OXFORDSHIRE COUNTY COUNCIL
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To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 16 March 2012 at 10.00 am

County Hall, New Road, Oxford

Peter G. Clark

Peter G. Clark
County Solicitor

March 2012

Contact Officer: ***Julie Dean***
Tel: (01865) 815322; E-Mail: julie.dean@oxfordshire.gov.uk

Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks	Stewart Lilly	C.H. Shouler
Roy Darke	Don Seale	

Co-optees

District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 1 June 2012***

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, i.e. 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

10:00

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 6)

To approve the minutes of the meeting held on 2 December 2011 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. Overview of Past and Current Investment Position

10:10

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 31 December 2011 using the following tables:

Table 1	Provides a consolidated valuation of the Pension Fund at 31 December 2011
Tables 2 to 9	Provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 10	Shows net investments/disinvestments during the quarter
Tables 11 to 12	Provide details on the Pension Fund's Private Equity
Tables 13 to 23	Provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 31 December 2011
Table 24	Provides details of the top 20 holdings within the Fund

In addition to the above tables, the performance of the Fund Managers over the past 3 years has been produced graphically as follows:

Graph 1	-	Value of Assets
Graph 2 – 3	-	Baillie Gifford
Graph 4 – 5	-	Legal & General
Graphs 6 -10	-	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.

6. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12 and 13 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 11and 12, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. **Exempt Minute** (Pages 7 - 8)

10.25

To approve the Exempt Minute of the meeting held on 2 December 2011 **(PF7)** and to receive information arising from them.

The following information refers directly to the financial arrangements between the administering authority and individual members of the Pension Scheme. The public should therefore be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following categories prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

1. *Information relating to any individual;*
2. *Information which is likely to reveal the identity of an individual;*
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 infringe the rights of the individual to privacy contrary to the general law and the duty of the authority to respect human rights and to comply with that law.
The Pension Fund Committee determined a compensation payment case using the Internal Dispute Procedure.

8. Overview and Outlook for Investment Markets

10:30

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. Appointment of New Global Equity Fund Manager

10.45

This report **(PF9)** informs the Committee of the recent decision (subject to contract) to appoint a new Global Equity Fund Manager. The report sets out the process followed, and the key issues considered in making the final appointment.

The public should be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following category prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

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 disclosure would distort the proper process of open competition, would prejudice the commercial position of the parties involved and would prejudice the position of the authority in the process of the transaction and the Council's standing generally in relation to such transactions in future, to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

The Committee is RECOMMENDED to note the report, and the decision to appoint Wellington as the new Global Equity Manager for the Fund.

10. Baillie Gifford

11.00

(1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 8.

(2) The representatives (Mr A. Dickson and Mr I. McCombie) 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 31 December 2011;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2011.

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

11:40

The Independent Financial Adviser will report orally on the main issues arising from the reports from Baillie Gifford in conjunction with information contained in the tables (Agenda Item 7).

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

11:45

The Independent Financial Adviser will, if necessary, summarise any other issues arising from the monitoring of our 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.

13. Annual Review of the Independent Financial Advisor to the Fund

11.50

The Pension Fund employs the services of an Independent Financial Adviser

(IFA). The activities of the IFA are reviewed by the Committee on an annual basis. Peter Davies, the current IFA, was appointed from February 2009 for five years with an option to extend for a further five years. This is the third annual review of his activities **(PF13).**

This item is exempt because its discussion in public might lead to the disclosure to members of the public present information relating to the financial or business affairs of any particular person (including the authority holding the information).

The Pension Fund Committee are RECOMMENDED to note the report and consider if they wish to offer any feedback to Mr Davies in relation to his performance as IFA during the last year.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Fund Manager Monitoring Arrangements

12.05

This report **(PF14)** sets out the proposed arrangements for monitoring the performance of the Fund Managers during 2012/13.

The Committee is RECOMMENDED to approve the Fund Manager monitoring arrangements as set out in PF14.

15. Annual Business Plan and Budget 2012/13 and Cash Management Strategy

12.10

This report will set out the key elements of the Business Plan for administration and investment teams for the 2012/13 year. The Committee will be asked to approve the Plan, the associated budget and the risk register for the Fund. A proposed Pension Fund Cash Management Strategy is also before the Committee for consideration.

The proposed Business Plan, associated budget and Risk Register is attached at **PF15(a).**

The Cash Management Strategy report, together with its Annexes are attached for consideration at **PF15(b).**

***The Committee is RECOMMENDED to*:**

(a) ***approve the Business Plan and budget for 2012/13 as set out in Annex 1;***

(b) ***approve the Pension Fund Cash Management Strategy for 2012/13:***

(i) ***delegate authority to the Assistant Chief Executive & Chief Finance Officer to make changes necessary to the Pension Fund***

Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;

(ii) ***delegate authority to the Assistant Chief Executive & Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate;***

(iii) ***delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.***

16. Changes to the Local Government Pension Scheme

12.30

This report **(PF16)** updates the Committee on the progress to introducing change to the Local Government Pension Scheme following the review of Lord Hutton. It also provides information to the Committee on proposed changes to the current LGPS regulations, and the response made by officers to this consultation.

The Pension Fund Committee is RECOMMENDED to note the latest position on the reform of the LGPS, and the consultation response submitted by officers on the draft LGPS (Miscellaneous) Regulations 2012.

17. Academies and the Local Government Pension Scheme (LGPS)

12.50

This report **(PF17)** responds to a letter sent to all Local Authority Leaders and Chief Executives in England setting out the statutory position regarding Academies and the Local Government Pension Scheme. The letter expresses concern that the basis of the calculation of the employer contribution rate for some Academies across the Country is inconsistent, and has led to Academies paying unjustifiably higher contributions compared to maintained schools in the same area. It therefore sets out the preferred approach of allowing Academies to be pooled with their former local authority.
This report sets out the background to the position in Oxfordshire, the issues surounding pooling and asks the Committee to determine its views on the options available, and make any changes to the Funding Strategy Statement deemed necessary at this time. The views of the County Council Cabinet, following their discussion on this item on 13 March 2012 will be provided to the Committee.

Subject to the views of the County Council's Cabinet on allowing academies to pool with the County Council, the Committee are RECOMMENDED to defer establishing new pooling arrangements for Academies in Oxfordshire until such time as their numbers are more significant, representative views of Academy Trustees can be taken on board, and any pattern of Umbrella Trusts can be established.

18. Write Offs

13.00

This report **(PF18)** informs the Committee of the amounts approved for write off under the Council's Scheme of Financial Delegation.

The Pension Fund Committee is RECOMMENDED to note the report

19. Company Engagement

13:05

As requested at the last meeting on 2 December 2011, the report **(PF19)** provides a summary of the Pension Fund Investment Managers' policies and activities in relation to company engagement. It also sets out the Pension Fund Committee's responsibilities in relation to monitoring the application and effectiveness of these policies.

The Committee are RECOMMENDED to consider the policies and performance of the fund's investment managers in relation to company engagement and if they meet the requirements of the Oxfordshire County Council Pension Fund.

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on Tuesday 13 March 2012 at 3.00 pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 2 December 2011 commencing at 10.15 am and finishing at 13:05 pm

Present:

Voting Members:	Councillor David Harvey – in the Chair
	Councillor Bill Service (Deputy Chairman) Councillor Jean Fooks Councillor Roy Darke Councillor Stewart Lilly Councillor Don Seale Councillor C.H. Shouler District Councillor Richard Langridge District Councillor Jerry Patterson
District Council Representatives:	District Councillor Richard Langridge District Councillor Jerry Patterson

Officers:

Whole of meeting	S. Collins (Environment & Economy); J. Dean (Chief Executive's Office)
Part of meeting	P. Gerrish (Environment & Economy); D. Ross (Chief Executive's Office)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, and decided as set out below. Except as 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.

56/11 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

There were no apologies for absence.

57/11 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

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

58/11 MINUTES
(Agenda No. 3)

The Minutes of the meeting of the Committee held on 2 September 2011 were approved and signed as a correct record.

With regard to Minute 35/11 - the Committee sent their good wishes for a speedy recovery to Sally Fox who had undergone a second operation as a result of a motor cycle accident. The Committee were reassured that most of her workload was being undertaken by the other managers.

With regard to Minute 51/11 – Mr Collins reported that the latest School to apply for academy status, Hanwell Fields Community School, Banbury, had objected to the approach being taken by the Actuary, but were unable to negotiate their contribution.

59/11 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

A request to speak was agreed by the Chairman in respect of Agenda Item 21.

60/11 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION
(Agenda No. 5)

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.

Mr Davies reported that the third quarter for 2011 had been a severe one for Equity markets and there had been a fall of approximately 15% in the Pension Fund, amounting to £131m. This had been offset by a small gain in Bonds of £9m. At the end of November there had been an appreciation of approximately £50m leading to an overall Fund Value of approximately £1,200m.

RESOLVED: to note the comments of the Independent Financial Adviser and to receive the tables and graphs and that the information contained in them be borne in mind insofar as they related to items 9, 10 and 11 on the agenda.

61/11 MEMBERSHIP OF THE LOCAL AUTHORITY PENSION FUND FORUM
(Agenda No. 6)

Mr Keith Bray, Forum Officer, Local Authority Pension Fund Forum, gave a presentation which set out the benefits and costs of joining the Local Authority Pension Fund Forum in the context of the Committee's corporate governance responsibilities and shareholder activism.

Following a question and answer session with Mr Bray and then a member discussion, it was **AGREED** (by 6 votes to 3):

(a) to thank Mr Bray for his presentation; and

(b) not to join the Local Authority Pension Fund Forum at this time.

62/11 EXEMPT ITEMS

(Agenda No. 7)

It was **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 1 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 circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

63/11 ORDER OF BUSINESS

(Agenda No.)

It was **AGREED** that exempt item 9 on the Agenda be taken as the next item, to be followed by exempt item 8.

64/11 ADAMS STREET PARTNERS

(Agenda No. 9)

The representatives, Mr. M. Gonzalo and Mr. D. Alcauz, reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 30 September 2011. The representatives responded to members' questions.

It was **AGREED** to note the main issues arising from the presentation and to take any necessary action, if required.

65/11 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. Members asked questions and the Independent Financial Advisor responded to them.

RESOLVED: to receive the report, tables and graphs, to receive the oral report of the Independent Financial Adviser and to bear these comments in mind when considering the reports of the Fund Manager.

66/11 UBS

(Agenda No. 10)

The representatives, Mr N. Melhuish and Mr. S. Lee, reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2011. The representatives responded to members' questions.

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

67/11 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

Mr Davies reported that Baillie Gifford were performing well above target. Legal & General had performed marginally below the bench mark in the latest quarter, but continued to perform in line with their mandate, exceeding benchmark by 1.2% over a three year period.

RESOLVED to note the Independent Financial Adviser's oral report.

68/11 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

Mr Davies reported that he had no additional comments to make on the existing Fund Managers performance and strategy. However, he gave an oral report on progress with regard to the interview process for the appointment of the new Global Equities Manager.

It was **AGREED** to note the Independent Financial Adviser's summary.

69/11 IDRP COMPLAINTS AND COMPENSATION PAYMENTS

(Agenda No. 13)

The Committee had before them a report (PF13) that set out the details of recent Internal Dispute Resolution Procedure (IDRP) where the Administering Authority had made compensation payments to the complainant. This item was in preparation for Agenda Item 21 below when Members would be asked to determine a current case using this procedure.

It was **RESOLVED** to note the report.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

70/11 CONSULTATION ON PROPOSED INCREASES TO EMPLOYEE CONTRIBUTION RATES AND CHANGES TO SCHEME ACCRUAL RATES

(Agenda No. 14)

The Committee considered a report (PF14) which considered issues arising from a recent consultation paper issued by the Department for Communities and Local Government on Proposed Increases to Employee Contribution Rates and Changes to Scheme Accrual Rates.

RESOLVED to note the issues raised in the report PF14 and to agree the consultation response, as set out at Annex 1, for submission to the Government as the formal response of this Committee.

71/11 ORDER OF BUSINESS
(Agenda No.)

RESOLVED: to take Agenda Items 15 to19 inclusive following Agenda Item 21.

72/11 EXEMPT ITEM
(Agenda No. 20)

It was **RESOLVED** that the public be excluded for the duration of item 21 in the Agenda since it was likely that if they were present during this item there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it was considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information,

73/11 INTERNAL DISPUTE RESOLUTION
(Agenda No. 21)

Using the Procedure set out in Agenda Item 13 above, this item set out the details of a current case, and asked the Committee to consider making a compensation payment to prejudice any future claim to the Pensions Ombudsman.

The Committee determined the recommendations as set out in the report, accordingly.

READMITTANCE OF PRESS AND PUBLIC

74/11 ANNUAL REPORT AND ACCOUNTS 2010/11
(Agenda No. 15)

A draft of the Annual Report and Accounts 2010/11 was approved by the Committee on 2 September 2011. A copy of the finalised Annual Report and Accounts 2010/11 had been circulated separately to members of the Committee and had been available for public inspection.

The Committee **RESOLVED** to adopt formally the Pension Fund Annual Report and Accounts 2010/11.

75/11 ADMISSION AGREEMENTS
(Agenda No. 16)

The Committee had before them a report **(PF16)** which gave an update on the latest applications for Admitted Body status, as well as the specific arrangements relating to Foundation Schools.

RESOLVED: to approve the admission applications from:

- Leonard Cheshire
- Allied HealthCare
- Food for Thought
- Oxford Health

and note the retrospective changes in respect of Oxfordshire's Foundation schools as listed in paragraph 16.

76/11 WRITE OFFS
(Agenda No. 17)

The Committee noted a report **(PF17)** which informed them of any write offs that had been agreed by the officers in line with the approved arrangements set out in the Scheme of Financial Delegation for the Fund.

RESOLVED: to note the report.

77/11 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 18)

During discussion in relation to Agenda Item 6 above, the matter of whether the Committee were compliant with CiPFA guidance was raised in relation to corporate governance and socially responsible investment.

It was **AGREED** that consideration be given at the next meeting as to what is expected from the Fund Managers, prior to addressing the matter with the Fund Managers themselves.

78/11 ANNUAL PENSION FORUM
(Agenda No. 19)

It was noted again that the Annual Pension Forum would take place on 9 December 2011 at 10am.

.... in the Chair

Date of signing ....

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st DECEMBER 2011

Investment	COMBINED PORTFOLIO 1.10.11	Baillie Gifford UK Equities		Legal & General UK Equity Passive		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Overseas Equities and Property		Other Investments		COMBINED PORTFOLIO 31.12.11		
	Value £' 000	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	OCC Customised Benchmark
EQUITIES																
* **UK Equities**	**334,870**	**225,316**	**96.1%**	**124,983**	**100.0%**	**11,930**	**5.1%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**362,229**	**29.8%**	**31.0%**
US Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
European Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Japanese Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Pacific Basin Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	11,717	0	0.0%	0	0.0%	0	0.0%	0	0.0%	12,279	5.1%	0	0.0%	12,279	1.0%	
UBS Global Pooled Fund	139,197	0	0.0%	0	0.0%	0	0.0%	0	0.0%	150,066	62.8%	0	0.0%	150,066	12.4%	
* L&G World Equity Fund (Transition Fund)	120,165	0	0.0%	0	0.0%	129,750	55.6%	0	0.0%	0	0.0%	0	0.0%	129,750	10.7%	
L&G World (ex UK) Equity Fund	85,167	0	0.0%	0	0.0%	91,590	39.3%	0	0.0%	0	0.0%	0	0.0%	91,590	7.5%	
Total Overseas Equities	**356,246**	**0**	**0.0%**	**0**	**0.0%**	**221,340**	**94.9%**	**0**	**0.0%**	**162,345**	**67.9%**	**0**	**0.0%**	**383,685**	**31.6%**	**32.0%**
BONDS																
UK Gilts	47,412	0	0.0%	0	**0.0%**	0	0.0%	50,418	22.8%	0	0.0%	0	0.0%	50,418	4.2%	3.0%
Corporate Bonds	70,107	0	0.0%	0	**0.0%**	0	0.0%	70,545	31.9%	0	0.0%	0	0.0%	70,545	5.8%	6.0%
Overseas Bonds	22,723	0	0.0%	0	**0.0%**	0	0.0%	24,138	10.9%	0	0.0%	0	0.0%	24,138	2.0%	2.0%
Index-Linked	66,051	0	0.0%	0	**0.0%**	0	0.0%	67,992	30.7%	0	0.0%	0	0.0%	67,992	5.6%	5.0%
Total Bonds	**206,293**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**213,093**	**96.3%**	**0**	**0.0%**	**0**	**0.0%**	**213,093**	**17.5%**	**16.0%**
ALTERNATIVE INVESTMENTS																
Property	78,636	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	72,688	30.4%	5,607	3.5%	78,295	6.4%	8.0%
Private Equity	107,646	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	107,351	66.6%	107,351	8.8%	10.0%
Hedge Funds	31,540	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	30,943	19.2%	30,943	2.5%	3.0%
Total Alternative Investments	**217,822**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**72,688**	**30.4%**	**143,901**	**89.3%**	**216,589**	**17.8%**	**21.0%**
CASH	**30,097**	**9,227**	**3.9%**	**0**	**0.0%**	**60**	**0.0%**	**8,216**	**3.7%**	**3,940**	**1.7%**	**17,276**	**10.7%**	**38,719**	**3.2%**	**0.0%**
TOTAL ASSETS	**1,145,328**	**234,543**	**100.0%**	**124,983**	**100.0%**	**233,330**	**100.0%**	**221,309**	**100.0%**	**238,973**	**100.0%**	**161,177**	**100.0%**	**1,214,315**	**100.0%**	**100.0%**

% of total Fund	19.31%	10.29%	19.21%	18.23%	19.68%	13.27%	100%

* Fund split between UK and rest of the world based on FTSE weightings

TABLE 2

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2011

ALTERNATIVE ASSETS

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Private Equity	6-11	10.0%	8.8%	-1.2%	FTSE Smaller Companies (inc investment trusts)
Hedge Funds	2-4	3.0%	2.5%	-0.5%	3 month LIBOR + 3%
Total		**13.0%**	**11.4%**	-1.6%	

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

Market Value - at 31st December 2011 £107,351,000 Private Equity
£30,943,000 Hedge Funds

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2011

BAILLIE GIFFORD

UK EQUITIES					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Equities	N/A	100.0%	96.1%	-3.9%	FTSE Actuaries All-Share
Cash	Nil	0.0%	3.9%	+3.9%	
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).

