon profile of the Fund's investment strategy.
7. Draft results of this analysis are expected by the end of December 2025. The results will then be reviewed by officers and the Fund's Independent Investment Adviser.
8. The intention is for a workshop to then be held with Pension Fund Committee and Local Pension Board members in January 2026, with a final version of the Investment Strategy then being presented to the 6th March 2026 Pension Fund Committee for approval. Following approval the Investment Strategy will be issued to relevant stakeholders for consultation.
9. Some of the key areas that will be considered in the review include:
 - The balance of passive and active investment
 - The ability of the investment strategy to deliver income to the Fund in accordance with the Fund's cashflow requirements
 - Ensuring alignment of the investment strategy with the Fund's Climate Change Policy and Responsible Investment Policy.
 - Setting appropriate benchmarks for performance monitoring
 - Local investment (including what is defined as local)
10. On 20th November 2025 the Ministry of Housing, Communities and Local Government issued a consultation on its Fit For the Future reforms of the Local Government Pension Scheme (LGPS). Part of the consultation covers requirements for LGPS funds in producing an Investment Strategy Statement.
11. The requirement in the consultation is for a Fund to determine its investment strategy having taken advice from its asset pool company and publish its first investment strategy under the new regulations by September 2026. However, it is deemed acceptable for a Fund to prepare its first investment strategy under the existing 2016 regulations provided it is formulated on or after 1st October 2025 and complies with certain elements of the new regulations.
12. Of the elements required to be complied with the one that is not currently covered in the Fund's existing ISS is a requirement to include a high-

level objective on local investments, including a target range for those investments as a proportion of the total value of the pension fund.

13. The consultation document also sets out the parties that must be consulted with prior to the publication of the investment strategy. These are as follows: scheme employers, scheme members, the relevant strategic authority, any person specified in guidance issued by the Secretary of State, any other person the Fund considers relevant.
14. For reference a link to the current Investment Strategy Statement is available at the following link: [Investment Strategy Statement](#).

Financial Implications

15. There are no direct financial implications arising from this report

Comments checked by: Lorna Baxter, Executive Director of Resources,
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Legal Implications

16. There are no direct legal implications arising from this report.

Jay Akbar, Head of Legal and Governance,
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Staff Implications

17. There are no direct staff implications arising from this report.

Equality & Inclusion Implications

18. There are no direct equality and inclusion implications arising from this report.

Sustainability Implications

19. There are no direct sustainability implications arising from this report.

Risk Management

20. There are no direct risk management implications arising from this report.

Lorna Baxter, Executive Director of Resources and S151 Officer

Annex: Nil

Background papers: Nil

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