OXFORDSHIRE COUNTY COUNCIL

Pension Fund Committee
Friday, 5 December 2014

ADDENDA

14. Annual Report and Accounts 2013/14 (Pages 1 - 38)

The Annual Report and Accounts for 2013/14 have now been published, and hard copies for members of the Committee have been enclosed with the agenda.

As stated on the Agenda itself there is also a requirement for us to publish an Addendum by 1 December 2014 to reflect new requirements on all Funds for additional information. This is now attached.

You are remindedthat there were no changes of substance from the draft version approved by the Committee at their meeting in September 2014. Following the drafting of the Report and Accounts, and indeed after the conclusion of the majority of the external audit work, we received new statutory guidance on the contents of LGPS Annual Report and Accounts. For 2013/14, it was agreed that these additional notes could be covered by way of an addendum published by 1 December 2014. The additional information has been requested to provide further clarifications on current publications, but also to set out information in a consistent way across all LGPS Funds, so that it can be aggregated to produce an Annual Report and Accounts for the LGPS as a whole. In addition, a number of key performance indicators are included, which can be used by Pension Boards in assessing the overall effectiveness of the governance and administration of their Fund. Data includes the attendance and training records of Members of this Committee.

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OXFORDSHIRE PENSION FUND
ANNUAL Report 2013/14 ADDENDUM
Registered Number: PS049/20

CONTENTS

Introduction

This document is an addendum to the Oxfordshire Pension Fund Annual Report 2013/14. It has been prepared in accordance with the requirements set out in the statutory guidance entitled 'Preparing the Annual Report Guidance for Local Government Pension Scheme Funds 2014 Edition', which was issued by CIPFA in August 2014. As such, the addendum should be read in conjunction with the Oxfordshire Pension Fund Report and Accounts 2013/14 as it adds to the contents of the annual report included there. In future years the contents of this addendum will form part of the main Oxfordshire Pension Fund Report and Accounts document, an addendum was required in the current year due to the time of the guidance being published not fitting in with the timetable for completing the Report and Accounts.

The contents of this addendum have not been subject to review by external auditors.

Lorna Baxter
Chief Finance Officer November 2014

Scheme Management and Advisors

Internally Managed Funds…………………… Listed Private Equity

Bankers……………………………………………. Lloyds Bank Plc

Legal Advisors…………………………………... Oxfordshire County Council Legal Services

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 2013/14. The overall conclusion on the system of internal control being maintained was 'Acceptable', which is the highest rating available. There were no actions recommended as a result of the audit. The Pension Administration team was also subject to an internal audit during 2013/14. The overall conclusion was 'Acceptable'. There was one management action agreed from the audit findings which has now been completed.

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.

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 2014 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.

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.

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 during 2013/14:

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 2013	PricewaterhouseCoopers
Legal & General	AAF 01/06 / ISAE 3402	31 December 2013	PricewaterhouseCoopers
UBS	SSAE16 / ISAE 3402	31 December 2013	Ernst & Young
Wellington	SSAE16 / ISAE 3402	31 October 2013	Deloitte

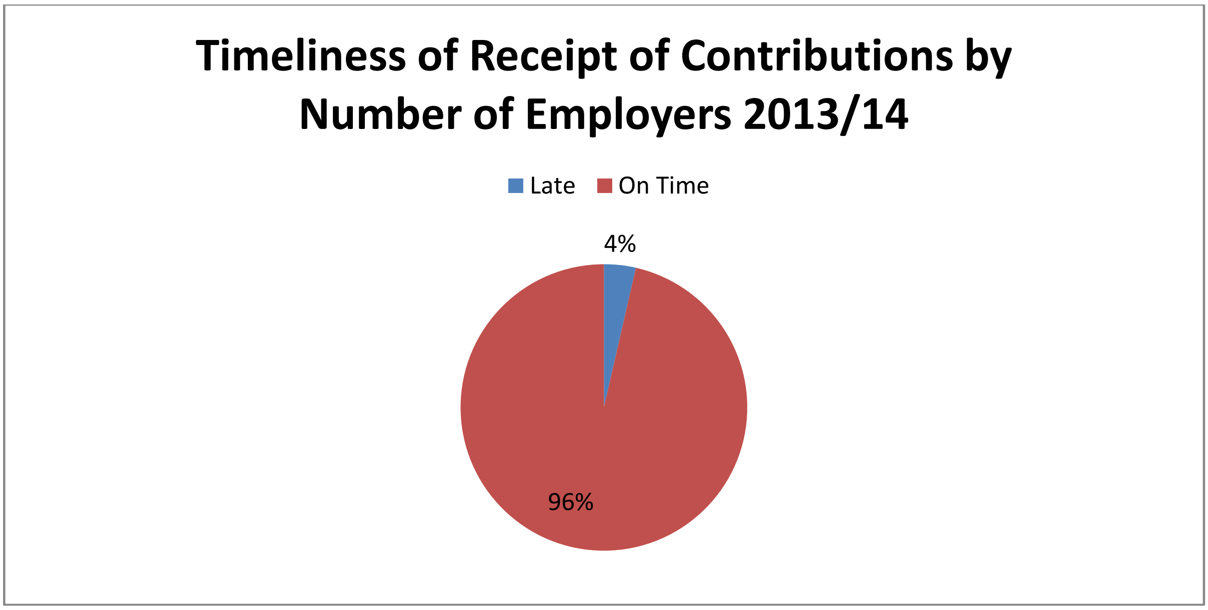
The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. Checks are undertaken on a monthly basis to ensure compliance of the Fund's investments with the limits set out in The Local Government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

