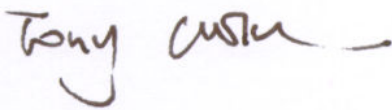


To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 3 September 2010 at 10.15 am

County Hall, Oxford



Tony Cloke
Assistant Head of Legal & Democratic Services

August 2010

Contact Officer: **Marion Holyman**
Tel: (01865) 810177; E-Mail: marion.holyman@oxfordshire.gov.uk

Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Stewart Lilly

Don Seale
C.H. Shouler

John Tanner

Co-optees

District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 3 December 2010***
- ***Beth Dowling-Jones (BNY Mellon) will give a training session on custodial arrangements prior to the meeting, starting at 9.30 am in the meeting room***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare ...

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests ...

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 25 June 2010 (PF3) and to receive for information any matters arising on them.

4. **Petitions and Public Address**
5. **Overseas Custody Services (Pages 9 - 10)**

10:20

Report of the Head of Finance & Procurement and the County Solicitor (PF5).

The report discusses a change to the Fund's overseas custody services. The Committee deferred this item at its last meeting.

The Committee is RECOMMENDED to:

- (a) ***grant a Power of Attorney to ING Slaski to enable the Fund to make investments in Poland;***
- (b) ***consider delegating decision-making related to custody of assets to the Head of Finance & Procurement and the County Solicitor, after consultation with the Chairman and Deputy Chairman of the Committee.***

6. **Overview of Past and Current Investment Position (Pages 11 - 32)**

10:25

Tables 1 to 10 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 June 2010 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2010
Tables 2 to 7	provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 8	shows net investments/disinvestments during the quarter
Tables 9 to 10	provide details on the Pension Fund's Private Equity
Tables 11 to 21	provide investment performance for the consolidated Pension Fund, the four Managers, private equity and Partners Group SICAR for the quarter ended 30 June 2010

In addition to the above tables, the performance of the Fund Managers over the past 18 months has been produced graphically as follows:

Graph 1 – Value of Assets

Graph 2 - Alliance Bernstein

Graph 3 - Baillie Gifford

Graph 4 – Legal & General

Graphs 5 and 6 - UBS

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 9, 10 and 11 on the agenda.

EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12, 13 and 14 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of items 9 and 10, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. **WM Company Presentation on the Pension Fund's Investment Performance for the Twelve Months ended 31 March 2010**

10:35

The representative (Karen Thrumble) of the WM Company will review the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2010. The presentation will compare Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

8. **Overview and Outlook for Investment Markets (Pages 33 - 40)**

11:15

Report of the Independent Financial Adviser (**PF8**)

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

9. **Alliance Bernstein (Pages 41 - 46)**

11:30

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Alliance Bernstein, drawing on the tables at Agenda Items 6 and 8 and the letter and performance analysis received from Alliance Bernstein attached (**PF9**).
- (2) The representatives (Mr N Davidson and Mr D Stewart) of the Fund Manager will:
 - (a) report and review the present investment of their part of the Fund and their performance and strategy for the period up to 30 June 2010 against the background of the current investment scene;
 - (b) give their views on the future investment scene and the prospects for the Fund's investments.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

10. Baillie Gifford

12:10

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 6 and 8.
- (2) The representatives (Mr I McCombie and Mr L Robb) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2010;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2010.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

11. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting

12:50

The Independent Financial Adviser will report orally on the main issues arising from the reports from UBS and Legal & General in conjunction with information contained in the tables (Agenda Item 6).

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

The Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

12. Summary by the Independent Financial Adviser

12:55

The Independent Financial Adviser will, if necessary, summarise the foregoing reports of the Fund Managers and answer any questions from members.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in

maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

LUNCH

13. Strategic Asset Allocation - Annual Review (Pages 47 - 50)

14:00

Report of the Independent Financial Adviser (**PF13E**)

Every year the Committee considers a report reviewing the strategic asset allocation of the Fund. This report from the Independent Financial Adviser reviews the current allocation, taking into account that there will be a fundamental review undertaken shortly for reporting to the March 2011 Committee.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

14. Additional Voluntary Contributions - Annual Review (Pages 51 - 60)

14:15

Report of the Assistant Chief Executive and Chief Finance Officer (**PF14E**)

The Additional Voluntary Contributions (AVC) scheme provides members with a money purchase option to increase their retirement saving, which can be invested in a range of funds. Oxfordshire's AVC scheme is provided by Prudential. This report reviews the scheme and its performance over the past year.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would lead to the disclosure of the amount proposed to be incurred.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. Draft Annual Report and Accounts 2009/10 (Pages 61 - 106)

14:25

The draft Annual Report and Accounts for 2009/10 (**PF15**) show the final accounts for the Pension Fund for the year ended 31 March 2010 and provide details on how the Fund operates, including sections on membership and investments. The Report also includes the Statement of Investment Principles. The final report will be brought to the Committee in December.

The Committee is RECOMMENDED to receive the draft report and accounts for 2009/10.

16. Pension Fund Investment and Administration Expenses Outturn Report for the Year ended 31 March 2010 (Pages 107 - 110)

14:30

Report of the Assistant Chief Executive and Chief Finance Officer (**PF16**)

The report compares the 2009/10 budget with the outturn for the year.

The Committee is RECOMMENDED to receive the report and note the out-turn position.

17. Application for Admission to the Oxfordshire Pension Fund (Pages 111 - 112)

14:35

Report of the Assistant Chief Executive and Chief Finance Officer (**PF17**)

This report presents an application from RM Education for admitted body status in the Oxfordshire Pension Fund following the transfer of one member of staff from The Oxford Academy.

The Committee is RECOMMENDED to approve the application subject to RM Education agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed.

18. Corporate Governance and Socially Responsible Investment

14:40

The Assistant Chief Executive and Chief Finance Officer has nothing specific to report for this quarter but it should be noted that all the managers have included pages within their valuation reports which provide details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible

initiatives.

19. Annual Pension Forum

14:45

The Assistant Chief Executive and Chief Finance Officer will report orally on any issues arising from the last Forum or about the Annual Pension Forum scheduled for Friday 10 December 2010 at 10 am.

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Wednesday 1 September 2010 at 4 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 25 June 2010 commencing at 10.15 am and finishing at 2.18 pm

Present:

Voting Members:

Councillor David Harvey – in the Chair
Councillor Jean Fooks
Councillor Stewart Lilly
Councillor Don Seale
Councillor C H Shouler
Councillor Alan Thompson

Other Members in Attendance:

District Council

Councillor Jim Couchman
District Councillor Richard Langridge

Representatives:

Beneficiaries' Observer:

Mr P Fryer

Independent Financial Adviser:

Mr P Davies

By Invitation:

Mr T Wheeler (Consultant)

Officers: Whole of meeting

Mr P Gerrish (Head of Finance & Procurement), Mr S Collins (Assistant Head of Shared Services (Financial Services)), Mrs S Fox (Shared Services), Mrs D Ross and Ms M Holyman (Corporate Core)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, additional information on contributions and a letter from the organisation (both relating to Item 22) and decided as set out below. Except insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

24/10 ELECTION OF CHAIRMAN FOR THE 2010/11 COUNCIL YEAR

(Agenda No. 1)

RESOLVED: that Councillor Harvey be elected Chairman of the Committee for the 2010/11 Council Year.

25/10 ELECTION OF DEPUTY CHAIRMAN FOR THE 2010/11 COUNCIL YEAR

(Agenda No. 2)

RESOLVED: that Councillor Service be elected Deputy Chairman of the Committee for the 2010/11 Council Year.

26/10 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

Apologies for absence were received from Councillors Service and Tanner. The Committee was also advised that District Councillor Wood had resigned from the Committee.

27/10 DECLARATIONS OF INTEREST

(Agenda No. 4)

Councillors Fooks, Lilly and Harvey declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government and Housing Act 1989.

28/10 MINUTES

(Agenda No. 5)

The minutes of the meeting of the Committee held on 19 March 2010 were approved and signed.

29/10 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 6)

Dr Dickinson, Jane Binyon and Jon Hislop requested to address the Committee on Item 22.

RESOLVED: to agree to the request and that the address be taken with Item 22.

30/10 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 7)

The Committee was advised that Tables 1 to 10 had been compiled from the custodian's records. The custodian was the Pension Fund's prime record keeper. He had accrued for dividends and recoverable overseas tax within his valuation figures and might also have used different exchange rates and pricing sources compared with the fund managers. The custodian had also treated dividend scrip issues as purchases which the fund managers might not have done. This might mean that there were minor differences between the tabled figures and those supplied by the managers.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to Items 9, 10 and 11 on the agenda.

31/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 8, 9, 10, 11, 12 and 13 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

32/10 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report (PF8) which set out an overview of the current and future investment scene and market developments across various regions and sectors.

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2010. He reported that the Fund was holding 4% cash but he did not consider it appropriate to invest the cash at the present time. Members asked questions and the Independent Financial Adviser and the officers responded to them.

RESOLVED: to receive the report, tables and graphs, to receive the oral report and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

33/10 UBS

(Agenda No. 9)

The representatives (Mr T Bell and Mr P Harris) reported and reviewed the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 March 2010. The representatives responded to members' questions.

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

34/10 ALLIANCE BERNSTEIN

(Agenda No. 10)

The representatives (Mr N Davidson and Mr D Stewart) reported and reviewed the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 March 2010. The representatives responded to members' questions.

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

35/10 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported that the performance of Baillie Gifford over the last quarter had been disappointing. He also reported that Legal & General had continued to outperform the benchmark.

RESOLVED: to note the report.

36/10 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The Independent Financial Adviser and officers responded to questions about the performance of Alliance Bernstein.

RESOLVED: to ask the Head of Finance & Procurement to ask Alliance Bernstein to attend the next meeting.

37/10 PRIVATE EQUITY

(Agenda No. 13)

The Committee considered a report (PF13E) on a private equity holding.

RESOLVED: to note the investment in Harbourvest Senior Loans Europe Ltd.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

38/10 OVERSEAS CUSTODY SERVICES

(Agenda No. 14)

The Committee considered a report (PF14) which discussed a change to the Fund's overseas custody services.

RESOLVED: to defer consideration of the report, to ask that the custodian be invited to the next meeting and to ask officers to report on how arrangements for the custody of assets were made, including other markets where similar arrangements would be required.

39/10 DELIVERING GOOD GOVERNANCE

(Agenda No. 16)

The Committee considered a report (PF16) on a number of guidance documents on different aspects of governance.

RESOLVED to:

- (a) note the work being undertaken to assess the Fund against best practice;
- (b) agree that the objective is to make improvements for the benefit of the fund rather than simply complying with best practice;
- (c) agree to the prioritisation of the knowledge and skills framework and the development of an improved training plan addressing members' needs.

40/10 ORDER OF BUSINESS

The Committee agreed to consider the report at Agenda Item 15 after Agenda Item 19 to enable the Committee to have first considered the reports reviewing the Statement of Investment Principles and the Governance Compliance Statement.

41/10 THE GOVERNANCE COMPLIANCE STATEMENT

(Agenda No. 17)

The Committee considered a report (PF17) which reviewed the Fund's Governance Compliance Statement, as required under the Pension Regulations.

RESOLVED: to note the report and endorse the Governance Compliance Statement as contained in Annex 2 to the report.

42/10 ASSESSMENT AGAINST THE SIX PRINCIPLES FOR PENSION FUND INVESTMENT

(Agenda No. 18)

The Committee considered a report (PF18) on the assessment of compliance against a set of six principles for pension fund investment.

RESOLVED to:

- (a) agree the assessment of compliance against the six principles for pension fund investment at Annex 1 to the report;
- (b) agree the programme of proposed improvements set out in paragraph 4 of the report.

43/10 REVIEW OF THE STATEMENT OF INVESTMENT PRINCIPLES

(Agenda No. 19)

The Committee considered a report (PF19) on a revised set of investment regulations which included the requirement to agree and publish a Statement of Investment Principles by 1 July 2010.

RESOLVED: to approve the revised Statement of Investment Principles set out in Annex 1 to the report.

44/10 INVESTMENT AND REPRESENTATION

(Agenda No. 15)

The Committee considered a report (PF15) which updated members on changes in the law and recent statutory guidance on the duties and responsibilities of members of the Committee.

RESOLVED to:

- (a) continue to act within its agreed Statement of Investment Principles in the best interests of the Scheme; and
- (b) continue to act within its agreed Governance Compliance Statement in the best interests of the Scheme.

45/10 COMMUNICATION POLICY

(Agenda No. 20)

The Committee considered a report (PF20) which reviewed and updated the Pension Scheme's Communication Policy.

RESOLVED: to note the report.

46/10 EXEMPT ITEMS

RESOLVED: that the public be excluded for the duration of Items 21 and 22 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

47/10 PENSION FUND TAX CLAIMS

(Agenda No. 21)

The Committee considered a report (PF21E) which updated the Committee on the position in relation to tax claims.

RESOLVED: to

- (a) note the report;
- (b) ask the Head of Finance & Procurement to check whether it is the custodian's usual practice to lend overseas' stocks and whether the Fund is earning more income from lending stock than it is losing on tax.

48/10 CLOSURE VALUATION

(Agenda No. 22)

The Committee considered a report (PF22E) on closure valuations for one of the Fund's smaller Admitted Bodies which was proposing that it should be wound up, so ending its admission to the Oxfordshire Fund and additional information on contributions and a letter of representation from the organisation. Dr Dickinson, Ms Binyon and Mr Hislop spoke on behalf of the organisation.

RESOLVED:

- (a) to agree the closure valuation for Oxfordshire Mental Health Matters should be produced on an on-going basis, subject to the County Council agreeing to under-write the risk of any future pension deficit and subject to no precedent being set and all future applications being considered on their merits;
- (b) in the event that the Association does not have sufficient resources in its reserves to meet the bill and in light of the benefits to the Fund as a whole, any outstanding sum be written off, subject to officers being happy that the Trustees have acted in a reasonable and responsible manner, and so maximising the sum payable from reserves.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

49/10 INTERNAL AUDIT 2009/10

(Agenda No. 23)

The Committee considered a report (PF23) which summarised the issues raised by the internal audit of Pension Fund Investment and Pension Fund Administration for the current year.

RESOLVED: to note the report.

50/10 WRITE OFFS

(Agenda No. 24)

The Committee considered a report (PF24) which set out write offs which had taken place under the Council's Scheme of Financial Delegation.

RESOLVED: to note the report.

51/10 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 25)

(a) Socially Responsible Investment – Tar Sands

The Committee considered a report (PF25(a)) on voting practices by the fund managers on Tar Sands.

RESOLVED: to receive the report and to note the votes exercised.

(b) Corporate Governance and Socially Responsible Investment

The Committee was advised that the Assistant Chief Executive and Chief Finance Officer had no other issues to report for this quarter but it should be noted that all the managers had included pages within their valuation reports which provided details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

RESOLVED: to note the report.

52/10 ANNUAL PENSION FORUM

(Agenda No. 26)

RESOLVED: to note that the Assistant Chief Executive and Chief Finance Officer had no issues to report either arising from the last Forum or about the Annual Pension Forum which would take place on Friday 10 December 2010 at 10 am.

..... in the Chair

Date of signing

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Division(s): N/A

PENSION FUND COMMITTEE – 3 SEPTEMBER 2010

OVERSEAS CUSTODY SERVICES

Report by Head of Finance & Procurement and County Solicitor

Introduction

1. The Committee deferred consideration of this report at its last meeting.
2. As part of their mandate, Alliance Bernstein (AB) will clearly want to invest directly in overseas markets. This differs from UBS who invest through a pooled fund. Where AB invest in this way, the Fund's custodian, BNY Mellon (BNYM), makes arrangements for custody of the assets in the relevant country. Countries have different regulatory requirements, some of which are more onerous than others. An issue has arisen in relation to Poland that requires Committee consideration.

Investing in Poland

3. Alliance Bernstein have identified a stock in Poland that they wish to purchase as part of their global mandate. Because of the issues related to opening the market in Poland, I asked whether there was an alternative way of achieving this investment. They have confirmed that there is no alternative.
4. Where BNY Mellon do not have a presence in a particular country, they would normally appoint sub-custodians. The contract allows them to do this and BNYM's liabilities under the contract would not be diluted.
5. In relation to Poland, BNYM are not allowed to appoint another organisation to act as sub-custodian on behalf of the Fund. The relevant regulator in Poland will only allow an entity to carry out activities on behalf of another entity if a power of attorney (POA) has been granted in a specific form. Accordingly, in order to open the Polish market, Oxfordshire County Council would need to grant a POA to ING Slaski (a Polish bank) in order for ING Slaski to be able open an account etc in Poland on behalf of the Council.
6. AB have indicated that this is a decision for the Council. If the POA is not granted then it would just preclude the investment being made. As AB have confirmed that they would want to invest in Poland, officers would want the Council to grant the POA to ING Slaski and the Committee is recommended accordingly.

Future Arrangements

7. Similar issues may arise in the future for other markets, particularly if regulators tighten controls in the light of recent financial turmoil. The Committee is asked to consider whether it would be happy for this type of

decision to be delegated to the Head of Finance & Procurement and the County Solicitor, after consultation with the Chairman and Deputy Chairman of the Committee. Delegating the decision in this way does have the advantage of speeding up the decision-making process.