Market Value - at 31st December 2011 £234,543,000

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2011

LEGAL and GENERAL

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

Market Value - at 31st December 2011 £124,983,000

TABLE 5

FIXED INCOME					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Gilts	0 - 36	18.75%	22.8%	+4.1%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	31.9%	-5.6%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	30.7%	-0.6%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	10.9%	-1.6%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	3.7%	+3.7%	
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)

Market Value - at 31st December 2011 £221,309,000

TABLE 6

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2011

LEGAL and GENERAL

WORLD (EX-UK) EQUITY INDEX - PASSIVE

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Global (ex-UK) Equities	N/A	100.0%	100.0%	+0.0%	FTSE AW-World (ex-UK) Index
Cash	Nil	0.0%	0.0%	+0.0%	
Total		**100.0%**	**100.0%**		

Target Objective - To track the FTSE AW-World (ex-UK) Index

Market Value - at 31st December 2011 £91,590

TABLE 7

WORLD EQUITY INDEX - PASSIVE (TRANSITION FUND)

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Global Equities	N/A	100.0%	100.0%	+0.0%	FTSE AW-World Index
Cash	Nil	0.0%	0.0%	+0.0%	
Total		**100.0%**	**100.0%**		

Target Objective - To track the FTSE AW-World Index

Market Value - at 31st December 2011 £129,750

TABLE 8

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2011

UBS GLOBAL ASSET MANAGEMENT

OVERSEAS EQUITY PORTFOLIO					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Overseas Equities					
Comprising					
Global Pooled Fund	85 - 100	90.0%	92.4%	+2.4%	See Split below *
Emerging Markets	0 - 10	10.0%	7.6%	-2.4%	FTSE AW Emerging Markets
Cash	0 - 10	**0.0%**	0.0%		
Total		**100.0%**	**100.0%**		

*** Global Pooled Fund Split:-**					
North America		30.0%			FTSE North American Developed
Europe (ex UK)		30.0%			FTSE Europe (ex UK) Developed
Asia Pacific (inc. Japan)		30.0%			FTSE Asia-Pacific (inc Japan) Developed
Total Global Pooled		**90.0%**	**92.4%**	+2.4%	

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

Market Value - at 31st December 2011 £162,345,000

TABLE 9

PROPERTY PORTFOLIO					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Property	90 - 100	**100.0%**	94.9%	-5.1%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	**0.0%**	5.1%	+5.1%	
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).

Market Value - at 31st December 2011 £76,628,000

TABLE 10

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOTAL PORTFOLIO PROGRESS REPORT - 1 OCTOBER 2011 to 31 DECEMBER 2011

Asset	Market Value 1.10.11	%	Net Purchases and Sales				Changes in Market Value				Market Value 31.12.11	%
			UBS	Baillie Gifford	Legal & General	Other	UBS	Baillie Gifford	Legal & General	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	
EQUITIES												
UK Equities	334,870	29	0	(2,186)	47	0	0	17,716	11,782	0	362,229	30
US Equities	0	0	0	0	0	0	0	0	0	0	0	0
European Equities	0	0	0	0	0	0	0	0	0	0	0	0
Japanese Equities	0	0	0	0	0	0	0	0	0	0	0	0
Pacific Basin Equities	0	0	0	0	0	0	0	0	0	0	0	0
Emerging Market Equities	11,717	1	0	0	0	0	562	0	0	0	12,279	1
Global Pooled Funds	344,529	30	0	0	511	0	10,869	0	15,497	0	371,406	31
Total Overseas Equities	356,246	31	0	0	511	0	11,431	0	15,497	0	383,685	32
BONDS												
UK Gilts	47,412	4	0	0	814	0	0	0	2,192	0	50,418	4
Corporate Bonds	70,107	6	0	0	(396)	0	0	0	834	0	70,545	6
Overseas Bonds	22,723	2	0	0	1,534	0	0	0	(119)	0	24,138	2
Index-Linked Bonds	66,051	6	0	0	(4,169)	0	0	0	6,110	0	67,992	6
ALTERNATIVE INVESTMENTS												
Property	78,636	7	(689)	0	0	657	(436)	0	0	127	78,295	6
Private Equity	107,646	9	0	0	0	720	0	0	0	(1,015)	107,351	9
Hedge Funds	31,540	3	0	0	0	592	0	0	0	(1,189)	30,943	2
SUB TOTAL	1,115,231	97	(689)	(2,186)	(1,659)	1,969	10,995	17,716	36,296	(2,077)	1,175,596	97
CASH *	30,097	3	1,610	3,147	4,731	(866)	0	0	0	0	38,719	3
GRAND TOTAL	**1,145,328**	**100**	**921**	**961**	**3,072**	**1,103**	**10,995**	**17,716**	**36,296**	**(2,077)**	**1,214,315**	**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 11

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

VALUATION OF OTHER INVESTMENTS AS AT 31st DECEMBER 2011

		COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3I Group	1,846,507	5,231,407	2.833	1.809000	3,340,331	(1,891,076)
Candover Investments	236,060	1,687,945	7.150	4.577500	1,080,565	(607,381)
Electra Private Equity	1,016,179	13,886,422	13.665	14.120000	14,348,447	462,026
F&C Private Equity Trust	4,160,000	7,339,178	1.764	1.457500	6,063,200	(1,275,978)
Graphite Enterprise Trust	852,512	2,420,093	2.839	3.362500	2,866,572	446,478
HarbourVest European Senior Loans	2,020,100	2,010,000	0.995	0.890000	1,797,889	(212,111)
Henderson Private Equity	938,355	1,659,935	1.769	3.187500	2,991,007	1,331,072
HG Capital Trust	1,677,500	8,770,766	5.228	9.695000	16,263,363	7,492,597
HG Capital Trust Sub Shs	356,500	0	0.000	0.527500	188,054	188,054
KKR & CO LP	220,000	1,766,836	8.031	8.249147	1,814,812	47,977
Northern Investors	393,713	390,849	0.993	2.562500	1,008,890	618,040
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.230000	136,531	(446,267)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0.974	0.430000	439,383	(555,781)
Schroder Private Equity	2,596,816	1,681,294	0.647	1.680027	4,362,721	2,681,427
Standard Life European Private Equity Trust	4,390,510	5,117,589	1.166	1.278750	5,614,365	496,776
SVG Capital	1,800,000	6,127,530	3.404	2.049000	3,688,200	(2,439,330)
		59,667,805			**66,004,328**	**6,336,523**
Other Fixed Interest						
Electra Private Equity 5.000% 12/29/2017 DD 12/29/10	2,870	2,870,000	1,000	1,075	3,085,221	215,221
Unlisted Private Funds						
Midlands Growth Fund	2,509	306,254	122	3.500000	8,782	(297,472)
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		3,238,058			4,664,499	1,426,441
Partners Group Secondary 2008 L.P.		8,692,441			10,822,241	2,129,800
Partners Group Asia-Pacific 2007 L.P.		4,726,556			5,419,437	692,881
Partners Group Secondary 2011 L.P.		1,640,120			1,616,551	(23,569)
Partners Group Asia-Pacific 2011 L.P.		539,385			534,828	(4,557)
Adams Street 2007 Non US Fund		3,194,851			3,533,596	338,745
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		929,128			1,083,868	154,741
Adams Street 2008 Non US Fund		1,882,343			1,970,162	87,818
Adams Street 2008 US Fund		2,473,280			3,785,122	1,311,842
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		461,708			550,077	88,369
Adams Street 2009 Non US Developed Mkts Fund		651,100			606,472	(44,629)
Adams Street 2009 Non US Emerging Mkts Fund		198,935			170,542	(28,393)
Adams Street 2009 US Fund		1,492,822			1,742,643	249,821
Oxford Technology ECF Limited Partner AC		1,800,000			1,752,750.00	(47,250)
		31,920,728			**38,252,789**	**6,332,061**
Cash Held by Custodian for Private Equity		5,836,473			5,836,473	
CASH HELD IN HOUSE		11,440,020			11,440,020	
TOTAL OF ALL INVESTMENTS		**112,041,279**			**124,627,612**	**12,586,333**

TABLE 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 31st DECEMBER 2011

DATE	HOLDING	TRANSACTION	BOOK COST £	SALE PROCEEDS £	REALISED GAIN/LOSS £
		LIMITED PARTNERSHIP FUND OF FUNDS			
		DRAWDOWNS			
06/10/2011		Adams Street 2008 Direct Fund	127,672		
10/10/2011		Adams Street 2009 Direct Fund	47,746		
13/10/2011		Adams Street 2007 Non US Fund	176,901		
13/10/2011		Adams Street 2009 Non US Developed Mkts Fund	50,337		
13/10/2011		Oxford Technology ECF Limited Partner AC	150,000		
14/10/2011		Adams Street 2009 Non US Emerging Mkts Fund	13,642		
14/10/2011		Adams Street 2009 US Fund	93,477		
14/10/2011		Partners Group Asia - Pacific 2007 L.P.	243,390		
21/10/2011		Adams Street 2008 Non US Fund	186,711		
03/11/2011		Adams Street 2009 Non US Developed Mkts Fund	49,077		
11/11/2011		Adams Street 2009 US Fund	35,872		
14/11/2011		Adams Street 2009 Non US Emerging Mkts Fund	13,366		
17/11/2011		Adams Street 2007 Non US Fund	322,564		
23/11/2011		Adams Street 2008 US Fund	262,860		
09/12/2011		Adams Street 2009 Non US Developed Mkts Fund	187,243		
16/12/2011		Adams Street 2009 Non US Emerging Mkts Fund	19,004		
23/12/2011		Adams Street 2009 US Fund	104,362		
23/12/2011		Partners Group Secondary 2008 L.P.	250,101		
23/12/2011		Partners Group Asia - Pacific 2011 L.P.	539,385		
29/12/2011		Partners Group Secondary 2011 L.P.	1,640,120		
			4,513,829		
		SALES & REDEMPTIONS			
06/10/2011	(258,516)	Schroder Private Equity	(167,375)	442,528	275,153
14/10/2011	(50,000)	HG Capital	(261,424)	498,999	237,575
21/10/2011	(25,000)	HG Capital	(130,712)	255,986	125,274
25/11/2011	(30,000)	HG Capital	(156,854)	300,896	144,042
29/11/2011		KKR Co	(22,000)	9,160	(12,840)
			(738,365)	**1,507,568**	**769,204**
		LIMITED PARTNERSHIP FUND OF FUNDS			
		CAPITAL DISTRIBUTIONS			
17/11/2011		Adams Street 2007 Non US Fund	(190,512)	190,512	
23/11/2011		Adams Street 2008 US Fund	(268,154)	268,154	
23/11/2011		Partners Group Asia - Pacific 2007 L.P.	(211,837)	211,837	
23/12/2011		Partners Group Secondary 2008 L.P.	(250,101)	250,101	
			(920,604)	**920,604**	**-**
		CORPORATE ACTION			
12/12/2011	(1,000,000)	HarbourVest European Senior Loans C Shares - Mandatory Conversion	(1,000,000)	1,000,000	-
12/12/2011	1,010,100	HarbourVest European Senior Loans - Mandatory Conversion	1,000,000	(1,000,000)	-
12/12/2011	(126,287)	Northern Investors - Tender Offer	(125,368)	378,861	253,493
23/12/2011	(261,645)	Henderson Private Equity - Tender Offer	(462,846)	986,804	523,958
			(588,214)	**1,365,665**	**777,451**

TABLE 13

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2011

COMBINED PORTFOLIO (BY ASSET CLASS)

ASSET	% weighting of fund as at 31st December 2011	QUARTER ENDED 31st December 2011 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	12 MONTHS ENDED 31st December 2011 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	THREE YEARS ENDED 31st December 2011 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	FIVE YEARS ENDED 31st December 2011 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	10.7%	7.4	7.6	**0.2**	-6.6	-7.0	**-0.4**	9.8	9.5	**-0.3**	3.4	-2.8	**-6.2**
UK EQUITIES	29.8%	8.4	9.2	**0.8**	-3.5	-0.2	**3.3**	12.9	14.9	**2.0**	1.2	2.1	**0.9**
OVERSEAS EQUITIES	20.9%	7.2	7.3	**0.1**	-7.0	-12.2	**-5.2**	9.0	9.2	**0.2**	3.4	1.8	**-1.6**
UK GOVERNMENT BONDS	4.2%	5.0	5.3	**0.3**	15.6	14.5	**-1.1**	7.0	6.9	**-0.1**	7.8	8.1	**0.3**
UK CORPORATE BONDS	5.8%	2.3	2.6	**0.3**	6.9	7.9	**1.0**	8.7	10.0	**1.3**	4.6	5.4	**0.8**
OVERSEAS BONDS*	2.0%	0.7	0.4	**-0.3**	6.0	5.9	**-0.1**	3.8	4.3	**0.5**	-	8.2	**-**
UK INDEX LINKED GILTS	5.6%	9.8	10.1	**0.3**	23.3	25.3	**2.0**	12.4	13.8	**1.4**	9.7	10.6	**0.9**
TOTAL PRIVATE EQUITY	8.8%	-1.3	-0.9	**0.4**	-12.5	-0.1	**12.4**	17.1	14.5	**-2.6**	-7.4	0.2	**7.6**
HEDGE FUNDS	2.6%	1.0	-1.9	**-2.9**	3.9	-1.1	**-5.0**	3.9	5.0	**1.1**	5.9	0.8	**-5.1**
PROPERTY ASSETS	6.4%	1.3	1.1	**-0.2**	6.9	7.8	**0.9**	5.6	5.0	**-0.6**	-3.3	-7.0	**-3.7**
TOTAL CASH	3.2%	-	0.2		-	2.0		-	0.3		-	1.8	
TOTAL FUND	100.0%	**5.7**	**5.9**	**0.2**	**-1.6**	**-0.7**	**0.9**	**10.8**	**10.6**	**-0.2**	**2.6**	**1.2**	**-1.4**

*** This includes L&G Currency Hedging for Overseas bonds**

TABLE 14

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2011

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 31st December 2011	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
BAILLIE GIFFORD UK EQUITIES	19.3%	8.4	8.8	0.4	-3.5	0.9	4.4	12.9	16.1	3.2	1.2	3.3	2.1
L&G UK EQUITIES - PASSIVE	11.3%	9.4	9.4	0.0	-2.2	-2.1	0.1	12.0	12.1	0.1	-	-	
L&G GLOBAL EX UK EQUITIES - PASSIVE	7.5%	7.2	7.5	0.3	-	-		-	-		-	-	
L&G GLOBAL IN UK EQUITIES - PASSIVE	10.7%	7.4	7.7	0.3	-	-		-	-		-	-	
L&G FIXED INCOME	18.2%	5.0	5.2	0.2	13.4	14.2	0.8	9.0	10.0	1.0	7.2	8.1	0.9
PARTNERS GROUP PROPERTY SICAR	0.5%	1.3	2.6	1.3	6.9	29.4	22.5	-	-		-	-	
PRIVATE EQUITY	8.8%	-1.3	-0.9	0.4	-12.5	-0.1	12.4	17.1	14.5	-2.6	-7.4	0.2	7.6
UBS OVERSEAS EQUITIES	13.4%	5.2	7.3	2.1	-9.4	-12.2	-2.8	7.7	9.1	1.4	2.6	1.7	-0.9
UBS PROPERTY	6.3%	1.3	0.9	-0.4	6.9	6.0	-0.9	5.6	3.6	-2.0	-3.3	-7.7	-4.4
UBS HEDGE FUNDS	2.6%	1.0	-1.9	-2.9	3.9	-1.1	-5.0	3.9	5.0	1.1	5.9	0.8	-5.1
IN-HOUSE CASH	1.4%	0.1	0.3	0.2	0.5	1.7	1.2	0.5	1.7	1.2	2.3	2.7	0.4
TOTAL FUND	**100.0%**	**5.7**	**5.9**	**0.2**	**-1.6**	**-0.7**	**0.9**	**10.8**	**10.6**	**-0.2**	**2.6**	**1.2**	**-1.4**

*** This includes L&G Currency Hedging for Overseas bonds**

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2011

BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE **TABLE 15**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	8.4	9.0	0.6	-3.5	0.9	4.4	12.9	16.4	3.5	1.2	3.2	2.0
TOTAL CASH	-	0.1		-	0.6		-	0.8		-	2.8	
TOTAL ASSETS	**8.4**	**8.8**	**0.4**	**-3.5**	**0.9**	**4.4**	**12.9**	**16.1**	**3.2**	**1.2**	**3.3**	**2.1**

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2011

LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS **TABLE 16**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
1 FTSE 100 EQUITY INDEX FUND	9.4	9.4	0.0	-2.2	-2.1	0.1	12.0	12.1	0.1	-	-	
2 L&G WORLD EQUITY FUND (Transition Fund)	7.4	7.7	0.3	-	-		-	-		-	-	
3 L&G WORLD (EX-UK) EQUITY FUND	7.2	7.5	0.3	-	-		-	-		-	-	
CASH/ALTERNATIVES												

Target Objective - 1. To track the FTSE 100 Index 2. To track the FTSE AW-World Index 3. To track the FTSE AW-World (ex-UK) Index

LEGAL & GENERAL - BONDS **TABLE 17**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK GILTS	5.0	5.3	0.3	15.6	14.5	-1.1	7.0	6.9	-0.1	7.8	8.0	0.2
UK CORPORATE BONDS	2.3	2.6	0.3	6.9	7.9	1.0	8.7	10.0	1.3	4.6	5.8	1.2
OVERSEAS BONDS*	0.7	0.4	-0.3	6.0	5.9	-0.1	3.8	4.2	0.4	-	8.1	-
UK INDEX LINKED	9.8	10.1	0.3	23.3	25.3	2.0	12.4	13.8	1.4	9.7	10.6	0.9
CASH/ALTERNATIVES*	-	n/a		-	n/a		-	n/a		-	n/a	
TOTAL ASSETS	**5.0**	**5.2**	**0.2**	**13.4**	**14.2**	**0.8**	**9.0**	**10.0**	**1.0**	**7.2**	**8.1**	**0.9**