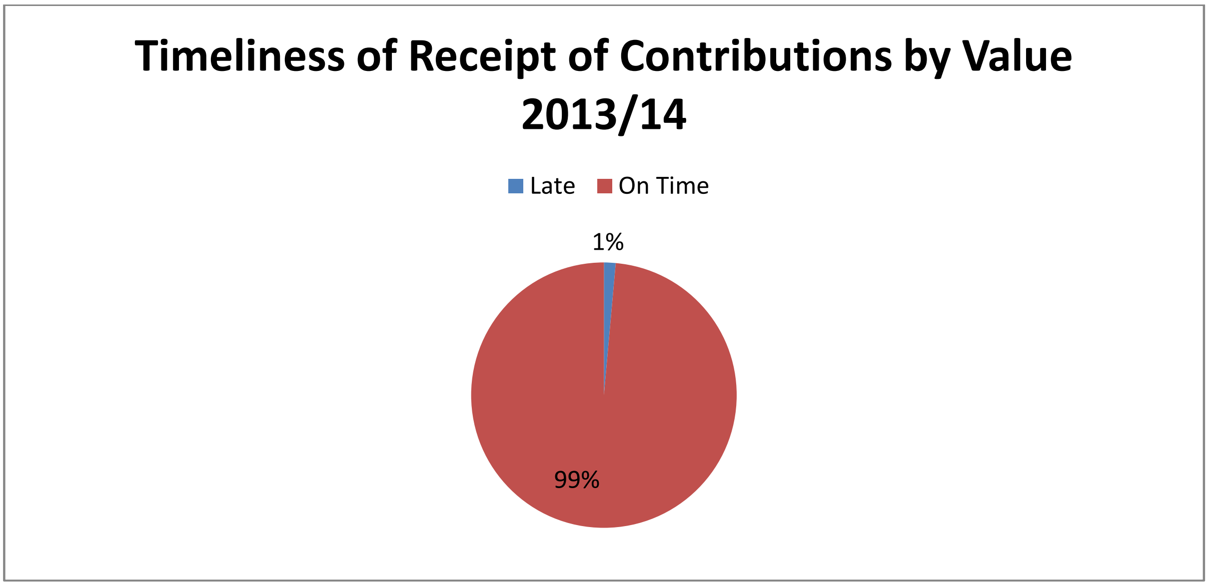
The fund's Independent Financial Advisor monitors the market and the activities of investment managers and informs officers if there are any concerns, such as changes in key staff.

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 2013/14.





The average number of days that payments were late by during 2013/14 was three.