RECOMMENDATION

8. **The Committee is RECOMMENDED to:**
- (a) grant a Power of Attorney to ING Slaski to enable the Fund to make investments in Poland;**
 - (b) consider delegating decision-making related to custody of assets to the Head of Finance & Procurement and the County Solicitor, after consultation with the Chairman and Deputy Chairman of the Committee.**

PAUL GERRISH
Head of Finance & Procurement

PETER CLARK
County Solicitor

Background papers: Nil

Contact Officer: Paul Gerrish, Head of Finance & Procurement
Tel: (01865) 323969
Mob: 07717 888 631

June 2010

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND - OVERALL VALUATION OF FUND AT 30 JUNE 2010

Investment	COMBINED PORTFOLIO 1.4.10		UBS Overseas Equities and Property		Alliance Bernstein Global Equities		Baillie Gifford UK Equities		Legal & General UK Equity Passive		Legal & General Fixed Interest		Other Investments		COMBINED PORTFOLIO 30.6.10		OCC Customised Benchmark
	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	
EQUITIES	349,906	0.0%	0	0.0%	23,408	11.1%	187,311	98.4%	104,915	100.0%	0	0.0%	0	0.0%	315,634	30.4%	31.0%*
UK Equities																	
US Equities	83,941	0.0%	0	0.0%	84,112	40.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	84,112	8.1%	
European Equities	57,608	0.0%	0	0.0%	38,129	18.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	38,129	3.7%	
Japanese Equities	20,657	0.0%	0	0.0%	19,886	9.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	19,886	1.9%	
Pacific Basin Equities	4,314	0.0%	0	0.0%	2,414	1.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,414	0.2%	
Emerging Markets Equities	59,873	7.0%	14,327	7.0%	39,218	18.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	53,545	5.2%	
UBS Global Pooled Fund	149,616	63.6%	130,247	63.6%	183,759	87.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	130,247	12.6%	
Total Overseas Equities	376,009	70.6%	144,574	70.6%	183,759	87.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	328,333	31.7%	32.0%*
BONDS																	
UK Gilts	27,847	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	30,879	17.4%	0	0.0%	30,879	3.0%	
Corporate Bonds	65,533	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	63,867	36.0%	0	0.0%	63,867	6.2%	
Overseas Bonds	20,896	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	22,180	12.5%	0	0.0%	22,180	2.1%	
Index-Linked	53,033	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	57,251	32.2%	0	0.0%	57,251	5.5%	
Total Bonds	167,309	0.0%	0	0.0%	0	0%	0	0%	0	0.0%	174,177	98.1%	0	0.0%	174,177	16.8%	16.0%
ALTERNATIVE INVESTMENTS																	
Property	59,001	28.3%	58,009	28.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,098	1.4%	60,107	5.8%	
Private Equity	79,480	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	78,678	52.8%	78,678	7.6%	
Hedge Funds	30,206	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	30,492	20.5%	30,492	2.9%	
Total Alternative Investments	168,687	28.3%	58,009	28.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	111,268	74.7%	169,277	16.3%	21.0%
CASH	48,772	1.1%	2,217	1.1%	2,997	1.4%	2,971	1.6%	0	0.0%	3,348	1.9%	37,766	25.3%	49,299	4.8%	0.0%
TOTAL ASSETS	1,110,683	100.0%	204,800	100.0%	210,164	100.0%	190,282	100.0%	104,915	100.0%	177,525	100.0%	149,034	100.0%	1,036,720	100.0%	100.0%

% of total Fund 19.75% 20.27% 18.35% 17.12% 10.12% 14.38% 100.00%

TABLE 2

Oxfordshire County Council Pension Fund for Quarter ended 30 June 2010

UBS Global Asset Management - Asset Allocation Market Value £ 204,800,000

Overseas Equity Portfolio					
Asset	Control Range %	Benchmark Allocation %	Actual Allocation %	+ or - Benchmark %	Index
Overseas Equities <i>Comprising</i> Global Pooled Fund Emerging Markets	85 - 100 0 - 10	93.6% 6.4%	90.7% 9.3%	-2.9% +2.9%	See Split below * FTSE AW Emerging Markets
Cash	0 - 10	0.0%	0.0%		
Total		100.0%	100.0%		
* Global Pooled Fund Split:-					
North America		31.2%			FTSE North American Developed
Europe (ex UK)		31.2%			FTSE Europe (ex UK) Developed
Asia Pacific (inc. Japan)		31.2%			FTSE Asia-Pacific (inc Japan) Developed
Total Global Pooled		93.6%	90.7%	-2.9%	

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

Property Portfolio					
Asset	Control Range %	Benchmark Allocation %	Actual Allocation %	+ or - Benchmark %	Index
Property	90 - 100	100.0%	98.5%	-1.5%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	0.0%	1.5%	+1.5%	
Total		100.0%	100.0%		

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (net of costs and fees).

TABLE 3

Oxfordshire County Council Pension Fund for Quarter ended 30 June 2010

Alliance Bernstein - Asset Allocation Market Value £ 210,164,000

Global Equities Portfolio					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
UK Equities		8.1%	11.1%	+3.0%	FTSE All World
Overseas Equities <i>Comprising</i>		91.9%	87.5%	-4.4%	
North America		45.7%	40.0%	-5.7%	
Europe (ex UK)		17.3%	18.2%	+0.9%	
Japan		8.6%	9.5%	+0.9%	
Asia Pacific (ex Japan)		7.8%	1.1%	-6.7%	
Emerging Markets		12.5%	18.7%	+6.2%	
Total Global Equities		100.0%	98.6%	-1.4%	
Cash			1.4%	+1.4%	
Total			100.0%		

Target Objective - To outperform the Benchmark by 3.0% per annum over rolling 3 year periods (gross of management fees)

TABLE 4

Oxfordshire County Council Pension Fund for Quarter ended 30 June 2010

Legal & General - Asset Allocation Market Value £ 104,915,000

UK Equities - Passive					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A	100.0%	100.0%	+0.0%	FTSE 100
Cash	Nil	0.0%	0.0%	+0.0%	
Total		100.0%	100.0%		

Target Objective - To track the FTSE 100 Index

TABLE 5

Legal and General - Asset Allocation Market Value £ 177,525,000

Fixed Income					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Gilts	0 - 36	18.75%	17.4%	-1.4%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	36.0%	-1.5%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	32.2%	+1.0%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	12.5%	+0.0%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	1.9%	+1.9%	
Total		100.0%	100.0%		

Target Objective - To outperform the Benchmark by 0.4% per annum over rolling 3 year periods (gross of management fees)

TABLE 6

Oxfordshire County Council Pension Fund for Quarter ended 30 June 2010

Baillie Gifford - Asset Allocation Market Value £ 190,282,000

UK Equities					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	%	%	%	%	
Cash	N/A	100.0%	98.4%	-1.6%	FTSE Actuaries All-Share
	Nil	0.0%	1.6%	+1.6%	
Total		100.0%	100.0%		

Target Objective - To seek to outperform the Benchmark by 1.25% per annum over rolling 3 year periods (gross of management fees).

TABLE 7

Alternative Investments - Asset Allocation Market Value £ 109,170,000

Private Equity and Hedge Funds					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Private Equity	%	%	%	%	
Hedge Funds	6-10	6.0%	7.6%	+1.6%	FTSE Smaller Companies (ex investment trusts)
	Nil	3.0%	2.9%	-0.1%	3 month LIBOR + 3%
Total		9.0%	10.5%	+1.5%	

Target Objective for Private Equity - To seek to outperform the Benchmark by 1% over rolling 3 year periods.

Target Objective for Hedge Funds - To seek to outperform the 3 month LIBOR + 3% over rolling 3 year periods

TABLE 8

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
TOTAL PORTFOLIO PROGRESS REPORT
PERIOD 1 APRIL 2010 TO 30 JUNE 2010**

Asset	Market Value 1.4.10		Net Purchases and Sales		Changes in Market Value						Market Value 30.6.10		%	
	£000	%	UBS £000	Alliance Bernstein £000	Baillie Gifford £000	Legal & General £000	Other £000	UBS £000	Alliance Bernstein £000	Baillie Gifford £000	Legal & General £000	Other £000		£000
EQUITIES														
UK Equities	349,906	32	0	(1,013)	2,437	0	0	0	(5,219)	(15,361)	(15,116)	0	315,634	30
US Equities	83,941	8	0	11,689	0	0	0	0	(11,518)	0	0	0	84,112	8
European Equities	57,608	5	0	(8,043)	0	0	0	0	(11,436)	0	0	0	38,129	4
Japanese Equities	20,657	2	0	1,569	0	0	0	0	(2,340)	0	0	0	19,886	2
Pacific Basin Equities	4,314	0	0	(1,058)	0	0	0	0	(842)	0	0	0	2,414	0
Emerging Market Equities	59,873	5	0	334	0	0	0	(1,073)	(5,589)	0	0	0	53,545	5
Global Pooled Fund	149,616	13	0	0	0	0	0	(19,369)	0	0	0	0	130,247	13
Total Overseas Equities	376,009	34	0	4,491	0	0	0	(20,442)	(31,725)	0	0	0	328,333	32
BONDS														
UK Gilts	27,847	3	0	0	2,007	0	0	0	0	0	1,025	0	30,879	3
Corporate Bonds	65,533	6	0	0	(2,206)	0	0	0	0	0	540	0	63,867	6
Overseas Bonds	20,896	2	0	0	716	0	0	0	0	0	568	0	22,180	2
Index-Linked Bonds	53,033	5	0	0	3,898	0	0	0	0	0	320	0	57,251	6
ALTERNATIVE INVESTMENTS														
Property	59,001	5	(365)	0	0	0	238	1,152	0	0	0	81	60,107	6
Private Equity	79,480	7	0	0	0	0	2,842	0	0	0	0	(3,644)	78,678	8
Hedge Funds	30,206	3	0	0	0	0	69	0	0	0	0	217	30,492	3
SUB TOTAL	1,061,911	96	(365)	3,478	2,437	4,415	3,149	(19,290)	(36,944)	(15,361)	(12,663)	(3,346)	987,421	96
CASH *	48,772	4	789	(360)	(649)	(2,281)	3,048	0	0	0	0	0	49,299	5
GRAND TOTAL	1,110,683	100	424	3,098	1,788	2,134	6,197	(19,290)	(36,944)	(15,361)	(12,663)	(3,346)	1,036,720	100

* Movement in cash is not confined to investment transactions but also includes dividend income and the payment of fees. Further details of cash movements can be found in the Managers' individual valuations.

TABLE 9

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
VALUATION OF OTHER INVESTMENTS AS AT 30 JUNE 2010**

	<u>HOLDING</u>	<u>COST</u> £	<u>AVERAGE</u> <u>COST</u> £	<u>MARKET</u> <u>PRICE</u> £	<u>MARKET</u> <u>VALUE</u> £	<u>UNREALISED</u> <u>GAIN/LOSS</u> £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3i Group	1,696,507	4,832,046	2,848	2,660,000	4,512,709	(319,338)
Candover Investments	236,060	1,687,945	7,150	7,280,000	1,718,517	30,571
Electra Private Equity	1,016,179	13,886,422	13,665	12,050,000	12,244,957	(1,641,465)
F&C Private Equity Trust	4,160,000	7,339,178	1,764	1,255,000	5,220,800	(2,118,378)
Graphite Enterprise Trust	852,512	2,420,093	2,839	2,812,500	2,397,690	(22,403)
HG Capital Trust	1,782,500	9,319,756	5,228	7,980,000	14,224,350	4,904,594
HG Capital Trust Sub Shs	356,500	0	0,000	0,430,000	153,295	153,295
HarbourVest European Senior Loans	1,010,000	1,010,000	1,000	1,017,500	1,027,675	17,675
Henderson Private Equity	1,200,000	2,122,781	1,769	1,312,500	1,575,000	(547,781)
KKR Private Equity Investors	220,000	1,906,499	8,666	6,242,998	1,373,438	(533,061)
Northern Investors	520,000	516,217	0,993	1,567,500	815,100	298,883
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0,982	0,390,000	231,509	(351,289)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0,974	0,500,000	510,910	(484,254)
Schroder Private Equity	3,503,098	2,268,061	0,647	1,279,337	4,481,644.15	2,213,583
Standard Life European Private Equity Trust	4,390,510	5,117,569	1,166	1,095,000	4,807,608	(309,981)
SVG Capital	2,050,000	6,978,576	3,404	1,460,000	2,993,000	(3,985,576)
		60,983,124			58,288,201	(2,694,923)
Unlisted Private Funds						
Midlands Growth Fund	2,509	306,254	122	3,500,000	8,782	(297,472)
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		3,986,561			4,333,854	347,293
Partners Group Secondary 2008 L.P.		4,861,886			4,251,913	(609,972)
Partners Group Asia-Pacific 2007 L.P.		3,050,567			3,034,470	(16,096)
Adams Street 2007 Non US Fund		2,152,727			2,277,643	124,916
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		703,199			755,559	52,360
Adams Street 2008 Non US Fund		861,006			849,648	(11,358)
Adams Street 2008 US Fund		2,316,201			3,142,577	826,376
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		289,671			302,763	13,092
Adams Street 2009 Non US Developed Mkts Fund		77,329			60,197	(17,133)
Adams Street 2009 Non US Emerging Mkts Fund		62,866			56,077	(6,789)
Adams Street 2009 US Fund		503,281			574,972	71,691
Oxford Technology ECF Limited Partner AC		945,000			741,220	(203,780)
		19,810,294			20,360,894	570,600
Cash held by Custodian for Private Equity		997,904			997,904	
CASH HELD IN HOUSE		36,768,095			36,768,095	
TOTAL OF ALL INVESTMENTS		118,865,671			116,443,877	(2,421,795)

TABLE 10

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30 JUNE 2010**

DATE	HOLDING	TRANSACTION	BOOK COST £	SALE PROCEEDS £	REALISED GAIN/LOSS £
07/04/2010	356,500	PURCHASES			
		HG Capital Trust Sub Shs	-		
21/05/2010	1,010,000	HarbourVest European Senior Loans	1,010,000		
			1,010,000		
		LIMITED PARTNERSHIP FUND OF FUNDS			
		DRAWDOWNS			
01/04/2010		Adams Street 2008 Direct Fund	24,395		
05/04/2010		Adams Street 2009 Direct Fund	16,279		
15/04/2010		Adams Street 2009 Non US Developed Mkts Fund	15,933		
16/04/2010		Partners Group Asia - Pacific 2007 L.P.	335,568		
22/04/2010		Adams Street 2008 Direct Fund	63,672		
23/04/2010		Adams Street 2009 Direct Fund	42,463		
29/04/2010		Adams Street 2009 Non US Emerging Mkts Fund	8,582		
29/04/2010		Oxford Technology ECF Limited Partner AC	60,000		
04/05/2010		Partners Group Secondary 2008 L.P.	330,835		
02/06/2010		Adams Street 2009 Non US Emerging Mkts Fund	5,572		
04/06/2010		Adams Street 2007 Non US Fund	161,507		
21/06/2010		Partners Group Secondary 2008 L.P.	825,180		
25/06/2010		Adams Street 2008 Non US Fund	42,783		
			1,932,770		
		LIMITED PARTNERSHIP FUND OF FUNDS			
		CAPITAL DISTRIBUTIONS			
10/05/2010		Partners Group Secondary 2008 L.P.	101,078	101,078	
			101,078	101,078	

Table 11

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th June 2010

Combined Portfolio

ASSET	% weighting of fund as at 30 June 2010	QUARTER ENDED 30th June 2010			12 MONTHS ENDED 30th June 2010			THREE YEARS ENDED 30th June 2010			FIVE YEARS ENDED 30th June 2010		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	17.7%	-10.7	-12.9	-2.2	23.8	23.3	-0.5	-0.4	-9.9	-9.5	1.6	-0.4	
UK EQUITIES	30.4%	-11.8	-8.9	2.9	21.1	25.6	4.5	-5.7	-5.3	0.4	3.1	-0.4	
OVERSEAS EQUITIES	13.9%	-10.5	-14.2	-3.7	22.9	19.0	-3.9	-0.3	-1.6	-1.3	5.2	-1.1	
UK GOVERNMENT BONDS	3.0%	4.5	25.2	20.7	6.7	28.7	22.0	8.5	16.5	8.0	-0.7	-5.9	
UK CORPORATE BONDS	6.2%	1.9	2.2	0.3	15.9	16.3	0.4	5.5	6.2	0.7	4.2	0.6	
OVERSEAS BONDS*	2.1%	3.0	3.0	0.0	6.3	6.7	0.4		14.3				
UK INDEX LINKED GILTS	5.5%	1.6	-9.6	-11.2	8.4	-2.9	-11.3	8.1	4.4	-3.7	3.6	-2.2	
PRIVATE EQUITY	7.6%	-6.1	-4.3	1.8	19.3	12.9	-6.4	-14.4	-10.0	4.4	2.5	5.0	
HEDGE FUNDS	2.9%	0.9	1.0	0.1	3.7	11.2	7.5	6.4	-2.0	-8.4	3.6	-3.5	
PROPERTY ASSETS	5.8%	3.1	2.2	-0.9	19.0	21.4	2.4	-9.9	-15.8	-5.9	-3.5	-3.7	
CASH/ALTERNATIVES	4.8%		-1.4			-2.1			-2.6		-0.3		
TOTAL FUND	100.0%	-7.0	-7.3	-0.3	20.1	17.9	-2.2	-1.8	-4.3	-2.5	3.0	-1.4	