*** 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.**

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2011

INDEPENDENT ADVISOR - PRIVATE EQUITY — **TABLE 18**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PRIVATE EQUITY	-1.3	-0.5	0.8	-12.5	-5.8	6.7	17.1	18.7	1.6	-7.4	-1.2	6.2
LIMITED LIABILITY PARTNERSHIPS	-1.3	-1.9	-0.6	-12.5	14.5	27.0	17.1	-0.9	-18.0	-7.4	6.7	14.1
TOTAL ASSETS	**-1.3**	**-0.9**	**0.4**	**-12.5**	**-0.1**	**12.4**	**17.1**	**14.5**	**-2.6**	**-7.4**	**0.2**	7.6

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

PARTNERS GROUP REAL ESTATE SICAR - PROPERTY — **TABLE 19**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.3	2.6	1.3	6.9	29.4	22.5	-	-		-	-	
TOTAL CASH	-	-		-	-		-	-		-	-	
TOTAL ASSETS*	**1.3**	**2.6**	**1.3**	**6.9**	**29.4**	**22.5**	-	-		-	-	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2011

UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES — **TABLE 20**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
OVERSEAS EQUITIES	5.2	7.3	2.1	-9.4	-12.2	-2.8	7.7	9.2	1.5	2.6	1.8	-0.8
TOTAL CASH	-	-		-	-		-	-		-	-	
TOTAL ASSETS	**5.2**	**7.3**	**2.1**	**-9.4**	**-12.2**	**-2.8**	**7.7**	**9.1**	**1.4**	**2.6**	**1.7**	**0.0**

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 21**

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.3	1.0	-0.3	6.9	7.3	0.4	5.6	5.0	-0.6	-3.3	-7.0	-3.7
TOTAL CASH*	-	-0.1		-	-3.0		-	-		-	-	
TOTAL ASSETS**	**1.3**	**0.9**	**-0.4**	**6.9**	**6.0**	**-0.9**	**5.6**	**3.6**	**-2.0**	**-3.3**	**-7.7**	**-4.4**

*** 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).

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 31st DECEMBER 2011

UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS

TABLE 22

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
HEDGE FUNDS	1.0	-1.9	-2.9	3.9	-1.2	-5.1	3.9	5.0	1.1	5.9	0.8	-5.1
TOTAL CASH	-	0.0		-	0.1		-	0.3		-	2.1	
TOTAL ASSETS	**1.0**	**-1.9**	**-2.9**	**3.9**	**-1.1**	**-5.0**	**3.9**	**5.0**	**1.1**	**5.9**	**0.8**	**-5.1**

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

INTERNALLY MANAGED CASH

TABLE 23

ASSET	QUARTER ENDED 31st December 2011			12 MONTHS ENDED 31st December 2011			THREE YEARS ENDED 31st December 2011			FIVE YEARS ENDED 31st December 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
INTERNALLY MANAGED CASH*	0.1	0.3	0.2	0.5	1.7	1.2	0.5	1.7	1.2	2.3	2.7	0.4
TOTAL ASSETS	**0.1**	**0.3**	**0.2**	**0.5**	**1.7**	**1.2**	**0.5**	**1.7**	1.2	**2.3**	**2.7**	**0.4**

*** this portfolio includes cash held at BoNY**

TABLE 24

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

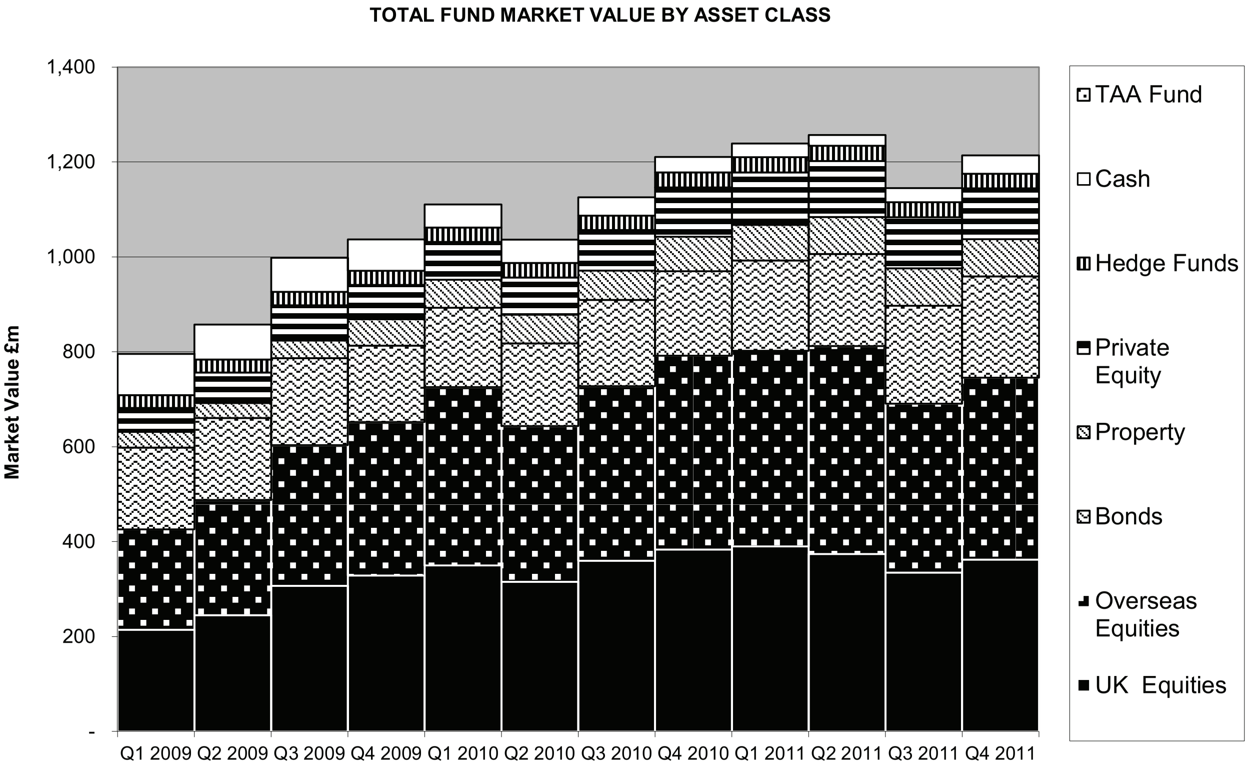
TOP 20 HOLDINGS AT 31/12/2011

	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	HG CAPITAL TRUST ORD GBP0.25	16,263,363	1.34
2	ELECTRA INVESTMENT TR ORD 25P	14,348,447	1.18
3	BG GROUP PLC ORD GBP0.10	13,020,331	1.07
4	BRITISH AMERICAN TOBACCO ORD	11,700,650	0.96
5	ROYAL DUTCH SHELL 'B' SHS	10,480,640	0.86
6	UNITED KINGDOM GILT 3.750% 09/07/2021 DD 03/18/11	8,639,578	0.71
7	IMPERIAL TOBACCO GROUP ORD 10P	8,226,920	0.68
8	HSBC HLDGS ORD USD0.50 (UK)	8,124,086	0.67
9	BHP BILLITON PLC USD0.50	7,771,531	0.64
10	BLACKROCK UK PROPERTY FUND	7,606,865	0.63
11	GLAXOSMITHKLINE ORD GBP0.25	6,993,178	0.58
12	TREASURY INDEX-LINKED 2.500% 16-APR-2020	6,850,720	0.56
13	TESCO ORD 5P	6,763,404	0.56
14	RIO TINTO PLC	6,605,193	0.54
15	TREASURY INDEX-LINKED 2.500% 17-JUL-2024	6,533,702	0.54
16	F & C PRIVATE EQUITY TRUST	6,063,200	0.50
17	BUNZL ORD GBP0.3214857	5,924,212	0.49
18	ROYAL DUTCH SHELL PLC	5,916,768	0.49
19	TSY 0 5/8% 2040 I/L GILT 0.625% 03/22/2040 DD 01/28/10	5,887,067	0.48
20	WEIR GROUP ORD 12.5P	5,831,001	0.48
	TOP 20 HOLDINGS MARKET VALUE *	**169,550,858**	13.96
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 31/12/2011		
1	UBS GLOBAL ASSET MANAGEMENT LIFE GLOBAL OPTIMAL THIRDS A	150,065,642	12.36
2	L&G WORLD EQUITY INDEX	141,679,476	11.67
3	L&G UK FTSE 100 EQUITY INDEX	124,982,937	10.29
4	L&G WORLD (EX UK) EQUITY INDEX	91,590,187	7.54
5	BAILLIE GIFFORD BRITISH SMALL COS C NAV ACC	13,073,238	1.08
	TOTAL POOLED FUNDS MARKET VALUE	**521,391,482**	42.94
	TOTAL FUND MARKET VALUE	**1,214,315,000**	

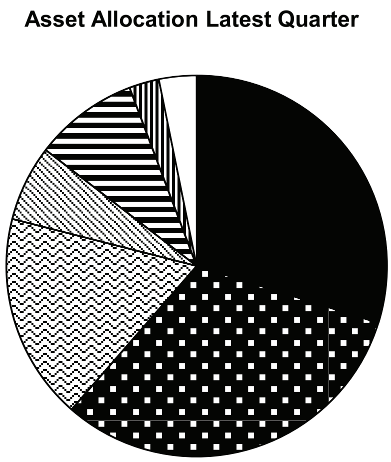
GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

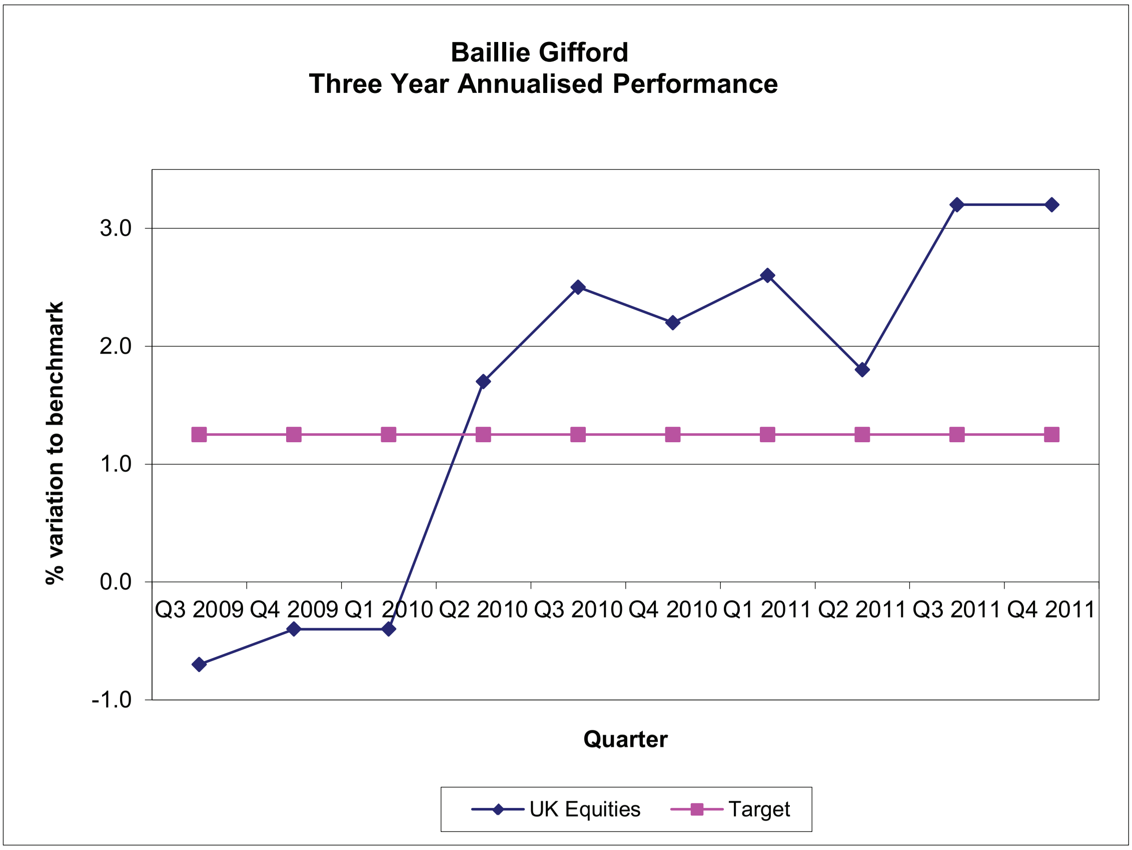
MARKET VALUE OF TOTAL FUND



Quarter	Market Value £m
Q1 2009	795.8
Q2 2009	857.4
Q3 2009	998.4
Q4 2009	1,037.0
Q1 2010	1,111.0
Q2 2010	1,037.0
Q3 2010	1,126.0
Q4 2010	1,210.7
Q1 2011	1,239.0
Q2 2011	1,257.2
Q3 2011	1,145.3
Q4 2011	1,214.3



OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 2**



Baillie Gifford Three Year Annualised Performance

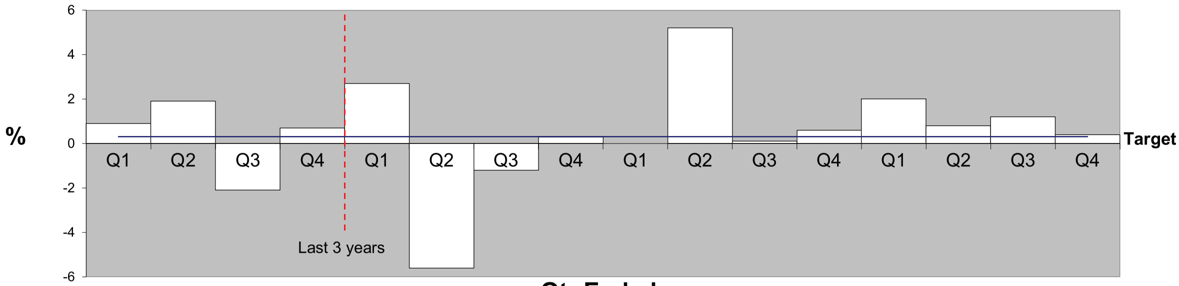
	UK Equities	Target
Q3 2009	-0.7	1.25
Q4 2009	-0.4	1.25
Q1 2010	-0.4	1.25
Q2 2010	1.7	1.25
Q3 2010	2.5	1.25
Q4 2010	2.2	1.25
Q1 2011	2.6	1.25
Q2 2011	1.8	1.25
Q3 2011	3.2	1.25
Q4 2011	3.2	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

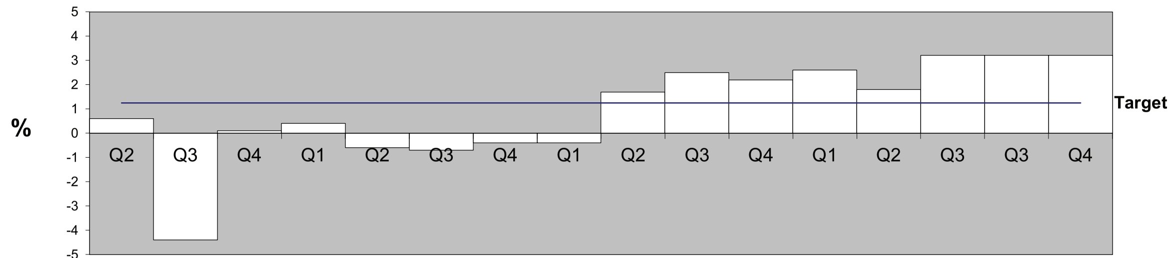
2008 2009 2010 2011

Quarterly Performance



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Performance	-9.0	1.5	-14.3	-9.5	-6.4	5.3	21.2	5.8	6.4	-6.6	13.7	8.0	3.0	2.7	-12.3	8.8
Benchmark	-9.9	-0.4	-12.2	-10.2	-9.1	10.9	22.4	5.5	6.4	-11.8	13.6	7.4	1.0	1.9	-13.5	8.4
Relative Return	**0.9**	**1.9**	**-2.1**	**0.7**	**2.7**	**-5.6**	**-1.2**	**0.3**	**0.0**	**5.2**	**0.1**	**0.6**	**2.0**	**0.8**	**1.2**	**0.4**

3 year Performance



	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q3	Q4
Performance		-2.7	-4.7	-9.8	-7.1	-1.8	-1.7	-0.6	-4.0	1.5	3.6	8.0	8.4	9.2	9.2	16.1
Benchmark		1.7	-4.8	-10.2	-6.5	-1.1	-1.3	-0.2	-5.7	-1	1.4	5.4	6.6	6	6	12.9
Relative Return		**-4.4**	**0.1**	**0.4**	**-0.6**	**-0.7**	**-0.4**	**-0.4**	**1.7**	**2.5**	**2.2**	**2.6**	**1.8**	**3.2**	**3.2**	**3.2**

