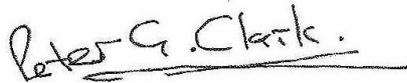


To: Members of the Pension Fund Committee

## ***Notice of a Meeting of the Pension Fund Committee***

**Friday, 1 June 2012 at 10.15 am**

**County Hall, New Road, Oxford**



Peter G. Clark  
County Solicitor

May 2012

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

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### **Membership**

Chairman –  
Deputy Chairman -

### *Councillors*

David Harvey  
Bill Service  
Jean Fooks

Roy Darke  
Stewart Lilly  
A.M. Lovatt

C.H. Shouler

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### *Co-optees*

District Councillor Richard Langridge  
District Councillor Jerry Patterson

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### **Notes:**

- ***A lunch will be provided***
- ***Date of next meeting: 7 September 2012***
- ***Prior to the start of the meeting (at 9.30am) UBS will give a private training session on the CIPFA Knowledge & Skills Framework and the responsibilities of the Pension Fund Committee member.***

## 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. **Election of Chairman for the current year**
2. **Election of Deputy Chairman for the current year**
3. **Apologies for Absence and Temporary Appointments**
4. **Declarations of Interest - see guidance note**
5. **Minutes (Pages 1 - 8)**

To approve the minutes of the meetings held on 16 March 2012 (PF5) and to receive information arising from them.

6. **Petitions and Public Address**
7. **Overview of Past and Current Investment Position (Pages 9 - 34)**

**10:20**

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 March 2012 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 March 2012
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 March 2012
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 18 months has been produced graphically as follows:

Graph 1 Value of Assets  
Graph 2 – 3 Baillie Gifford  
Graph 4 – 5 Legal & General  
Graph 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, 11, and 12 on the agenda.***

## **8. EXEMPT ITEMS**

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

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

**NOTE:** In the case of item 13 there is no report circulated with the Agenda. Any exempt information will be reported orally.

## **9. Overview and Outlook for Investment Markets (Pages 35 - 42)**

**10:35**

Report of the Independent Financial Adviser (**PF9**).

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.***

## **10. UBS**

**10:50**

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 7 and 9.
- (2) The representatives (Mr S. Lee and Mr A. Sander) 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 March 2012;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 March 2012.

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. Legal & General

11:30

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 7 and 9.
- (2) The representatives (Mr J. Cloke and Mr M. White) 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 March 2012;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 March 2012.

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.***

## 12. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 43 - 46)

12:10

The Independent Financial Adviser will report on the main issues arising from the reports from Baillie Gifford in conjunction with information contained in the tables (Agenda Item 7) (PF12). He will also update the Committee on progress in relation to the transition of the global equity mandate to Wellington.

*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.**

### **13. Summary by the Independent Financial Adviser**

**12:15**

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

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

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

### **14. Review of Custody Arrangements (Pages 47 - 50)**

**12:20**

The report (**PF14**) will update the Committee on a recent request from the Fund's Custodian for a revision of charges, and seek approval to initiate the retendering of the contract.

**The Pension Fund Committee is RECOMMENDED to:**

- a) ***note the report;***
- b) ***approve the appointment of a consultant to assist in the custody service selection process;***
- c) ***delegate responsibility for the interview and appointment process of a Global Custodian to Officers; and***
- d) ***request officers to report back to the Committee on their reasons for***

***appointing the successful Global Custodian.***

*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.*

**ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC**

**15. The New Look Local Government Pension Scheme - 2014 Project**

**12:25**

The report **(PF15)** will cover the proposed changes to the Local Government Pension Scheme following the detailed negotiations between the Government, Employers and the Unions. The Committee will be invited to respond to the Consultation.

NB: This report is subject to the Consultation Paper being published in time to enable proper consideration at this meeting.

**16. Review of Committee Policies (Pages 51 - 94)**

**12:40**

The report **(PF16)** invites the Committee to complete the annual review of their policies as required under the Pension Fund Regulations. Separate Annexes cover the Governance Compliance Statement, Statement of Investment Principles, Funding Strategy Statement, Scheme of Delegation and the Communication Policy.

***The Committee are RECOMMENDED to approve the revised policy documents as set out in Annexes 1-5 to this report, noting the main changes in the documents.***

**17. Admission Agreements (Pages 95 - 96)**

**12:55**

This report (PF17) presents applications from Carillion and Capita for admission to

the Local Government Pension Fund due to the outsourcing of Property Services; QUEST and Food with Thought.

The Independent Living Service is also being outsourced and there are two applications for admission arising from this.

Also to update members on change of name for an existing admitted body.

**The Committee is RECOMMENDED to**

- a) **Approve the above applications subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed;**
- b) **Note the change of name for Oxfordshire and Berkshire Mental Health Trust to The Oxford Health NHS Foundation Trust**

## **18. Write Off's (Pages 97 - 98)**

**13:00**

The report (**PF18**) provides the Committee with summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

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

**LUNCH**

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### **Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Tuesday 29 May 2012 at 3.00pm**

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## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 16 March 2012 commencing at 10.00 am and finishing at 12.45pm.

**Present:**

**Voting Members:** Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)  
Councillor Jean Fooks  
Councillor Roy Darke  
Councillor Sandy Lovatt (in place of Stewart Lilly)  
Councillor Don Seale  
Councillor C.H. Shouler

**Other Members in Attendance:** Councillor Jim Couchman (Cabinet Member for Finance & Property) (observing)

**District Council Representatives:** Councillor Jerry Patterson

**By Invitation:** N. Browning (Beneficiaries Observer); P. Davies (Independent Financial Adviser)

**Officers:**

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

Part of meeting P. Gerrish (Environment & Economy)

*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.*

### **1/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Councillor Sandy Lovatt attended for Councillor Stewart Lilly. Councillor Richard Langridge extended his apologies.

### **2/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 2)

Councillors Darke, Fooks, Harvey, 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.

**3/12 MINUTES**  
(Agenda No. 3)

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

**4/12 PETITIONS AND PUBLIC ADDRESS**  
(Agenda No. 4)

There were no petitions submitted or any requests to address the meeting by members of the public.

**5/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION**  
(Agenda No. 5)

Mr Davies reported that the final quarter for 2011 had seen a strong equity and bond appreciation for the Oxfordshire Pension Fund amounting to an acquisition of £63m. Since the start of 2012 there had been a further appreciation which, together with the above, had recouped the large losses of the third quarter of 2011. He added that the Oxfordshire Pension Fund was close to featuring in the top quartile for England and Wales in terms of performance, based on the latest data published by the WM Company.

**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.

**6/12 EXEMPT ITEMS**  
(Agenda No. 6)

It was **RESOLVED** that the public be excluded for the duration of items 7,8,9,10,11,12 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.

**7/12 EXEMPT MINUTE**  
(Agenda No. 7)

The Exempt Minute from the meeting held on 2 December 2011 was approved.

In response to a letter received from the complainant since the last meeting, which had been circulated, in confidence, to all members of the Committee, requesting further negotiation on the agreed compensation level, the Committee upheld the decision made at the last meeting.

## **8/12 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 Adviser responded to them.

**RESOLVED:** to receive the report, tables and graphs, to receive the oral report of the Independent Financial Adviser and to ask UBS to focus their presentation to the next meeting on the Property and Hedge Fund portfolios, neither of which had performed well for the Fund recently.

## **9/12 APPOINTMENT OF NEW GLOBAL EQUITY FUND MANAGER**

(Agenda No. 9)

The Committee had before them a report (PF9) informing them of the recent appointment (subject to contract) of a new Global Equity Fund Manager. The report also set out the process followed and the key issues considered when making the final appointment.