Budget

The below table shows budget outturn for 2013/14:

	Budget £'000	Actual £'000	Variance £'000
Administrative Expenses			
Employee Costs			
- Administrative	838	742	-95
- Investment	194	142	-52
Support Services Including ICT	257	257	-0
Actuarial Fees	90	68	-22
External Audit Fees	50	21	-29
Internal Audit Fees	14	14	-0
Printing & Stationery	41	33	-8
Advisory & Consultancy Fees	133	126	-7
Other - Pension Fund Committee	8	8	0
Other;			
- Postage	8	11	3
- Storage	10	6	-4
- Subscriptions & Memberships	35	22	-13
- Misc Expenditure	31	23	-7
- Misc Income	0	-5	-5
Total Administrative Expenses	**1,708**	**1,469**	**-239**
Investment Management Expenses			
Management Fees	2,900	3,485	585
Custody Fees	100	77	-23
Performance Monitoring Services	13	18	5
Other - Pension Fund Committee	42	31	-11
Total Investment Management Expenses	**3,055**	**3,611**	**556**
Total Investment Management & Scheme Administration Expenses	**4,763**	**5,080**	**317**
Less Stock Lending Income	- 60	- 15	45
Total Expenses as per Budget	**4,703**	**5,065**	**362**

The reasons for any material variations are discussed below:

Scheme Administration Expenses

1. Employee Costs were underspent by a total of £147,000. In the Administration team this was due to vacancies within the team during the course of the year, two members of staff taking unpaid leave for four and six months, plus staff returning from maternity/paternity leave on a part-time basis. There were no new staff appointed to provide training for, and a training session covering the new regulations was provided in-house at a considerably cheaper rate. The Investment team also had vacancies for the majority of the year.

2. The budget for Actuarial Fees was underspent because the triennial actuarial valuation wasn't as costly as first estimated.

3. Audit Fees were underspent due to a £29,000 rebate received on the audit charges.

Investment Management Expenses

4. 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 2013/14 was £585,000 above the budget forecast. The main variation was due to an overspend on the equity fund manager's fees. Equity markets performed strongly during 2013/14 and the value of the equity portfolios held by Baillie Gifford and Wellington, plus the pooled funds held by Legal & General and UBS, rose above the forecasted figures which were used to calculate the management fees budget.

5. 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 £23,000 during 2013/14. This was due to the appointment of BNP Paribas from September 2013 onwards. BNP Paribas have a lower fee schedule than the outgoing custodian BNY Mellon, whose pricing schedule was used to calculate the budgeted spend.

6. The Pension Fund Committee budget that falls under Investment Management Expenses was underspent by £12,000 as all external training sessions attended by members during the year were free of charge. In addition the training event held in-house was delivered by Fund Managers and advisors without any additional charge to the Fund.

The income derived from Securities Lending was lower than forecast, in part due to the stock lending program not being operational during the transition from BNY Mellon to BNP Paribas.

Pension Overpayments

Financial Year	Pension Overpayments
2013/14	629.98
2012/13*	27,920.21
2011/12	810
2010/11	413.8
2009/10	223.32

* £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.

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 2012/13. This exercise identified 646 matches for investigation. Two overpayments were identified which are detailed in the table above. There are 19 matches that are still under investigation.

Interim Actuarial Valuation

The Fund's actuary produces a quarterly funding update for the Fund. At the September 2014 funding update the estimated funding level was 83.7%. 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 2013/14	Completed Within Target Time
Processing Members Benefit When Leaving Before Retirement Date	1919	56%
Change of Address	730	98%
Processing Members Election to Opt Out of LGPS	645	100%
Replying to General Pensions Enquiries	563	97%
Processing a Members Request for Estimate of Benefits	551	96%
Updating Working Hours Changes	505	98%
Sending Re-employment Options to Members	420	63%
Sending Members Early Retirement Quotations	399	94%
Processing Members Unpaid Leave	318	94%
Processing Concurrent Employment Merges	313	71%