Target Returns

Rolling annual target of 1.25% above benchmark

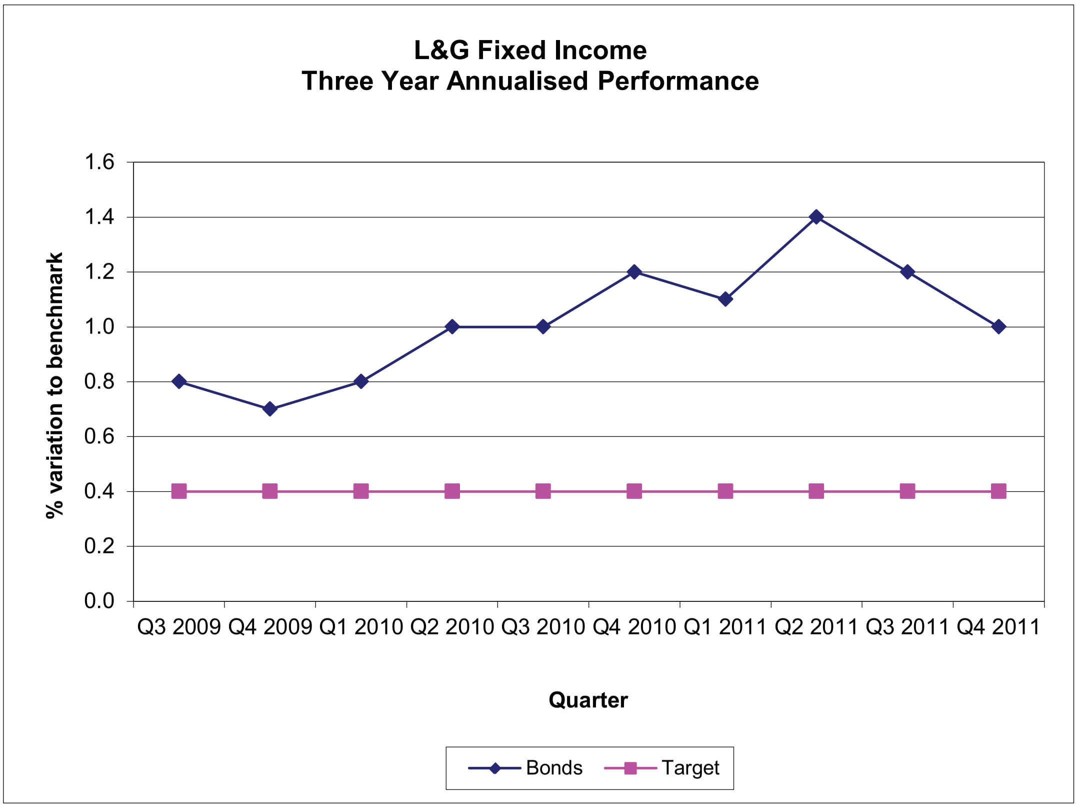
Top 10 holdings at 31/12/2011

	Holding	Value £	% of portfolio
1	BG GROUP PLC ORD GBP0.10	13,020,331	5.55
2	BRITISH AMERICAN TOBACCO ORD	11,700,650	4.99
3	ROYAL DUTCH SHELL 'B' SHS	10,480,640	4.47
4	IMPERIAL TOBACCO GROUP ORD 10P	8,226,920	3.51
5	HSBC HLDGS ORD USD0.50 (UK)	8,124,086	3.46
6	BHP BILLITON PLC USD0.50	7,771,531	3.31
7	GLAXOSMITHKLINE ORD GBP0.25	6,993,178	2.98
8	TESCO ORD 5P	6,763,404	2.88
9	RIO TINTO PLC	6,605,193	2.82
10	BUNZL ORD GBP0.3214857	5,924,212	2.53
	Top 10 Holdings Market Value	85,610,146	36.50
	Total Baillie Gifford Market Value	234,543,000	

Baillie Gifford

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 4**



L&G Fixed Income Three Year Annualised Performance

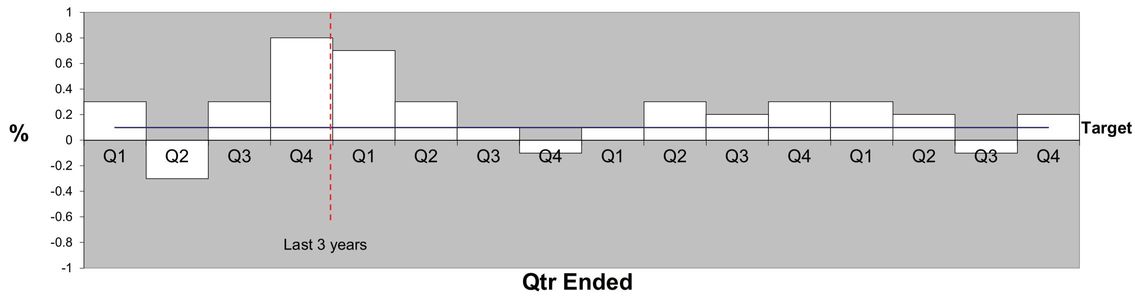
	Bonds	Target
Q3 2009	0.8	0.4
Q4 2009	0.7	0.4
Q1 2010	0.8	0.4
Q2 2010	1.0	0.4
Q3 2010	1.0	0.4
Q4 2010	1.2	0.4
Q1 2011	1.1	0.4
Q2 2011	1.4	0.4
Q3 2011	1.2	0.4
Q4 2011	1.0	0.4

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5

2008 2009 2010 2011

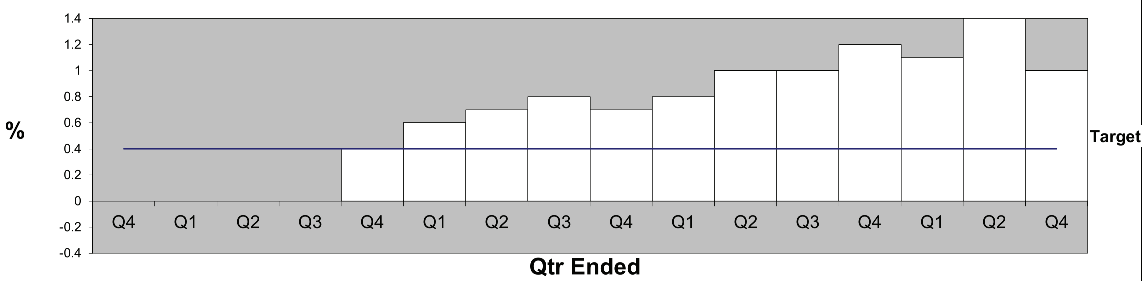
Quarterly Performance



Qtr Ended

Performance	1.4	-1.3	0.7	4.0	-2.0	3.4	5.2	0.2	2.6	2.7	4.2	-0.9	0.4	3.0	5.0	5.2
Benchmark	1.1	-1.0	0.4	3.2	-2.7	3.1	5.1	0.3	2.5	2.4	4.0	-1.2	0.1	2.8	5.1	5.0
Relative Return	**0.3**	**-0.3**	**0.3**	**0.8**	**0.7**	**0.3**	**0.1**	**-0.1**	**0.1**	**0.3**	**0.2**	**0.3**	**0.3**	**0.2**	**-0.1**	**0.2**

3 year Performance



Qtr Ended

Performance	5.8	3.9	3.7	4.0	3.6	5.1	5.7	5.7	6.9	8.7	8.7	6.9	6.5	8.1	10.0
Benchmark	5.8	3.9	3.7	3.6	3.0	4.4	4.9	5.0	6.1	7.7	7.7	5.7	5.4	6.7	9.0
Relative Return	**0.0**	**0.0**	**0.0**	**0.4**	**0.6**	**0.7**	**0.8**	**0.7**	**0.8**	**1.0**	**1.0**	**1.2**	**1.1**	**1.4**	**1.0**

Target Returns

Rolling annual target of 0.40% above benchmark

Top 10 holdings at 31/12/2011

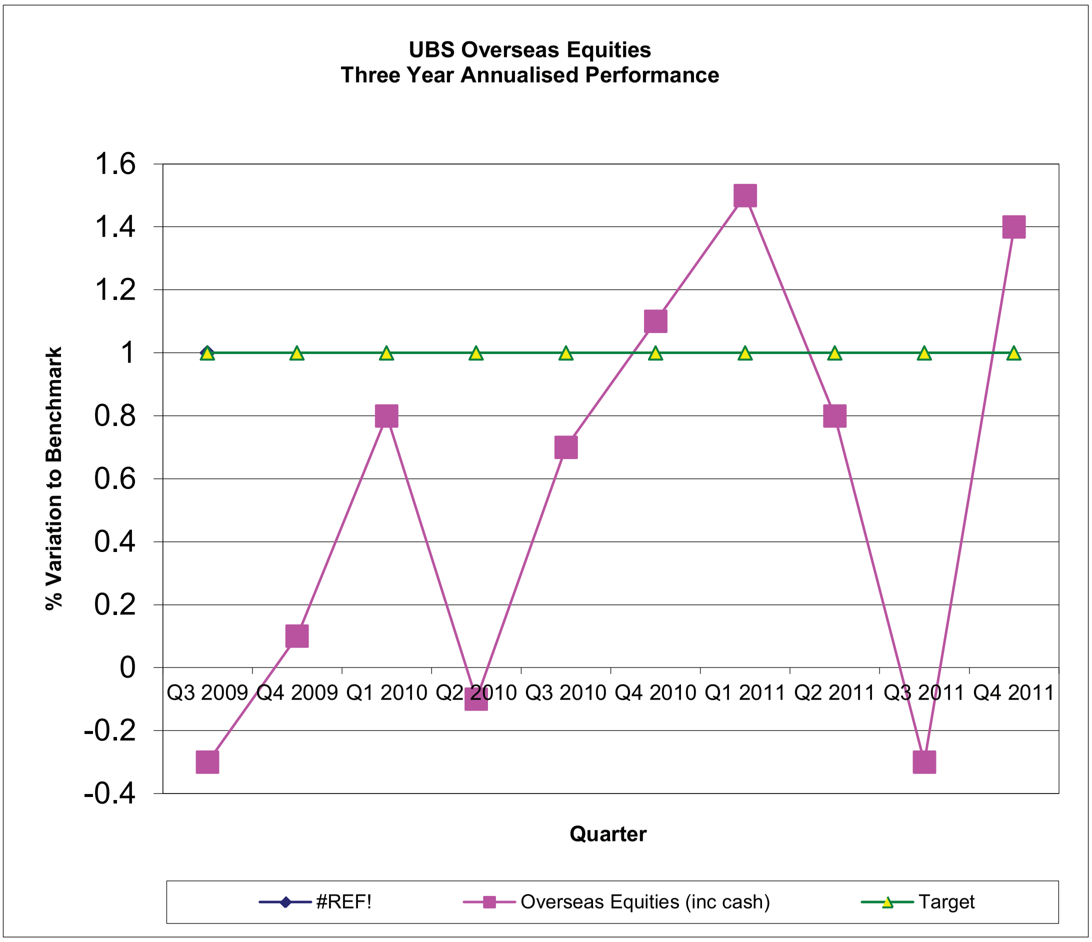
	Holding	Value £	% of portfolio
1	UNITED KINGDOM GILT 3.750% 09/07/2021 DD 03/18/11	8,639,578	3.90
2	TREASURY INDEX-LINKED 2.500% 16-APR-2020	6,850,720	3.10
3	TREASURY INDEX-LINKED 2.500% 17-JUL-2024	6,533,702	2.95
4	TSY 0 5/8% 2040 I/L GILT 0.625% 03/22/2040 DD 01/28/10	5,887,067	2.66
5	UNITED KINGDOM GILT INFLATION 1.250% 11/22/2027	5,789,992	2.62
6	UNITED KINGDOM (GOV) 1.875% 22-NOV-2022 GBP100	5,005,515	2.26
7	UK GOVT OF IDX-LKD STK 1.250% 22-NOV-2055	4,956,683	2.24
8	UNITED KINGDOM(GOV) 1.250% 22-NOV-2032 GBP100	4,834,793	2.18
9	UNITED KINGDOM GILT 2.750% 01/22/2015	4,570,403	2.07
10	UK TREASURY IDX LKD STK 4.125% 22-JUL-2030	3,971,968	1.79
	Top 10 Holdings Market Value	57,040,420	25.77
	Total Legal & General Market Value	221,309,000	

Legal & General

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 6



UBS Three Year Annualised Performance

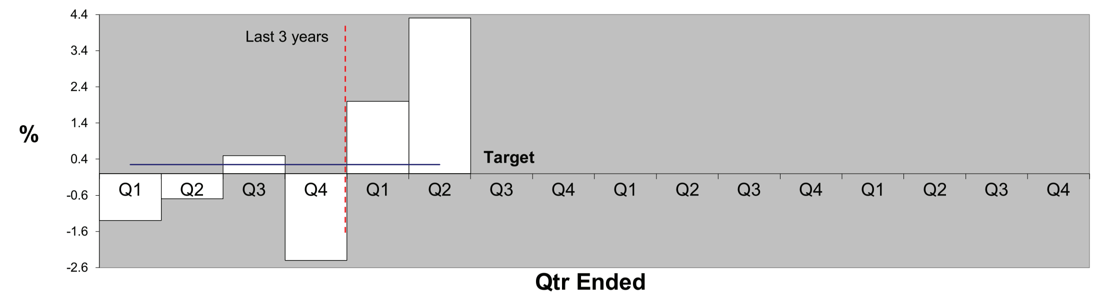
	Overseas Equities (inc cash)	Target
Q3 2009	-0.3	1.0
Q4 2009	0.1	1.0
Q1 2010	0.8	1.0
Q2 2010	-0.1	1.0
Q3 2010	0.7	1.0
Q4 2010	1.1	1.0
Q1 2011	1.5	1.0
Q2 2011	0.8	1.0
Q3 2011	-0.3	1.0
Q4 2011	1.4	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7

2008 2009 2010 2011

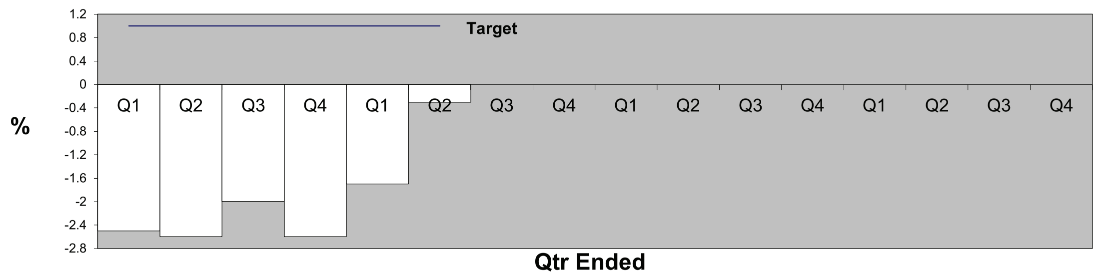
Quarterly Performance



Performance	-8.1	-2.9	-6.2	-8.8	-7.6	4.9	0.0
Benchmark	-6.8	-2.2	-6.7	-6.4	-9.6	0.6	0.0
Relative Return	**-1.3**	**-0.7**	**0.5**	**-2.4**	**2.0**	**4.3**	**0.0**

Mandate split no longer multi asset after Q2 2009

3 year Performance



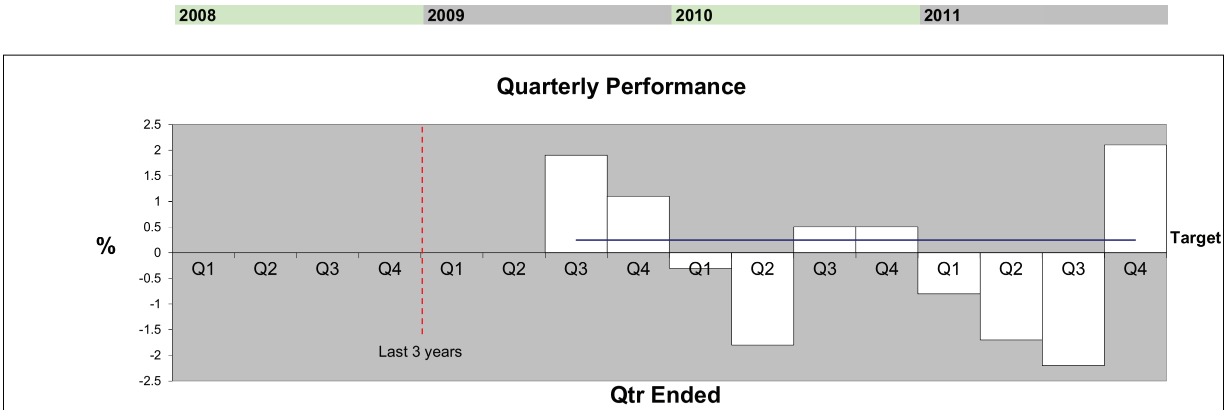
Performance		3.7	-0.5	-5.0	-9.1	-7.0	0.0
Benchmark		6.3	1.5	-2.4	-7.4	-6.7	0
Relative Return		**-2.6**	**-2**	**-2.6**	**-1.7**	**-0.3**	**0**

Target Returns

Rolling annual target of 1.00% above benchmark

UBS - Multi Asset

PERFORMANCE RELATIVE TO BENCHMARK **GRAPH 8**



Performance	0.0	0.0	0.0	0.0	0.0	0.0	23.9	3.2	9.4	-12.9	9.5	9.5	1.1	-1.0	-18.3	7.3
Benchmark	0.0	0.0	0.0	0.0	0.0	0.0	22.0	2.1	9.7	-11.1	9.0	9.0	1.9	0.7	-16.1	5.2
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.9**	**1.1**	**-0.3**	**-1.8**	**0.5**	**0.5**	**-0.8**	**-1.7**	**-2.2**	**2.1**

Target

3 year Performance

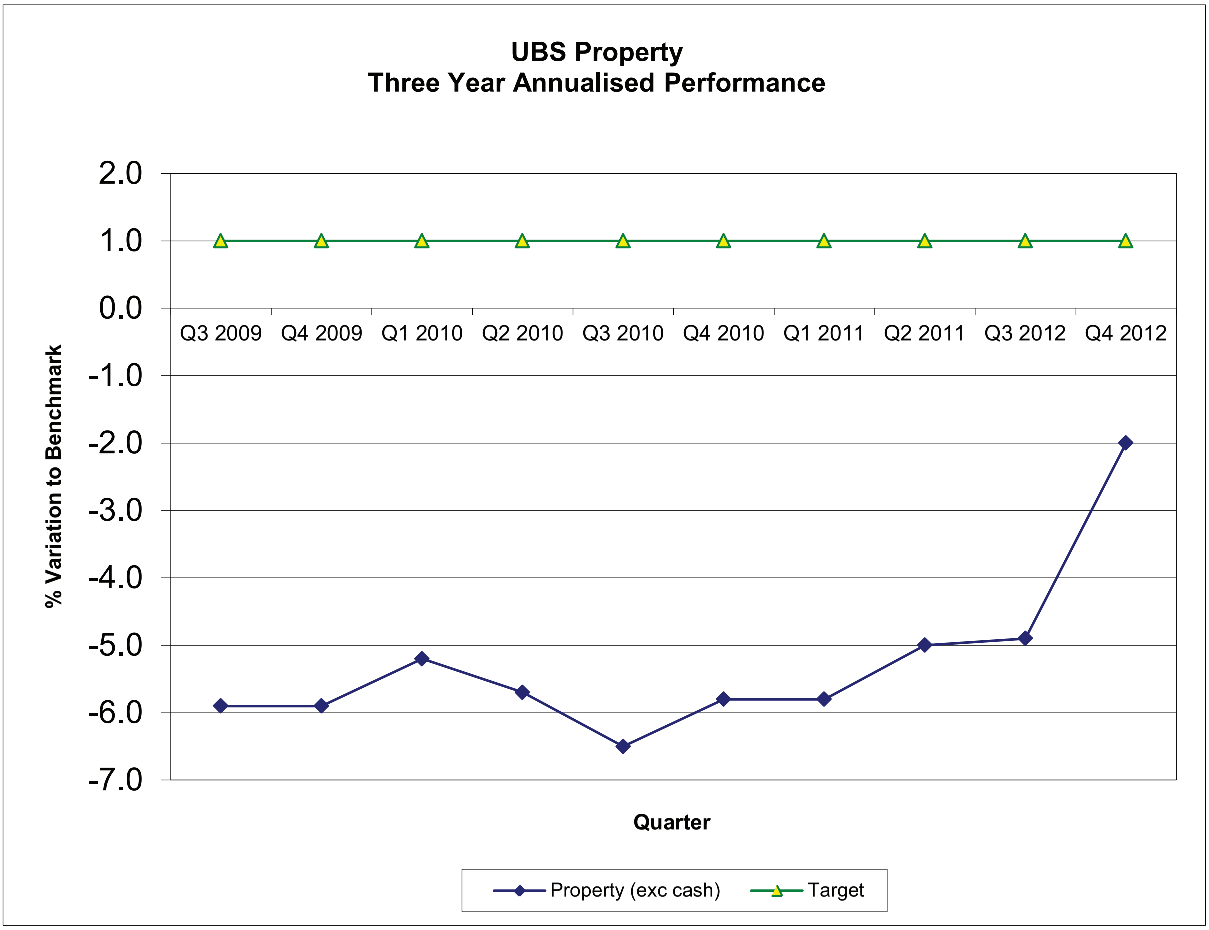
Target Returns

Rolling annual target of 1.00% above benchmark

UBS - Overseas Equities

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 9



UBS Three Year Annualised Performance

	Property (exc cash)	Target
Q3 2009	-5.9	1.0
Q4 2009	-5.9	1.0
Q1 2010	-5.2	1.0
Q2 2010	-5.7	1.0
Q3 2010	-6.5	1.0
Q4 2010	-5.8	1.0
Q1 2011	-5.8	1.0
Q2 2011	-5.0	1.0
Q3 2012	-4.9	1.0
Q4 2012	-2.0	1.0

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of the Local Government Act 1972.