**RESOLVED:** To note the report and the decision to appoint Wellington as the new Global Equity Manager for the Fund.

## **10/12 BAILLIE GIFFORD**

(Agenda No. 10)

Prior to the entry of the Baillie Gifford representatives, the Independent Financial Adviser informed the members that Baillie Gifford continued to perform well and that they were very much fulfilling what was asked of them.

The representatives, Mr. A. Dickson and Mr. I. McCombie, 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 December 2011. The representatives responded to members' questions.

Members of the Committee asked questions and received responses in respect of the following areas:

- The implications of shifts in population demographics on the market place in a particular country, such as China;
- Investment in, and evidence of research and development in particular products;
- Reasons why Fund Managers are continuing investment/discontinuing investment in particular companies and growth areas; and
- The overall monetary situation in Europe.

**RESOLVED:** to note the main issues arising from the presentation and to take any necessary action, if required.

**11/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING**

(Agenda No. 11)

The Independent Financial Adviser reported orally on the main issues arising from the reports from UBS and Legal & General, in conjunction with information contained within the tables (Agenda Item 5).

Mr Davies reported that he and the officers had met with both Legal & General and UBS and that the former's management of the Fund's fixed income was good. The performance of UBS during the last quarter had improved and they had beaten their benchmark by 2%. They had also had a good start to this year in January and February. Mr Davies reported also that he had conducted a separate meeting with the UBS Hedge Fund representatives and that performance in the last quarter of 2011 was disappointing. He added that he was expecting performance for the first quarter of 2012 to be better.

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

**12/12 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. He reported, however, that the transition over to the new Global Equity Fund Manager was progressing well. Mr Davies also reported that he had visited various companies to review the opportunities open on infrastructure investment, and was currently awaiting for further information on the outcome of discussions between the Government, NAPF and the Pension Protection Fund on the establishment of a national infrastructure platform which would provide a mechanism for Pension Funds to invest in national infrastructure projects.

**RESOLVED:** To note the Independent Financial Adviser's report.

**13/12 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISOR TO THE FUND**

(Agenda No. 13)

The Pension Fund employs the services of an Independent Financial Adviser (IFA) whose activities 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. The Committee had before them the third annual review of his activities (PF13) and were asked to consider if they wished to offer any feedback to Mr Davies in relation to his performance over the last year.

Mr Davies left the room for the duration of this item.

Mrs Ross amended paragraph 3, page 47 of the report deleting the part sentence beginning with 'No increase' and ending with 'because'.

Members of the Committee joined in thanking Mr Davies for all his hard work over the last year, and for the clarity of his reports. He was requested to send a short summary of the key issues discussed at his meetings with Fund Managers to members of the Committee and to continue to report his comments orally if there was insufficient time to record them in the written word.

## **READMITTANCE OF THE PRESS AND PUBLIC**

### **14/12 FUND MANAGER MONITORING ARRANGEMENTS**

(Agenda No. 14)

The Committee considered a report (PF14) which set out the proposed arrangements for monitoring the performance of the Fund Managers during 2012/13.

**RESOLVED:** to approve the Fund Manager monitoring arrangements as set out in report PF14.

### **15/12 ANNUAL BUSINESS PLAN AND BUDGET 2012/13 AND CASH MANAGEMENT STRATEGY**

(Agenda No. 15)

The Committee had before them key elements of the Annual Business Plan and Budget 2012/13 for the administration and investment teams. Members were asked to approve the Plan, the associated budget and the risk register for the Fund (PF15(a)). A proposed Pension Fund Cash Management Strategy was also before the Committee for consideration at PF15(b)

**RESOLVED** 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.

### **16/12 CHANGES TO THE LOCAL GOVERNMENT PENSION SCHEME**

(Agenda No. 16)

The Committee had before them a report (PF16) which gave an update on progress in relation to the changes being made to the Local Government Pension Scheme

(LGPS) following Lord Hutton's review. The report also provided information on the proposed changes to the current LGPS regulations and details of the officer response made to the consultation.

**RESOLVED:** to note the latest position on the reform of the LGPS; and to note also the consultation response submitted by officers on the draft LGPS (Miscellaneous) Regulations 2012.

**17/12 ACADEMIES AND THE LOCAL GOVERNMENT PENSION SCHEME (LGPS)**  
(Agenda No. 17)

A joint letter had been sent by the Secretaries of State for Education & for Communities & Local Government to all Leaders and Chief Executives in England setting out the statutory position regarding academies and the Local Government Pension Scheme. The letter expressed concern that the basis of the calculation of the employer contribution rate for some academies across the country was inconsistent and had led to academies paying unjustifiably higher contributions compared to maintained schools within the same area. The letter proceeded to set out the preferred approach, which was to allow academies to be pooled with their former local authorities for LGPS purposes.

The report (PF17) set out the position in Oxfordshire and the issues regarding pooling. It asked members of the Committee to determine its views on the options available and to make any necessary changes to the Funding Strategy Statement.

It was reported that the Cabinet on 13 March 2012 had not given their support to the option of allowing Academies within Oxfordshire to be pooled with the County Council for LGPS purposes.

Following a discussion it was

**RESOLVED:** to

- (a) note that Cabinet on 13 March 2012 did not support the option of allowing Academies to be pooled with the County Council for LGPS purposes; and
- (b) defer establishing new pooling arrangements for Academies in Oxfordshire until such time as their numbers were more significant, when representative views of Academy Trustees could be taken on board, and any pattern of Umbrella Trusts could be established.

**18/12 WRITE OFFS**  
(Agenda No. 18)

The Committee noted a report (PF18) which informed them of any Write Off's 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.

**19/12 COMPANY ENGAGEMENT**

(Agenda No. 19)

As requested at the last meeting on 2 December 2011, the Committee had before them a report (PF19) which summarised the Pension Fund Investment Manager' policies and activities in relation to company engagement. The report also set out the Pension Fund Committee's responsibilities in relation to the application, the monitoring of and the effectiveness of these policies.

Some members, whilst welcoming the report, suggested that, rather than the Fund Managers setting the principles, the Committee should be more proactive in giving them certain guidelines in which to work, adding that this would ensure that the Committee was acting responsibly. Mrs Ross informed the meeting that the Business Plan, which was due to be presented to a future meeting, would be reviewing the Committee's voting policies.

**RESOLVED:** to revisit this topic again at a future meeting when the review of the Committee's voting policies was brought before the Committee for consideration.

..... in the Chair

Date of signing .....

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TABLE 1

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**  
**OVERALL VALUATION OF FUND AS AT 31st MARCH 2012**