Complaints

	2013/14
Number of Complaints	1
Complaints as % of Workload	0.01%

Financial Indicators

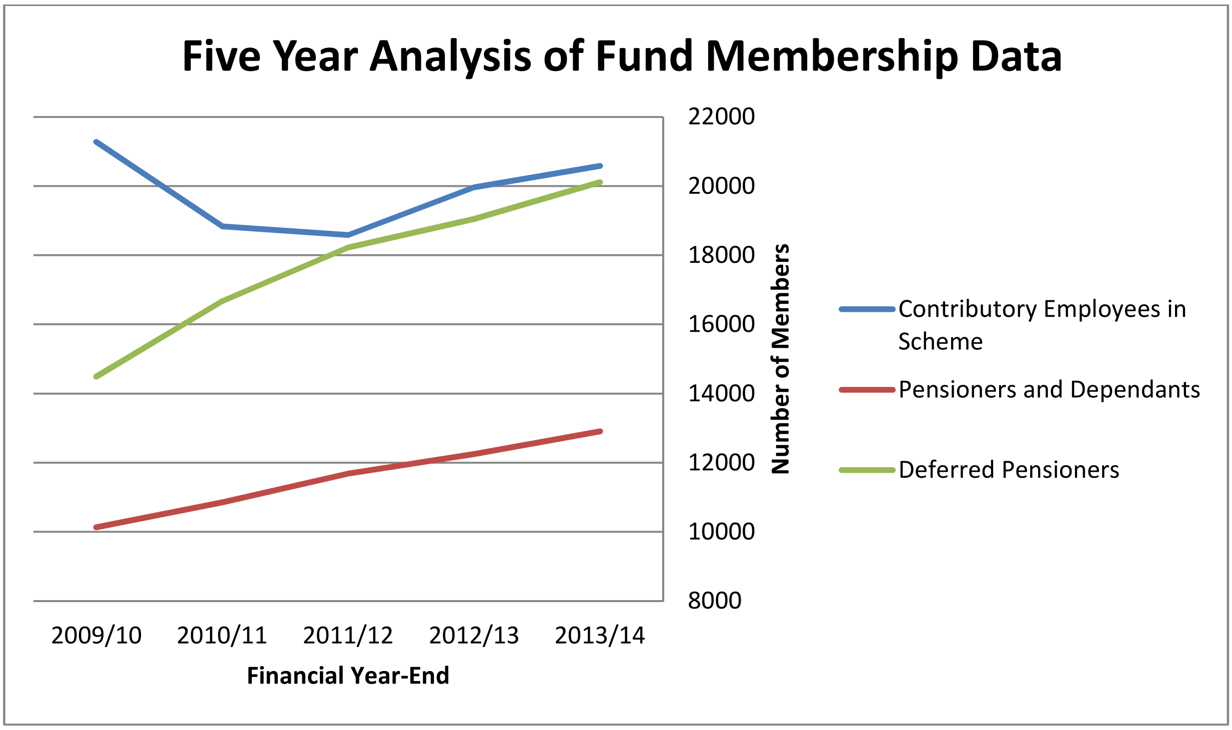
	2013/14
Admin Cost Per Member	£19.67
Benchmark Admin Cost Per Member*	£20.75

*Benchmark cost is taken from the results of the CIPFA Pensions Administration Benchmarking Club 2014 which has 49 members.

Staffing Indicators

	2013/14
Admin Staff to Fund Member Ratio	3,613
Average Cases Per Admin Staff Member	838

Membership Analysis



Investment Policy and Performance

Asset Allocation

Asset Class	Actual % 31-Mar-14	Target % 31-Mar-14	Variation	Actual % 01-Apr-13	Target % 01-Apr-13	Variation
UK Equities	**30.7%**	**31.0%**	**-0.3%**	**30.7%**	**31.0%**	**-0.3%**
Overseas Equities	**32.7%**	**32.0%**	**0.7%**	**33.3%**	**32.0%**	**1.3%**
-						
UK Gilts	4.4%	3.0%	**1.4%**	2.2%	3.0%	-0.8%
Corporate Bonds	3.2%	6.0%	**-2.8%**	6.2%	6.0%	0.2%
Overseas Bonds	2.6%	2.0%	**0.6%**	1.9%	2.0%	-0.1%
Index-Linked	5.0%	5.0%	**0.0%**	5.2%	5.0%	0.2%
Total Bonds	**15.2%**	**16.0%**	**-0.8%**	**15.5%**	**16.0%**	**-0.5%**
Property	6.0%	8.0%	**-2.0%**	5.8%	8.0%	-2.2%
Private Equity	9.1%	10.0%	**-0.9%**	9.3%	10.0%	-0.7%
Hedge Funds	2.2%	3.0%	**-0.8%**	2.2%	3.0%	-0.8%
Total Alternative Investments	**17.3%**	**21.0%**	**-3.7%**	**17.3%**	**21.0%**	**-3.7%**
Cash	**4.1%**	**0.0%**	**4.1%**	**3.2%**	**0.0%**	**3.2%**
	100.0%	**100.0%**		**100.0%**	**100.0%**	