* This includes L&G Currency Hedging for Overseas bonds

Table 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED 30th June 2010

Combined Portfolio

FUND MANAGER	% Weighting of Fund as at 30 June 2010	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND VARIATION %	
ALLIANCE BERNSTEIN GLOBAL EQUITIES	20.3%	-10.7	-13.7	23.7	20.3	-0.4	-10.3	5.8	1.0	-4.8
BAILLIE GIFFORD UK EQUITIES	18.4%	-11.8	-6.6	21.1	28.3	-5.7	-4.0	3.5	4.2	0.7
UBS OVERSEAS EQUITIES	13.9%	-11.1	-12.9	21.4	21.9	-0.7	-0.8	6.4	5.7	-0.7
LEGAL AND GENERAL PASSIVE	10.1%	-12.6	-12.6	19.8	19.9	0.1	0.1			
LEGAL AND GENERAL FIXED INCOME	17.1%	2.4	2.7	23.7	20.3	7.7	8.7	5.2	5.7	0.5
UBS PROPERTY	5.8%	3.1	2.6	19.0	18.6	-9.9	-16.4	0.2	-3.9	-4.1
PARTNERS GROUP SICAR	0.2%	3.1	-14.1							
PRIVATE EQUITY	7.6%	-6.1	-4.3	19.3	12.9	-14.4	-10.0	-2.5	2.5	5.0
UBS HEDGE FUNDS	2.9%	0.9	0.9	3.7	11.0	6.4	-2.0	7.8	3.9	-3.9
IN-HOUSE CASH	3.6%	0.1	0.2	0.4	0.9	2.8	3.4	3.6	3.7	0.1
TOTAL FUND	100.0%	-7.0	-7.3	20.1	17.9	-1.8	-4.3	4.4	3.0	-1.4

* This includes L&G Currency Hedging for Overseas bonds

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th June

Alliance Bernstein - Global Equities

Table 13

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %
UK EQUITIES	-12.8	-16.8	19.8	9.5	-5.6	-17.7	3.3	-3.5
OVERSEAS EQUITIES	-10.5	-13.7	24.1	23.0	0.1	-7.3	6.3	2.9
North American Equities	-10.3	-11.7	26.1	26.9	0.3	-10.3	3.8	-3.0
European Equities	-14.3	-18.3	15.7	12.1	-5.4	-10.9	5.7	3.4
Japanese Equities	-8.7	-10.3	10.5	20.9	-2.8	-7.1	3.2	5.3
Pacific Basin (excl. Japan)	-10.4	-16.4	30.8	16.0	5.9	-1.4	13.5	5.4
Emerging Market Units	-6.5	-11.9	37.7	34.9	8.7	7.0	18.0	16.6
CASH/ALTERNATIVES		-26.7		-29.4		-25.5		-14.9
TOTAL ASSETS	-10.7	-13.7	23.7	20.3	-0.4	-10.3	5.8	1.0

Target Objective - To outperform the Benchmark by 3.0% per annum over rolling 3 year periods (gross of management fees)

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED 30th June

Legal & General - UK Equities Passive Mandate

Table 14

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %
UK EQUITIES	-12.6	-12.6	19.8	19.9	-	-	-	-
CASH/ALTERNATIVES								
TOTAL ASSETS	-12.6	-12.6	19.8	19.9	-	-	-	-

Target Objective - To track the FTSE 100 Index

Legal & General - Bonds

Table 15

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %
UK GILTS	4.5	25.2	6.7	28.7	8.5	16.5	5.2	9.6
UK CORPORATE BONDS	1.9	2.2	15.9	16.3	5.5	7.0	3.6	4.5
OVERSEAS BONDS*	3.0	3.0	6.3	6.7	-	14.4	-	-
UK INDEX LINKED	1.6	-9.6	8.4	-2.9	8.1	4.4	5.8	3.6
CASH/ALTERNATIVES*	-	n/a	-	n/a	-	n/a	-	n/a
TOTAL ASSETS	2.4	2.7	10.6	11.1	7.7	8.7	5.2	5.7

* Cash held by L&G is used for hedging the Overseas Bond position. This is therefore included in the Overseas Bond category in order to produce a hedged return.

Target Objective - To outperform the Benchmark by 0.4% per annum over rolling 3 year periods (gross of management fees)

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th June

UBS Global Asset Management - Overseas Equities Table 16

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %
OVERSEAS EQUITIES	-11.1	-12.9	21.4	21.9	-0.7	-0.8	6.4	5.7
TOTAL CASH	-	-	-	-	-	-	-	-
TOTAL ASSETS	-11.1	-12.9	21.4	21.9	-0.7	-0.8	6.4	5.7

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

UBS Global Asset Management - Property Table 17

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
PROPERTY	3.1	2.7	19.0	22.1	-9.9	-15.6	0.2	-3.3
TOTAL CASH*	-	0.1	-	0.5	-	*	-	*
TOTAL ASSETS**	3.1	2.6	19.0	18.6	-9.9	-16.4	0.2	-3.9

-5.7

* Historic returns for this category refer to the portfolio whilst both Overseas Equities and Property were held within one portfolio. Property cash shown from June 2009
** Total Assets for this mandate reflect Cash from June 2009 only.

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED 30th June

UBS Global Asset Management - Hedge Funds

Table 18

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
Hedge Funds	0.9	1.0	3.7	11.2	6.4	-2.0	7.8	3.9
TOTAL CASH	-	0.0	-	0.2	-	2.7	-	-2.3
TOTAL ASSETS	0.9	0.9	3.7	11.0	6.4	-2.0	7.8	3.9

Target Objective - To seek to outperform the 3 month LIBOR + 3% over rolling 3 year periods

Baillie Gifford - UK Equities Active Mandate

Table 19

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
UK EQUITIES	-11.8	-6.7	21.1	29.0	-5.7	-4.3	3.5	4.1
TOTAL CASH	-	0.1	-	0.5	-	3.4	-	3.8
TOTAL ASSETS	-11.8	-6.6	21.1	28.3	-5.7	-4.0	3.5	4.2

Target Objective - To seek to outperform the Benchmark by 1.25% per annum over rolling 3 year periods (gross of management)

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR THE QUARTER, TWELVE MONTHS, THREE YEARS and FIVE YEARS ENDED
30th June

Table 20

Independent Advisor - Private Equity and Internally managed cash

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
PRIVATE EQUITY	-6.1	-4.3	19.3	12.9	-14.4	-10.0	-2.5	2.5
TOTAL CASH*	0.1	0.2	0.4	0.9	2.8	3.4	3.6	3.7
TOTAL ASSETS	-4.0	-2.9	13.2	8.3	-8.1	-7.5	0.2	2.5

* Cash within this portfolio includes all internally managed cash and the balance held at BoNY (including the liquidated TAA investment previously held by UBS).

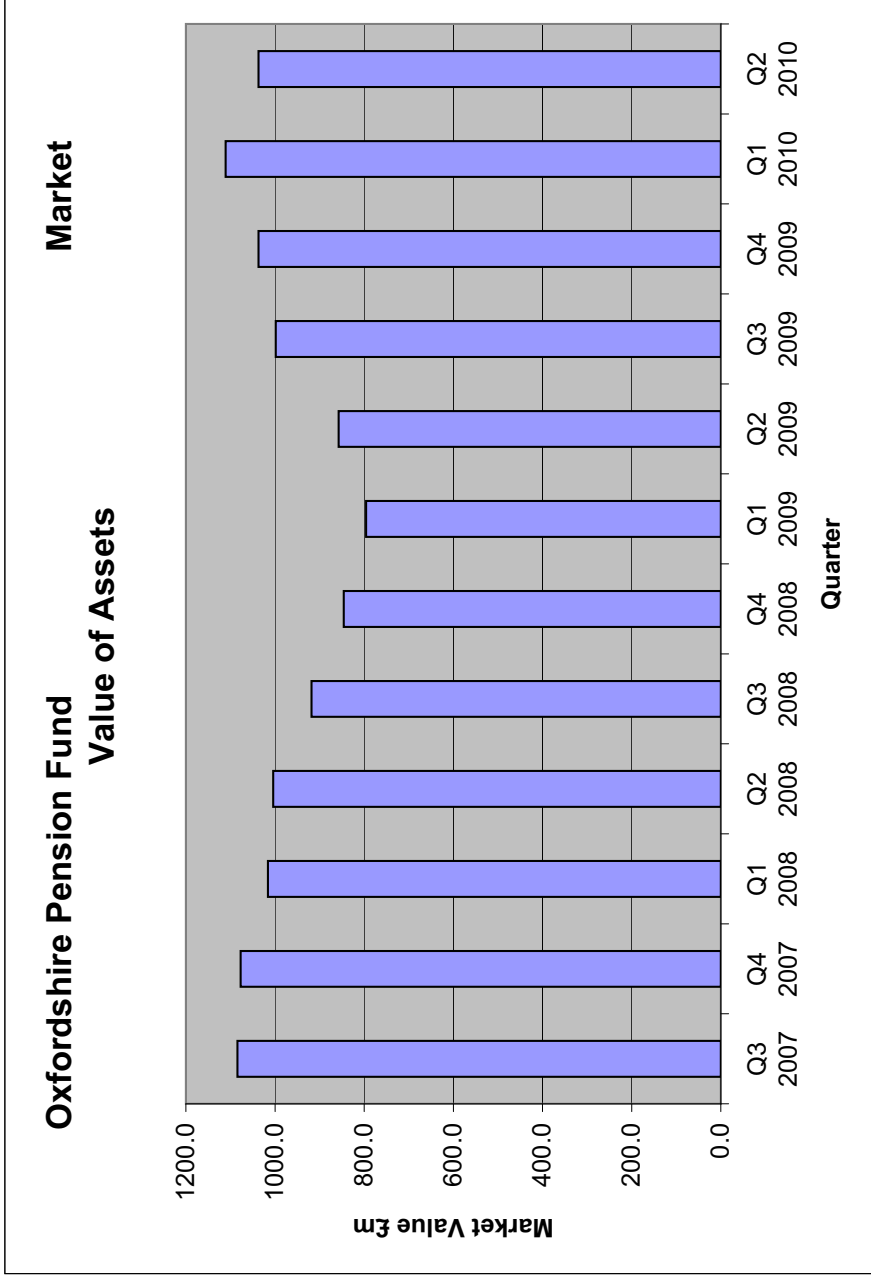
Target Objective - To seek to outperform the Benchmark by 1% over rolling 3 year periods.

Partners Group Real Estate SICAR - Property

Table 21

ASSET	QUARTER ENDED 30th June 2010		12 MONTHS ENDED 30th June 2010		THREE YEARS ENDED 30th June 2010		FIVE YEARS ENDED 30th June 2010	
	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND	BENCHMARK RETURN	OXFORDSHIRE TOTAL FUND
PROPERTY	3.1	-14.1	-	-	-	-	-	-
TOTAL CASH	-	-	-	-	-	-	-	-
TOTAL ASSETS*	3.1	-14.1	-	-	-	-	-	-

GRAPH 1



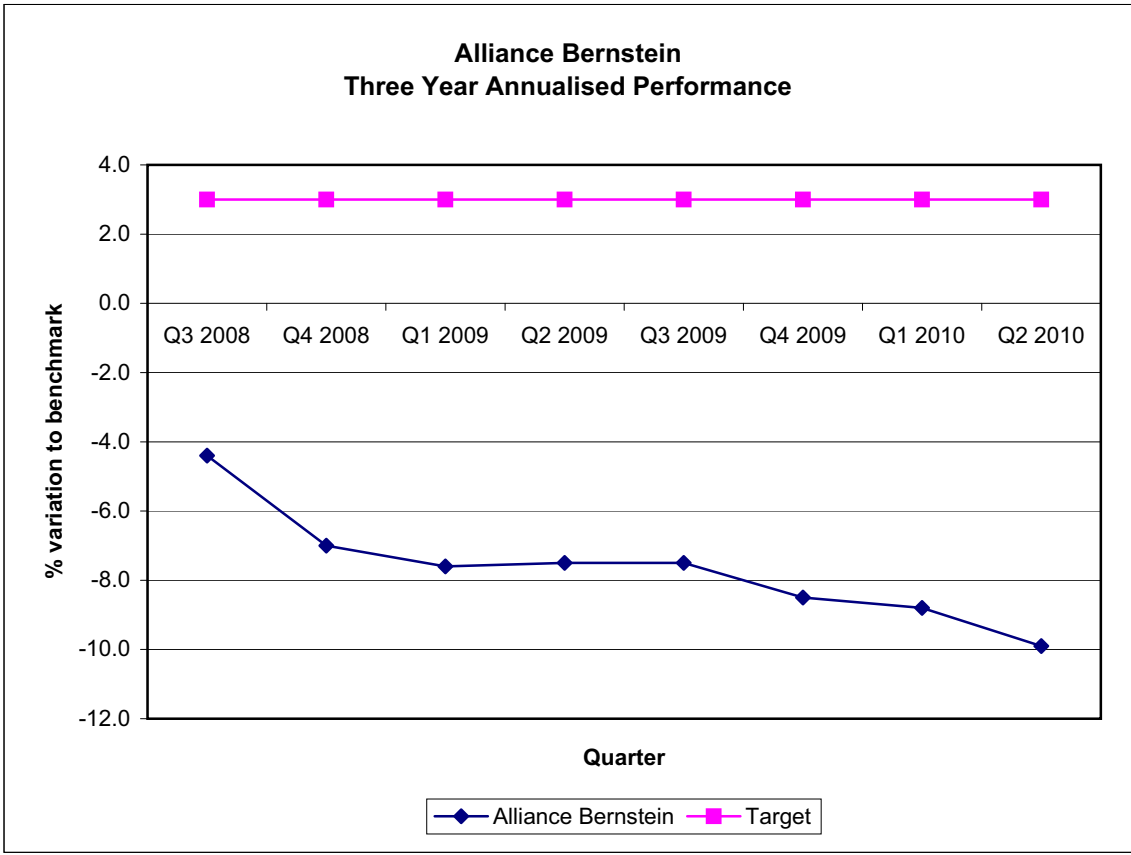
Quarter

Q3 2007
Q4 2007
Q1 2008
Q2 2008
Q3 2008
Q4 2008
Q1 2009
Q2 2009
Q3 2009
Q4 2009
Q1 2010
Q2 2010

Market Value £m

1084.2
1077.2
1016.1
1004.2
918.2
845.9
795.8
857.4
998.4
1037.0
1111.0
1037.0

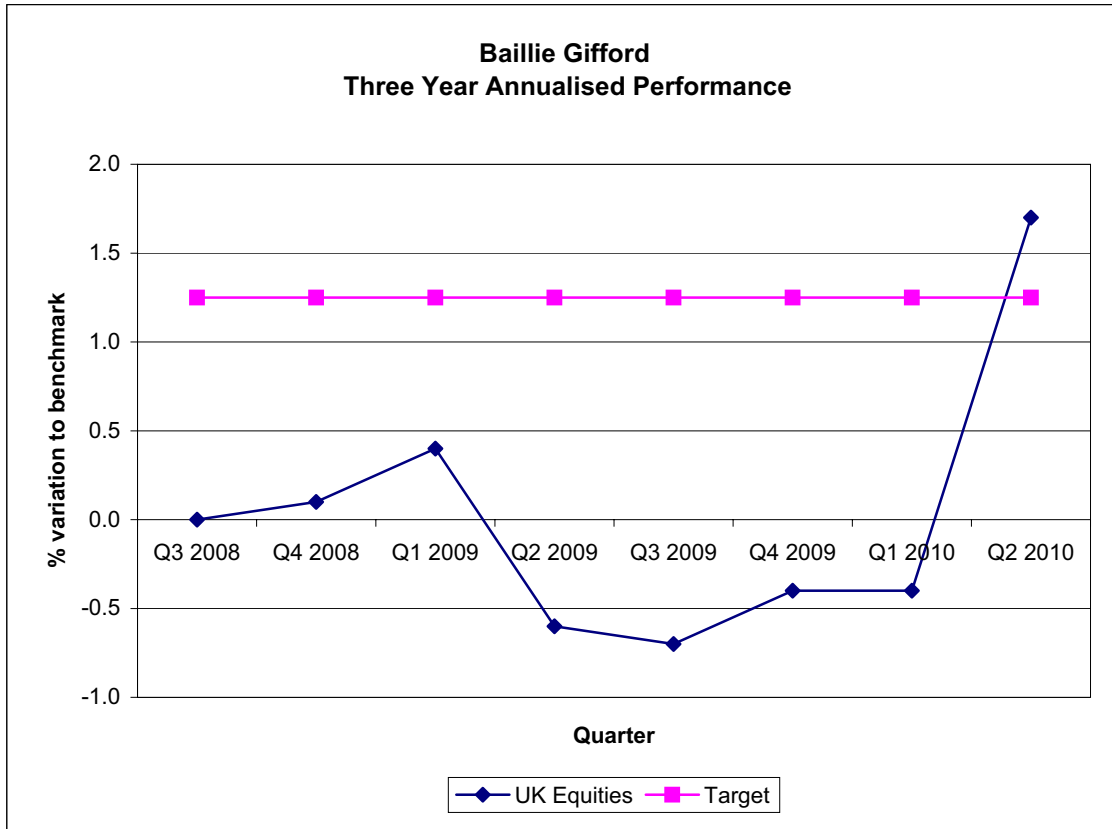
GRAPH 2



Alliance Bernstein Three Year Annualised Performance

	Alliance Bernstein	Target
Q3 2008	-4.4	3.0
Q4 2008	-7.0	3.0
Q1 2009	-7.6	3.0
Q2 2009	-7.5	3.0
Q3 2009	-7.5	3.0
Q4 2009	-8.5	3.0
Q1 2010	-8.8	3.0
Q2 2010	-9.9	3.0