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PENSION FUND COMMITTEE – 16 March 2012

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

The Economy

1. The forecasts for growth in UK and Continental Europe during 2012 show these regions teetering on the edge of recession, despite all the monetary stimuli implemented since the previous recession. Global GDP growth for 2011 has been estimated at +3.8% (+5.2% in 2010), with the IMF predicting a further slowdown to 3.3% in 2012. Clearly most of the growth is coming from China and the developing markets. Good recent data from the US on housing starts and new job creation offer a slightly more optimistic outlook there, but we need to see several more months of improvement before the trend can be confirmed.

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

Consensus real growth (%)						**Consumer prices latest (%)**
	2008	**2009**	**2010**	**2011E**	**2012E**	
UK	+0.7	- 4.7	+1.6	(+0.9) +0.9	(+1.1) +0.2	+ 4.2 (CPI)
USA	+1.2	- 2.5	+2.9	(+1.7) +1.7	(+1.8) +2.0	+ 3.1
Eurozone	+0.8	- 3.9	+1.7	(+1.6) +1.5	(+0.4)+0.7	+ 2.7
Japan	- 0.2	- 5.3	+4.2	(-0.5) -0.7	(+2.2) +1.6	- 0.4
China	+ 9.0	+ 8.7	+10.3	(+9.0) +9.2	(+8.6) +8.6	+ 5.6

[Source: The Economist 04.02.12]

2. The Greek sovereign debt crisis continued to exert a strong influence on market sentiment. Concerns over the possibility of a default on Greek bonds were compounded by fears that Italy – a far bigger borrower – could be faced with similar problems in servicing its debt, and the effect this might have on the solvency of commercial banks and the Euro itself. The replacement of the Greek and Italian Prime Ministers in November by technocrats Lucas Papademos and Mario Monti was expected to reduce the political dimensions of the situation and pave the way for the introduction of austerity programmes in both countries. By early February, Greece was still being pressed by the Eurozone to implement steeper cuts than it had proposed – and guarantee no revocation by a new government – before the €130bn bailout could be granted.

3. The European Central Bank made a further cut in its interest rate, from 1.25% to 1%, in December, and then announced a ‘long-term refinancing operation’ (LTRO) under which it would offer an unlimited amount of 3-year loans to Eurozone banks at just 1% with generous terms on collateral. Almost €500bn of this facility was immediately taken up by the banks and, by removing the threat of a liquidity crisis, caused a positive turnround in sentiment towards the banking sector. A further round of LTRO is expected at the end of February. By early February, yields on Spanish and Italian government bonds had fallen significantly, indicating a (possibly temporary) lessening of fears of default. Portuguese yields, however, remained at very elevated levels.

4. In the UK Autumn Statement on November 29th, the Chancellor revised the 2011 GDP growth forecast down to 0.9% (compared with the 2.3% he had forecast in June 2010). With slow growth also predicted for 2012, the target date for eliminating the structural fiscal deficit will move from 2014/5 to 2016/7 or later. Nevertheless, the UK budget deficit will fall to 8.4% of GDP in the 2011/2 year, which compares favourably with the 11.2% deficit recorded in 2009/10. The annual rate of inflation is declining and will receive a further fillip when the January 2011 VAT increase drops out of the annual comparison. CPI inflation is expected to be within its 1 – 3% target range by autumn 2012.

Markets

5. In October, **Equity** markets recovered strongly from their falls in the third quarter, and – despite a bout of weakness in mid-November – maintained their end-October levels until the end of the year. In December, US markets took heart from good numbers for housing starts and Q3 GDP growth, followed by a temporary extension of the payroll tax cuts. This late rally enabled the US to record the smallest fall of any of the major equity markets for 2011. US and UK equities significantly out-performed Continental Europe, Japan, Asia and Emerging Markets over the year.

Capital return (in £, %) to 31.12.11		
	3 months	**12 months**
FTSE All-World Index	**+6.8**	**-9.1**
FTSE All-World North America	+10.6	-0.9
FTSE All-World Japan	- 3.8	-14.9
FTSE All-World Asia Pacific	+1.0	-16.5
FTSE All-World Europe (ex-UK)	+3.0	-18.0
FTSE All-World UK	+8.5	-5.7
FTSE All-World Emerging Markets	+3.7	-20.7

[Source: FTSE All-World Review, December 2011]

In the fourth quarter, Oil & Gas was the strongest industrial sector (+14%), followed by Consumer Services and Industrials (each +9%); by contrast Utilities and Telecoms each gained just 2%, and Financials 4%.

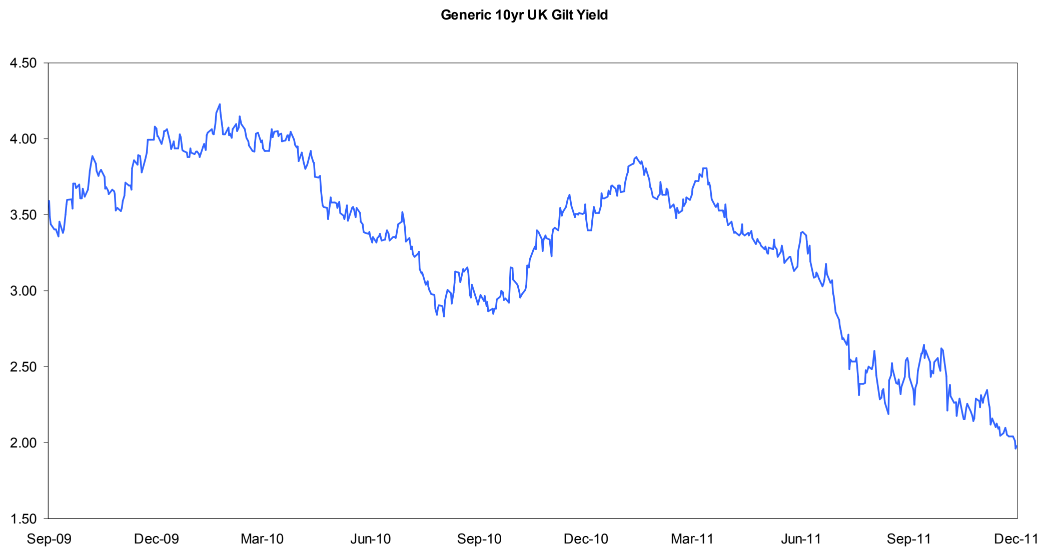
UK FTSE All-Share

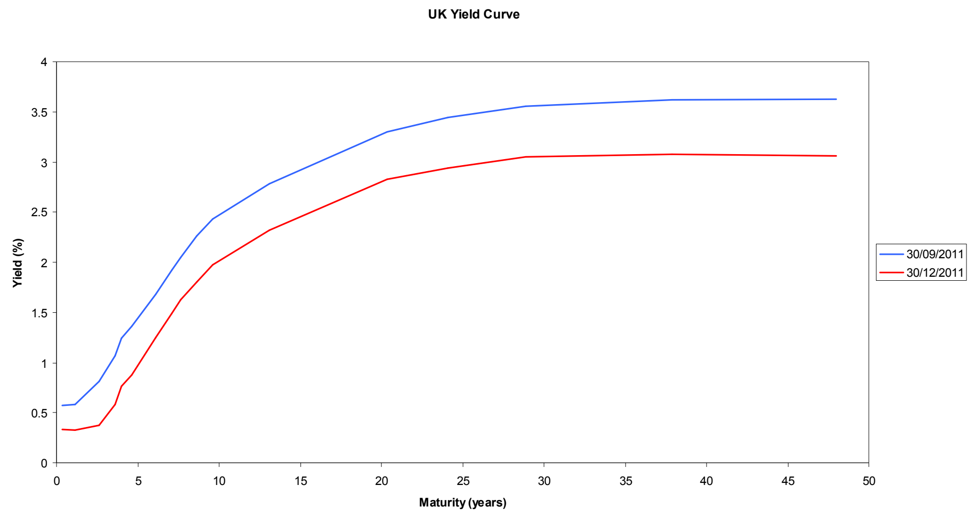
FTSE World Europe ex UK

6. The strength of **Government Bonds** in the 'safe-haven' countries continued, despite a brief setback in German Bunds after the disappointing result of a bond auction in late-November. The Quantitative Easing programme operated by the Bank of England (which is being extended by £50bn between February and May) and the Federal Reserve's 'Operation Twist', contributed to the demand for government bonds in these countries, pushing medium-term yields to levels which are likely to guarantee a *negative* real return on bonds held until maturity. Meanwhile the margin between UK Corporate Bonds and Gilts widened during the quarter.

10-year government bond yields (%)					
	Dec 09	**Sept 10**	**Dec 10**	**Sept 2011**	**Dec 2011**
US	3.84	2.52	3.34	1.93	1.88
UK	4.01	2.95	3.39	2.42	1.98
Germany	3.40	2.29	2.92	1.89	1.83
Japan	1.29	0.94	1.12	1.03	0.98

[Source: Financial Times]





7. Equity markets started the New Year on a strong note, gaining some 4% on average during January, as Financials rebounded in response to the LTRO initiative, and in early February the UK and US equity markets reached levels last seen in July 2011.

8. **Property** funds continued to give returns in line with their income yield, implying that capital values have remained flat. For the year 2011, the average total returns were:

Balanced Property Funds	(n=26)	+6.8%
Specialist Property Funds	(n=30)	+7.4%

[Source: AREF/IPD UK Pooled Property Fund Index]

9. Among **Commodities**, Oil continued its sharp rise of October, ending the year just below $100/bbl (WTI measure). Gold, meanwhile, declined by 10% in December as investors sold down the largest exchange traded fund specialising in the commodity, but it then recouped all of this fall during January.


Oil
120
110
100
90
80
70
60
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10
Dec-10
Mar-11
Jun-11
Sep-11
Dec-11


Gold
1950
1850
1750
1650
1550
1450
1350
1250
1150
1050
950
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10
Dec-10
Mar-11
Jun-11
Sep-11
Dec-11

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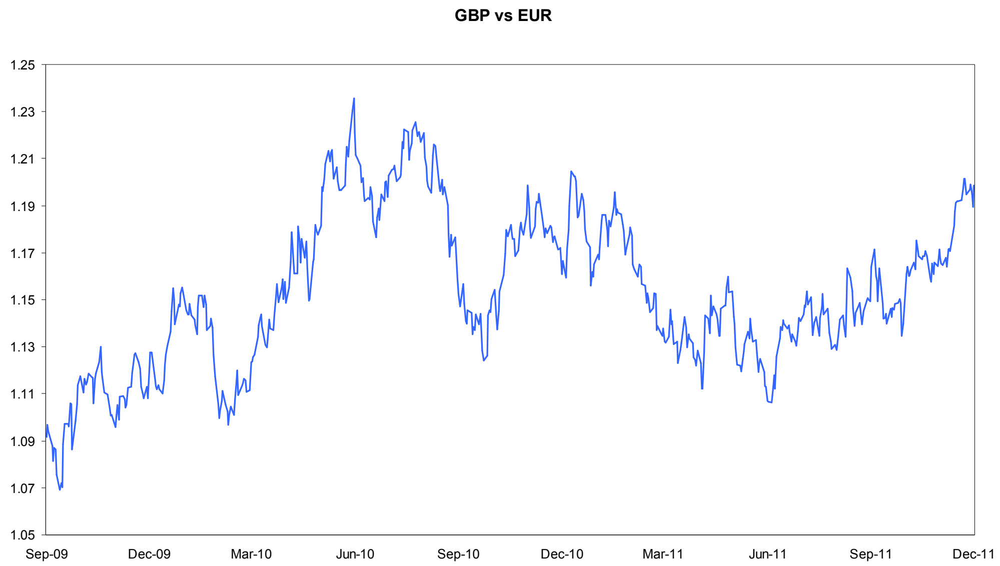
10. In the major **Currencies** there was virtually no net change during the quarter in the Sterling, Dollar and Yen cross-rates, but the Euro weakened by some 3% against each of the other three currencies, extending its weakness of the previous quarter.



Outlook

11. While equity markets have rebounded strongly since October, and recouped their sharp falls of July - September, there still remain several areas of uncertainty which could curtail the rally. The second bailout of Greece has yet to be confirmed, and the domestic reaction to the severe budgetary cuts being demanded could well turn ugly. The French Presidential Election in April looks likely to see the replacement of M Sarkozy by the Socialist candidate, with the prospect of a less business-friendly administration there. While the lack of any significant GDP growth in Europe this year is widely accepted, any slowdown in China or the Pacific region would have a severe impact on many companies who derive much of their growth from trading with that region.

12. ‘Safe haven’ government bond could continue trading at current low yields for several months yet, as Western Central Banks maintain interest rates at minimum levels and supply liquidity to markets by Quantitative Easing or by means of cheap finance. Returns currently available on such bonds look unattractive

13. Against this background, I remain cautious on the near-term prospects for equities, and would not recommend further purchases until the outlook for the Eurozone becomes clearer.

Peter Davies

Independent Financial Adviser

February 10th, 2012

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

Agenda Item 9

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

Agenda Item 13

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Division(s):N/A

PENSION FUND COMMITTEE – 16 MARCH 2012

FUND MANAGER MONITORING ARRANGEMENTS

Report by Assistant Chief Executive & Chief Financial Officer

Introduction

1. Each year this Committee considers the arrangements for monitoring the performance of its Fund Managers. This report sets out the proposed arrangements for 2012/13, and recommends the Committee to approve the arrangements.

Proposed Arrangements

2. Under the current arrangements, the performance of all Fund Managers is reviewed every three months, either by the full Committee, or by officers in conjunction with the Independent Financial Advisor to the Fund. For those quarters that the Committee does not see the Fund Manager, the officer meeting is held in advance of the Committee to allow the Independent Financial Adviser to report all key issues to the Committee.

3. Traditionally, the Committee have seen the three equity managers every 6 months, the fixed income manager once a year, and the two private equity managers once every two years.

4. It is the view of Officers that these arrangements in place for a number of years now have worked well, and the proposed arrangements for 2012/13 have retained the same pattern.

5. As covered elsewhere on the Agenda, Wellington have now been appointed (subject to contract) to manage the global equity mandate for this Committee. It is not expected that there will be any significant activity to monitor before the next Committee meeting, so it is proposed that their first monitoring session with this Committee is at the September 2012 meeting.

6. The detailed monitoring arrangements are therefore proposed as follows:

	Committee	Officers
Quarter 1 Committee - 1 June 2012	UBS Legal & General	Baillie Gifford Private Equity Wellington
Quarter 2 Committee - 7 September 2012	Baillie Gifford Wellington	UBS Legal & General Private Equity

Quarter 3 Committee – 7 December 2012	UBS Adams Street	Wellington Legal & General Baillie Gifford Private Equity
Quarter 4 Committee – 8 March 2013	Baillie Gifford Wellington	UBS Legal & General Private Equity

RECOMMENDATION

7. **The Committee is RECOMMENDED to approve the Fund Manager monitoring arrangements as set out in this report.**

Sue Scane
Assistant Chief Executive & Chief Financial Officer

Background papers: Nil
Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management). Telephone Number (01865) 797190

February 2012

Division(s):N/A

PENSION FUND COMMITTEE – 16 MARCH 2012

OXFORDSHIRE PENSION FUND BUSINESS PLAN FOR 2012/13

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. The Business Plan for 2012/13 is set out at Annex 1. The Plan includes the key objectives of the Fund, details of the service activities, the service priorities for the coming year, a budget for 2012/13 and an updated risk register for the service (Annex 2).

Key objectives

2. The key high level objectives of the fund remain consistent with the 2011/12 plan. The objectives are shown on the front page of the Plan and are summarised as:

- Administer pension benefits in accordance with the LGPS regulations;
- Achieve a 100% funding level;
- Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments; and
- Maintain as nearly a constant employer contribution rate as is possible.