Investment	COMBINED PORTFOLIO 1.01.12		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 31.03.12		OCC Customised Benchmark	
	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			
<b>EQUITIES</b>																		
* UK Equities	362,229	246,722	97.2%	130,835	100.0%	12,386	4.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	389,943	30.1%	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%	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%	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%	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%	0	0.0%	
Emerging Markets Equities	12,279	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,450	5.2%	0	0.0%	13,450	1.0%	
UBS Global Pooled Fund	150,066	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	167,386	64.7%	0	0.0%	167,386	12.9%	
* L&G World Equity Fund (Transition Fund)	129,750	0	0.0%	0	0.0%	142,056	55.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	142,056	11.0%	
L&G World (ex UK) Equity Fund	91,590	0	0.0%	0	0.0%	100,139	39.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	100,139	7.7%	
<b>Total Overseas Equities</b>	<b>383,685</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>242,195</b>	<b>95.1%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>180,836</b>	<b>69.9%</b>	<b>0</b>	<b>0.0%</b>	<b>423,031</b>	<b>32.6%</b>	<b>32.0%</b>
<b>BONDS</b>																		
UK Gilts	50,418	0	0.0%	0	0.0%	0	0.0%	57,939	26.2%	0	0.0%	0	0.0%	0	0.0%	57,939	4.5%	3.0%
Corporate Bonds	70,545	0	0.0%	0	0.0%	0	0.0%	57,037	25.8%	0	0.0%	0	0.0%	0	0.0%	57,037	4.4%	6.0%
Overseas Bonds	24,138	0	0.0%	0	0.0%	0	0.0%	24,054	10.9%	0	0.0%	0	0.0%	0	0.0%	24,054	1.9%	2.0%
Index-Linked	67,992	0	0.0%	0	0.0%	0	0.0%	68,246	30.9%	0	0.0%	0	0.0%	0	0.0%	68,246	5.3%	5.0%
<b>Total Bonds</b>	<b>213,093</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>207,276</b>	<b>93.8%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>207,276</b>	<b>16.0%</b>	<b>16.0%</b>
<b>ALTERNATIVE INVESTMENTS</b>																		
Property	78,295	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	72,876	28.2%	6,019	3.4%	78,895	6.1%	8.0%
Private Equity	107,351	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	114,937	65.0%	114,937	8.9%	10.0%
Hedge Funds	30,943	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	31,692	17.9%	31,692	2.4%	3.0%
<b>Total Alternative Investments</b>	<b>216,589</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>72,876</b>	<b>28.2%</b>	<b>152,648</b>	<b>86.3%</b>	<b>225,524</b>	<b>17.4%</b>	<b>21.0%</b>
<b>CASH</b>	<b>38,719</b>	<b>7,080</b>	<b>2.8%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>13,667</b>	<b>6.2%</b>	<b>4,976</b>	<b>1.9%</b>	<b>24,207</b>	<b>13.7%</b>	<b>49,930</b>	<b>3.9%</b>	<b>49,930</b>	<b>3.9%</b>	<b>0.0%</b>
<b>TOTAL ASSETS</b>	<b>1,214,315</b>	<b>253,802</b>	<b>100.0%</b>	<b>130,835</b>	<b>100.0%</b>	<b>254,581</b>	<b>100.0%</b>	<b>220,943</b>	<b>100.0%</b>	<b>258,688</b>	<b>100.0%</b>	<b>176,855</b>	<b>100.0%</b>	<b>1,295,704</b>	<b>100.0%</b>	<b>1,295,704</b>	<b>100.0%</b>	<b>100.0%</b>

% of total Fund

19.59%

10.10%

19.65%

17.05%

19.97%

13.65%

100%

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

TABLE 2

**ASSET ALLOCATION AS AT QUARTER ENDED 31st MARCH 2012****ALTERNATIVE ASSETS**

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Private Equity	6-11 %	10.0%	8.9%	-1.1%	FTSE Smaller Companies (inc investment trusts)
Hedge Funds	2-4	3.0%	2.4%	-0.6%	3 month LIBOR + 3%
<b>Total</b>		<b>13.0%</b>	<b>11.3%</b>	<b>-1.7%</b>	

**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 March 2012**  
 £114,937,000 Private Equity  
 £31,692,000 Hedge Funds

TABLE 3

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****ASSET ALLOCATION AS AT QUARTER ENDED 31st MARCH 2012****BAILLIE GIFFORD**

UK EQUITIES					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A %	100.0%	97.2%	-2.8%	FTSE Actuaries All-Share
Cash	Nil	0.0%	2.8%	+2.8%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**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 March 2012**  
 £253,802,000

TABLE 4

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****ASSET ALLOCATION AS AT QUARTER ENDED 31st MARCH 2012****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%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To track the FTSE 100 Index

**Market Value - at 31st March 2012** £130,835,000

TABLE 5

FIXED INCOME					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Gilts	0 - 36	18.75%	26.2%	+7.5%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	25.8%	-11.7%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	30.9%	-0.4%	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%	6.2%	+6.2%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

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

**Market Value - at 31st March 2012** £220,943,000

TABLE 6

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**ASSET ALLOCATION AS AT QUARTER ENDED 31st MARCH 2012**

**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%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

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

**Market Value - at 31st March 2012** £100,139

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%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**Target Objective** - To track the FTSE AW-World Index

**Market Value - at 31st March 2012** £142,056

TABLE 8

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****ASSET ALLOCATION AS AT QUARTER ENDED 31st MARCH 2012****UBS GLOBAL ASSET MANAGEMENT**

OVERSEAS EQUITY PORTFOLIO					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
<b>Overseas Equities</b> <i>Comprising</i>					
Global Pooled Fund	85 - 100	90.0%	92.6%	+2.6%	See Split below *
Emerging Markets	0 - 10	10.0%	7.4%	-2.6%	FTSE AW Emerging Markets
<b>Cash</b>	0 - 10	<b>0.0%</b>	0.0%		
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		
<b>* Global Pooled Fund Split:-</b>					
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
<b>Total Global Pooled</b>		<b>90.0%</b>	<b>92.6%</b>	+2.6%	

**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 March 2012** £180,836,000

TABLE 9

PROPERTY PORTFOLIO					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
<b>Property</b>	90 - 100	<b>100.0%</b>	93.6%	-6.4%	IPD UK All Balanced Funds Index Weighted Average
<b>Cash</b>	0 - 10	<b>0.0%</b>	6.4%	+6.4%	
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>		

**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 March 2012** £77,852,000

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****TOTAL PORTFOLIO PROGRESS REPORT - 1 JANUARY 2012 to 31 MARCH 2012**

Asset	Market Value 1.01.12	%	Net Purchases and Sales				Changes in Market Value				Market Value 31.03.12	%
			UBS	Baillie Gifford	Legal & General	Other	UBS	Baillie Gifford	Legal & General	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>EQUITIES</b>												
UK Equities	362,229	30	0	4,379	6	0	0	17,027	6,302	0	389,943	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	12,279	1	0	0	0	0	1,171	0	0	0	13,450	1
Global Pooled Funds	371,406	31	0	0	70	0	17,320	0	20,785	0	409,581	32
Total Overseas Equities	383,685	32	0	0	70	0	18,491	0	20,785	0	423,031	33
<b>BONDS</b>												
UK Gilts	50,418	4	0	0	8,993	0	0	0	(1,472)	0	57,939	5
Corporate Bonds	70,545	6	0	0	(14,848)	0	0	0	1,340	0	57,037	4
Overseas Bonds	24,138	2	0	0	1,103	0	0	0	(1,187)	0	24,054	2
Index-Linked Bonds	67,992	6	0	0	2,284	0	0	0	(2,030)	0	68,246	5
<b>ALTERNATIVE INVESTMENTS</b>												
Property	78,295	6	(188)	0	0	328	376	0	0	84	78,895	6
Private Equity	107,351	9	0	0	0	80	0	0	0	7,506	114,937	9
Hedge Funds	30,943	3	0	0	0	0	0	0	0	749	31,692	2
SUB TOTAL	1,175,596	97	(188)	4,379	(2,392)	408	18,867	17,027	23,738	8,339	1,245,774	96
CASH *	38,719	3	1,036	(2,147)	5,391	6,931	0	0	0	0	49,930	4
<b>GRAND TOTAL</b>	<b>1,214,315</b>	<b>100</b>	<b>848</b>	<b>2,232</b>	<b>2,999</b>	<b>7,339</b>	<b>18,867</b>	<b>17,027</b>	<b>23,738</b>	<b>8,339</b>	<b>1,295,704</b>	<b>100</b>

\* 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.