Investment Performance

<u>Performance by Fund Manager</u>

FUND MANAGER	1 YEAR ENDED 31st March 2014 BENCHMARK RETURN %	1 YEAR ENDED 31st March 2014 OXFORDSHIRE TOTAL FUND %	1 YEAR ENDED 31st March 2014 VARIATION %	THREE YEARS ENDED 31st March 2014 BENCHMARK RETURN %	THREE YEARS ENDED 31st March 2014 OXFORDSHIRE TOTAL FUND %	THREE YEARS ENDED 31st March 2014 VARIATION %	FIVE YEARS ENDED 31st March 2014 BENCHMARK RETURN %	FIVE YEARS ENDED 31st March 2014 OXFORDSHIRE TOTAL FUND %	FIVE YEARS ENDED 31st March 2014 VARIATION %
BAILLIE GIFFORD UK EQUITIES	8.8	11.1	2.3	8.8	12.3	3.5	16.3	19.4	3.1
WELLINGTON GLOBAL EQUITIES	6.2	5.5	-0.7	-	-	-	-	-	-
L&G UK EQUITIES - PASSIVE	6.7	6.7	0.0	7.6	7.7	0.1	15.0	15.2	0.2
L&G GLOBAL EX UK EQUITIES - PASSIVE	7.7	7.7	0.0	-	-	-	-	-	-
L&G FIXED INCOME	-1.1	-1.4	-0.3	7.2	7.2	0.0	7.6	8.2	0.6
PARTNERS GROUP PROPERTY	11.9	1.1	-10.8	6.1	7.6	1.5	-	-	-
PRIVATE EQUITY	20.4	7.6	-12.8	14.5	10.3	-4.2	23.7	18.7	-5.0
UBS OVERSEAS EQUITIES	6.0	7.7	1.7	6.5	6.2	-0.3	13.9	14.3	0.4
UBS PROPERTY	11.9	11.0	-0.9	6.1	5.7	-0.4	7.8	7.5	-0.3
UBS HEDGE FUNDS	3.5	7.9	4.4	3.7	3.4	-0.3	3.7	5.8	2.1
IN-HOUSE CASH	0.4	0.5	0.1	0.4	0.9	0.5	0.4	1.2	0.8
TOTAL FUND	**7.5**	**6.7**	**-0.8**	**8.5**	**8.2**	**-0.3**	**14.2**	**13.5**	**-0.7**

Performance by Asset Class

ASSET	1 YEAR ENDED 31 March 2014			THREE YEARS ENDED 31st March 2014			FIVE YEARS ENDED 31st March 2014		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	6.8	5.7	**-1.1**	7.7	7.2	**-0.5**	14.9	14.8	**-0.1**
UK EQUITIES	8.8	9.9	**1.1**	8.8	11.0	**2.2**	16.3	18.2	**1.9**
OVERSEAS EQUITIES	6.8	7.7	**0.9**	7.6	6.1	**-1.5**	14.9	14.2	**-0.7**
UK GOVERNMENT BONDS	-2.6	-2.5	**0.1**	5.5	5.0	**-0.5**	4.5	4.3	**-0.2**
UK CORPORATE BONDS	1.5	0.9	**-0.6**	7.3	7.4	**0.1**	9.5	10.0	**0.5**
OVERSEAS BONDS	-8.5	-3.7	**4.8**	0.6	2.5	**1.9**	1.4	3.0	**1.6**
UK INDEX LINKED GILTS	-4.4	-4.5	**-0.1**	8.9	9.3	**0.4**	8.8	9.4	**0.6**
TOTAL PRIVATE EQUITY	20.4	7.6	**-12.8**	14.5	10.3	**-4.2**	23.7	18.7	**-5.0**
HEDGE FUNDS	3.5	7.9	**4.4**	3.7	3.4	**-0.3**	3.7	5.9	**2.2**
PROPERTY ASSETS	11.9	10.5	**-1.4**	6.1	6.0	**-0.1**	7.8	8.4	**0.6**
TOTAL CASH	-	8.3	**-**	-	3.6	**-**	-	2.1	**-**
TOTAL FUND	**7.5**	**6.7**	**-0.8**	**8.5**	**8.2**	**-0.3**	**14.2**	**13.5**	**-0.7**

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 tobacco investments was taken to the Committee during 2013/14.

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 it's 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. This report summaries the voting activity and fulfils the voting disclosure requirement.