3. In approving the Business Plan the Committee will be endorsing these objectives.

4. Part A of the Plan includes a broad summary of the service activity undertaken. Part B includes the service priorities along with the relevant action plans to deliver on the priorities. These priorities represent improvements or developments that the officers are planning for the coming year. By definition they exclude business as usual.

Oxfordshire Pension Fund 2012/13 Budget

5. Part C sets out the Fund's investment management and scheme administration budget for 2012/13 and compares it with the budget set for 2011/12. Overall there is an increase of £120k to £4.566m. The main variations are explained below. A report comparing the investment management and scheme administration outturn figures against the budget for 2011/12 will be produced for the September 2012 Committee meeting.

6. The variation in the **Global Custody Fee** reflects the reduction in actively managed equities, following the transfer of £100m of the global equity mandate to a passive fund managed by Legal and General.

7. The **consultancy** budget has been reduced to exclude the one off increase in 2011/12 for costs associated with implementing the recommendations of the last fundamental review. It also reflects a transfer of £10k from the consultancy budget to Investment team and support costs associated with ad-hoc consultancy work, now undertaken in-house.

8. The income budget for **Stock Lending fees** has been reduced as a consequence of the reduction in the number of stocks available to lend, following the transfer of £100m of the global equity allocation to passive management. It also reflects lower levels of stock lending income.

9. The reduction in the **Scheme Administration Team** reflects a reduction in staff numbers, as a consequence of more experienced staff and more efficient working practices.

10. An increase of £5,000 has been allocated to printing costs in anticipation of the additional information which will need to be sent to members regarding scheme changes, following Lord Hutton's review, as well as tax changes.

11. The budget for software has been increased to include £159,000 to make provision for the purchase and implementation of the new upgraded software as well as an option to use hosted servers.

12. External audit fees have been reduced in line with revised charges provided.

13. The main increase to other costs arises from the compensation costs awarded against the Administering Authority by the Pensions Ombudsman, as detailed at the last meeting of this Committee.

RECOMMENDATION

14. **The Committee is RECOMMENDED to approve the Business Plan and Budget for 2012/13 as set out at Annex 1.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers:
Contact Officer: Donna Ross – Principal Financial Manager
Tel: (01865) 323976

Sally Fox – Pension Services Manager
Tel: (01865) 797111

March 2012

Oxfordshire Pension Fund: Business Plan 2012/13 ANNEX 1

Service Manager – Pensions, Insurance & Money Management: Sean Collins

Service Definition:

- To administer the Local Government Pension Scheme on behalf of Oxfordshire County Council

Our Customers:

- Scheduled scheme employers e.g. County Council, District Councils, Oxford Brookes University, other Colleges and Academies
- Designating scheme employers e.g. Town & Parish Councils
- Community Admission Bodies e.g. charitable organisations with a community of interest
- Transferee Admission Bodies i.e. bodies where services have been transferred on contract from County or Districts
- Contributory Employees
- Pensioners and their Dependants
- Council Tax payers

Key Objectives:

- Administer pension benefits in accordance with the LGPS regulations
- Achieve a 100% funding level;
- Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments; and
- Maintain as nearly a constant employer contribution rate as is possible.

Part A: Service Activities

Service Activity	Outputs	Outcomes
Investment Management		
Management of the Pension Fund Investments	The Fund is invested in assets in accordance with the Committee's wishes. The Fund's assets are kept securely. Quarterly reports to the Pension Fund Committee.	Pension Fund deficit is minimised by securing favourable returns on investments (compared to benchmarks).
Management of the Pension Fund Accounts	Completion of the Annual Report and Accounts.	No adverse comments from the Fund's auditors.
Management of the Pension Fund Cash	Cash management strategy and outturn reports. Cash Managed in accordance with the strategy.	The Pension Fund cash is managed securely and effectively.
Scheme Administration		
Management of the Pension Fund Administration	The administration procedures are robust and in accordance with regulations and service standards Changes to regulatory framework of the scheme	The workload is completed & checked in accordance with regulations and procedures. Work is completed within specified time scales No adverse comments from the Fund's auditors Implementation of actions arising from regulation changes / Hutton Commission Report

Part B – Service Priorities

Task	Actions	Measures of Success
Investment Management		
Manage transition of global equities mandate to newly appointed fund manager.	Agree contractual arrangements and legal documentation. Set up custody accounts. Arrange transfer of assets. Reconcile and monitor investment activity.	Contracts signed and assets transferred by July 2012 No delays in reconciling accounts Performance monitoring processes operating effectively.
Review custody and stock lending arrangements.	Review performance of global custodian. Review stock lending programme.	Report of review outcomes presented to Pension Fund Committee.
Review of the voting arrangements.	Review voting arrangements for overseas equities.	Council compliant with the Pension Fund Investment principle on responsible ownership
Produce Pension Fund Final Accounts in accordance with new CIPFA guidance.	Assess CIPFA guidance. Identify changes, obtain required data and amend procedures to comply with recommendations.	Final accounts produced on time and in compliance with CIPFA recommendations. No adverse comments from auditors
Improve pension fund investment team procedure notes.	Review existing processes and guidance and identify gaps. Update procedures and improve guidance notes.	Efficient procedures, clearly documented. All members of investment team aware of procedures and able to cover key tasks.

Task	Actions	Measures of Success
Scheme Administration		
Implementation of new scheme regulations and changes arising from auto enrolment	Assess the new regulations when they are published Make changes to the processes and procedures Communicate changes to customers and actions for participating employers	New regulation implemented by the relevant due date. Stakeholders kept up to date with the proposed changes and what action they need to take
Rebranding of Oxfordshire Pension Fund	Agree logo Review website design and content Review publication design and content	Improved recognition of and interest in the Fund by Stakeholders Easier access for interested stakeholders
Continuous improvement of processes and procedures	Task management implemented for majority of functions – need to implement for last remaining procedures Review to implement changes arising from new regulations / service improvements Identify and implement efficiencies	All procedures are efficient and meet both regulatory and customer requirements Task management system is used effectively across the admin team Time and cost savings identified
Improved customer focus	Monitor performance information to identify opportunities for improvement Improve service delivery times Explore customer self service options	Improved customer satisfaction
Explore efficiencies through partnership working	Hold discussions with other scheme administrators to identify opportunities Where appropriate, bring forward any proposals to	Clear position statement on future partnership working Action plan agreed where appropriate

	Committee for consideration	

Part C. Budget:

Investment Management	**2012/13 Budget £'000**		**2011/12 Budget £'000**
Fund Management fees	2,800		2,800
Global custody fee	60		80
Independent Financial Adviser	58		57
Consultancy fees	60		112
Performance Measurement Service	13		13
Member training	12		12
Pensions Investment Team and other support services	242		252
Other	5		5
	3,250		**3,331**
Less: Stock lending fees	100		171
Total Investment Management	**3,150**		**3,160**
Scheme Administration			
Pensions Admin Team and other support services	883		904
Printing & Stationery	40		35
Postage	8		23
Software Support & Licensing	293		134
Actuary fees	90		90
External Audit fees	57		83
Appointed person fees	3		3
Other	71		44
	1,445		**1,316**
Less: Income (e.g. Fire & Teacher Admin)	29		29
Total Scheme Administration	**1,416**		**1,287**
Total Pension Fund Budget	**4,566**		**4,447**

Part D: Risk Register

Identification of Risks:

These are the risks that threaten the achievement of the Pension Fund's objectives. Risks have been analysed between:

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

Key to Scoring

	Impact	Financial	Reputation	Performance
5	Most severe	Over £100m	Ministerial intervention, Public inquiry, remembered for years	Achievement of Council priority
4	Major	Between £10m and £100m	Adverse national media interest or sustained local media interest	Council priority impaired or service priority not achieved
3	Moderate	Between £1m and £10m	One off local media interest	Impact contained within directorate or service priority impaired.
2	Minor	Between £100k and £500k	A number of complaints but no media interest	Little impact on service priorities but operations disrupted
1	Insignificant	Under £100k	Minor complaints	Operational objectives not met, no impact on service priorities.

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)
2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
	Funding				
1	Inappropriate long-term investment strategy in relation to fund liabilities leading to an increase in the deficit	5	1	5	Fundamental Strategic review post valuation. Fund-specific benchmark and targets set. Advised by the Fund's IFA
2	Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities and an increase in the deficit.	4	2	8	Quarterly monitoring of liabilities. Toleration of risk in the expectation of higher real returns from riskier assets (equities, property). Investment in bonds helps mitigate the risk.
3	Pay and price inflation significantly higher than anticipated increasing the value of the liabilities.	4	2	8	Inter-valuation monitoring. Toleration of risk in the expectation of higher real returns from riskier assets (equities, property). The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Some investment in bonds helps to mitigate this risk.
4	Effect of possible increase in employer's contribution rate on service delivery by admission/scheduled bodies.	3	2	6	Mitigate impact through deficit spreading and phasing in of contribution rises. Employers given early indications of potential increases.
5	Pensioners living longer than assumed in actuarial assumptions and therefore pension liabilities increase.	4	3	12	Review life expectancy assumptions at each valuation. Set mortality assumptions with some allowance for future increases in life expectancy.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
6	Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing.	3	3	9	Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored.
7	County Council unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) leading to non-recovery of past service deficits.	2	1	2	The County Council monitors membership movements. There will be a requirement under the 2010 rates and adjustments certificate for all small admitted and designated bodies to pay past service deficits by a cash sum rather than a percentage of pay.
8	Growth in number of academies as free standing employers within the fund with uncertain financial futures, potentially leading to inability to fund pension deficits.	3	1	3	Monitoring number of academies. Currently low number doesn't present significant risk. Consideration of pooling options.
	Investment				
9	Failure of investment strategy to produce long-term returns assumed by Funding Strategy leading to a failure to reduce the deficit.	4	2	8	Investment Strategy reviewed every three years by the Pension Fund Committee with advice from the IFA. Investment strategy will be reviewed in light of 2010 actuarial valuation results.
10	Failure of investment markets (market crash) leading to a failure to reduce the deficit.	5	2	10	Diversification between asset classes. Reporting and monitoring arrangements for investment performance in place. Flexibility in quarterly rebalancing.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
11	Failure of individual investments leading to a failure to reduce the deficit.	3	2	6	Diversified investment strategy and investment manager structure minimises impact at fund level of any individual investment failure.
12	Failure in investment performance by individual investment managers leading to a failure to reduce the deficit.	4	3	12	Thorough manager selection and due diligence process. Regular monitoring of manager performance using external advisers with knowledge of manager performance.
13	Negligence, fraud or default by individual investment manager leading to a failure to reduce the deficit and potential adverse media interest.	3	1	3	Legal requirements on fund managers set out in investment management agreements; FSA and other regulatory requirements. Separation of investment management arrangements from custody of assets through use of global custodian.
14	Failure of custodian leading to losses resulting in a failure to reduce the deficit and potential adverse media interest.	5	1	5	Regular review and periodic re-tendering of custodian contract. Banking and FSA regulation of custodian. All pension fund assets in custody are held in nominee accounts.
15	Counterparty default in securities lending programme leading to a failure to reduce the deficit and potential adverse media interest.	3	1	3	Programme managed by experienced third party, BNY Mellon (Fund custodian). All securities in programme are over-collateralised (by 5%).

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
16	Non-compliance with LGPS investment regulations on investments permitted to pension fund leading to legal challenge.	1	1	1	Investment management mandates structured to ensure compliance. Robust monitoring arrangements for investment managers.
	Governance				
17	Inadequate investment and actuarial advice leading to: • Pension Fund Committee and officers making decisions based on inaccurate or incomplete advice • Inappropriate decisions being taken leading to increased employer costs	3	1	3	Officer and member training programme in place to help with: • Challenge and review of advice given; and • Decision making
18	Pension Fund Committee members have insufficient knowledge and advice to make correct decisions	3	2	6	Training programme and budget in place. IFA appointed and performance reviewed annually
	Operational				
19	Failure of pensions administration IT systems leading to complaints from beneficiaries and potential costs.	2	1	2	ICT business continuity plan / disaster recovery plan in place

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
20	Failure to comply with LGPS pensions benefits regulations (e.g. as the result of incorrect benefit calculations and the holding of incorrect data) leading to potential losses and complaints from beneficiaries.	2	2	4	Pensions administration procedures. Independent internal and external audit review of internal control arrangements.
21	County Council failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt	3	1	3	System of close monitoring of employers in place. A task list acts as a reminder in relation to this.
22	Inability or refusal of an employer to pay the cessation valuation.	3	3	9	Action through the courts.
23	Breach of data protection legislation leading to complaints from members of the scheme.	1	1	1	County Council data security protocol.
24	Failure to comply with pension fund accounting requirements leading to the accounts being qualified.	2	1	2	Staff awareness of changes to legislative requirements via networks, professional press and training. External audit review of pension fund accounts.
25	Employers' failure to carry out their responsibilities for scheme administration leading to complaints from members of the scheme.	1	1	1	Regular communication to employers on LGPS matters. Service Level Agreement in place, employers performance measured and ability to levy higher administration charges.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
26	Failure by Prudential to provide AVC services to the Pension Fund leading to complaints from members of the scheme and potential media interest.	2	1	2	Annual review undertaken and reported to Pension Fund Committee
27	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	2	4	Ensure the review of CIPFA's knowledge and skills framework relating to officers results in key outcomes being delivered. Merger of Pensions Investment and Treasury Management provided some mitigation to this risk.
	Regulatory				
28	Changes to LGPS regs (plus auto enrolment) could lead to: ▪ Increase in workload ▪ Variation in liability and liability profile ▪ Recruitment and retention issues ▪ Admitted bodies opting out	1 1 1 2	3 3 1 1	3 3 1 2	The County Council responds to all consultation papers on structural change to the LGPS issued by the Department of Communities and Local Government. Risks will need to be addressed if the regs change.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
29	An employer ceasing to exist with insufficient funding or adequacy of a bond.	2	2	4	The risk is mitigated by: • Seeking a funding guarantee from another scheme employer, or external body, where possible. • Vetting prospective employers before admission. • Admitted bodies' contribution rates are based on the same assumptions as scheduled bodies

Division(s): N/A

PENSION FUND COMMITTEE – 16 MARCH 2012

Pension Fund Cash Management Strategy 2012/13

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short term commitments and forms 0-5% of the Fund's strategic asset allocation.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 S.I.No. 3093 state that from 1 April 2011 the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment policy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This report sets out the strategy for the financial year 2012/13.

Management Arrangements

4. The Pension Fund cash balances are managed by the Council's Treasury Management and Pension Fund Investments team. Cash balances are reviewed on a daily basis and withdrawals and deposits arranged in accordance with the current strategy. Pension Fund cash deposits are held separately from the County Council cash.

Rebalancing

5. The Oxfordshire County Council Pension Fund has a cash strategic asset allocation range of 0 – 5%. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise.

6. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the Pension Fund Investment Managers in accordance with the decisions taken during the rebalancing exercise.

7. In general a minimum cash balance of £10million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private equity investment transactions. The level of cash balances will fluctuate on a daily

basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

Investment Strategy

8. The Pension Fund cash investment policies and procedures will be in line with those of the Administering Authority. Priorities for the investment of cash will be:-

(a) The security of capital and
(b) The liquidity of investments
(c) optimum return on investments commensurate with proper levels of security and liquidity.

Investment of Pension Fund Cash

9. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures. Lending limits relating to the Council's in-house deposits will however not apply due to differences in the levels of cash held. The Pension Fund cash balances managed in-house will be deposited with a minimum of two counterparties.

10. The Pension Fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's approved list of specified investments is attached at Annex 1.

11. Pension Fund deposits will be restricted to the County Council's approved counterparties at the time of deposit. Approved counterparties as at 27 February are shown in Annex 2.

Borrowing for Pension Fund

12. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 gives administering authorities a limited power to borrow on behalf of the pension fund for up to 90 days. The power cannot be used to invest, but only for cashflow management in specified circumstances which should in practice be exceptional, i.e. to ensure that benefits are paid on time, and in transition management situations when the allocation of a pension fund's assets is being amended. Money can only be borrowed for these purposes if, at the time of borrowing, the administering authority reasonably believes that the sum borrowed, and any interest charged as a result, can be repaid out of the pension fund within 90 days of the date when the money is borrowed.

13. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.

14. The Assistant Chief Executive and Chief Finance Officer (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Assistant Chief Executive and Chief Finance Officer during 2012/13.

RECOMMENDATIONS

15. The Pension Fund Committee is RECOMMENDED to approve the Pension Fund Cash Management Strategy for 2012/13:

(i) Delegate authority to the Assistant Chief Executive and Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;

(ii) Delegate authority to the Assistant Chief Executive and Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and

(iii) Delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

Sue Scane
Assistant Chief Executive and Chief Financial Officer

Background papers: Nil

Contact Officer: Donna Ross, Principal Financial Manager
– Treasury and Pension Fund Investments
Tel: (01865) 323976

February 2012

Annex 1

Oxfordshire County Council 2012/13 Approved Specified Investments for Maturities up to one year.

Investment Instrument	Minimum Credit Criteria
~~Debt Management Agency Deposit Facility~~	~~N/A~~
Term Deposits – UK Government	N/A
Term Deposits – Banks and Building Societies	Fitch short-term F1, Long-term A, Individual rating C with support rating 2 or individual rating B with support rating 3, Minimum Sovereign Rating AA
Term Deposits with Nationalised Banks with Government Guarantee for wholesale deposits	N/A
Term Deposits with Part Nationalised banks by the UK Government	N/A
Certificates of Deposit issued by Banks and Building Societies	A1 or P1
Money Market Funds with a Constant Net Asset Value	AAA
Other Money Market Funds and Collective Investment Schemes[1]	Minimum equivalent credit rating of A+ across all 3 Ratings Agencies. These funds do not have short-term or support ratings.
~~UK Government Gilts~~	~~AAA~~
~~Treasury Bills~~	~~N/A~~

[1] I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Annex 2

Approved Counterparties as at 27/2/12

Ignis Sterling Liquidity Fund

Bank of Montreal
Bank of Nova Scotia
Bank of Scotland Plc
Barclays Bank Plc
Canadian Imperial Bank of Commerce
Commonwealth Bank of Australia
HSBC Bank plc
National Australia Bank
National Bank of Canada
LloydsTSB Bank plc
Royal Bank of Scotland
Santander UK plc
Standard Chartered Bank
Toronto-Dominion Bank

English, Welsh and Scottish Local Authorities

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Division(s):N/A

PENSION FUND COMMITTEE – 16 MARCH 2012

CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME

Report by the Assistant Chief Executive and Chief Financial Officer

Introduction

1. At its December 2011 meeting, this Committee agreed a response to the Government's consultation on increases to employee contributions to be effective from April 2012. This consultation was seen as part one to a two part process to reform the Local Government Pension Scheme following the fundamental review of all public sector pension schemes by Lord Hutton.