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

TABLE 11

**VALUATION OF OTHER INVESTMENTS AS AT 31st MARCH 2012**

	HOLDING	COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
<b>PRIVATE EQUITY</b>						
Managed by Mr P Davies, JFA						
<b>Quoted Investment Trusts</b>						
3i Group	1,874,713	5,281,262	2,817	2,139	4,010,011	(1,271,251)
Cardover Investments	236,060	1,687,945	7,150	4,243	1,001,485	(686,460)
Electra Private Equity	1,016,179	13,886,422	13,665	17,170	17,447,793	3,561,371
F&C Private Equity Trust	4,160,000	7,339,178	1,764	1,503	6,250,400	(1,088,778)
Graphite Enterprise Trust	852,512	2,420,093	2,839	3,808	3,245,939	825,846
HarbourVest European Senior Loans	2,284,315	2,260,000	0,989	0,898	2,050,173	(209,827)
Henderson Private Equity	998,355	1,659,935	1,769	3,143	2,948,781	1,288,846
HG Capital Trust	1,677,500	8,770,766	5,228	9,575	16,062,063	7,291,297
HG Capital Trust Sub Shs	356,500	0	0,000	0,563	200,531	200,531
KKR & CO LP	220,000	1,722,133	7,828	9,282	2,041,997	319,864
Northern Investors	393,713	390,849	0,993	2,608	1,026,607	635,758
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0,982	0,350	207,764	(375,033)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0,974	0,230	235,019	(760,145)
Schroder Private Equity	2,596,816	1,681,294	0,647	1,676	4,353,205	2,671,911
Standard Life European Private Equity Trust	4,434,448	5,174,666	1,167	1,458	6,463,208	1,288,542
SVG Capital	1,800,000	6,127,530	3,404	2,879	5,182,200	(945,330)
		<b>59,980,034</b>			<b>72,727,176</b>	<b>12,747,142</b>
<b>Other Fixed Interest</b>						
Electra Private Equity 5.000%, 12/29/2017 DD 12/29/10	2,870	2,870,000	1,000	1,179,990	3,386,571	516,571
<b>Unlisted Private Funds</b>						
Midlands Growth Fund	2,509	306,254	122	3,500	8,782	(297,472)
<b>Limited Partnerships Fund of Funds</b>						
Partners Group Secondary 2006 L.P.		3,035,116			4,583,118	1,548,002
Partners Group Secondary 2008 L.P.		8,899,083			11,177,379	2,278,296
Partners Group Asia-Pacific 2007 L.P.		4,863,132			5,211,988	348,856
Partners Group Secondary 2011 L.P.		1,640,123			1,613,025	(27,098)
Partners Group Asia-Pacific 2011 L.P.		539,385			520,217	(19,168)
Adams Street 2007 Non US Fund		3,240,271			3,493,743	253,472
<b>Adams Street 2008 Global Fund</b>						
Adams Street 2008 Direct Fund		913,625			1,092,664	179,039
Adams Street 2008 Non US Fund		2,043,578			2,072,521	28,943
Adams Street 2008 US Fund		2,613,130			3,963,077	1,349,947
<b>Adams Street 2009 Global Fund</b>						
Adams Street 2009 Direct Fund		449,175			573,078	123,903
Adams Street 2009 Non US Developed Mkts Fund		774,960			739,538	(35,422)
Adams Street 2009 Non US Emerging Mkts Fund		211,366			167,350	(44,016)
Adams Street 2009 US Fund		1,527,230			1,786,001	258,771
		1,030,119			1,821,299	791,180
Oxford Technology ECF Limited Partner AC		<b>31,780,293</b>			<b>38,814,998</b>	<b>7,034,705</b>
Cash Held by Custodian for Private Equity		5,746,747			5,746,747	
<b>CASH HELD IN HOUSE</b>		18,459,943			18,459,943	
<b>TOTAL OF ALL INVESTMENTS</b>		<b>119,143,271</b>			<b>139,144,217</b>	<b>20,000,946</b>

## OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 12

## PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 31st MARCH 2012

DATE	HOLDING	TRANSACTION	BOOK COST £	PAYMENTS £	SALE PROCEEDS £	REALISED GAIN/LOSS £
07/02/2012	264,215	Purchase Harbour/Vest European Senior Loans	250,000	250,000		
		<b>LIMITED PARTNERSHIP FUND OF FUNDS</b>				
		<b>DRAWDOWNS</b>				
12/01/2012		Adams Street 2009 Non US Developed Mkts Fund	71,435	71,435		
13/01/2012		Adams Street 2009 US Fund	34,408	34,408		
09/02/2012		Adams Street 2008 US Fund	139,849	139,849		
13/02/2012		Oxford Technology ECF Limited Partner AC	60,000	60,000		
15/02/2012		Adams Street 2009 Non US Emerging Mkts Fund	12,431	12,431		
21/02/2012		Adams Street 2008 Non US Fund	161,235	161,235		
22/02/2012		Adams Street 2008 Direct Fund	37,259	37,259		
23/02/2012		Adams Street 2009 Direct Fund	39,992	39,992		
23/02/2012		Partners Group Asia - Pacific 2007 L.P.	241,992	241,992		
05/03/2012		Partners Group Secondary 2006 L.P.	39,495	39,495		
12/03/2012		Adams Street 2007 Non US Fund	226,856	226,856		
15/03/2012		Partners Group Secondary 2008 L.P.	206,639	206,639		
29/03/2012		Adams Street 2009 Non US Developed Mkts Fund	52,424	52,424		
			<b>1,324,015</b>	<b>1,324,015</b>		
		<b>LIMITED PARTNERSHIP FUND OF FUNDS</b>				
		<b>CAPITAL DISTRIBUTIONS</b>				
30/01/2012		Partners Group Asia - Pacific 2007 L.P.	(105,416)		(105,416)	
30/01/2012		Partners Group Secondary 2006 L.P.	(121,555)		(121,555)	
22/02/2011		Adams Street 2008 Direct Fund	(52,762)		(52,762)	
23/02/2012		Adams Street 2009 Direct Fund	(52,524)		(52,524)	
05/03/2012		Partners Group Secondary 2006 L.P.	(120,882)		(120,882)	
05/03/2012		Oxford Technology ECF Limited Partner AC	(829,881)		(829,881)	
12/03/2012		Adams Street 2007 Non US Fund	(181,437)		(181,437)	
			<b>(1,464,457)</b>		<b>(1,464,457)</b>	
		<b>CORPORATE ACTION</b>				
12/01/2012	28,206	3i Group - Dividend Reinvestment	49,856			
04/01/2012	43,938	Standard Life Euro Private Equity - Dividend Reinvestment	57,077		(29,077)	15,625
06/03/2012		KKR & Co LP - Capital Distribution	(44,703)		(29,077)	15,625
			<b>62,230</b>			
		<b>TOTALS</b>	<b>171,788</b>	<b>1,574,015</b>	<b>(1,493,534)</b>	<b>15,625</b>

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 31st MARCH 2012****COMBINED PORTFOLIO (BY ASSET CLASS)**