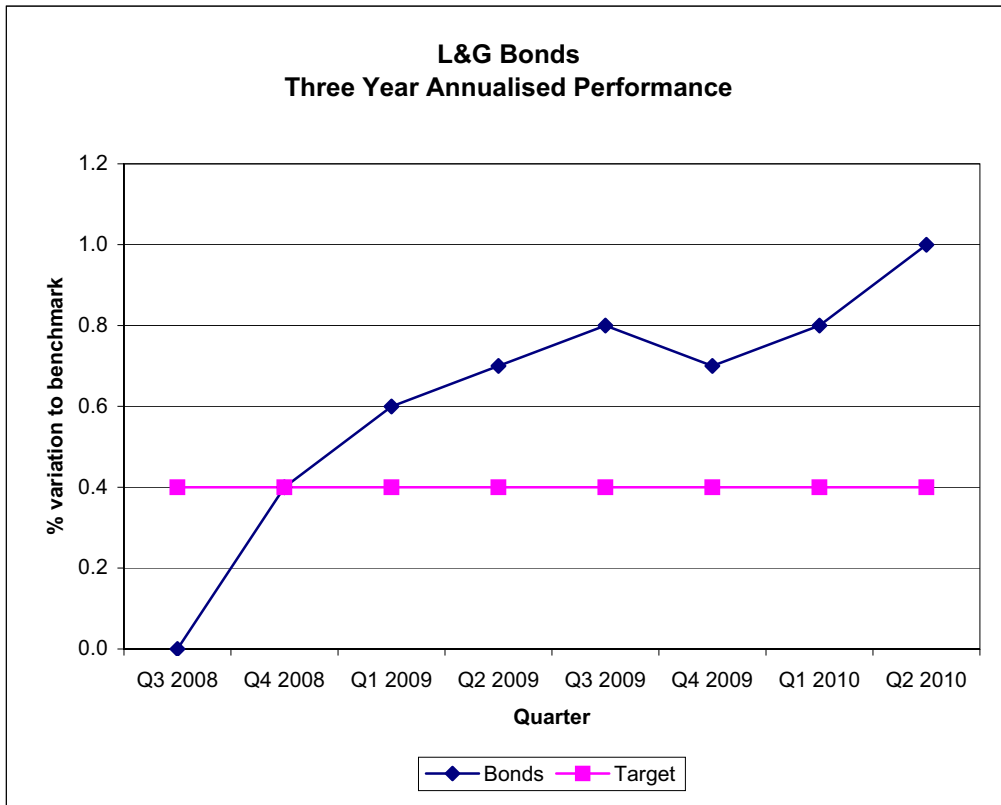
GRAPH 3



Baillie Gifford Three Year Annualised Performance

	UK Equities	Target
Q3 2008	0.0	1.25
Q4 2008	0.1	1.25
Q1 2009	0.4	1.25
Q2 2009	-0.6	1.25
Q3 2009	-0.7	1.25
Q4 2009	-0.4	1.25
Q1 2010	-0.4	1.25
Q2 2010	1.7	1.25

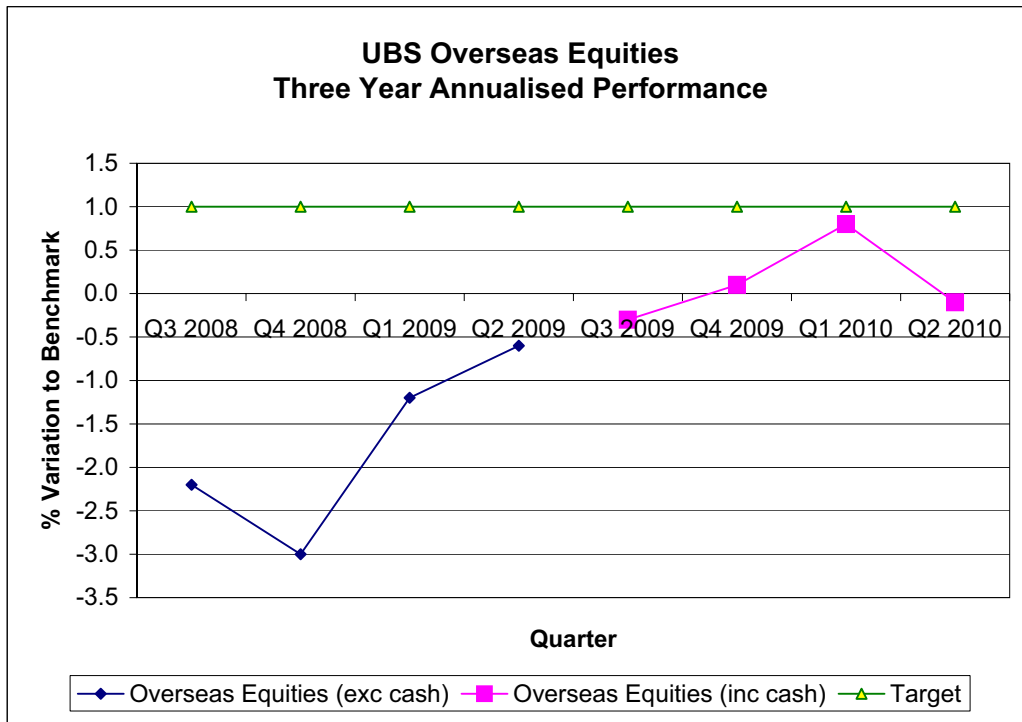
GRAPH 4



L&G Bonds Three Year Annualised Performance

	Bonds	Target
Q3 2008	0.0	0.4
Q4 2008	0.4	0.4
Q1 2009	0.6	0.4
Q2 2009	0.7	0.4
Q3 2009	0.8	0.4
Q4 2009	0.7	0.4
Q1 2010	0.8	0.4
Q2 2010	1.0	0.4

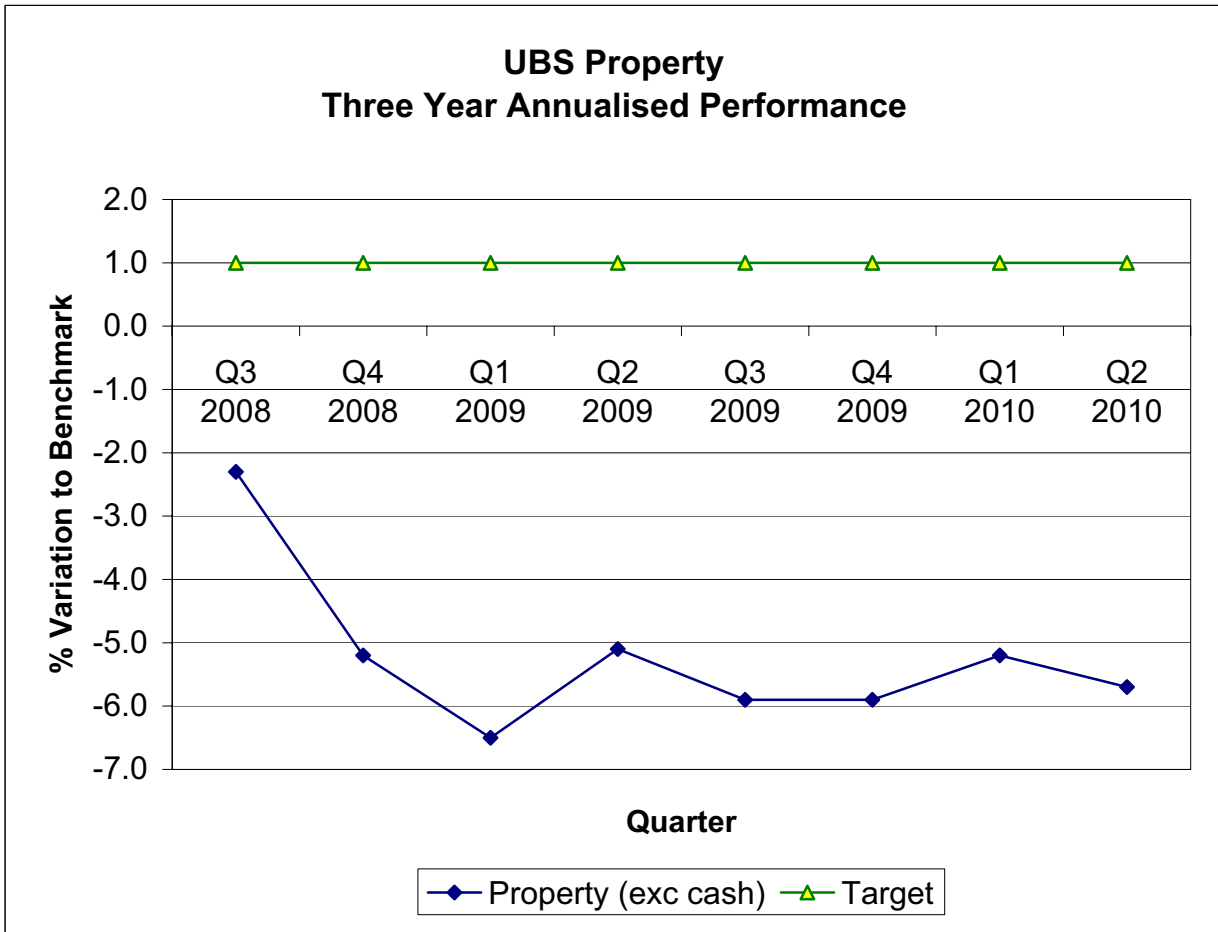
GRAPH 5



UBS Three Year Annualised Performance

	Overseas Equities (exc cash)	Overseas Equities (inc cash)	Target
Q3 2008	-2.2		1.0
Q4 2008	-3.0		1.0
Q1 2009	-1.2		1.0
Q2 2009	-0.6		1.0
Q3 2009		-0.3	1.0
Q4 2009		0.1	1.0
Q1 2010		0.8	1.0
Q2 2010		-0.1	1.0

GRAPH 6



UBS Three Year Annualised Performance

	Property (exc cash)	Target
Q3 2008	-2.3	1.0
Q4 2008	-5.2	1.0
Q1 2009	-6.5	1.0
Q2 2009	-5.1	1.0
Q3 2009	-5.9	1.0
Q4 2009	-5.9	1.0
Q1 2010	-5.2	1.0
Q2 2010	-5.7	1.0

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Division(s): N/A

PENSION FUND COMMITTEE – 3 SEPTEMBER 2010

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

The Economy

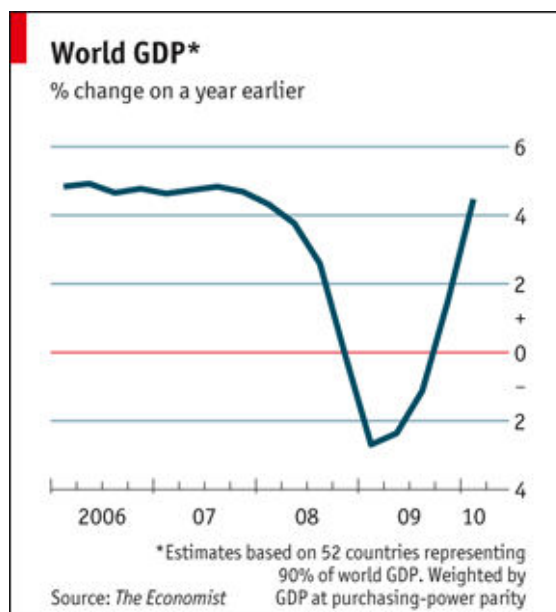
- Growth forecasts for Western economies this year have remained steady, while Japan is expected to recover faster than previously expected. Recent data from the United States, however, has shown a slowdown in second quarter GDP growth to 2.4% annualised, from 3.7% in the first quarter, as well as a disappointing rate of private sector job creation in July. The Fed has responded by deferring the monetary tightening it had planned.

(In the Table below, the consensus estimates at the time of the June Committee are shown in brackets).

Consensus real growth (%)						Consumer prices (%)
	2007	2008	2009	2010E	2011E	2010E
UK	+3.0	+0.7	-4.7	(+1.3) +1.4	+1.9	+3.0 (CPI)
USA	+2.0	+1.2	-2.5	(+3.1) +3.0	+2.8	+1.7
Eurozone	+2.6	+0.8	-3.9	(+1.2) +1.2	+1.3	+1.5
Japan	+2.0	-0.2	-5.3	(+1.9) +3.2	+1.6	-0.9
China	+11.9	+9.0	+8.7	(+9.7) +9.9	+8.3	+3.0

[Source of estimates: *The Economist*, 07.08.10]

The extent of the fall – and subsequent recovery – in global GDP during the past four years is shown in this graph from *The Economist*.



2. In his first Budget as UK Chancellor on 22 June, George Osborne announced plans to cut spending and raise taxes with the aim of reducing the Public Sector Borrowing Requirement from £149bn in 2010/11 to £37bn (or 2% of national income) in 2014/15. These measures would further tighten the fiscal programme of the outgoing Labour government which had planned to reduce PSBR to 4% of national income in 2014/15.
3. The coalition's plan envisages spending cuts by unprotected government departments of 25% by 2014/15, with additional savings coming from reductions in welfare spending. Tax increases will include raising the rate of VAT from 17.5% to 20% in January 2011.
4. The emergency measures announced in May by the IMF, the ECB and the EU, involving a €750bn rescue package to allow Greece to roll over its debt obligations, has taken the immediate pressure off the Euro, but is generally seen as a temporary fix. The real test will be whether the heavily-indebted Eurozone members can push through the fiscal measures needed to reduce government debt significantly.

Markets

5. After extending their first-quarter gains during the first part of April, **equity markets** turned down sharply in the face of a number of separate events: Goldman Sachs' problems with the US regulators; the Eurozone crisis triggered by the threat of a debt default by Greece and, potentially, other Eurozone members; and the catastrophic explosion and oil spill from a BP rig in the Gulf of Mexico. By the end of June, all equity markets had experienced sharp falls, as shown in the following Table, ending four successive quarters in which equities had advanced.

Capital return (in £, %) to 30.06.10		
	3 months	12 months
FTSE All-World Index	-11.5	+ 20.7
FTSE All-World North America	-10.8	+ 23.6
FTSE All-World Asia Pacific	- 8.1	+ 21.5
FTSE All-World Europe (ex-UK)	-16.1	+ 13.7
FTSE All-World UK	-13.4	+ 15.7
FTSE All-World Emerging Markets	- 7.5	+ 34.6

[Source: FTSE All-World Review, June 2010]

6. The weakest sectors were Oil & Gas (significantly affected by BP), Basic Materials and Financials, which all fell by 14 – 15%. Even the most resilient sector – Consumer Goods – fell 6.5%.

PF6

S&P 500



UK FTSE All-Share



FTSE All-World Asia Pacific



7. There was strong demand for those **government bonds** seen as ‘safe havens’ by investors worried about the risks in peripheral Eurozone markets. US, UK, German and Japanese government bonds all appreciated sharply.

10-year government bond yields (%)				
	Dec 2008	Dec 2009	March 2010	June 2010
US	2.22	3.84	3.84	2.96
UK	3.02	4.01	3.95	3.35
Germany	2.95	3.40	3.09	2.58
Japan	1.18	1.29	1.41	1.09

[Source: Financial Times]

Generic 10yr US Treasury Yield

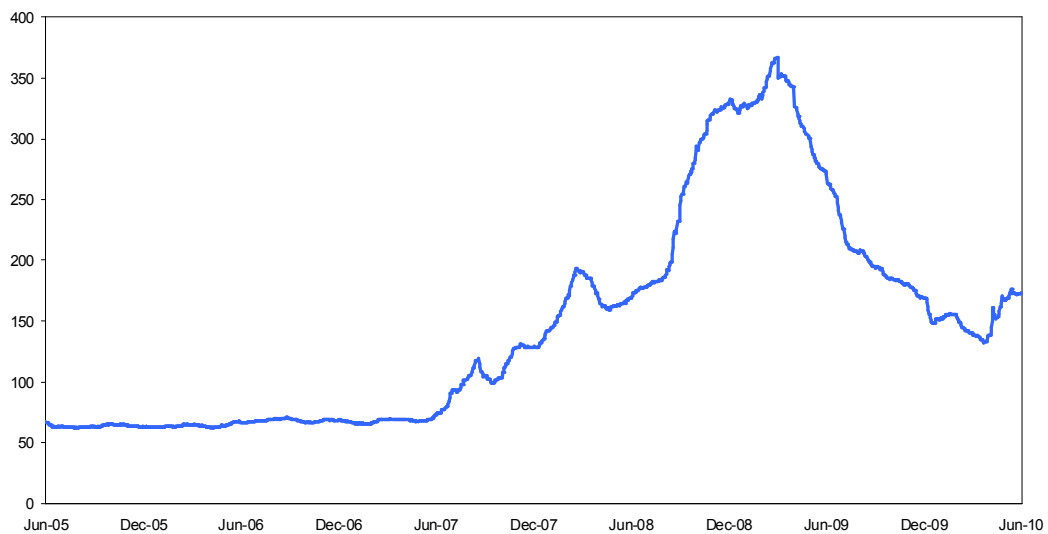


Generic 10yr UK Gilt Yield



8. The spread on UK corporate bonds relative to gilt-edged widened slightly, but because of the strength of gilts, absolute yields still fell during the quarter, and corporate bond prices were stable.

£ Non-Gilt Spread over Gilts



9. **UK Property Funds** reported steady single-digit gains during the second quarter, amid signs that new money is being committed to this sector, and very few funds are still dealing with redemptions from their investors. As previously noted, the specialist funds, which are usually more heavily-g geared than balanced funds, have reported some spectacular gains from their depressed levels of mid-2009.

Median fund returns to 30.06.10	3 months	12 months
Balanced Funds (n= 25)	+ 3.0%	+ 19.3%
Specialist Funds (n= 34)	+ 3.4%	+ 29.9%

[Source: IPD UK pooled property funds]

10. Within **commodities**, the oil price (Brent crude) retreated from its peak of \$86 in April to end the quarter at \$75 per barrel, while the copper price displayed a similar pattern. Gold, by contrast, ended the quarter at \$1240 per oz, a rise of 11% since the end of March.