2. This report sets out the latest position on LGPS reform, as well as setting out the key details of the officer response to a separate consultation on a number of technical changes to the current regulations.

LGPS Reform

3. Shortly after the December Committee meeting and the submission of this Committee's consultation response to the employee contribution changes, the Local Government Association and representatives of the local government Unions (Unison, GMB and Unite) issued a joint statement. This statement set out a set of jointly agreed principles to form the basis of further negotiations to deliver a single set of reforms to the LGPS.

4. This jointly agreed statement of Heads of Agreement was subsequently endorsed by the Secretary of State for Communities and Local Government as the basis for future work. He therefore confirmed that he would take no action as a consequence of the consultation on employee contribution changes whilst the process to implement the Heads of Agreement was progressing satisfactorily.

5. The Heads of Agreement include 10 principles in respect of new scheme design and a further 7 principles in respect of future management and governance. It also set out a clear timetable to enable the reforms to be implemented with effect from April 2014, a year earlier than the previous target.

6. The principles were based on the previous framework set out by Government Ministers. The key principles covered in the Heads of Agreement include:

- A single solution, with regulations in place by March 2013, to allow the impact to be included in the 2013 Valuation work, and full implementation from April 2014
- The single solution to be on the basis of career average revalued earnings
- If the financial constraints set by Treasury can be met by scheme redesign, then zero contribution increases for all or the vast majority of scheme members is acceptable
- Some element of choice (around contributions and benefit levels) to be introduced to support the recruitment and retention of scheme members
- Retention of flexible retirement arrangements between the ages of 55 and 75, with benefits adjusted around a normal pension age linked to the state pension age.
- The retention of admission body status to protect scheme members out-sourced from current scheme employers
- Cost efficiencies to be explored through more effective procurement and provision of both administration and investment services.
- Cost sharing mechanisms to include both a collar and cap on future employer contribution rates to ensure employers neither unduly reduce their contributions, nor face excess increases.
- Focus on negotiated solutions between stakeholders rather than Government regulation to address issues where employer cap/collar set to be breached.

7. The Heads of Agreement set out the “big ticket” issues which need early resolution as contribution rates, accrual rates, revaluation rates, protections, employer cap/collar levels and the cost sharing mechanism.

8. A project group of key stakeholders including officials from the lead unions, the Local Government Association and the Department for Communities and Local Government has been established and has been meeting weekly since the beginning of January. Unite initially withdrew from the discussions, but subsequently re-joined the project meetings.

9. All parties are seeking to agree proposals on the big ticket items, which they can issue for consultation with their members by April 2012. It is then hoped that the statutory consultation on the regulatory changes can begin in September/October 2012 to enable the final regulations to be laid in Parliament and agreed by March 2013.

10. Agreement by March 2013 is seen as critical, so that the Actuaries can base the 2013 Valuation exercises for each fund on the basis of the new look scheme, so that cost savings can be delivered from April 2014 when the valuation results are effective.

11. This timetable would also provide a full year to ensure the new look scheme can be properly communicated to all current and potential scheme members, and also allow sufficient time for the development and implementation of any system changes.

12. In the event that it appears the timetable will not be met, or that agreement will not be possible, the Government have retained the right to impose employee contribution increases following on from the suspended consultation. Similarly the Unions have retained the ability to call for further industrial action.

Draft Local Government Pension Scheme (Miscellaneous) Regulations 2012

13. On 5 December 2011, the Government issued a consultation letter on a series of miscellaneous changes to the current regulations. The consultation closed on 27 February 2012. Given the timescale and operational/technical nature of many of the proposed changes, Officers responded directly to the consultation. A copy of that response is included at Annex 1 to this report.

14. Officers were happy to support many of the proposed changes which were seen as either a necessary technical change (e.g. where references to other statute needed to be updated), helpful clarifications or tidying up inconsistencies. These changes covered:

- Survivor benefits for co-habiting partners, and for members during periods of leave
- Flexible retirement
- Deferred benefit decisions where the scheme employer no longer exists
- Trivial Pensions
- Annual allowance payments
- Ill-health retirements

15. There were three areas where Officers supported the principle behind the proposed change but were concerned that the current wording did not deliver the intended result. The first of these was Regulation 6 where the definition of "that employment" intended to clarify the period over which final salary should be determined was seen to create further confusion. In particular the definition referred to continuous employment within local government employment, which would suggest you could go back to a period of employment with a previous employer, as long as there was no break in local government employment.

16. The second area of concern regarded regulations 29/30 and the ability to allow a substitute Fund to be nominated where employers merged, or operated in a different geographical area. Officers were concerned that the proposed wording was not sufficiently flexible to support all the latest structural changes being examined in the public sector – e.g. the sharing of staff across more than one District Council without formal merger or the cessation of each distinct Council. Officers were also concerned that the flexibility was not to be provided to Academies.

17. The third area of concern was regulation 32 which aimed to clarify the ability of the Administering Authority to require cessation valuations and payments. Again the concern was that the proposed wording was not sufficiently flexible

to reflect the new ways of working across the country and the fact that scheme employers could continue to exist in their own right, but have no active members.

18. There were also three areas where the Officer response disagreed with the principle of the proposed changes. The first of these was the mandatory requirement under regulation 21 to set up a separate admission agreement for each separate service contract held by a transferee admission body. This would limit the flexibility for the Administering Authority, Scheme Employer and Admission Body to manage deficits arising on a temporary basis (particularly those reflecting falls in asset values following poor market performance). This would work against the statutory objective of maintaining as near stable contribution rates as possible. There was also likely to be increased administrative effort required where employees worked across more than one contract.

19. Officers were also opposed to the changes proposed in regulation 22 which made the inclusion of a bond or indemnity mandatory in future admission agreements. The Authority has for a number of years managed the pension risks through pass through arrangements set out in service contracts. Mandating the requirement for a bond or indemnity would add cost and time to the outsourcing process and act as a disincentive to employers looking to deliver the Government objective of increasing plurality of service provision.

20. Officers were also opposed to regulation 42 which required academies to belong to the pension fund of their former maintaining authority. This appears to work against the Government's programme of setting up umbrella and multi-academy trusts which would often work across administering authority boundaries.

RECOMMENDATION

21. **The Pension Fund Committee is RECOMMENDED to note the latest position on the reform of the LGPS, and the consultation response submitted by officers on the draft LGPS (Miscellaneous) Regulations 2012.**

Sue Scane
Assistant Chief Executive and Chief Financial Officer

Background papers: Consultation Letter from DCLG dated 5 December 2011
Various papers from The New LGPS 2014 Project Website

Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management) – 01865 797190

February 2012

Annex 1 – Consultation Response

Philip Perry
Workforce, Pay & Pensions Division
Department for Communities & Local Government
Zone 5/G6
Eland House,
Bressenden Place
London
SW1E 5DU

Sent by email to philip.perry@communities.gsi.gov.uk

06 March 2012
Direct Line: 01865 797190

This matter is being dealt with by Sean Collins
Email: sean.collins@oxfordshire.gov.uk

Dear Philip

Draft Local Government Pension Scheme (Miscellaneous) Regulations 2012

I am writing on behalf of the Oxfordshire Pension Fund Committee in response to your consultation letter of 5 December 2011. Due to the timings of the Committee meetings it has not been possible for the Committee to consider this matter in advance of your deadline. For ease of reference I have responded following the format of your consultation letter.

<u>Amendments to the Benefit Regulations</u>

Regulation 6 – we are not sure this provides the clarification you were seeking. In particular the phrase “a continuous period of employment in local government employment” fails to make clear whether the employment is with one or more local government employers. We have recently had an IDRP complaint where the scheme member had spent less than a year as a member of the Oxfordshire Fund. He argued that his pension benefits at Oxfordshire should be calculated on his final 12 months’ pay, which included an element of higher pay earned during his previous employment within local government, but outside Oxfordshire. Oxfordshire argued that “that employment” within the regulations meant with a single employer and so we could not take into account pay at a previous employer. The wording of the proposed new regulation would suggest that as the employment in local government was continuous, the final pay should in fact include an element is respect of the time spent with the previous employer. We would be grateful for further wording to clarify your intention here.

Regulation 7 – we support the proposed change to enable members to elect to purchase additional survivor benefits within 12 months of the nomination of a co-habiting partner.

Regulation 8 – we support the proposed change to clarify the position on flexible retirement, and that a member has freedom to choose what element of their post 2008 benefits they take, and that they are required to take their full pre 2008 benefits.

Regulations 9, 10 and 14 – these are seen as necessary technical changes

Regulations 11 and 12 – we support the proposed change to make the Administering Authority responsible for employer decisions re deferred benefits where the former employer has ceased to be a scheme employer. Only issue is definition of when an employer ceases to be a scheme employer (see also comments on regulation 30 and 32 below). Where bodies are scheme employers under Schedule 2 of the Administration Regulations, the fact that they have no active members is not seen to cease their status as scheme employers. As new models of working develop e.g. District Council's working in partnership without former merger, there is an increased likelihood of scheme employers with no active members.

Regulation 15 – we support the change to reduce the number of small pension payments through increased opportunity to commute accrued rights to a single lump sum payment.

<u>Amendments to the Transitional Regulations</u>

Regulation 19 – is seen as a necessary technical amendment.

<u>Amendment to the Administration Regulations</u>

Regulation 21 – we have concerns about the proposed change to ensure each service contract with a transferee admission body must be covered by a separate admission agreement. To make such a position mandatory may create administrative issues where employees work on one or more contracts, as well as reducing the flexibility of the Administering Authority, the sponsoring employer and the Transferee Admission Body to manage pension deficits stemming from temporary factors – e.g. where the first contract ends at the time where market values have fallen and as such assets allocated to the transferee admission body have dropped significantly below liabilities, the financial future of the admission body may be threatened by the requirement to meet a cessation valuation. Where the admission agreement covers all contracts with a single employer, there is flexibility to recover any deficit over a longer period, enabling contribution rates to be kept more stable to the benefit of both the admission body and the sponsoring employer, without any undue risk to the Pension Fund.

Regulation 22 – we do not support the proposal to make it a mandatory requirement to have an indemnity or bond in place for all transferee and community admission bodies. In recent years, employers within Oxfordshire, notably the County Council but also District Councils have sought to remove the majority of pension risk from service contracts through pass through arrangements. The requirement for an indemnity or bond has therefore seen to be unnecessary. To now make an indemnity or bond a mandatory requirement will run counter to these measures, and add cost to the out-sourcing process. These costs include the costs of calculating bond values, the cost of finding willing financial institutions to provide the bond and the cost of the bond itself. The measure will therefore make the outsourcing process less attractive to both scheme employers and potential contractors, and therefore runs directly against the Government objective to establish plurality of provision and improve both effectiveness and efficiency of service provision. The existing regulatory position requiring proper consideration of risk is seen as the appropriate approach to current ways of working. The Oxfordshire Pension Fund Committee in its consideration of this issue previously have felt that the requirement to have a bond, and the associated costs of obtaining and maintaining this bond are likely to create the financial circumstances where employers face administration or the threat of a winding up order, to the detriment of the Pension Fund and local community.

Regulation 23 – this is seen as a necessary technical amendment

Regulation 24 - we support the proposed change to ensure consistency between additional paternity leave and the current arrangements for maternity or adoption leave.

Regulation 25, 26 and 27 – we support the changes to ensure consistency of additional survivor benefit contributions during different types of leave.

Regulations 29 and 30 – we support the principle behind this proposed change but are concerned whether the current wording is sufficiently flexible to cover the full range of new working models currently being delivered. Linked to Regulation 11 and 12 above and 32 below, we are concerned that current moves by District Councils to share staff without a formal merger of the distinct Councils is not covered by the proposed wording of these new regulations (e.g West Oxford District Council and Cherwell District Council both have partnership arrangements with a District Council outside the Oxfordshire Fund. We do not believe pension fund arrangements should act as an inhibitor to further developments in such arrangements). We are also concerned about the exclusion of Academies from the proposed new regulation, particularly as this is an area where joint working across administering authority boundaries is growing. Where successful secondary academies sponsor new primary academies across an administering authority border, it does not appear sensible to force the two academies under a single umbrella body to be required to be members of separate pension funds. We would wish to see the wording amended to allow greater flexibility in such arrangements, with decisions on specific fund membership allowed where agreed by all parties, and referred to the Secretary of State for direction in cases of dispute.

Regulation 31 – is seen as a necessary technical change.

Regulation 32 – we support the principle behind this proposed change to tighten up the arrangements where an employer ceases to be an employer in the fund. As stated above, our concern is that the definition of where an employer ceases to be a scheme employer is not sufficiently tight to cover the new structural arrangements being set up today. Linked to Regulation 30 above, there is a need to protect Pension Funds from situations where a scheme employer under Schedule 2 makes arrangements to reduce active membership to nil through new arrangements with another employer. Ideally where the employees retain LGPS membership under a second employer (whether within the first fund or a substituted fund) and pension deficit should follow the employees rather than creating a cessation valuation.

Regulation 34 – we support the proposed change to require administering authorities to publish a policy on early payment of deferred benefits, consistent with the proposed change in regulations 11 and 12 above.

Regulations 35 and 36 – we support these proposed changes to support the changes introduced in the annual allowance, and the ability of the member to ask the Fund to pay any subsequent tax bill, funded by a reduction in their accrued pension rights.

Regulations 37, 38, 39 and 40 – are seen as necessary technical amendments.

Regulation 41 – we support the change to ensure consistency in approach to transferee and community admission bodies, subject to the comments under regulation 22 above.

Regulation 42 – we believe that the proposal to require each academy school to belong to the administering fund of its former maintaining authority is inconsistent with the Government's academy programme, and the development of Umbrella and Multi-Academy Trusts which will support schools in more than one administering authority area. We believe greater flexibility is required here as set out under regulation 30 above.

Regulation 43 – we support the proposal to ensure existing admission agreements are not retrospectively impacted by proposed changes above.

<u>Auto-enrolment</u> – we are concerned about the current inconsistencies between the Pensions Act 2008 and the LGPS Regulations in terms of the admission of casual employees and agency staff, the difference in vesting period, and the rules regarding opting out before your first day of employment. We believe that given the view that the Pension Act requirements will prevail, the LGPS Regulations should be amended to ensure consistency and to minimise the confusion of scheme members who may be misled where they refer to the LGPS guidance documentation (particularly during the period of transition where the rules will apply inconsistently depending on whether each employer has reached its staging date.

Ill-Health Changes

We support all the proposed changes to clarify or bring consistency to issues surrounding ill-health retirements.

We thank you for the opportunity to comment on the draft Regulations, and we hope that you find our comments useful in making the decisions about the final Regulations.

Yours sincerely

Sean Collins
Service Manager (Pensions, Insurance and Money Management)

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Division(s): N/A

PENSION FUND COMMITTEE – 16 MARCH 2012

ACADEMIES AND THE LOCAL GOVERNMENT PENSION SCHEME

Report by the Assistant Chief Executive and Chief Financial Officer

Introduction

1. In December 2011, the Secretaries of State for Education and Communities & Local Government issued a joint letter to Local Authority Leaders and Chief Executives regarding academies and the Local Government Pension Scheme (LGPS). This letter set out concerns regarding the calculation of contribution rates for some Academies across the Country.

2. The letter set out the Minister's wishes for a consistent approach to the calculation of contribution rates for Academies, and that no Academy would pay an unjustifiably higher rate than maintained schools in the area. The Ministers set out that their preferred approach was to allow Academies to be pooled with their former local authority for LGPS purposes. The letter acknowledges there is no power at present to impose a pooled solution, but notes that Ministers will consider regulatory changes at a later date if deemed necessary.

3. The approach to pooling employers within the LGPS is set out in the Funding Strategy Statement for each Pension Fund. This Statement is determined by this Committee following consultation with appropriate stakeholders. The purpose of this report is to determine this Committee's position on amending the Funding Strategy Statement to allow Academies within Oxfordshire to be pooled with the County Council, or any alternative option. The views of the County Council's Cabinet will be reported directly to the Committee following consideration of this item by the Cabinet at their meeting on 13 March 2012.

Background

4. Under the Local Government Pension Scheme (Administration) Regulations 2008, all Academy schools are defined as Scheme employers within the LGPS. This means that all non-teaching staff are automatically eligible for membership of the LGPS, and all existing scheme members retain their scheme membership on conversion.

5. Within Oxfordshire, each of the five Academies established at the time of writing this report have been treated as standalone employers when assessing their liabilities and assets within the Fund. The contribution rates set have therefore reflected the characteristics of their specific scheme membership.

6. For each Academy, the Fund Actuary has determined a share of the existing pension fund deficit attributable to the County Council. The deficit has been determined in proportion to the liabilities of the active members of the Academy staff to the liabilities of the active members of the Council as a whole. As such, if the membership profile for all schools and the remainder of the Council was consistent, the total contribution rate calculated would be equal for each employer. The Actuary considers this the fairest basis for undertaking the calculation. It also reflects the basis of the transfer of funding to each Academy.

7. Consistent with the Regulatory requirement to maintain as near constant contribution rates as possible, as well as the approach employed for all employers at the 2010 Valuation, the Actuary has varied the period over which any deficit can be repaid (up to a maximum of 25 years) to produce contribution rates for the Oxfordshire academies as close as possible to the 19.3% paid by the County Council and therefore the maintained schools.

8. It is understood that elsewhere in the Country, Administering Authorities and their Actuaries have determined that recovery periods should be restricted to much shorter periods, reflecting the lack of certainty over the future funding and therefore existence of any particular Academy. In particular, some authorities have restricted the recovery period to 7 years reflecting the minimum notice period required by either party to end the Funding Agreement. It is believed that this restriction on recovery period is the major reason for the increase in contribution rates facing some academies elsewhere in the Country.