ASSET	% weighting of fund as at 31st March 2012	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	11.0%	9.0	9.1	0.1	-0.2	-0.5	-0.3	17.1	17.3	0.2	4.7	-1.3	-6.0
UK EQUITIES	30.1%	6.1	7.2	1.1	1.4	4.6	3.2	18.8	20.9	2.1	1.8	2.9	1.1
OVERSEAS EQUITIES	21.7%	9.4	11.9	2.5	-0.3	-2.8	-2.5	17.1	16.6	-0.5	4.6	3.9	-0.7
UK GOVERNMENT BONDS	4.5%	-1.7	-2.0	-0.3	14.5	12.9	-1.6	6.6	6.3	-0.3	7.5	7.8	0.3
UK CORPORATE BONDS	4.4%	2.7	3.1	0.4	8.8	10.0	1.2	11.4	12.6	1.2	5.2	6.1	0.9
OVERSEAS BONDS*	1.8%	0.6	0.4	-0.2	7.1	6.1	-1.0	4.1	4.5	0.4	-	8.6	-
UK INDEX LINKED GILTS	5.3%	-2.0	-2.0	0.0	21.1	22.7	1.6	12.6	13.8	1.2	9.5	10.3	0.8
TOTAL PRIVATE EQUITY	8.9%	14.8	7.1	-7.7	0.1	1.2	1.1	24.6	21.2	-3.4	-5.3	0.1	5.4
HEDGE FUNDS	2.4%	1.0	2.4	1.4	3.9	-1.1	-5.0	3.8	5.9	2.1	5.7	0.6	-5.1
PROPERTY ASSETS	6.1%	0.8	1.3	0.5	5.7	5.9	0.2	8.8	10.0	1.2	-3.6	-7.1	-3.5
TOTAL CASH	3.8%	-	0.2		-	0.4		-	0.1		-	1.5	
<b>TOTAL FUND</b>	100.0%	<b>6.5</b>	<b>6.2</b>	<b>-0.3</b>	<b>3.5</b>	<b>3.4</b>	<b>-0.1</b>	<b>16.3</b>	<b>15.4</b>	<b>-0.9</b>	<b>3.4</b>	<b>2.1</b>	<b>-1.3</b>

\* This includes L&amp;G Currency Hedging for Overseas bonds

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 31st MARCH 2012****COMBINED PORTFOLIO ( BY FUND MANAGER)**

FUND MANAGER	% Weighting of Fund as at 31st March 2012	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
		BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION
		RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%
BAILLIE GIFFORD UK EQUITIES	19.6%	6.1	8.3	2.2	1.4	6.0	4.6	18.8	21.9	3.1	1.8	4.2	2.4
L&G UK EQUITIES - PASSIVE	11.1%	4.6	4.7	0.1	1.2	1.3	0.1	17.8	18.1	0.3	-	-	
L&G GLOBAL EX UK EQUITIES - PASSIVE	7.7%	9.3	9.3	0.0	-	-		-	-		-	-	
L&G GLOBAL IN UK EQUITIES - PASSIVE	11.0%	9.0	8.9	-0.1	-	-		-	-		-	-	
L&G FIXED INCOME	17.1%	0.1	0.0	-0.1	13.5	13.8	0.3	10.0	10.7	0.7	7.4	8.2	0.8
PARTNERS GROUP PROPERTY SICAR	0.5%	0.8	1.5	0.7	5.7	15.7	10.0	-	-		-	-	
PRIVATE EQUITY	8.9%	14.8	7.1	-7.7	0.1	1.2	1.1	24.6	21.2	-3.4	-5.3	0.1	5.4
UBS OVERSEAS EQUITIES	14.0%	9.4	11.9	2.5	-2.7	-2.8	-0.1	15.6	16.5	0.9	3.9	3.8	-0.1
UBS PROPERTY	6.0%	0.8	1.2	0.4	5.7	5.2	-0.5	8.8	8.5	-0.3	-3.6	-7.9	-4.3
UBS HEDGE FUNDS	2.5%	1.0	2.4	1.4	3.9	-1.1	-5.0	3.8	5.9	2.1	5.7	0.6	-5.1
IN-HOUSE CASH	1.9%	0.1	0.2	0.1	0.5	0.8	0.3	0.4	1.4	1.0	2.1	2.8	0.7
<b>TOTAL FUND</b>	<b>100.0%</b>	<b>6.5</b>	<b>6.2</b>	<b>-0.3</b>	<b>3.5</b>	<b>3.4</b>	<b>-0.1</b>	<b>16.3</b>	<b>15.4</b>	<b>-0.9</b>	<b>3.4</b>	<b>2.1</b>	<b>-1.3</b>

\* This includes L&amp;G Currency Hedging for Overseas bonds

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 31st MARCH 2012****BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE****TABLE 15**

ASSET	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	6.1	8.6	2.5	1.4	6.3	4.9	18.8	22.5	3.7	1.8	4.1	2.3
TOTAL CASH	-	0.2		-	0.6		-	0.7		-	2.6	
<b>TOTAL ASSETS</b>	<b>6.1</b>	<b>8.3</b>	<b>2.2</b>	<b>1.4</b>	<b>6.0</b>	<b>4.6</b>	<b>18.8</b>	<b>21.9</b>	<b>3.1</b>	<b>1.8</b>	<b>4.2</b>	<b>2.4</b>

**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 MARCH 2012****LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS**

TABLE 16

ASSET	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	4.6	4.7	0.1	1.2	1.3	0.1	17.8	18.1	0.3	-	-	
2 L&G WORLD EQUITY FUND (Transition Fund)	9.0	8.9	-0.1	-	-		-	-		-	-	
3 L&G WORLD (EX-UK) EQUITY FUND	9.3	9.3	0.0	-	-		-	-		-	-	
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 March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	-1.7	-2.0	-0.3	14.5	12.9	-1.6	6.6	6.3	-0.3	7.5	7.7	0.2
UK CORPORATE BONDS	2.7	3.1	0.4	8.8	10.0	1.2	11.4	12.6	1.2	5.2	6.5	1.3
OVERSEAS BONDS*	0.6	0.4	-0.2	7.1	6.1	-1.0	4.1	4.4	0.3	-	8.5	-
UK INDEX LINKED	-2.0	-2.0	0.0	21.1	22.7	1.6	12.6	13.8	1.2	9.5	10.4	0.9
CASH/ALTERNATIVES*	-	-		-	-		-	-		-	-	
<b>TOTAL ASSETS</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>13.5</b>	<b>13.8</b>	<b>0.3</b>	<b>10.0</b>	<b>10.7</b>	<b>0.7</b>	<b>7.4</b>	<b>8.2</b>	<b>0.8</b>

\* 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 MARCH 2012****INDEPENDENT ADVISOR - PRIVATE EQUITY**

TABLE 18

ASSET	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	14.8	9.9	-4.9	0.1	-1.2	-1.3	24.6	26.8	2.2	-5.3	-0.8	4.5
LIMITED LIABILITY PARTNERSHIPS	14.8	2.1	-12.7	0.1	7.6	7.5	24.6	3.4	-21.2	-5.3	7.1	12.4
<b>TOTAL ASSETS</b>	<b>14.8</b>	<b>7.1</b>	<b>-7.7</b>	<b>0.1</b>	<b>1.2</b>	<b>1.1</b>	<b>24.6</b>	<b>21.2</b>	<b>-3.4</b>	<b>-5.3</b>	<b>0.1</b>	<b>5.4</b>

**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 March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	0.8	1.5	0.7	5.7	15.7	10.0	-	-		-	-	
TOTAL CASH	-	-		-	-		-	-		-	-	
<b>TOTAL ASSETS*</b>	<b>0.8</b>	<b>1.5</b>	<b>0.7</b>	<b>5.7</b>	<b>15.7</b>	<b>10.0</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****PERFORMANCE TO 31st MARCH 2012****UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES**

TABLE 20

ASSET	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	9.4	11.9	2.5	-2.7	-2.8	-0.1	15.6	16.5	0.9	3.9	3.9	0.0
TOTAL CASH	-	-		-	-		-	-		-	-	
<b>TOTAL ASSETS</b>	<b>9.4</b>	<b>11.9</b>	<b>2.5</b>	<b>-2.7</b>	<b>-2.8</b>	<b>-0.1</b>	<b>15.6</b>	<b>16.5</b>	<b>0.9</b>	<b>3.9</b>	<b>3.8</b>	<b>-0.1</b>

**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 March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	0.8	1.3	0.5	5.7	5.9	0.2	8.8	10.0	1.2	-3.6	-7.1	-3.5
TOTAL CASH*	-	0.1		-	-0.8		-	-		-	-	
<b>TOTAL ASSETS**</b>	<b>0.8</b>	<b>1.2</b>	<b>0.4</b>	<b>5.7</b>	<b>5.2</b>	<b>-0.5</b>	<b>8.8</b>	<b>8.5</b>	<b>-0.3</b>	<b>-3.6</b>	<b>-7.9</b>	<b>-4.3</b>