UK Equities

A summary of the Oxfordshire Pension Fund voting activity for UK Equity mandates during 2013, is provided below:-

Manager	No. of Meetings	No. of Agenda Items Voted On	No. Items Voted Against Manager Proposals	No. Items Voted Against Shareholder Proposals	No. of Items Abstained
Baillie Gifford	56	1,103	33	1	0
L&G UK FTSE 100 Index	99	2,033	20	1	0
Wellington	11	196	11	0	0
Private Equity	18	133	0	0	0
	184	3,465	64	2	0

The majority of Baillie Gifford's votes 'against' were in relation to the issuance and allotment of equity. Legal & General's were predominantly in relation to remumeration reports, and Wellington tended to vote against AGM notice periods.

There were 21 instances where the fund managers placed contrasting votes. The conflict generally occurred when Legal & General voted 'for' on resolutions where other managers voted 'against'.

Overseas Equities

A summary of the Oxfordshire Pension Fund voting activity for Overseas Equity mandates during 2013, is provided below:-

Manager	No. of Meetings	No. of Agenda Items Voted On	No. Items Voted Against Manager Proposals	No. Items Voted Against Shareholder Proposals	No. of Items Abstained
L&G World (Ex-UK) Index	1,732	20,363	2,215	398	162
UBS Emerging Markets	39	712	93	0	0
UBS Global Optimal Thirds	71	971	41	28	1
UBS Property	5	19	0	0	0
Wellington	75	1,177	20	65	174
	1,922	23,242	2,369	491	337

UBS votes 'against' in the Emerging Markets portfolio generally related to director appointments. They voted 'against' a much wider range of proposals in the Optimal Thirds Fund. Wellington's votes 'against' were focused on the appointment of certain directors, whereas Legal & General voted against on a wide range of proposals.

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.

Scheme Administration

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 will be introduced during 2015.

Dispute Resolution

The Fund's internal dispute resolution procedure operates in-line 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 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 one complaint during 2013/14 which was found in favour of the member.

Governance

Governance Policy

<u>Introduction</u>

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.

<u>Governance of the Oxfordshire Pension Fund</u>

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.

Informal Governance Arrangements

14. 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.

15. 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:

16. 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.

17. 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].

18. 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.

19. 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.

Pension Fund Committee

Committee Membership and Attendance 2013/14

Councillor	14-Jun-13	06-Sep-13	06-Dec-13	14-Mar-14
County Councillors;				
Councillor L Atkins (replaced M Gray in December 2013)	N/A	N/A	✓	✗ Substituted by M Gray
Councillor S Dhesi (on committee since May 2013)	✓	✓	✓	✓
Councillor J Fooks (on committee since September 2009)	✓	✓	✓	✓
Councillor M Gray (on committee May - December 2013)	✗ No substitute	✓	N/A	N/A
Councillor P Greene (on committee since May 2013)	✓	✓	✓	✓
Councillor N Hards (on committee since May 2013)	✓	✓	✓	✓
Councillor R Langridge (on committee since May 2008)	✓	✗ Substituted by Y Constance	✓	✗ No substitute
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 D Wilmshurst
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 2013/14

Councillor	**Date**	**Training Course**
County Councillors;		
Councillor L Atkins	06-Dec-13	Alternative Asset Classes
Councillor S Dhesi	01-Jun-13	CIPFA Knowledge & Skills Framework
	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk,
	25-Nov-13	In-house Induction Day Training Event
	06-Dec-13	Alternative Asset Classes
	14-Mar-14	Diversified Growth Funds
Councillor J Fooks	01-Jun-13	CIPFA Knowledge & Skills Framework
	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk
	02-Oct-13	Local Authority Investment Seminar
	25-Nov-13	In-house Induction Day Training Event
	06-Dec-13	Alternative Asset Classes
	14-Mar-14	Diversified Growth Funds
Councillor M Gray	01-Jun-13	CIPFA Knowledge & Skills Framework
	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk
Councillor P Greene	14-Mar-14	Diversified Growth Funds
	01-Jun-13	CIPFA Knowledge & Skills Framework
	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk
	27-Nov-13	UBS Second Steps Seminar
	25-Nov-13	In-house Induction Day Training Event
	06-Dec-13	Alternative Asset Classes