Oil



Copper



11. The main features of the **currency markets** were the weakness of the Euro and the strength of the Yen. Amid worries about the future of the Eurozone should Greece default, the Euro lost nearly 10% against the dollar during the quarter, although it recouped half of this in July. The yen rose steadily against the dollar, reaching a 15-year peak level during July. The pound, meanwhile, was flat against the dollar during the second quarter, but has gained ground since then, and almost reached \$1.60 in late July.

PF6

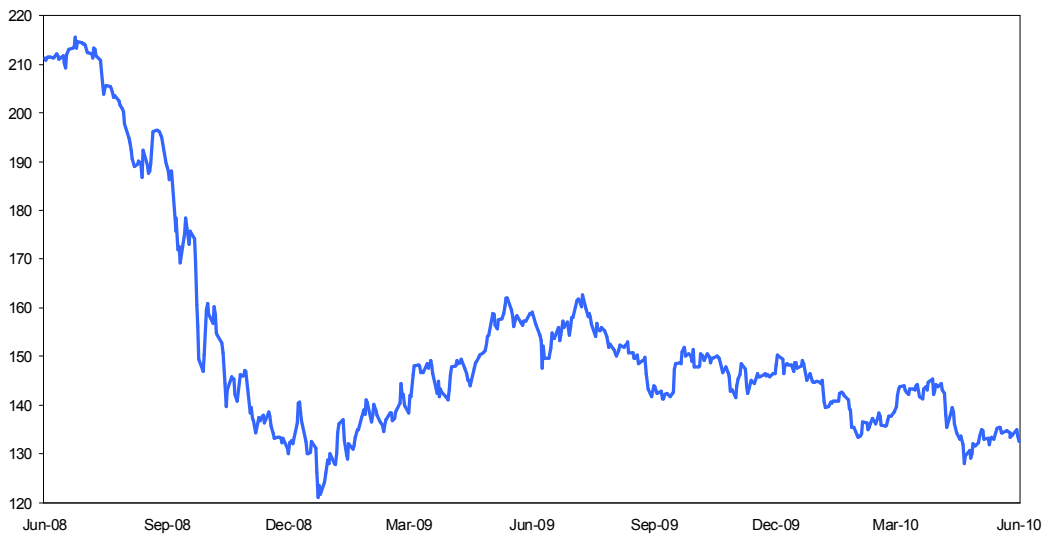
GBP vs EUR



GBP vs USD



GBP vs JPY



Outlook

12. The latest employment and GDP growth data from the US has reminded us all that a resumption of pre-crisis levels of growth is by no means certain. Even if the feared 'double-dip recession' does not happen, there is still a real threat of sluggish growth this year and next.
13. While this threat remains, central banks are committed to keeping in place stimulative monetary measures – in the form of low interest rates and quantitative easing, for example – for some months yet. The longer-term question still remains whether Western economies will be able to return to trend growth when these measures are reduced or even withdrawn.
14. The scale of public spending cuts planned by the UK government during the next five years seems bound to increase the level of unemployment and dampen consumer spending. There is still a lively debate amongst economists, as well as politicians, as to whether the additional cuts will further delay economic recovery.
15. Despite this dull outlook for economic growth, there are nevertheless worries that inflation will rise to uncomfortable levels. The Bank of England expects CPI to remain above its target level during 2010, even before the price-effect of the VAT increase in January 2011.
16. Government bond markets in US, UK, Germany and Japan are clearly reflecting the recessionary outlook – 10-year yields of 2.5% in Germany, 2.75% in US and just over 3% in the UK do not leave much margin for any inflationary upturn before 2020, and appear unattractive in my opinion.
17. Equity markets, by contrast, are incorporating a more optimistic view of economic growth – not least in the Asia-Pacific region – and the resurgence of corporate profits in the current year. Company-specific news can still cause a sharp reaction in share prices, as in the case of BP, so that stock-picking remains as crucial as ever.

PETER DAVIES
Independent Financial Adviser

August 2010

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OXFORDSHIRE PENSION FUND REPORT AND ACCOUNTS 2009/10

Registered Number: PS049/20

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Note: All County Council Pension Fund members will be notified that this report is available for inspection, via a leaflet summarising its content.

FOREWORD TO THE 2009/10 PENSION FUND REPORT AND ACCOUNTS BY THE ASSISTANT CHIEF EXECUTIVE & CHIEF FINANCE OFFICER

Introduction

The Oxfordshire Pension Fund is administered by Oxfordshire County Council on behalf of Oxfordshire local authorities, other bodies providing public services and certain admitted bodies, as part of the Local Government Pension Scheme (LGPS) Regulations. There are over 76 employers and nearly 46,000 members reliant upon the scheme. The Fund meets the cost of pension benefits due to current and former employees of these organisations.

This Report provides information about the management, arrangements and performance of the Fund over the last 12 months. The latest version of the Fund's policy statements covering investment principles, funding strategy and communication, as well as details of Fund membership and a brief summary of scheme benefits are also included within the report. The audited accounts for the Fund for the year ended 31 March 2010 is also included.

The last two years has been a roller coaster for financial markets and the Fund's investments. The total value of assets in the Fund moved from £1.0 bn as at 31 March 2008 to £0.8 bn as at 31 March 2009 and has now recovered to £1.1bn as at 31 March 2010. Consistent with this, Fund performance was down 24% during 2008/09, but is up 36% for 2009/10. There is still uncertainty in markets and the Investment Review 2009/10 provides more detail on this.

A review of the Statement of Investment Principles was undertaken for this Report to ensure it complied with revised Government Regulation issues during the year. The revised statement provides better clarity over the investment objectives which are simply: achieving a 100% funding level; ensuring that the Fund

has sufficient liquidity to meet its liabilities and commitments; and to out perform its investment benchmark by 1.3%.

The 31 March 2010 is a key date for the Fund as a triennial valuation will be undertaken at that date by the Fund's newly appointed actuary, Barnett Waddingham. The valuation is extremely important to both the administration authority and the relevant employers as it will determine future contribution levels. Early indications are that the funding level has reduced significantly from the 78% funding at the last valuation. This has been due to a combination of poor investment returns over the past three years and the increasing cost of future liabilities, although the detailed work on future liabilities was still in progress at the time of writing. We should be in a better position on what all this will mean for contribution rates later this year, with the challenge being to keep any increases to a minimum.

Public Sector Pension Schemes have come under attack nationally from both the media and from some politicians. The number of final salary schemes (like the LGPS) is falling rapidly in the private sector in favour of defined contribution schemes. This is because in final salary schemes risk tends to fall on the employer, although there are proposals for cost sharing currently being developed. In defined contribution schemes the risk tends to fall on the employee.

The Coalition Government has agreed an independent review public sector pensions under John Hutton, former Labour Work & Pensions Secretary. This will be much wider than the LGPS, including the civil service, NHS and armed forces as well as teachers, police and firefighters from local government. The LGPS is arguably better

placed than the other schemes in that it is a funded scheme rather than being pay as you go. However, it is important that there is an open debate with adequate contributions from experts in the field.

Finally, we have plans to review the format of this Annual Report in time for next year's publication. The Report is for the benefit of both employers and employees who are members of the scheme. If you have any thoughts on its format or what you would like to see included, please contact pension.investments@oxfordshire.gov.uk by 31 March 2011.

Sue Scane
Assistant Chief Executive & Chief Finance Officer
June 2010

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 secure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Assistant Chief Executive and 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 on its behalf.

The Responsibilities of the Assistant Chief Executive and Chief Finance Officer

The Assistant Chief Executive and Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with the *Financial Reports of Pension Schemes - A Statement of Recommended Practice (2007)* and in accordance with proper practices as set out in the 2009 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Assistant Chief Executive and 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 Assistant Chief Executive and 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.

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

MEMBERS, MANAGERS AND ADVISERS

<i>Administering Authority</i>	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
<i>Administrator</i>	Assistant Chief Executive & Chief Finance Officer
<i>Pension Fund Committee</i>	David Harvey (Chairman)
<i>County Council Members</i>	Bill Service (Deputy Chairman)
<i>2009/10 Membership</i>	Jean Fooks Stewart Lilly Don Seale John Tanner Alan Thomson (2009/10) Charles Shouler (2010/11)
<i>Representatives of District Councils</i>	Richard Langridge (WODC) Barry Wood (Cherwell DC)
<i>Beneficiary Observer</i>	Peter Fryer
<i>Investment Adviser</i>	Peter Davies
<i>Fund Managers</i>	Alliance Bernstein Baillie Gifford Legal & General UBS Global Asset Management UBS Wealth Management
<i>Private Equity Advisers</i>	Oriel Securities Cenkos Securities Collins Stewart
<i>Actuary</i>	Alison Hamilton FFA Barnett Waddingham LLP
<i>Auditor</i>	The Audit Commission
<i>AVC Provider</i>	Prudential
<i>Corporate Governance & Socially Responsible Investment Service</i>	RiskMetric Group
<i>Custodian</i>	BNY Mellon
<i>Performance Management</i>	WM Performance Services

HOW THE SCHEME OPERATES

◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded final salary pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The operation of the Oxfordshire Local Government Pension scheme is principally governed by the Local Government Pension Scheme Regulations 2007 [as amended] (effective from April 2008). 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 be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 7 to 8. This defined benefit scheme provides benefits related to salary for its members and is unaffected by the investment return achieved on the Scheme’s assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State and is based on the Retail Price Index (RPI).

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

◆ Contributions

The Scheme 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 the rate of between 5.5% and 7.5% of pensionable pay depending upon their earnings.

Employers’ contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects 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 2009-10 were based on the latest completed valuation of the Scheme’s

financial position as at 31st March 2007 and are shown on pages 7 to 8.

The next actuarial valuation is due on 31 March 2010 and any changes to employer contribution rates, as a result of this valuation, will take effect from 1 April 2011.

◆ Benefits

The benefits payable under the Scheme are laid down by the 2007 Regulations. Pension payments are guaranteed and participating employers make up any shortfall in the Pension Fund.

The Scheme is a ‘final salary’ scheme and provides a pension as a proportion of final salary according to the length of service. For membership before 01 April 2008 a member is entitled to a lump sum retirement grant in addition to their pension. Employees having at least 3 months membership may choose to leave their benefits as deferred benefits in the Fund, or transfer to other arrangements. Pensions paid to retired employees and deferred benefits, are subject to mandatory increases in accordance with annual pension increase legislation. Further details on benefits are summarised on pages 37 to 38.

There is no restriction of 40 years scheme membership at age 60, but there is a lifetime allowance. 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.

Retirement too can be more flexible with the employers’ approval. Regulations enable a person to continue with their employment with reduced pay and also receive their pension. Employers must agree to both releasing the pension and the terms of the reduced pay.

◆ Internal Dispute 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 Nominated Person. For information please contact Pension Services Manager.

MEMBERSHIP

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.

The table below provides the composition of the Fund's membership for the five years 2005/06 to 2009/10.

	2005-06	2006-07	2007-08	2008-09	2009-10
Contributory Employees					
Oxfordshire County Council	13,334	13,496	13,897	14,420	14,964
Other Scheduled Bodies	5,363	5,425	5,368	5,563	5,361
Admitted Bodies	1,074	1,086	1,057	987	951
	19,771	20,007	20,322	20,970	21,276
Pensioners and Dependants					
Oxfordshire County Council	4,524	4,813	5,109	5,458	5,877
Other Scheduled Bodies	3,148	3,248	3,403	3,583	3,820
Admitted Bodies	209	260	323	386	435
	7,881	8,321	8,835	9,427	10,132
Deferred Pensioners					
Oxfordshire County Council	4,738	6,284	7,643	8,733	9,450
Other Scheduled Bodies	3,269	3,515	3,837	4,083	4,379
Admitted Bodies	392	443	490	567	659
	8,399	10,242	11,970	13,383	14,488

Employees of the County and District Councils as well as Oxford Brookes University and the further education colleges have the right to join the Scheme. Parish Councils and Town Councils pass resolutions to enable staff to join LGPS, whereas Admitted Bodies must nominate employees.

The main changes in 2009/10 were as follows: -

- The number of contributory employees increased by 306.
- The number of pensioners & dependants increased by 705.
- The number of deferred pensioners increased by 1,105. In addition to these, a further 3,643 former members have left their contributions in the Fund, pending a decision on whether to opt for a refund or a transfer.

The table below provides details of members for the Other Scheduled Bodies.

Oxford City Council	1,180	South Oxon District Council	266
Cherwell District Council	596	Oxford Brookes University	1,707
Vale of White Horse District Council	270	Other	1,067
West Oxon District Council	275		

PARTICIPATING EMPLOYERS

Scheduled Bodies	<i>Contributions are shown as a percentage of pensionable pay</i>	Contribution Rate % 2009/10	Scheduled Bodies (cont)	Contribution Rate % 2009/10
Abingdon Town Council		21.5	Oxfordshire County Council	19.3
Abingdon & Witney College		16.9	Risinghurst & Sandhills Parish Council	*
Banbury Town Council		16.8	Rotherfield Greys Parish Council	16.5
Benson Parish Council		15.6	Rotherfield Peppard Parish Council	16.4
Berinsfield Parish Council		15.5	South Oxfordshire District Council	16.5
Bicester Town Council		19.4	Sutton Courtenay Parish Council	22.2
Carterton Town Council		19.9	Thame Town Council	20.5
Cherwell District Council		21.7	The Oxford Academy	19.1
Chalgrove Parish Council		16.6	Vale of White Horse District Council	24.4
Chinnor Parish Council		17.7	Wallingford Town Council	22.6
Chipping Norton Town Council		17.9	Wantage Town Council	*
Cumnor Parish Council		15.7	West Oxfordshire District Council	21.2
Dicot Town Council		21.0	Wheatley Parish Council	15.5
Eynsham Parish Council		16.3	Whitchurch Parish Council	*
Faringdon Town Council		15.4	Witney Town Council	15.7
Henley College		17.0		Plus £18,400
Henley-on-Thames Town Council		15.7	Woodstock Town Council	15.7
		plus £13,700		£752
Kidlington Parish Council		19.8		
Littlemore Parish Council		*		
Marcham Parish Council		16.3		
North Hinksey Parish Council		*		
North Oxfordshire Academy		19.3		
Old Marston Parish Council		15.7		
Oxford Brookes University		18.5		
Oxford City Council		20.2		
Oxford & Cherwell College		14.2		

* No active members at the date of the last valuation (31 March 2007). A contribution rate will be advised by the actuary at the date an active member joins the fund.

PARTICIPATING EMPLOYERS

<i>Contributions are shown as a percentage of pensionable pay</i>	Contribution Rate % 2009/10		Contribution Rate % 2009/10
Admitted Bodies			
Abingdon & District Citizens Advice Bureau	20.9	Oxfordshire Archaeological Unit Ltd	16.7
ACE Centre Advisory Trust	21.0		plus £69,300
		Oxfordshire Community Foundation	20.7
Banbury Citizens Advice Bureau	20.3	Oxfordshire Council for Voluntary Action	16.7
Banbury Homes	16.7		plus £5,100
	Plus £10,800	Oxfordshire Mental Health Matters	19.4
Barnardo's	20.0	Oxfordshire Youth Arts Partnership	15.9
CAPITA	17.1	Reading Quest	16.7
CfBT Careers Service Ltd	19.9	SOLL Leisure	27.2
	plus £174,000	SOLL Vale	21.4
Charter Community Housing	18.8	Swalcliffe Park School Trust	16.7
Cherwell Housing Trust	22.1		plus £27,000
Connexions	19.3	Thames Valley Partnership	24.7
Cottsway Housing Association Ltd	20.7	The Vale Housing Association Ltd	21.1
Enmore Community Services	18.5		Plus £89,700
Fusion Lifestyle	20.2	United Sustainable Energy Authority	20.1
K2B Cleaning & Support Services	18.1	West Oxfordshire Citizen Advice Bureau	16.7
Museums, Libraries & Archives London	23.7		plus £860
Nexus Community	27.2		
NORCAP	17.4		
Order of St John's Care Trust	31.4		
Oxford Community Work Agency	19.0		
Oxford Inspires	17.0		
Oxford Night Shelter	16.7		
	Plus £1,900		

Investment Review 2009/10

Economic Background

The severe recession experienced in the developed economies became milder during the first half of 2009, and quarterly growth resumed in the United States in the third quarter of the year, although the UK only returned to growth in the fourth quarter. By March 2010, the picture was still mixed, with year-on-year growth of 2.5% for the US, while the UK, Europe and Japan were still at or slightly below their March 2009 levels. In the emerging economies, by contrast, growth had already returned to pre-crisis levels, and in China and India the central banks had begun to raise interest rates in order to prevent overheating in their economies.

Governments everywhere had provided fiscal and monetary support of unprecedented magnitude, to prevent an even worse recession, and these had reassured investors that further collapses in the financial sector were no longer likely. This had restored confidence to the equity markets, which recovered strongly, most notably in the third quarter of 2009 when index gains of 20 - 30% were commonplace. Similarly, the spreads on corporate bonds relative to government bonds narrowed considerably from the crisis levels of March 2009, giving sizeable capital gains.

The effects of the recession on government balance sheets, however, became increasingly evident as the year progressed. In the UK, the fiscal deficit for 2009/10 has reached almost 12% of GDP, and is forecast to exceed 11% in 2010/11. The new issuance of gilt-edged stock to fund this deficit was assisted by the Bank of England's £200bn 'quantitative easing' programme, but markets will need to absorb considerable quantities of gilts for several years to come.