\* 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 MARCH 2012****UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS**

TABLE 22

ASSET	QUARTER ENDED 31st March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	2.4	1.4	3.9	-1.2	-5.1	3.8	5.9	2.1	5.7	0.6	-5.1
TOTAL CASH	-	0.1		-	0.2		-	0.3		-	1.9	
<b>TOTAL ASSETS</b>	<b>1.0</b>	<b>2.4</b>	<b>1.4</b>	<b>3.9</b>	<b>-1.1</b>	<b>-5.0</b>	<b>3.8</b>	<b>5.9</b>	<b>2.1</b>	<b>5.7</b>	<b>0.6</b>	<b>-5.1</b>

**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 March 2012			12 MONTHS ENDED 31st March 2012			THREE YEARS ENDED 31st March 2012			FIVE YEARS ENDED 31st March 2012		
	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	0.2	0.1	0.5	0.8	0.3	0.4	1.4	1.0	2.1	2.8	0.7
<b>TOTAL ASSETS</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.5</b>	<b>0.8</b>	<b>0.3</b>	<b>0.4</b>	<b>1.4</b>	<b>1.0</b>	<b>2.1</b>	<b>2.8</b>	<b>0.7</b>

\* this portfolio includes cash held at BoNY

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****TABLE 24****TOP 20 HOLDINGS AT 31/03/2012**

ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<b>DIRECT HOLDINGS</b>		
1 ELECTRA INVESTMENT TR ORD 25P	17,447,793	1.35
2 H&G CAPITAL TRUST ORD GBP0.25	16,062,063	1.24
3 BG GROUP PLC ORD GBP0.10	13,696,896	1.06
4 TREASURY STK 5.000% 07-MAR-2025	12,425,290	0.96
5 BRITISH AMERICAN TOBACCO ORD	12,064,500	0.93
6 ROYAL DUTCH SHELL 'B' SHS	9,393,490	0.72
7 HSBC HLDGS ORD USD0.50 (UK)	9,178,066	0.71
8 UK GOVT IDX-LKD STK 2.000% 26-JAN-2035	8,908,920	0.69
9 IMPERIAL TOBACCO GROUP ORD 10P	8,564,920	0.66
10 BHP BILLITON PLC USD0.50	7,895,743	0.61
11 BLACKROCK UK PROPERTY FUND	7,590,096	0.59
12 RIO TINTO PLC	7,283,787	0.56
13 TREASURY INDEX-LINKED 2.500% 16-APR-2020	7,074,167	0.54
14 BUNZL ORD GBP0.3214857	6,725,506	0.52
15 GLAXOSMITHKLINE ORD GBP0.25	6,636,626	0.51
16 STANDARD LIFE EURO ORD	6,463,208	0.50
17 TREASURY INDEX-LINKED 2.500% 17-JUL-2024	6,358,738	0.49
18 MEGGITT ORD5P	6,352,723	0.49
19 STANDARD CHARTERED ORD USD0.50	6,303,078	0.49
20 SABMILLER PLC	6,272,500	0.48
<b>TOP 20 HOLDINGS MARKET VALUE *</b>	<b>182,698,110</b>	<b>14.10</b>

\* Excludes Investments held within Pooled Funds

**POOLED FUNDS AT 31/03/2012**

- 1 UBS GLOBAL ASSET MANAGEMENT LIFE GLOBAL OPTIMAL THIRDS
- 2 L&G WORLD EQUITY INDEX FUND
- 3 L&G UK FTSE 100 EQUITY INDEX FUND
- 4 L&G WORLD (EX UK) EQUITY INDEX FUND
- 5 BAILLIE GIFFORD BRITISH SMALL COMPANIES

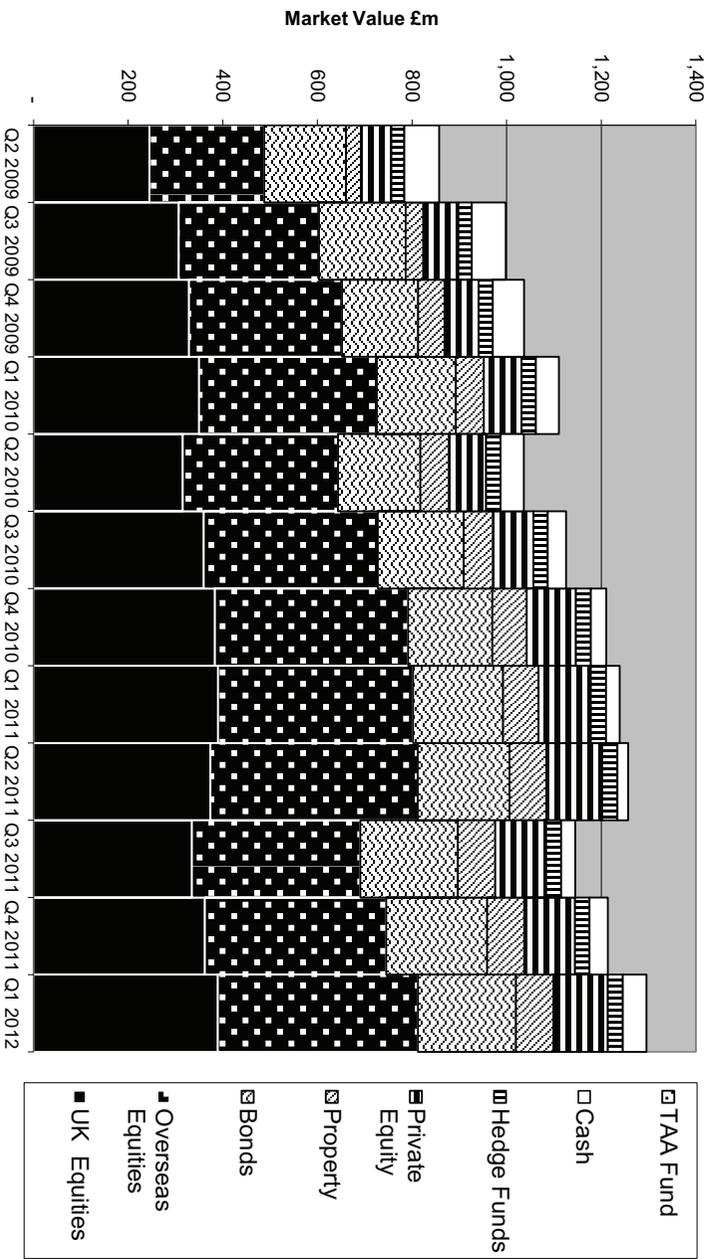
TOTAL POOLED FUNDS MARKET VALUE	<b>568,357,494</b>	<b>43.86</b>
TOTAL FUND MARKET VALUE	<b>1,295,704,000</b>	