Councillor N Hards	01-Jun-13 06-Sep-13 06-Dec-13 14-Mar-14	CIPFA Knowledge & Skills Framework Understanding Benchmarks, Performance Targets and Risk Alternative Asset Classes Diversified Growth Funds
Councillor R Langridge	01-Jun-13 06-Sep-13 06-Dec-13	CIPFA Knowledge & Skills Framework Understanding Benchmarks, Performance Targets and Risk Alternative Asset Classes
Councillor S Lilly	01-Jun-13 06-Sep-13 27-Nov-13 06-Dec-13 14-Mar-14 25-Nov-13	CIPFA Knowledge & Skills Framework Understanding Benchmarks, Performance Targets and Risk UBS Second Steps Seminar Alternative Asset Classes Diversified Growth Funds In-house Induction Day Training Event
Councillor S Lovatt	01-Jun-13 06-Sep-13 25-Nov-13 06-Dec-13 14-Mar-14	CIPFA Knowledge & Skills Framework Understanding Benchmarks, Performance Targets and Risk In-house Induction Day Training Event Alternative Asset Classes Diversified Growth Funds
Councillor N Owen	01-Jun-13 06-Sep-13 25-Nov-13	CIPFA Knowledge & Skills Framework Understanding Benchmarks, Performance Targets and Risk In-house Induction Day Training Event

District Councillors;		
Councillor H Davies	01-Jun-13	CIPFA Knowledge & Skills Framework
	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk
	25-Nov-13	In-house Induction Day Training Event
	06-Dec-13	Alternative Asset Classes
	14-Mar-14	Diversified Growth Funds
Councillor J Patterson	01-Jun-13	CIPFA Knowledge & Skills Framework
	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk
	06-Dec-13	Alternative Asset Classes
	14-Mar-14	Diversified Growth Funds
Beneficiaries Observer;		
P Gerrish	06-Sep-13	Understanding Benchmarks, Performance Targets and Risk
	25-Nov-13	In-house Induction Day Training Event
	27-Nov-13	UBS Second Steps Seminar
	06-Dec-13	Alternative Asset classes

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.

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

September 2013. 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 employee contributions to avoid the expense of dis-investing 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.

<u>Responsibilities of Key Parties</u>

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.

<u>Solvency and Target Funding Levels</u>

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.

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 on-going/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.

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 under-write 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 under-taken 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 re-tendering 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.

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 under-written 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.

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 under the regulations.

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 he 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 Annex - Local Communications

	Available to:	Method of Distribution	Frequency
Communication Policy	Scheme members* Scheme employers Employee representatives	Website	Annual review, or earlier where there is a material change
Pension Fund Report & Accounts	Scheme employers Pension Fund Committee DCLG	Website Hard Copy Post / Email	Annual
Pension Fund Report & Accounts Summary Leaflet	Scheme members*	Website Hard Copy Post / Email	Annual
Pension Increase Notification	Pensioner members	Website Hard Copy Post / Email	Annual
Annual Benefit Statement	Scheme members*	Post	Annual
Newsletter - Members	Scheme members*, except pensioner members	Website Hard Copy Post / Email	Quarterly
Newsletter - Employers	Scheme employers	Website Hard Copy Post / Email	Monthly
Employer Forum	Scheme employers	Meeting	Annual
Employer User Group	Scheme employers	Meeting	Quarterly
Employer Administration Training	Scheme employers	Meeting	Quarterly
Presentation/Training	Scheme members * Scheme employers	Meeting	As requested

Notes:
Scheme members includes; prospective members; active members; deferred members and pensioner members.
Website - www.oxfordshire.gov.uk/pensions

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.

Other Material

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 2014

	Active	Ceased	Total
Scheduled Body	83	0	83
Admitted Body	52	4	56
Total	**135**	**4**	**139**

Analysis of Fund Assets as at 31 March 2014

	UK £m	Non-UK £m	Global £m	Total £m
Equities	580.620	529.823		1,110.443
Bonds	123.319	31.839	96.388	251.546
Property (Direct Holdings)				
Alternatives	68.303	15.462	100.511	184.276
Cash and Cash Equivalents	48.284	10.285		58.569
Other				
Total	**820.526**	**587.409**	**196.899**	**1,604,834**

Analysis of Investment Income Accrued During 2013/14

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	11,999	4,485		16,484
Bonds	2,757	912		3,669
Property (Direct Holdings)				
Alternatives	2,505	263	-7	2,761
Cash and Cash Equivalents	210	8		218
Other				
Total	**17,471**	**5,668**	**-7**	**23,132**

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.