A more acute problem of government financing has surfaced in Greece and other members of the Eurozone. With markets increasingly taking the view that Greece would be unable to service all of its debts, yields on its bonds rose very sharply, and in May 2010 a rescue package for the heavily-indebted Eurozone countries was mounted by the IMF, the ECB and the EU itself. While this aims to deal with their funding needs in the next two years, it is still not clear how they will finance themselves thereafter. It will be a challenge for governments to gain popular acceptance for the austerity measures necessary to rein in the fiscal deficits.

Market Returns

All equity markets recorded very strong gains during the year, with particular strength in Emerging Markets, as shown in the following Table. UK Government bond yields rose slightly during the year, but the narrowing of corporate bond spreads gave good returns in this sector. Commercial Property prices in the UK began to rise in the third quarter of 2009, after a long slump, and have continued to recover since then.

Outlook

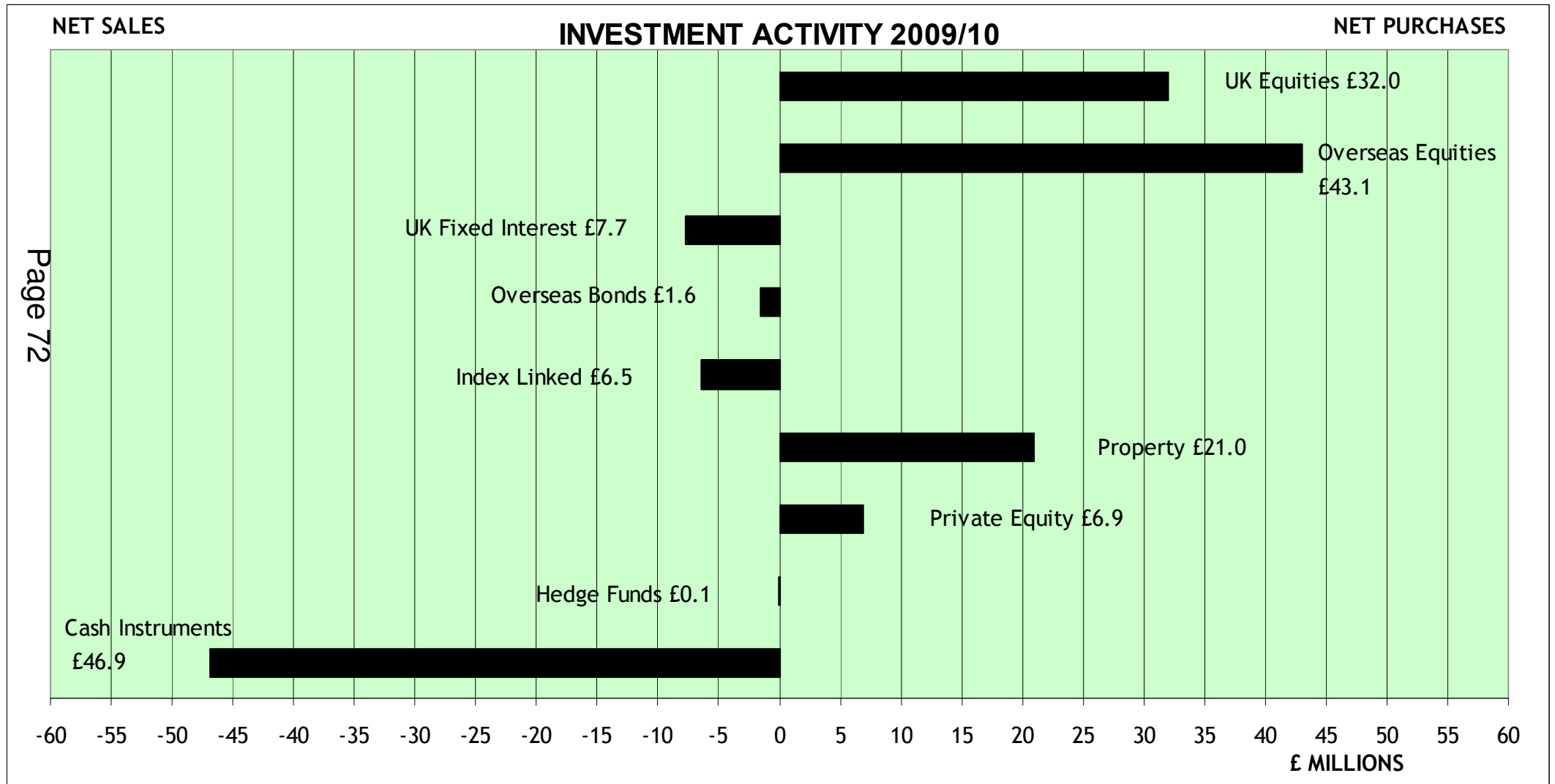
The widespread optimism seen in the second half of 2009 regarding economic growth has given way to a more realistic appreciation of the residual problems of the credit crisis - massive government fiscal deficits, cuts in government spending and high levels of unemployment. The recent weakness in sterling and the Euro relative to the dollar may be beneficial to terms of trade, but puts more pressure on the inflation targets in UK and Europe. With government finances under pressure in the developed economies, and economic growth sluggish as a consequence, it is hard to be excited by the prospects for gains in equity or bond markets in the coming year.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2010.

SECTOR		INDEX	% Total Returns Year to 31.3.10
Equities	UK	FTSE Actuaries All Share	52.3
	North America	FTSE North American Developed	43.2
	Japan	FTSE Japan Developed	29.6
	Europe	FTSE Europe (ex UK) Developed	48.2
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	69.7
	Emerging Markets	MSCI Emerging Markets Free	71.6
Bonds	UK Government	FTSE Government UK Gilts All Stocks	0.8
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	10.4
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	20.9
	Overseas	JP Morgan Traded WXUK	0.0
Cash	UK	7 DAY £ LIBID INDEX	0.4
Property	UK Commercial	HSBC All Balanced Funds Index	11.6

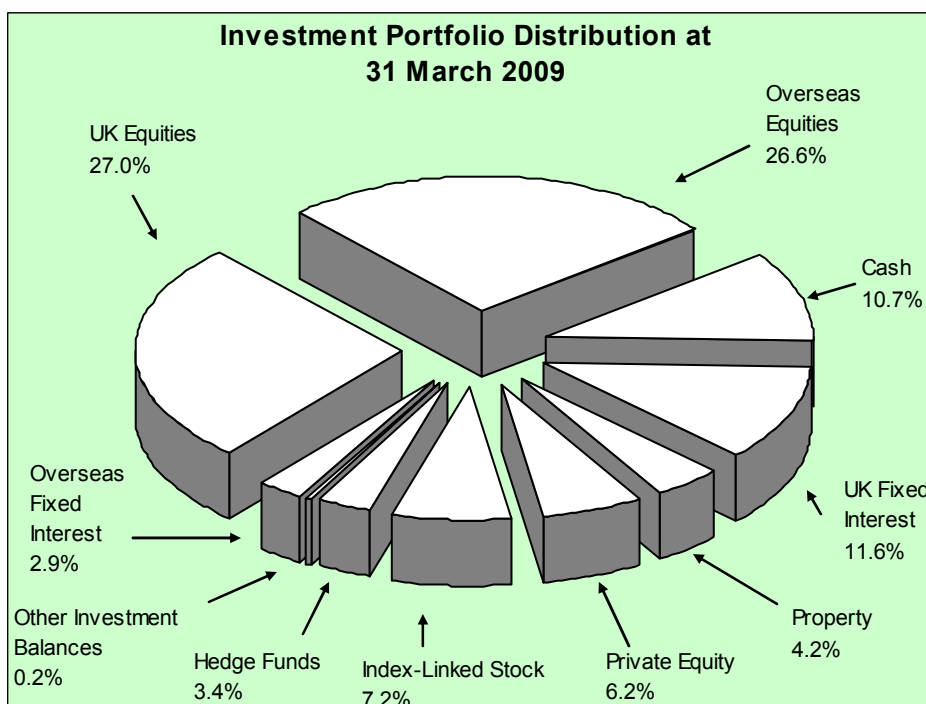
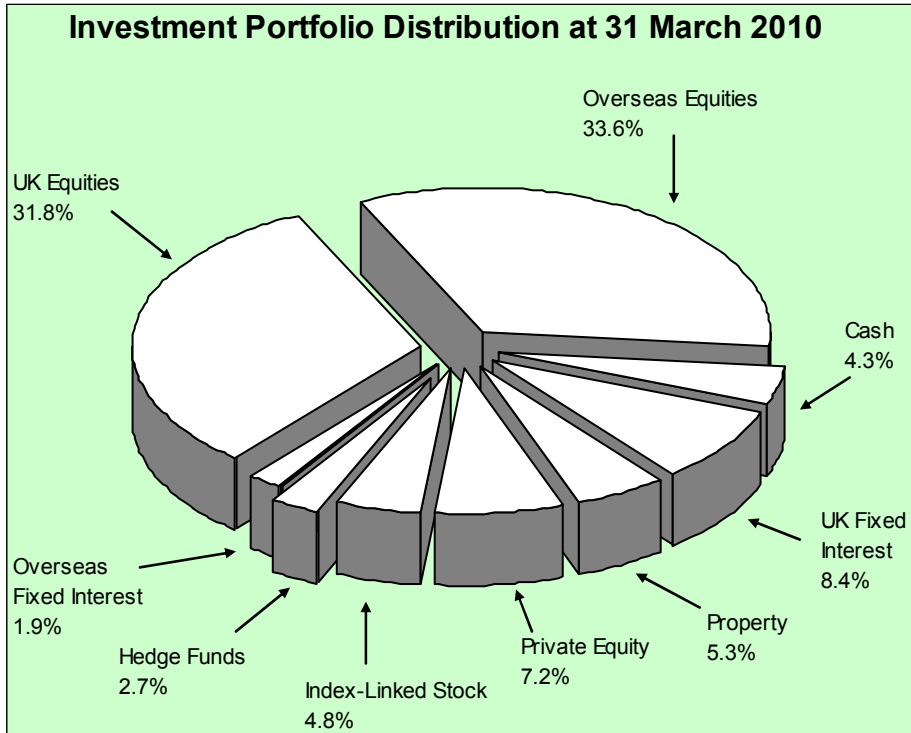
- **Investment Activity**

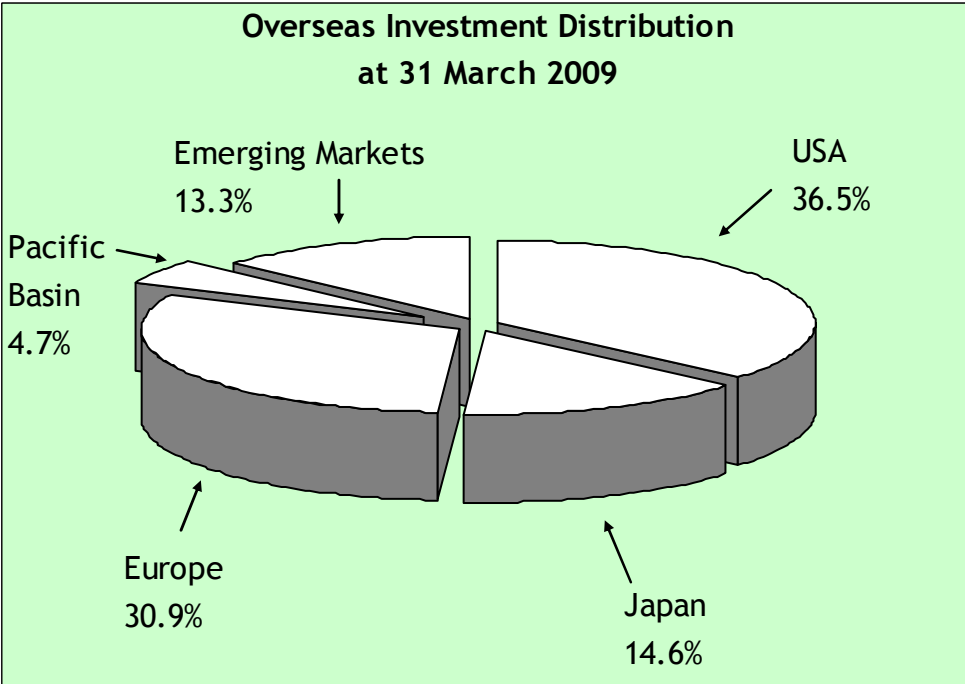
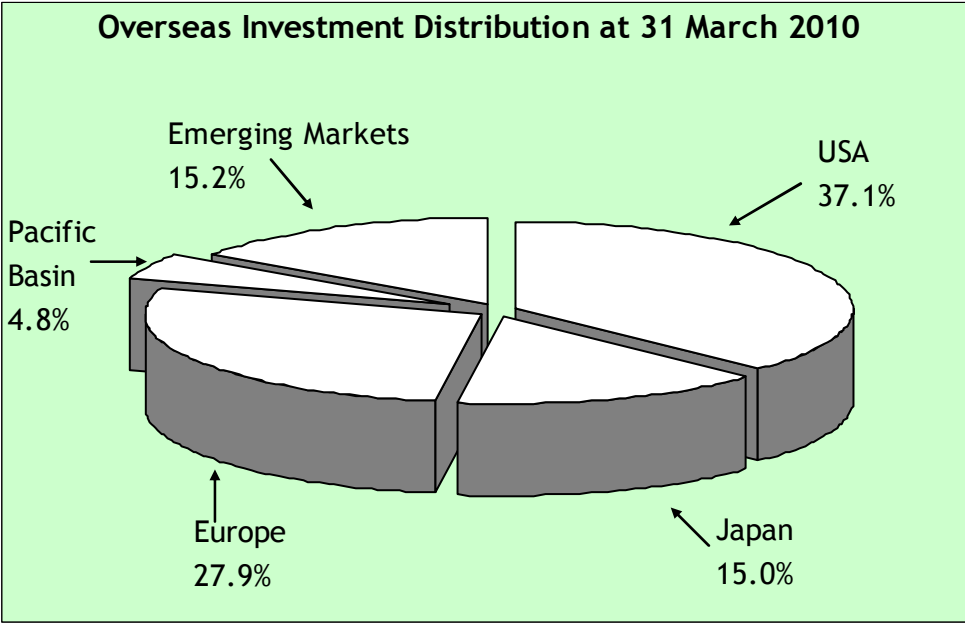
The Pension Fund invested a net £40 million during the year ended 31 March 2010. The amounts invested or disinvested in each principal category of asset are shown in the chart below.



Portfolio Distribution

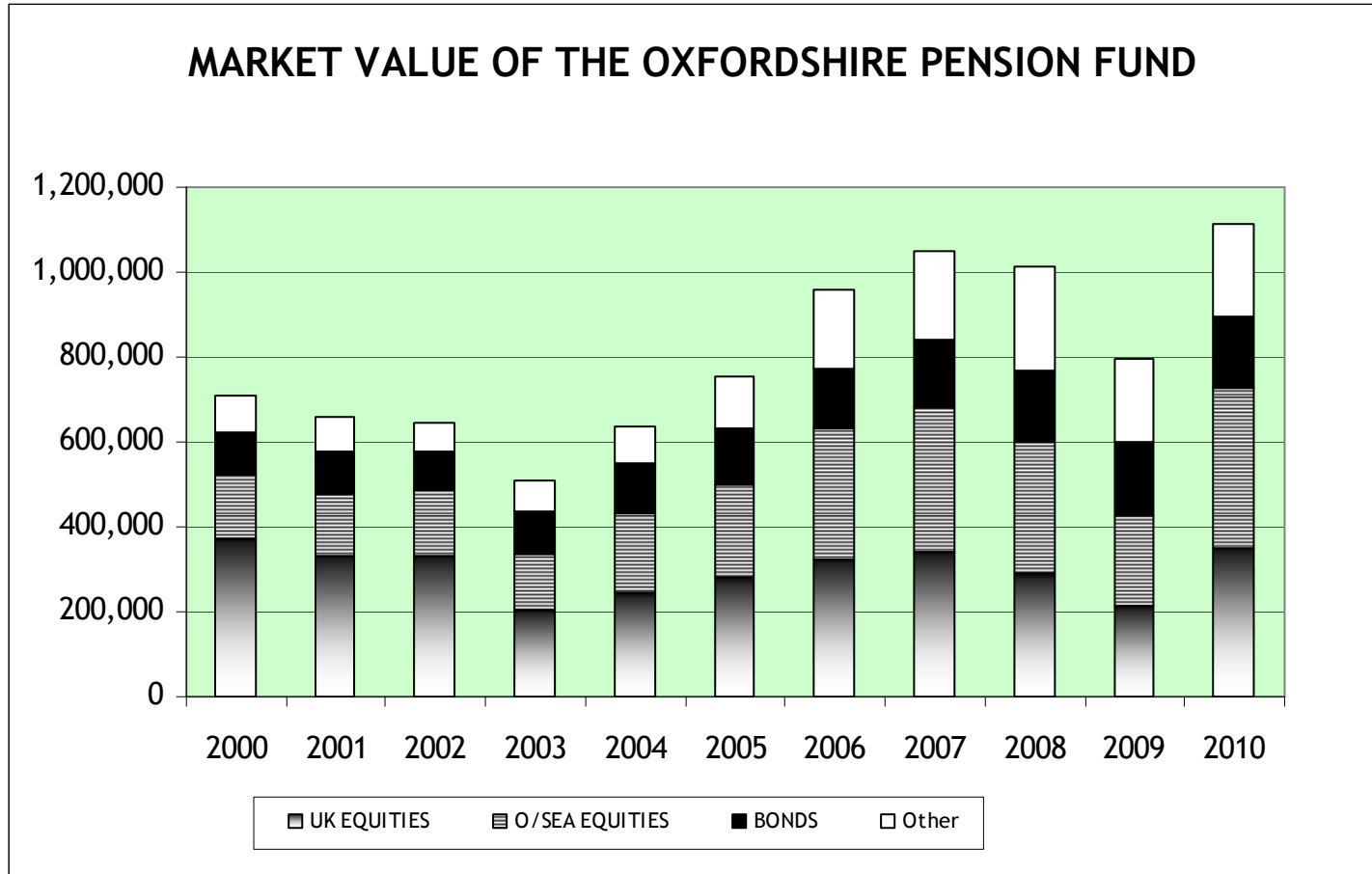
The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2010 is shown in the chart below. A comparative chart of the position at 31 March 2009 is also shown. The two further charts show the distribution of overseas investments at 31 March 2010 and 31 March 2009. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.