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 1**

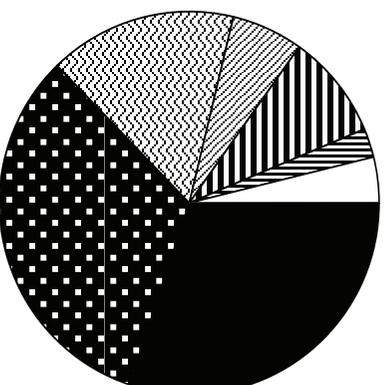
**MARKET VALUE OF TOTAL FUND**

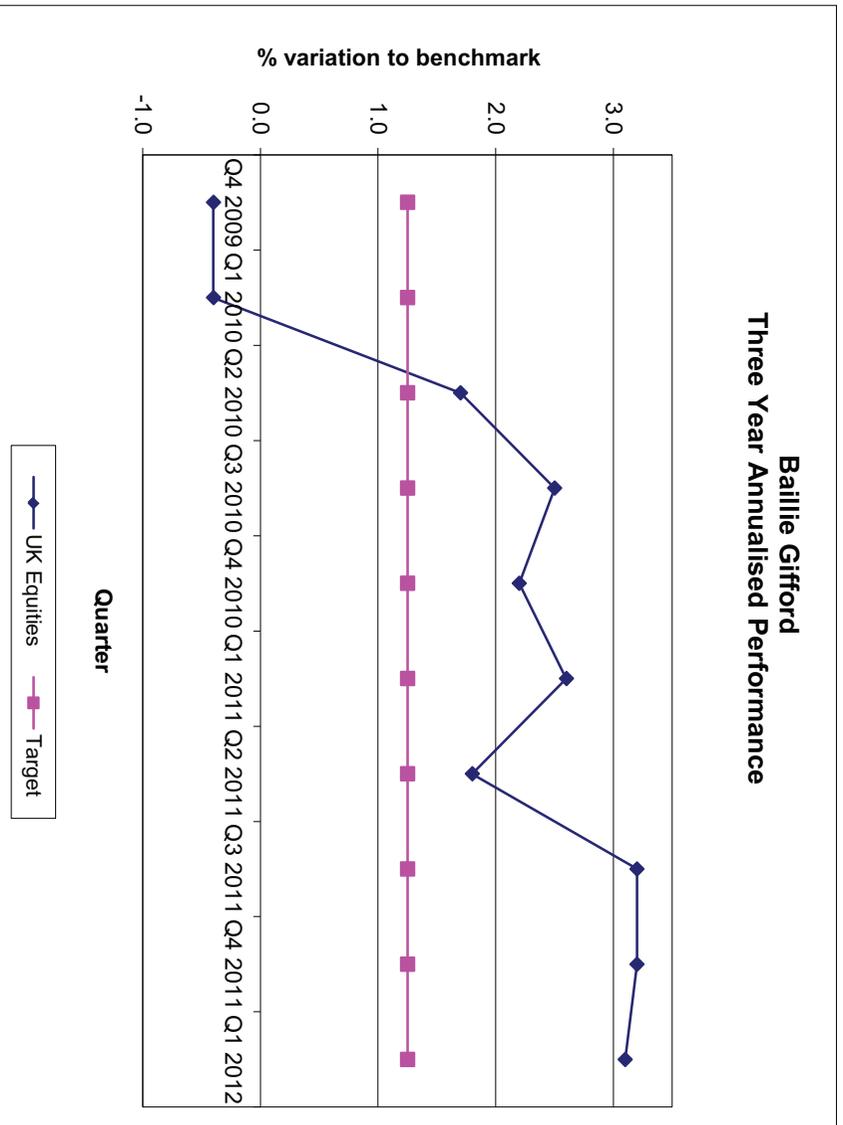
**TOTAL FUND MARKET VALUE BY ASSET CLASS**



**Asset Allocation Latest Quarter**

Quarter	Market Value £m
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
Q1 2012	1,295.7





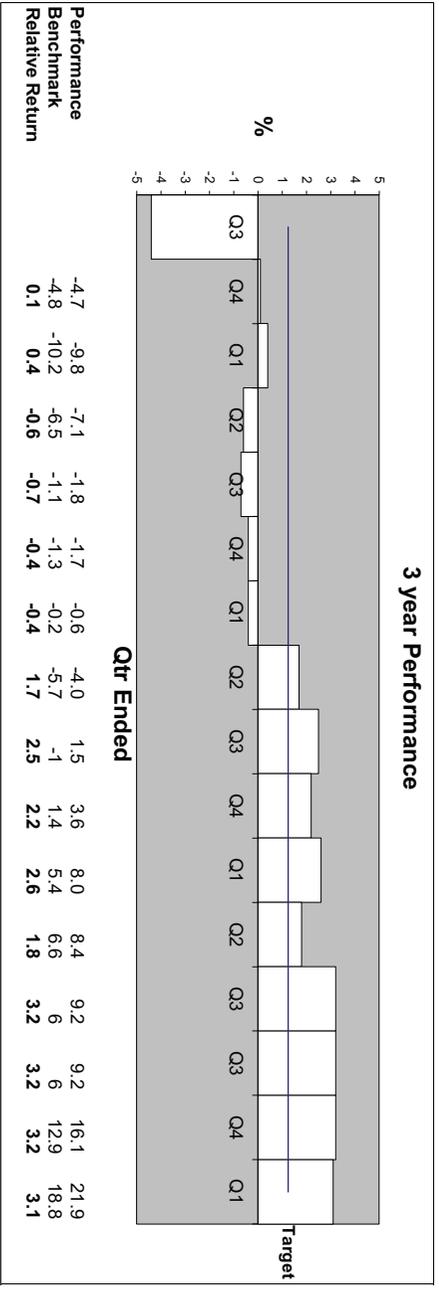
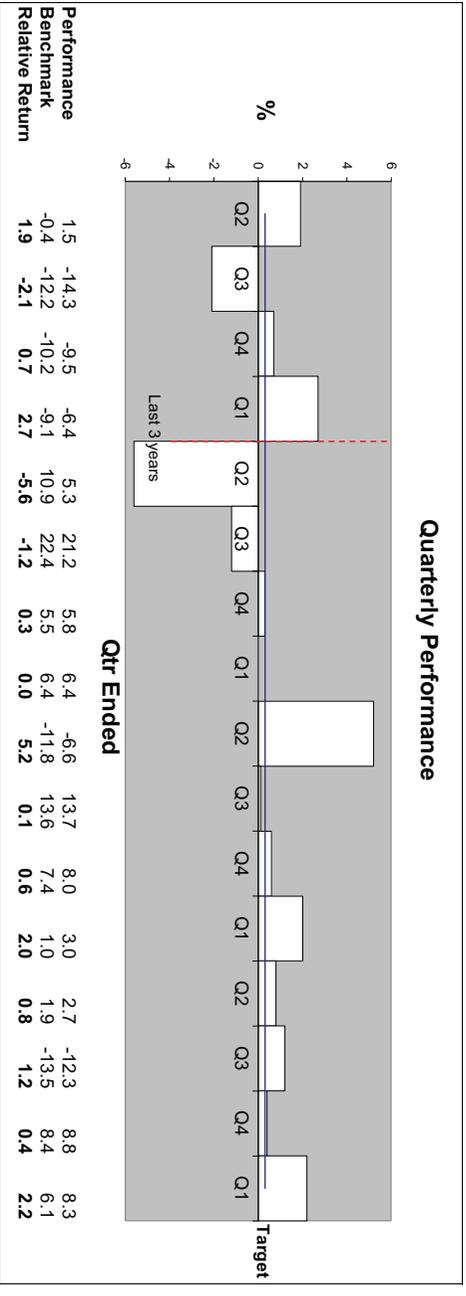
**Baillie Gifford Three Year Annualised Performance**

	UK Equities	Target
Q4 2009	-0.4	1.25
Q1 2010	-0.4	1.25
Q2 2010	1.7	1.25
Q3 2010	1.7	1.25
Q4 2010	2.5	1.25
Q1 2011	2.2	1.25
Q2 2011	2.6	1.25
Q3 2011	1.8	1.25
Q4 2011	3.2	1.25
Q1 2012	3.2	1.25
	3.1	1.25