Issues Associated with Pooling

9. Where an Administering Authority chooses to treat a number of employers as pooled for the purposes of the calculation of contribution rates, all actuarial assumptions are shared across the employers in the pool, and all employers share the implications of the different characteristics and experience of the employee membership. As such all employers within the pool have the same contribution rate.

10. The Oxfordshire Pension Fund currently pools together all small scheduled bodies, and separately all small admitted bodies. A number of transferree admission bodies where the pension costs are under-written by the sponsoring employer under the terms of their service contract are pooled with their sponsoring employer.

11. The main purpose of pooling is to maintain a near stable contribution rate for the smaller bodies, where a variation in membership profile or experience could have a disproportionate impact on the contribution rate. For example, a tier 1 ill-health retirement of a scheme member in their 20’s would require the employer to fully fund an additional forty years of pension provision. The pooling arrangement aims to protect both the scheme employer, and the Pension Fund as a whole, by spreading risks and costs.

12. The County Council has chosen to pool with a number of its contractors where the staff were TUPE'D from the Council and the pension costs are underwritten through the service contract. In these cases though the Service Contract limits the extent that the pension costs are under-written to exclude any costs arising from the actions or inactions of the contractor, outside the agreement of the County Council.

Academies and Pooling

13. Since the joint letter from the Secretaries of State a small number of schools have contacted Pension Services expressing a wish to be pooled with the Council for pension purposes. Two formal requests have been received. In both cases, the standalone valuation completed by the Actuary set a contribution rate of 19.3%, equal to the Council's current rate, but with a shorter recovery period. Based on today's circumstances, both schools would therefore be better off as standalone employers.

14. The request to pool with the Council would therefore appear to reflect concerns from the schools regarding the risk of future increases relating to changes in the characteristics or experience of their own scheme members. By pooling with the Council, these risks would be shared, significantly reducing the likelihood of a large change to their future contribution rate.

15. Whilst pooling with the County Council reduces the risks faced by individual academies, the County Council would be taking on new risks. This is because the freedom granted to each academy to vary the terms and conditions of its staff, means they are in a position to significantly impact the level of pension liabilities going forward. This risk does not exist under the Council's current pooling arrangements, whereby the contractor retains responsibility for all pension costs incurred as a result of their decisions outside the agreement of the Council.

16. As the numbers of academies within Oxfordshire grows, the County Council's own contribution rate under a pooled arrangement would become increasingly determined by the independent decisions of the Academy Trusts.

17. From the Administering Authority's perspective, allowing academies to pool with the County Council reduces the risk that any one Academy will be unable to meet its obligations to the Fund as a consequence of a significant increase in their contribution rate.

18. There are alternative options which the Pension Fund Committee can consider to reduce the risk to the Pension Fund as a whole, without placing additional risk with the County Council. Elsewhere in the Country, where the number of academies is significantly higher, Administering Authorities have agreed to establish a separate pool to specifically cover all academies. The level of risk to individual academies and the Pension Fund itself under this option will only reduce significantly once the numbers of academies in Oxfordshire has increased substantially.

19. As the pattern of academies grows within Oxfordshire it will be possible to consider further alternative options e.g. allowing all academies set up under a single umbrella trust to be grouped for pension purposes. This option has the benefit that the terms and conditions for staff (and therefore potential pension costs) are more likely to be consistent, and that individual members of the pool are therefore less exposed to the decisions of other pool members.

20. Given the small numbers of Academies in Oxfordshire at the present time, it is not feasible to run a consultation exercise to produce a representative view of the favoured pooling model for academies in Oxfordshire going forward.

21. In the absence of a pooled option, all academies will continue to be treated as standalone employers, with their contribution rates calculated on a consistent basis with all other employers in the Fund. The Actuary would continue to target a contribution rate as close as possible to the current 19.3% payable by the schools whilst maintained by the Council. For some academies the contribution rate has been set above 19.3% reflecting the characteristics of the current scheme members, and the Fund limit of 25 years on the recovery period.

22. All academies would carry the risk of increased costs in future as a direct consequence of their decisions around pay, retirement, etc. It is not clear what approach the Government would take to an Academy who is unable to meet its pension contributions, though the default position would be that any deficit would fall to the Fund as a whole.

23. If the County Council is against the option to pool the academies with the County Council, then this Committee should determine to defer making any decision on pooling until the numbers of academies in Oxfordshire becomes significant. Risks to the Fund in the short term are seen to be insignificant in relation to the overall liabilities of the Fund (although the risks to any individual school seeking academy status could indeed be significant and should be factored in to their discussions about conversion).

24. Deferral of the decision would enable any future decision to be informed by the representative views of Academy Trustees as their number becomes significant. Any pooling option could also reflect the pattern of Umbrella Trusts where this was deemed to be appropriate

RECOMMENDATION

25. **Subject to the views of the County Council's Cabinet on allowing academies to pool with the County Council, the Committee are RECOMMENDED to defer establishing new pooling arrangements for Academies in Oxfordshire until such time as their numbers are more significant, representative views of Academy Trustees can be taken on board, and any pattern of Umbrella Trusts can be established.**

SUE SCANE
Assistant Chief Executive and Chief Financial Officer

Background papers: Letter from Secretaries of State for Education and Communities & Local Government – December 2011
Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management) – (01865) 797190

February 2012

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Division(s): N/A

PENSION FUND COMMITTEE – 16 March 2012

Write Off's

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. In November 2007 a change was made to the Scheme of Financial Delegations to allow write offs, under £7,500, chargeable to the pension fund to be approved by the Service Manager (Pensions, Insurance and Money Management) acting as Director and the Acting Head of Finance (Corporate Finance) acting as s151 Officer. Under the Scheme of Financial Delegation, such write offs need to be reported to this Committee for information.

2. For debts between £7,500 and £10,000 chargeable to the pension fund approval would need to be sought from the Assistant Chief Executive and Chief Finance Officer. These write offs will also need to be reported to this Committee for information.

3. Debts in excess of £10,000 would require approval of Pension Fund Committee

Current Cases

4. The Service Manager (Pensions, Insurance and Money Management) / Acting Head of Finance (Customer Services) and (Corporate Finance) have approved the write off of £163.16, chargeable to the pension fund in respect of thirty four cases.

5. This higher number of cases than average is as a result of a recent file review. In all cases the member had died resulting in a small over payment of pension, which could not be recovered. The smallest amount was £0.18 and the highest amount was £9.56.

RECOMMENDATION

6. **The Pension Fund Committee is RECOMMENDED to note the report**

Sue Scane
Assistant Chief Executive and Chief Finance Officer
Background papers: Nil
Contact Officer: Sally Fox (01865) 797111

February 2

Division(s): N/A

PENSION FUND COMMITTEE – 16 MARCH 2012

COMPANY ENGAGEMENT

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. In December 2011, the Pension Fund Committee considered the benefits and costs of membership of the Local Authority Pension Fund Forum. The Committee decided against joining the forum but resolved to consider the priorities in relation to company engagement, at its next Committee Meeting.

2. The UK Stewardship Code was introduced in 2010 to enhance the quality of engagement between institutional investors and companies, to improve long-term returns to shareholders, and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the Financial Reporting Council believes institutional investors should aspire. Institutional shareholders are free to choose whether or not to engage, but their choice should be a considered one based on their investment approach. Where stewardship responsibilities are delegated to asset managers, trustees are responsible for ensuring that appropriate policies are in place, policies are implemented effectively and transparently and that they meet the funds objectives.

3. Principle 3 of the UK Stewardship Code requires institutional Investors to monitor its investee companies. As part of this monitoring, institutional investors should:

   - Seek to satisfy themselves, to the extent possible, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight, including by meeting the chairman and, where appropriate, other board members.

   - Maintain a clear audit trail, for example, records of private meetings held with companies, of votes cast, and of reasons for voting against the investee company's management, for abstaining, or for voting with management in a contentious situation; and attend the General Meetings of companies in which they have a major holding, where appropriate and practicable.

   - Institutional investors should consider carefully explanations given for departure from the UK Corporate Governance Code and make reasoned judgements in each case. They should give a timely explanation to the company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the company's position.

- Institutional investors should endeavour to identify problems at an early stage to minimise any loss of shareholder value. If they have concerns they should seek to ensure that the appropriate members of the investee company's board are made aware of them.

4. Principle 4 of the code states that Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

   - Institutional investors should set out the circumstances when they will actively intervene and regularly assess the outcomes of doing so.

   - Intervention should be considered regardless of whether an active or passive investment policy is followed.

   - In addition, being underweight is not, of itself, a reason for not intervening.

   - Instances when institutional investors may want to intervene include when they have concerns about the company's strategy and performance, its governance or its approach to the risks arising from social and environmental matters.

5. In compliance with the UK Stewardship code, the committee is recommended to consider the corporate governance activities of its fund managers, in particular the key issues for which fund managers would be expected to engage with companies, and if the policies adopted by the managers are acceptable to the Committee.

6. The Pension Fund Committee is responsible for ensuring that the fund's investment managers adopt the UK Stewardship Code. As of 6 December 2010, all UK authorised asset managers are required by the FSA to produce a statement of commitment to the UK Stewardship Code or to explain why it is not appropriate to their business model.

7. Baillie Gifford, Legal and General and UBS confirmed compliance with the Stewardship code, and continue to report compliance on their public websites. The Monitoring and Engagement Policies of the fund managers are summarised in Annex 1.

8. Following the introduction of the UK Stewardship Code, the Fund Managers were requested to include a summary of corporate governance activities, including company engagement within their quarterly reports to the Pension Fund Committee.

9. Examples of recent shareholder engagement activity noted in the quarterly reports include:

Baillie Gifford

- BHP Billiton – Health and Safety policy in developing countries. UK Bribery Act implications.
- Royal Dutch Shell – Board development in Nigeria and Alaska. Progress on permits for drilling off Alaska.
- Tesco – Impact of climate change and water scarcity, relationships with small suppliers and building a resilient supply chain. US Unions and food safety in China.
- Ashtead Group – Remuneration
- IG Group Holdings – Non-Executive directors, nomination process, succession planning and length of tenure.

Legal and General

- FFD - Wrote to 6 UK companies and collaboratively to 25 global companies, most exposed to impacts on forestry to request disclosure of their footprint through the framework of Forest Footprint Disclosure.
- Rank Group Plc – Protection of shareholder rights related to takeover bid.
- Easyjet – EGM proposal of major shareholder and company results.
- Sports Direct – acquisition of properties from the company's major shareholder, related party conflicts of interest.
- Thomas Cook Group plc – Governance issues and strategy, Appointment of new Chairman.
- Novo Nordisk – Board structure.
- Johnson Johnson – Remuneration policy and long-term cash plan.
- G4S – Takeover equity rights issue.
- Charter International – Takeover shareprice.
- Pfzer – Remuneration policy severance payment to previous Chief Executive.
- Swiss Re – General governance issues
- Toyota Motor Corp – Lack of Independent directors
- Antofagasta – Independence and diversity of the board, safety training and water efficiency.

UBS

- Vodafone – acquisitions strategy, operating performance, re-election of chairman.
- BskyB – Remuneration and re-election of James Murdock, conflict of interest.
- Sage Group – Acquisition in Australia.

10. The Oxfordshire County Council Pension Fund delegates Stewardship responsibilities to its asset managers. The Pension Fund Committee is responsible for ensuring that each investment manager has an explicit

strategy setting out when they would intervene in a company, which itself is acceptable to the Committee. Key questions the Committee need to consider in relation to this policy are:

i. Do the fund's asset managers have appropriate stewardship policies in place?
ii. Are they implemented effectively and transparently?
iii. If not, what changes need to be made to meet the fund's requirements?
iv. What reporting level of detail should the fund's asset managers provide on engagement?
v. How frequently should reporting and monitoring take place?
vi. Does the asset manager have sufficient resources dedicated to stewardship?
vii. Are the circumstances in which the asset manager escalates their engagement activities appropriate?
viii. Are the escalation methods appropriate?
ix. How are the outcomes of engagement activities assessed and are they appropriate?

11. The Myners Principles encourage the involvement of pension funds in the oversight of the companies they own, due to the strong influence they can have in improving long-term financial returns through good corporate governance and social responsibility. Recent examples of where governance and corporate responsibility risks have materialised highlight the importance to shareholders of such issues. (BP, Northern Rock, RBS etc).

12. Whilst the primary focus of the UK Stewardship code is on the asset managers, the asset owners such as pension funds are strongly encouraged to comply with it, and ensure that their asset managers adopt and comply with the code.

Recommendation

13. The Committee are RECOMMENDED to consider the policies and performance of the fund's investment managers in relation to company engagement and if they meet the requirements of the Oxfordshire County Council Pension Fund.

Sue Scane
Assistant Chief Executive and Chief Financial Officer

Contact Officer: Donna Ross – Principal Financial Manager – (01865) 323976
Background papers: Nil
February 2012

Annex 1

Summary of Fund Manager Engagement Policies

Baillie Gifford

14. Baillie Gifford 'participate in constructive consultation with companies and have regular meetings with management and/or board members to monitor performance'. The factors taken into account include:

  - Company strategy
  - Operational performance
  - Acquisitions and mergers policy
  - Corporate governance
  - Risk management and internal controls
  - Corporate social responsibility

15. Baillie Gifford endeavour to invest in companies where they have confidence in the board and management to set and implement strategy on behalf of shareholders. An example is company executives who hold shares, and incentive schemes which are fair and aligned with the interests of external shareholders

16. Baillie Gifford are keen to see evidence of companies adopting long-term strategies for developing business, such as continuing to invest in R&D, regardless of economic conditions.

17. 'Discussions on executive remuneration represent a growing proportion of 'our engagement with companies. Executive remuneration should be simple with more focus on the long-term.

18. Baillie Gifford believe executives should build up a shareholding in the company. Performance targets need to be appropriate for the business.

19. The oil and gas and mining sectors are high impact with physical and visual effects on the environment and health and safety risks. Health, safety and environmental performance can be used as an indicator for management quality.

20. 'We will intervene in a company when we have concerns about any aspect of corporate performance and where shareholders' interests may be at risk'. The form of intervention will vary according to individual circumstances and may include:

  - Meeting or engaging with management and/or board members to discuss concerns.

  - Working with other institutional shareholders to encourage a company to address concerns.

- Selling out of or reducing a holding when appropriate and in the clients' Interest.

Legal and General

21. Legal and General Investment Management (LGIM) aims to maximise shareholder value by promoting integrity in business. LGIM expect all listed investee companies and those seeking a listing, regardless of their domicile to demonstrate the highest standards of corporate governance.

22. Engagement activities in which LGIM have been involved in include:

    - Board performance
    - Succession planning
    - Remuneration
    - Environmental and Social Responsibility
    - Mergers and Acquisitions and other capital issues

23. LGIM believes there should be a clear division of responsibilities and the roles of the Chairman and Chief Executive should be separate. The Chairman should be available to meet with shareholders and should manage concerns raised by investors effectively. LGIM expects to engage with the Chairman of major investee companies on a regular basis.

24. LGIM expects all Listed companies to establish an Audit Committee, a Remuneration Committee and a Nomination Committee. These should comprise at least three independent non-executive directors as its members.

25. Remuneration levels should be sufficient to attract, retain and motivate directors of the quality required to rund the company successfully. However, a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link to the rewards to corporate and individual performance.

26. LGIM applies its global corporate governance policy when monitoring investee companies and seeks an explanation for their departure from best practice. If LGIM believe that their concerns are not being addressed, or if they have concerns with the Chairman's performance then they will contact the Senior Independent Director. If engagement with the Senior Independent Director does not deliver any changes LGIM will usually escalate its engagement by collaborating with other institutional investors.

27. LGIM engage with companies to ensure their Corporate and Social Responsibility/Sustainability policy is applicable to their business as well as the industry and region in which they operate. LGIM look for evidence that ambitious, yet realistic targets are set and that appropriate risk management systems are in place for identifying, managing, and mitigating risks.

28. LGIM environmental and social engagement topics include:

- Climate change/energy – expect companies to actively measure, monitor and disclose greenhouse gas emissions in a comparable and consistent manner. Companies in energy intensive sectors, in particular, should participate in the Carbon Disclosure Project to disclose direct and indirect emission levels.

- Environmental Impact – Environmental management and life cycle assessment should be embedded into business operations, where appropriate, to identify environmental impacts as well as efficiency and opportunities for the business. Environmental Impact Assessments should be carried out when considering acquistions. This should include biodiversity impact assessments.

- Human Rights – Companies should consider what impact their business has on society as a whole and ensure that their operations do not violate internationally recognised standards and local laws. Policies and guidelines on human rights and business ethics should be developed and disseminated within the organisation.

- Labour Standards – Companies should respect internationally recognised labour rights and provide a safe working environment for their employees and contractors.

29. <u>UBS</u>

30. UBS Global Asset Management aim to be supportive long-term shareholders. 'We seek to develop both a long-term relationship and an understanding of mutual objectives and concerns with the companies in which we invest on behalf of our clients.'

31. Regular meetings are held typically with company chief executives and finance directors. In addition UBS meet with chairmen and other board members. Corporate strategy and objectives are discussed and performance is assessed and monitored.

32. 'Discussions have covered a wide range of issues including:

- Strategy – including acquisitions and the deployment of capital
- Operational performance
- Quality of the board
- Health and Safety
- Risk Management
- Remuneration

33. UBS generally support executive incentive schemes that

- Require a high level of personal shareholding to ensure alignment of interest with shareholders
- Encourage a long-term perspective
- Are simple
- Are designed to promote sustainable value creatiion in line with the agreed strategy of the company
- Have, as their primary performance hurdle for investing, total shareholder return relative to either a peer group or index.
- Avoid excessive issuance

34. Significant factors for an effective board include:
    - An effective chairman
    - Roles of chairman and chief executive should be separate
    - Board should comprise individuals with appropriate and diverse experience capable of providing good judgement and diligent oversight of management of the company
    - Non-executive directors should provide a challenging, but generally supportive environment for the executive directors.
    - The whole board should be fully involved in endorsing strategy and in all major strategic decisions
    - Appropriate management succession plans should be in place
    - The interests of executives and shareholders should be aligned
    - The financial audit should be independent and accurate
    - The brand and reputation of the company should be protected and enhanced
    - A constructive dialogue with shareholders should be encouraged
    - The board should receive all information necessary to hold management to account.