Portfolio Asset Allocation over the Ten Years to March 2010

The total assets of the Pension Fund have grown from £709 million at end of March 2000 to £1,112 million at end of March 2010 (see chart below). Over the period the percentage in UK equities decreased from 52.5% to 31.5% whilst bonds increased from 14.0% to 15.1%



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

◆ Investment Benchmark and Performance

An annual review of the Pension Fund's strategic asset allocation was undertaken in September 2009. In reviewing the allocation the previous year, a decision in principle was taken to increase the proportion of the fund invested in private equity from 6% to 10%. The September 2009 review formally increased the private equity allocation to 10%, lowering the target allocation for UK and Overseas Equities by 2% in each case.

The review also introduced allowable ranges into the asset allocation strategy. The Independent Financial Adviser proposed this so that there was some flexibility at the margin in rebalancing the fund. It also avoids mechanically rebalancing the distribution of assets when there is no compelling need, potentially at a cost to the fund. A process was introduced whereby the officers consider the allocation of assets at the end of each quarter, with a view to considering a rebalancing after consultation with the Independent Financial Adviser and the Chairman of the Committee

The Fund uses WM Performance Services to independently measure investment performance. Investment performance returns for all of the Oxfordshire Pension 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 Pension Fund each August. The table below provides details of the Pension Fund's one and three year investment returns, on an annualised basis, for each asset class.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended		Three Years Ended	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	31	52.3	47.8	-0.2	-1.2
Overseas Equities	32	48.3	53.4	5.0	5.4
UK Gilts	3	0.8	1.3	6.1	7.1
Index Linked Gilts	5	10.4	11.2	6.8	7.3
Overseas Bonds	2	2.6	3.7	n/a	11.1
Corporate Bonds	6	20.9	21.9	4.1	4.7
Property	8	11.6	14.4	-10.2	-15.9
Private Equity	10	68.7	42.3	-12.8	-6.9
Hedge Funds	3	3.8	13.2	6.9	-0.7
Total Fund	100	39.7	35.7	1.7	-0.7

Further investment performance details comparing the Oxfordshire Pension Fund with other local authority funds and indices are shown in the table below:-

% Returns per annum for the financial year ended 31 March 2010				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	35.7	-0.7	5.5	2.5
Average Returns and other Comparators				
WM Local Authority Average Return	35.2	1.7	7.1	3.8
Oxfordshire Benchmark	39.7	1.7	7.0	3.6
Retail Price Index	2.3	2.6	3.0	2.7
Average Earnings	5.5	3.6	3.7	3.8

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

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010			
	Notes	2010 £000	2009 £000
Contributions and Benefits			
Contributions Receivable:	2	(81,443)	(82,061)
Transfers from Other Schemes	3	(10,423)	(7,157)
Income Sub Total		(91,866)	(89,218)
Benefits Payable:	4	54,785	49,143
Payments to and on account of leavers	5	9,284	4,685
Administrative expenses borne by the Scheme	7	1,103	1,003
Expenditure Sub Total		65,172	54,831
Net Additions from dealing with members		(26,694)	(34,387)
Returns on Investments			
Net Investment Income	6	(24,686)	(26,270)
Commission Recapture		(5)	(1)
Change in Market Value of Investments		(266,878)	275,595
Less Investment Management Expenses	7	2,843	2,794
Less Taxation	6	434	502
Net returns on investments		(288,292)	252,620
Net increase in fund during the year		(314,986)	218,233
Opening Net Assets of the Scheme as restated		796,635	1,014,868
Closing Net Assets of the Scheme		1,111,621	796,635

NET ASSETS AS AT 31 MARCH 2010			
	Notes	2010 £000	2009 £000
<u>Investment Assets</u>	10		
Fixed Interest Securities		114,276	115,246
Equities		395,823	263,743
Index Linked Securities		53,033	57,021
Pooled Investment Vehicles		435,624	251,612
Private Equity		61,912	36,924
Derivative Assets		192	161
Cash		49,001	67,978
Other Investment Balances		5,812	6,182
<u>Investment Liabilities</u>			
Derivative Liabilities		(750)	(375)
Other Investment Liabilities		(4,847)	(4,594)
Total Investments		1,110,076	793,898
Current Assets and Current Liabilities			
Debtors	11	3,667	3,634
Creditors	12	(2,122)	(897)
Net current assets		1,545	2,737
Net Assets		1,111,621	796,635

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 35.

STATEMENT OF ACCOUNTS

2009/10

Note 1 - Accounting Policies

Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Local Government Pension Scheme Regulations 2008 (as amended) and with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (2009) - A Statement of Recommended Practice. The new Pensions SORP (The Financial Reports of Pension Schemes - A Statement of Recommended Practice (2007)) has been incorporated into the 2009 edition of the Code of Practice on Local Authority Accounting. The Pension Fund financial statements have been prepared in accordance with the provisions of Chapter 2 Recommended Accounting Practice of the Pension SORP 2007.

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 15.

Investments

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 2010;
- (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 2010.

- (e) Fixed interest stocks are valued on a 'clean' basis (ie. the value of interest accruing from the previous interest payment date to the valuation date has been included within the debtor 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.

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.

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

Foreign Currencies

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

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 augmentation contributions are accounted for in accordance with the agreement under which they are being paid, or in the absence of an agreement on a cash basis. 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. The Actuary at his triennial valuations of the Fund's assets and liabilities determines the employers' rate for contributions. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

Benefits payable and refunds of contributions have been brought into the accounts on the basis of

valid claims that were paid during the year. The accounts do not take account of liabilities to pay pensions and other benefits after the scheme year-end. 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

Dividends and interest have been accounted for on the 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 which are accrued in line with the associated investment income.

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 2010.

Investment Management and Scheme Administration

A proportion of relevant County Council officers' salaries, including salary oncosts, have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of the Fund's investment managers have been accounted for on the basis contained within their respective management agreements.

Expenses

Expenses are accounted for on an accruals basis.

Note 2 - Contributions

	2009/10 £000	2008/09 £000
Employers		
Normal	(43,549)	(41,904)
Augmentation	(74)	(49)
Deficit Funding	(15,803)	(19,485)
Costs of Early Retirement	(1,929)	(1,469)
	(61,355)	(62,907)
Members		
Normal	(19,470)	(18,625)
Additional*	(618)	(529)
	(20,088)	(19,154)
Total	(81,443)	(82,061)

Deficit funding contributions are being paid by the employers into the scheme in accordance with a 25 year recovery plan, with the exception of one employer who has a 12 year recovery plan.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 15.

	Employer Contributions		Members Contributions	
	2009/10	2008/09	2009/10	2008/09
	£000	£000	£000	£000
Oxfordshire County Council	(34,583)	(31,841)	(11,592)	(10,650)
Scheduled Bodies	(21,859)	(26,623)	(7,202)	(7,217)
Admitted Bodies	(4,913)	(4,443)	(1,294)	(1,287)
Total	(61,355)	(62,907)	(20,088)	(19,154)

Note 3 - Transfers In

	2009/10	2008/09
	£000	£000
Group Transfers In from other schemes	0	0
Individual Transfers In from other schemes	(10,423)	(7,157)
Total	(10,423)	(7,157)

Note 4 - Benefits

	2009/10	2008/09
	£000	£000
Pensions Payable	41,218	37,502
Lump Sums - Retirement Grants	12,306	10,535
Lump Sums - Death Grants	1,261	1,106
Total	54,785	49,143

	Pensions Payable		Lump Sums	
	2009/10	2008/09	2009/10	2008/09
	£000	£000	£000	£000
Oxfordshire County Council	20,185	18,527	6,137	5,593
Scheduled Bodies	19,436	17,630	6,116	5,001
Admitted Bodies	1,597	1,345	1,314	1,047
Total	41,218	37,502	13,567	11,641

Note 5 - Payments to and on account of leavers

	2009/10	2008/09
	£000	£000
Refunds of Contributions	42	59
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	9,242	4,626
Total	9,284	4,685

Note 6 - Investment Income

	2009/10 £000	2008/09 £000
UK Government Stock and Other Fixed Interest	(5,116)	(5,088)
UK Index Linked Bonds	(3,306)	(1,618)
UK Equities and Convertibles	(7,043)	(6,145)
Overseas Equities	(4,413)	(6,606)
Overseas Bonds	(656)	(890)
Overseas Index Linked Bonds	(25)	(179)
Pooled Investment Vehicles	(2,423)	(2,420)
Cash	(591)	(2,823)
Private Equity	(908)	(356)
Securities Lending	(205)	(145)
	(24,686)	(26,270)
Irrecoverable withholding tax	434	502
Total	(24,252)	(25,768)

Note 7 - Administration & Investment Management Expenses

	2009/10 £000	2008/09 £000
<u>Administrative Expenses</u>		
Administration Costs recharged by OCC	815	687
Actuarial Fees	69	66
Audit Fees	37	50
Other	182	200
	1,103	1,003
<u>Investment Management Expenses</u>		
Administration Costs recharged by OCC	208	190
Investment Management & Custody Fees	2,529	2,427
Other	106	177
	2,843	2,794

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

Note 8 - Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks 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 £205,241 in 2009/10 (2008/09 £145,436). This is included within investment income in the Pension Fund Accounts. At 31 March 2010 £18,389,751 worth of stock (2% of the Fund) was on loan, for which the Fund was in receipt of £20,202,450 worth of collateral.

Note 9 - Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties - 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.

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

For the 12 months ended 31 March 2010, the County Council made employer contribution payments to the Pension Fund of £34,583,051 (2008/09 £31,840,844).

For the 12 months ended 31 March 2010, the Pension Fund had an average cash balance on deposit with the County Council of £30.3 million (2008/09 - £23.3m). The interest paid on this cash balance by the County Council - on the basis of the average rate achieved on the County Council's own lending- totalled £312,733 (2008/09 £1,134,051), net of management fees.

The County Council was reimbursed £1,023,452 (2008/09 £876,489) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 10 - Investments

	Value at 1.4.2009	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Debtors / (Creditors) £'000	Value at 31.3.2010 £'000
Fixed Interest Securities	115,246	249,005	(258,288)	8,313			114,276
Equities	263,743	164,170	(150,681)	118,591			395,823
Index Linked Securities	57,021	69,970	(76,470)	2,512			53,033
Pooled Investment Vehicles	251,612	98,598	(28,522)	113,936			435,624
Private Equity	36,924	1,527	(351)	23,812			61,912
Derivative Assets							
Futures	81	0	(415)	348			14
FX	(295)	4,046	(4,011)	(312)			(572)
Other Investment Balances	1,588					(623)	965
Cash Deposits	67,978	221,221	(250,032)	(322)	10,156		49,001
	793,898	808,537	(768,770)	266,878	10,156	(623)	1,110,076

Included within the above purchases and sales figures are transaction costs of £454,444. 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.

Fixed Interest Securities

	2009/10 £000	2008/09 £000
UK Public Sector	27,847	32,639
UK Other	65,532	59,510
Overseas Public Sector	20,897	23,097
	114,276	115,246

Equity Investments

	2009/10 £000	2008/09 £000
UK Listed Equities	219,691	142,466
Overseas Listed Equities		
USA	82,788	57,643
Japan	20,657	10,005
Europe	57,607	41,296
Pacific Basin	4,313	3,570
Emerging Markets	10,767	8,763
	395,823	263,743

Index Linked Securities

	2009/10 £000	2008/09 £000
UK Public Sector	53,033	54,398
UK Other	0	0
Overseas Public Sector	0	255
Overseas Other	0	2,368
	53,033	57,021

Pooled Investment Vehicles

	2009/10 £000	2008/09 £000
UK Registered Managed Funds - Property	16,141	4,946
Non UK Registered Managed Funds - Property	1,779	0
UK Registered Managed Funds - Other	130,215	72,144
Non UK Registered Managed Funds - Other	96,792	62,049
UK Registered Property Unit Trusts	41,081	27,981
Non UK Registered Unit Linked Insurance Fund	149,616	84,492
	435,624	251,612

Private Equity

	2009/10 £000	2008/09 £000
Listed Investments	61,893	36,905
Unlisted Investments	19	19
	61,912	36,924

Derivative Contracts

Objectives and policies

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

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

Futures-index based futures contracts, with an underlying economic value broadly equivalent to cash held, were bought to avoid cash held being 'out of the market'.

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.

Futures

The scheme had exchange traded overseas stock index futures outstanding at the year end relating to its overseas equity portfolio as follows:

Nature	Notional Amount £000	Duration	Asset Value at year end £000	Liability Value at year end £000
S&P stock future bought	1,152	3 months	14	0

Included within cash balances are £582,366 in respect of initial and variation margins arising on opening contracts at the year end.

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
Forward OTC	1 month	391 GBP	660 CAD		(38)
Forward OTC	1 month	5,304 GBP	8,440 USD		(261)
Forward OTC	1 month	9,905 GBP	11,250 EUR	37	(169)
Forward OTC	1 month	7,620 GBP	1,104,476 JPY		(175)
Forward OTC	1 month	3,210 EUR	2,889 GBP	16	(41)
Forward OTC	1 month	790 EUR	1,065 USD	3	(1)
Forward OTC	1 month	762 USD	560 EUR	3	
Forward OTC	3 months	10,687 GBP	11,914 EUR	119	(65)
				178	(750)

Other Investment Balances

	2009/10 £'000	2008/09 £'000
Debtors		
Sale of Investments	1,992	2,067
Dividend & Interest Accrued	3,735	4,028
Inland Revenue	76	66
Other	9	21
	5,812	6,182
Creditors		
Purchase of Investments	(4,232)	(4,137)
Management Fees	(605)	(448)
Custodian Fees	(10)	(9)
	(4,847)	(4,594)
Total	965	1,588

Cash

	2009/10 £000	2008/09 £000
Sterling Interest Earning Deposits	49,001	67,978
	49,001	67,978

Note 11 - Other Debtors

	2009/10 £000	2008/09 £000
Employer Contributions	1,964	2,075
Employee Contributions	668	715
Transferred Benefits	700	536
Costs of Early Retirement	99	35
Other	236	273
	3,667	3,634

Contributions owed by Employers relating to both employee and employer contributions at 31st March 2010 have subsequently been received.

Note 12 - Other Creditors

	2009/10 £000	2008/09 £000
Transferred Benefits	(1,513)	(295)
Inland Revenue	(593)	(545)
Other	(16)	(57)
	(2,122)	(897)

Note 13 - Assets under External Management

The market value of assets under external fund management amounted to £995 million as at 31 March 2010. The table below gives a breakdown of this sum:

	2009/10		2008/09	
	Market Value £000	%	Market Value £000	%
Schroders	2	0.00%	2	0.00%
Alliance Bernstein	244,010	24.51%	159,185	23.03%
Baillie Gifford	203,855	20.48%	141,194	20.42%
Legal & General	292,969	29.43%	240,468	34.79%
UBS	253,871	25.51%	150,386	21.75%
Private Equity Cash Float	725	0.07%	69	0.01%
	995,432	100.00%	691,304	100.00%

Note 14 - Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such most of its income and investment gains are free of taxation. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income.

Note 15 - Additional Voluntary Contributions

	2009/10 £'000	2008/09 £'000
Value of AVC Fund at beginning of year	14,590	14,299
Employee contributions	1,304	1,459
Investment income and change in market value	806	498
Benefits paid and transfers out	(1,539)	(1,661)
Management Fees	(7)	(5)
Value of AVC Fund at end of year	15,154	14,590

The funds are invested as follows:-

	2009/10 £'000	2008/09 £'000
BGI Aquila UK Equity Index Fund	6	3
Deposit Fund	404	405
Prudential Cash Fund	105	72
Prudential Corporate Bond Fund	5	1
Prudential Discretionary Fund	256	149
Prudential Fixed Interest Fund	47	44
Prudential Global Equity Fund	51	31
Prudential Index Linked Fund	54	38
Prudential International Equity Fund	130	85
Prudential Pre-Retirement Fund	3	0
Prudential Property Fund	65	47
Prudential Retirement Protection Fund	140	42
Prudential Socially Responsible Fund	66	38
Prudential UK Equity (Active) Fund	83	51
Prudential UK Equity (Passive) Fund	254	150
With Profits Cash Accumulation Fund	13,485	13,434
Total	15,154	14,590

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secure 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.

The Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the Prudential. A summary of the information provided by the Prudential is shown in the tables above.

Note 16 - Contingent Liabilities and Assets

There are two contingencies to note:

1. Westminster College. An estimated bulk transfer payment of £0.6m is due to Oxfordshire County Council Pension Fund. The date for settling this balance has yet to be agreed.
2. Magistrates Court Staff transferred to Department of Constitutional Affairs (DCA) on 01 April 2005. Actuaries are currently working on the calculations of the payment to be made.

TOP TEN HOLDINGS AS AT 31 MARCH 2010

Value of the Fund's Top Ten Holdings	£'000	% of Fund
HG Capital Trust	15,142	1.36
Electra Investment Trust	13,698	1.23
BHP Billiton	11,048	0.99
BG Group	10,787	0.97
HSBC	9,047	0.81
British American Tobacco	8,698	0.78
Royal Dutch Shell	7,753	0.70
Vodafone Group	7,616	0.69
Tesco	7,300	0.66
2.5% Treasury Index-Linked Gilt 2020	7,127	0.64

AUDIT OF THE OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Oxfordshire County Council Pension Fund

Actuary's Statement as at 31 March 2010

Introduction

The last full triennial valuation of the Oxfordshire County Council Pension fund was carried as at 31 March 2007 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2008.

2007 Valuation Results

The results of the fund were as follows

- The Oxfordshire County Council Pension fund had a funding level of 78%, i.e. the assets amounted to 78% of the liability promises made as at that valuation date. This corresponded to a deficit of £299.4m at that time.
- The overall contribution rate was set at 19.9% of payroll assuming the funding level was to be restored over a 25 year period.
- The common contribution rate was set at 14.6% of payroll and individual employers paid additional contributions reflecting their own experience in the fund.
- The funding level of the fund had increased since the 2004 triennial valuation level of 65%.

Valuation method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants being valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age method.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Key Financial Assumptions

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments (Scheduled Bodies)	6.7% per annum
Pre retirement	5.7% per annum
Post retirement	
Rate of return on investments (Admitted Bodies)	
In Service	6.2% per annum
Left Service	5.2% per annum
Rate of increases in pay	4.7% per annum
Rate of Increases to pensions in payment	3.2% per annum

Asset valuation

Assets were valued at their market values at the date of valuation.

Post Valuation Events - Changes in market conditions

Since March 2007 investment returns have been less than assumed at the 2007 valuation although liabilities will have also reduced due to an increase in the real discount rate underlying the valuation funding model. There has been an improvement in investment returns since 31 March 2009 which will be factored into the next valuation result.

The next actuarial valuation is due as at 31 March 2010 and the resulting contribution rates required by the employers will take effect from 1 April 2011. We will continue to monitor the financial position of the Fund.

Alison Hamilton FFA

Partner

16 August 2010

SUMMARY OF BENEFITS

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 2008. A summary of the main benefit structure follows. For further or specific information please refer to the Scheme Guide.

• 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 membership to an active member, award additional pension for a member, agreement to early or flexible retirement on request of the member and setting up a shared cost AVC scheme.

• Retirement

Although the scheme retirement age is 65 for men and women, membership of the scheme can now continue if employment is offered after age 65. All pensions **must** be paid before the 75th birthday.

Scheme benefits can be taken after leaving employment from age 60, but the benefit payable may be reduced. Alternatively when retirement is deferred until after age 65, the benefit will be increased.

The regulations confirm 'normal retirement age' to be 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 increased to 55 from April 2008 but is only permitted with the employer's approval.

Flexible retirement options, now from 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 now provide 3 tiers of benefit depending upon the likelihood of the member being able to obtain gainful employment in the future. Assessment 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 redundancy or efficiency.

• 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 3 months. 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 the standard calculation is 1/60 of final years' pensionable pay for each year of membership.

Example - retirement in 2013

25 years membership, final pay £15,000

Annual Pension.

20 years x 1/80 x £15,000 = **£3,750**

5 years x 1/60 x £15,000 = **£1,250**

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.

- **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, either via 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 can buy units of additional pension for the member or the member and the dependants. Each unit buys £250 of annual pension (to a maximum of £5000). Costs on application to pension services.

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.

- **Death**

Following a death in service a death grant of up to three times pensionable pay is payable. Scheme members are recommended to keep 'expression of wish' nominations current.

- **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 whole of the allowable membership.

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

For civil partners and nominated cohabiting partners only membership from 6 April 1988 is pensionable.

A co-habiting partner must be nominated and couple's declaration must be held on the pension record to show that they qualify under the LGPS rules.

Pensions for surviving partners remain in payment for life.

- **Early leavers**

With less than 3 months membership early leavers have the choice of a refund of their contributions, or a transfer to an approved scheme. Taking a refund could affect any other benefits held in the LGPS.

Entitlement to a deferred benefit exists when membership is of at least 3 months duration. The deferred benefit remains within the fund until retirement or an earlier transfer to an approved scheme.

- **Early Retirement**

Most early retirements, where an unreduced benefit is paid, incur a cost to the pension fund. This cost represents lost contributions and an increase to the total pension payments. Employers are advised of these costs to enable them to make informed decisions about the early release of benefit.

◆ STATEMENT OF INVESTMENT PRINCIPLES

1 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.

2 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 Assistant Chief Executive & 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 seven 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 Assistant Chief Executive & Chief Finance Officer and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

3 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 1.3% 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;
- 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 September 2009 the Pension Fund Committee agreed a customised benchmark for the strategic allocation of assets. This is set out in the table below:

Asset Class	Target asset allocation %	Range %
UK Equities		
- passively managed	10	
- actively managed	21	
Total UK Equities	31	29 - 33
Overseas Equities	32	30 - 34
Total Equities	63	
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
Total Bonds & Index Linked	16	14 - 18
Property	8	5 - 9
Private Equity	10	6 - 11
Hedge Funds	3	2 - 4
Cash	0	0 - 5
Total Other Assets	21	
Total All Assets	100	

4 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 November 2007.

The assets are currently managed as set out in the following table.

Asset Class	Investment Manager	Benchmark	Annual Target #
UK Equities	Baillie Gifford Legal & General	FTSE Actuaries All-Share FTSE 100	+1.25% Passive
Overseas Equities	UBS Global Asset Management	Various FTSE geographical indices	+1.0%
Global Equities	Alliance Bernstein	FTSE All World	+ 3.0%
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	FTSE A All Gilts Stocks FTSE A Over 5 year IBOxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.4%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	Peter Davies Adams Street Partners Group	FTSE smaller companies (including investment trusts)	+ 1.0%
Hedge Funds	UBS Wealth Management	3 month Libor	+ 3.0%
Cash	Internal	3 month Libor	-

Target performance is based on rolling 3-year periods

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. UBS Global Asset Management have been given control ranges for overseas equities relating to investment in their Global Pooled Fund and emerging markets. 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% (15%) 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

Where figures are quoted in brackets, the Council could increase its limit as long as certain conditions are met. The Council has not decided to exercise this power at this time.

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 the Pension Fund Committee. Investment management performance of the Fund is reviewed annually upon receipt of the annual report prepared by WM Performance Services.

5 Social, Environmental & Ethically Responsible Investment

The Council's principal concern is to invest in the **best financial 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 Manager's adherence to the policy and to ask Investment Managers to report regularly on any engagement undertaken.

6 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. They have been instructed to vote in accordance with the guidance set by RiskMetric Group. However, in exceptional circumstances managers may vote differently to the RiskMetric Group guidance, if in their judgement this would be in the best interests of the fund. Where managers take a contrary view to the RiskMetric Group they must obtain permission from officers to vote differently and officers must report this to 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.

7 Custody & Stock Lending

Custodian services are provided by BNY Mellon. 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, hedge 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 counter party is required to provide suitable collateral to the custodian.

8 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.

9 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.

OTHER GOVERNANCE AND FINANCIAL STATEMENTS

In addition to the statement of Investment Principles, the regulations now require the Pension Fund Report to include a reference to the Funding Strategy Statement, the Governance Compliance Statement and the Communications Policy. These documents are available in full on the OCC website at <http://www.oxfordshire.gov.uk/howthe-pensionfundismanaged>. Detailed below is a summary.

- **Funding Strategy Statement**

This is a key document in driving the tri-annual Valuation process, and sets out the Pension Funds approach to ensuring the long term financial position of the Fund. 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's pension liabilities are best met going forward.
- To support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding the Fund's liabilities.

The document sets out the aims and purposes of the Fund, the key responsibilities of stakeholders of the Fund, definitions of solvency, and the approach to allowing deficits to be recovered over periods of time, the approach to grouping employers for Valuation purposes, the approach to risks and the links to the investment principles.

- **The Governance Compliance Statement**

The Governance Compliance Statement - All Pension funds must publish a Governance Policy and a Governance Compliance Statement which sets out the extent to which this Governance Policy matches best practice guidance. The Governance Policy covers how the Administering Authority delegated its powers, the frequency of meetings, the terms of reference, structure and operating procedures in relation to the use of delegated powers, and the representation of scheme employers, and members within the arrangements. The first Governance Compliance Statement indicates that the Oxfordshire Fund is fully compliant in respect of most of the best practice statements, and partial compliant in just two. These two relate to the fact that not all key scheme employers have representation on the Pension Fund Committee, and the fact that there is no restriction on who can substitute for a Committee Member in terms of a minimum level of training on Pension fund matters.

- **The Communications Policy**

The Communications Policy sets out the approach of the Pension Fund to ensuring all key stakeholders and scheme members are briefed on Pension Fund issues. The Policy sets out that the Administering Authority seeks to fully brief all Scheme employers, such that they in turn can brief individual scheme members. The Administering Authority does not regard itself as solely responsible for communicating directly with all scheme members. Key elements of the Communication Policy include the development of the Website, the production of regular newsletters, and the holding of regular Pension User Group Meetings, and the annual Pension Forum.

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** - This is circulated to all Oxfordshire County Council Chief Officers, all employing bodies and copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** - This is circulated to all contributors and pensioners in the Oxfordshire Fund.
- **Annual Pension Fund Forum** - This is held each autumn and all employing bodies are invited to submit topics for discussion and to send representatives. The purpose of 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.
- **Annual Small Employer Forum**
This has been introduced to meet the needs of smaller scheme employers who are unable to attend either the forum or user group. This meeting will cover both topical issues and operational issues.
- **Pensions User Group** - This is a quarterly held meeting for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss pension matters such as changes in legislation, the results of the actuarial valuation and other policy changes.
- **Employee Guide to LGPS** - This booklet, summarising the benefits of the Scheme, is currently under a full review. When next available for all employees it will reflect the New Look LGPS.
- **Short Guide to the LGPS** - a reduced version of the scheme guide, with main points, given to all employees on starting employment.
- **Reports by Beneficiaries Observer** - The beneficiaries' observer attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairperson. A written report of each meeting is circulated to all employing bodies for their staff, and posted to the county website pages.
- **Reporting Pensions** - a quarterly newsletter distributed to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council complies with the Disclosure of Information Regulations.
- **Website** - Pensions administration and investment information, including Pension Fund Committee reports and minutes are available on pension pages of the County Council public web site. Here employers can find administration information summarised as the 'toolkit' and members locate outline benefit information and latest newsletters.
- **Intranet** - for County Council employees provides access to the pensions newsletters and reports in an alternative media. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions** - This is an informal monthly newsheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements** - These are issued to all current and deferred beneficiaries of the scheme, with supporting details and information on the website.
- **Administration principles** - we encourage all new employers to attend a meeting to help acquaint them to our requirements and their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

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

Telephone:
01865 797133 or 01865 797125
email:
pension.services@oxfordshire.gov.uk

SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE

Second stage disputes to be sent to:-

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

Telephone: 01865 797111
Email: sally.fox@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

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

Telephone 01865 323976

email:
pension.investments@oxfordshire.gov.uk

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW 0870 606 3636

The Registrar of Occupational and Personal Pension Schemes

PO Box 1NN
Newcastle upon Tyne
NE99 1NN

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London
SW1V 1RB 0845 601 2923

BENEFICIARIES OBSERVER

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

Pensions Ombudsman

11 Belgrave Road
London
SW1V 1RB 0207 834 9144

Division(s): N/A

PENSION FUND COMMITTEE – 3 SEPTEMBER 2010

PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2010

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. In February 2009 the Pension Fund Committee agreed a budget in respect of the Pension Fund's investment and administration expenses for the 2009/10 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment decision making in the Local Government Pension Scheme.
2. Annex 1 compares the Investment Management and Scheme Administration outturn figures against the budget and shows the variations against each budget head. The reasons for any material variations are explained below.

Investment Management Expenses

3. The largest component of the Investment Management expenses budget is the **external fund management fees**. Although a budgeted sum is agreed for this item it is not possible to estimate accurately the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The budgeted sum for management fees was £2,400,000 but the actual fees were £2,470,000. The difference was due to a higher than expected increase in the market value of assets managed over the twelve month period ended 31 March 2010.
4. The **Global Custody Fee** is dependent upon the number and type of trades arranged by the fund managers. It is not possible to predict accurately the total fee for the year. The £11,000 underspend on the **Global Custody Fee** budget for 2009/10 related to a contingency element of the budget which was not required.
5. The **Independent Financial Adviser** and **Consultancy Fee** budgets include an annual estimate for special project work not included within the advisory contract. No additional project work was charged to the consultancy or advisory budgets during 2009/10.
6. The **Member Training** budget was underspent by £10,000 due to a low level of attendance at external training events and conferences. During 2009/10 2 committee members attended external training events, 2 committee members attended conferences and 1 member attended training and conference events. An in-house member training session was arranged in July 2009 and was attended by 4 committee members. 3 committee members were unable

to attend either the in-house training event or external training during 2009/10. No additional costs were incurred during 2009/10 for the half-hour training sessions provided prior to each committee meeting. All committee members attended at least one pre-committee training session.

7. The Investment **Financial Services recharge** was underspent during 2009/10 due to a temporary staff vacancy.
8. The 2009/10 budget did not include an estimate for **commission recapture** because priority is given to 'best execution' and the income had diminished over previous years. However, during 2009/10 £4,820.58 commission recapture income was generated by Alliance Bernstein.
9. The income fees derived from **stock lending** were much higher than forecast, £205,371.38 against the budgeted figure of £125,000. This was due to higher premiums received for the value of stock lent during the year.
10. The budget for **other** investment costs was overspent during 2009/10 due to external legal fees relating to the initial investment in Partners Group Real Estate SICAR and fees paid to McGrigors and KPMG for foreign tax reclaims.

Scheme Administration Expenses

11. Overall there was an underspend on the administration budget of £179,000.
12. The main items resulting in the budget for **Financial Service Recharges** being underspent by £103,000 were staffing costs of £71,000 as a result of vacant posts; £12,000 as a result of the introduction of new professional qualifications being delayed until 2010/2011 and the increased provision of £20,000 for legal fees not materialising during the year.
13. The **Software Support & Licensing** budget provision for development work was underspent by £8,000.
14. **Postage costs** were underspent by £16,000.
15. **Actuarial Fees** were underspent by £21,000, partly as a result of work to be completed by previous actuaries by end of March 2010 which has not yet been finalised and partly as a result of the lower charges made by our new actuaries.
16. **Audit Fees** had been increased in anticipation of new costing structure and whether Oxfordshire would be categorised as a medium or large sized pension fund. At the end of the year it was confirmed that charges would be made on the basis of a medium sized fund which resulted in the underspend of £19273.68.

17. **Other Charges** were underspent by £15,000 with the main variances arising from storage costs being underspent by £3,000; provision for advertising costs underspent by £5,000 and subscriptions and memberships being underspent by £6,000.

RECOMMENDATIONS

18. **The Committee is RECOMMENDED to receive the report and note the out-turn position.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background Papers: Nil

Contact Officers: Donna Ross, Principal Financial Manager
(01865) 323976
Sally Fox, Pensions Services Manager
(01865) 797111

August 2010

Comparison of Budget and Actual for the Financial Year ended 31 March 2010

	Budget	Actual	Variation
	£000	£000	£000
Investment Management			
External Fund Management Fees	2,400	2,470	70
Global Custody Fee	70	59	- 11
Independent Financial Adviser	60	50	- 10
Consultancy fees	62	9	- 53
Performance Measurement Service	12	13	1
Member Training	12	2	- 10
Financial Services Recharges	216	211	- 5
Other	5	29	24
	2,837	2,843	6
LESS: Commission recapture	-	-5	- 5
Stock lending fees	-125	-205	- 80
Total Investment Management	2,712	2,633	- 79
Scheme Administration			
Financial Services Recharges	936	833	-103
Printing & Stationery	35	33	- 2
Postage	23	7	- 16
Software Support & Licensing	125	117	- 8
Actuary Fees	90	69	- 21
District Audit Fees	50	38	- 12
Appointed Person Fees	2	0	- 2
Other	50	35	- 15
	1,311	1,132	- 179
LESS: Recharge for Fire & Teachers Administration	- 28.0	- 29	- 1
Other Income (SIB & Divorce)			
Total Administration Management	1,283	1,103	- 180
Total Investment Management and Pensions Admin	3,995	3,676	- 259

Division(s): N/A

PENSION FUND COMMITTEE – 3 SEPTEMBER 2010

APPLICATION FOR ADMISSION TO THE OXFORDSHIRE PENSION FUND

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report seeks Committee approval for the most recent application for admission to the fund. This application for transferee admission body arises from outsourcing of ICT services by The Oxford Academy to RM Education.

Application Details

2. RM Education Limited has won the contract to provide managed ICT services to The Oxford Academy from 1 September 2010. The contract is for a period of 5 years, with possible extension for a further 5 years.
3. This will result in one member of staff from The Oxford Academy (a scheduled body within the Fund) being transferred under TUPE legislation to RM Education Limited.
4. Both The Oxford Academy and RM Education Limited would like to ensure continuation of LGPS membership for this member of staff, hence the application from RM Education Limited for admission to the Oxfordshire Fund as a transferee admission body.

Admission Agreements

5. The admission agreement will be between Oxfordshire County Council, as administering authority, the scheme employer and the transferee admission body.

Financial and Staff Implications

6. Information is being sought from the actuary regarding the past and future liabilities to set an employer contribution rate.

RECOMMENDATION

7. **The Committee is RECOMMENDED to approve the above application subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

Contact Officer: Sally Fox, Pension Services Manager, Tel: 01865 797111

August 2010