**PERFORMANCE RELATIVE TO BENCHMARK**

**GRAPH 3**

2008 2009 2010 2011 2012



**Target Returns**

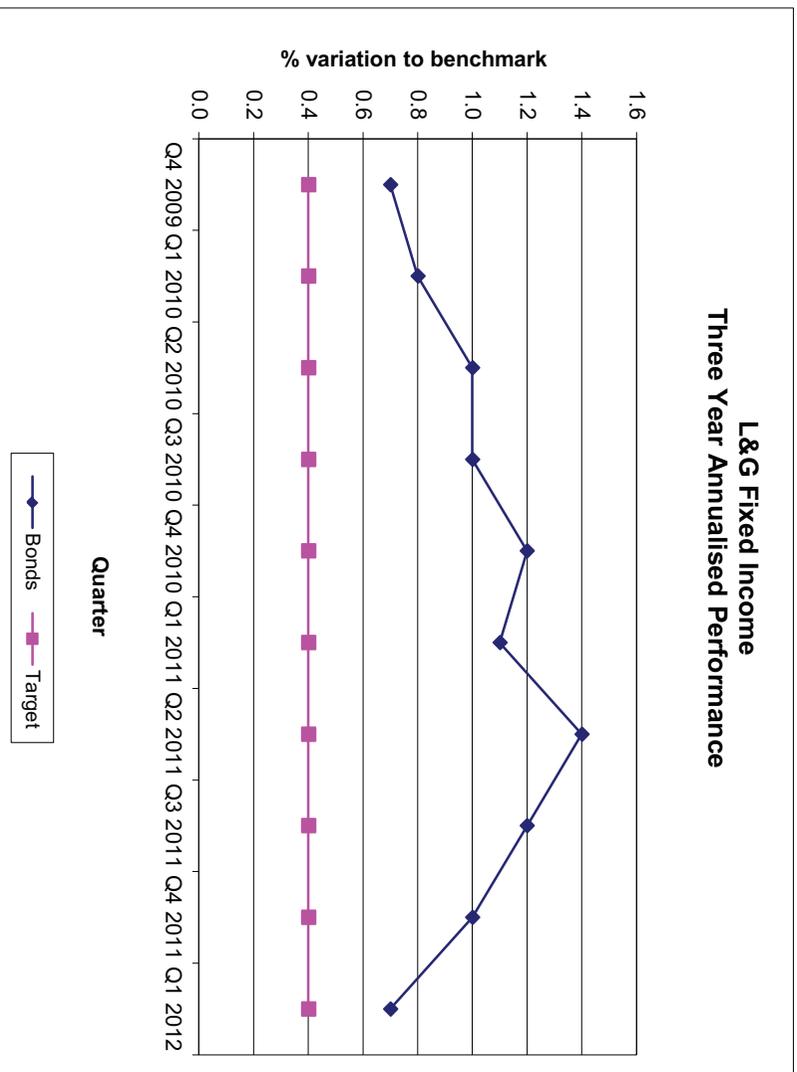
Rolling annual target of 1.25% above benchmark

**Top 10 holdings at 31/03/2012**

Rank	Holding	Value £	% of portfolio
1	BG GROUP PLC ORD GBP0.10	13,696,896	5.40
2	BRITISH AMERICAN TOBACCO ORD	12,064,500	4.75
3	ROYAL DUTCH SHELL 'B' SHS	9,393,490	3.70
4	HSBC HLDS ORD USD0.50 (UK)	9,178,066	3.62
5	IMPERIAL TOBACCO GROUP ORD 10P	8,564,920	3.37
6	BHP BILLITON PLC USD0.50	7,895,743	3.11
7	RIO TINTO PLC	7,283,787	2.87
8	BUNZL ORD GBP0.3214857	6,725,506	2.65
9	GLAXOSMITHKLINE ORD GBP0.25	6,636,626	2.62
10	MEGGITT ORD\$P	6,352,723	2.50
<b>Top 10 Holdings Market Value</b>		<b>87,792,257</b>	<b>34.59</b>
<b>Total Baillie Gifford Market Value</b>		<b>253,802,000</b>	

**Baillie Gifford**

Top 10 holdings excludes investments held within pooled funds.



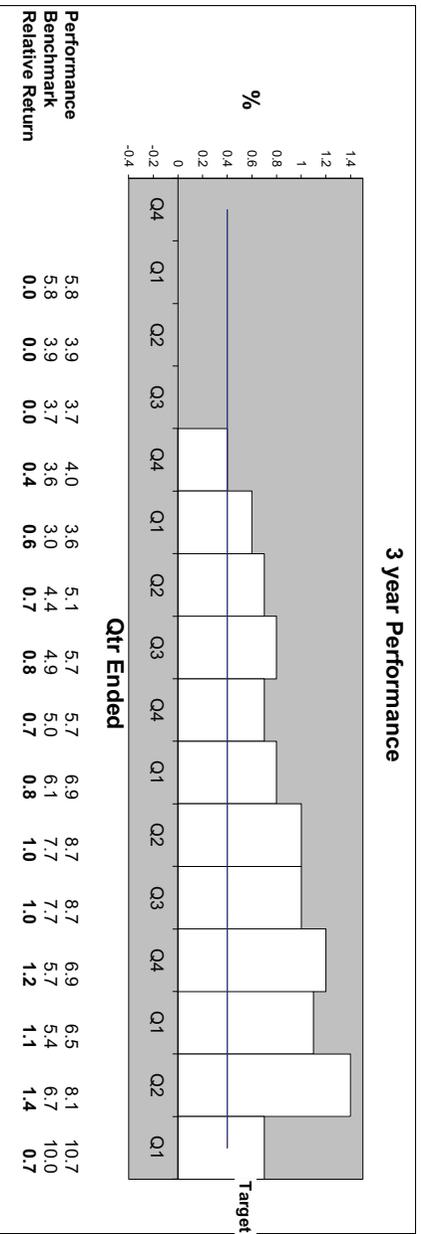
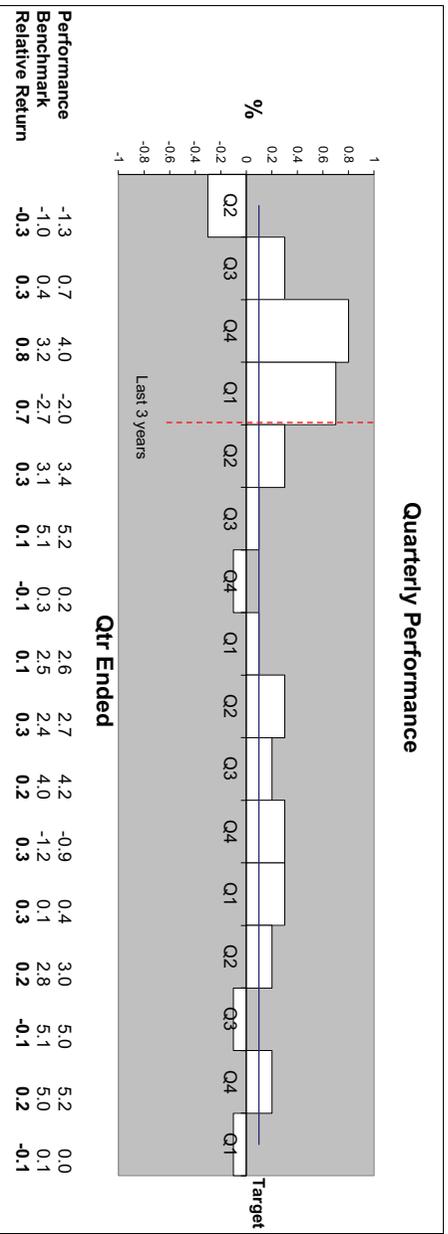
**L&G Fixed Income Three Year Annualised Performance**

	Bonds	Target
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
Q1 2012	0.7	0.4

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5

2008 2009 2010 2011 2012



Target Returns

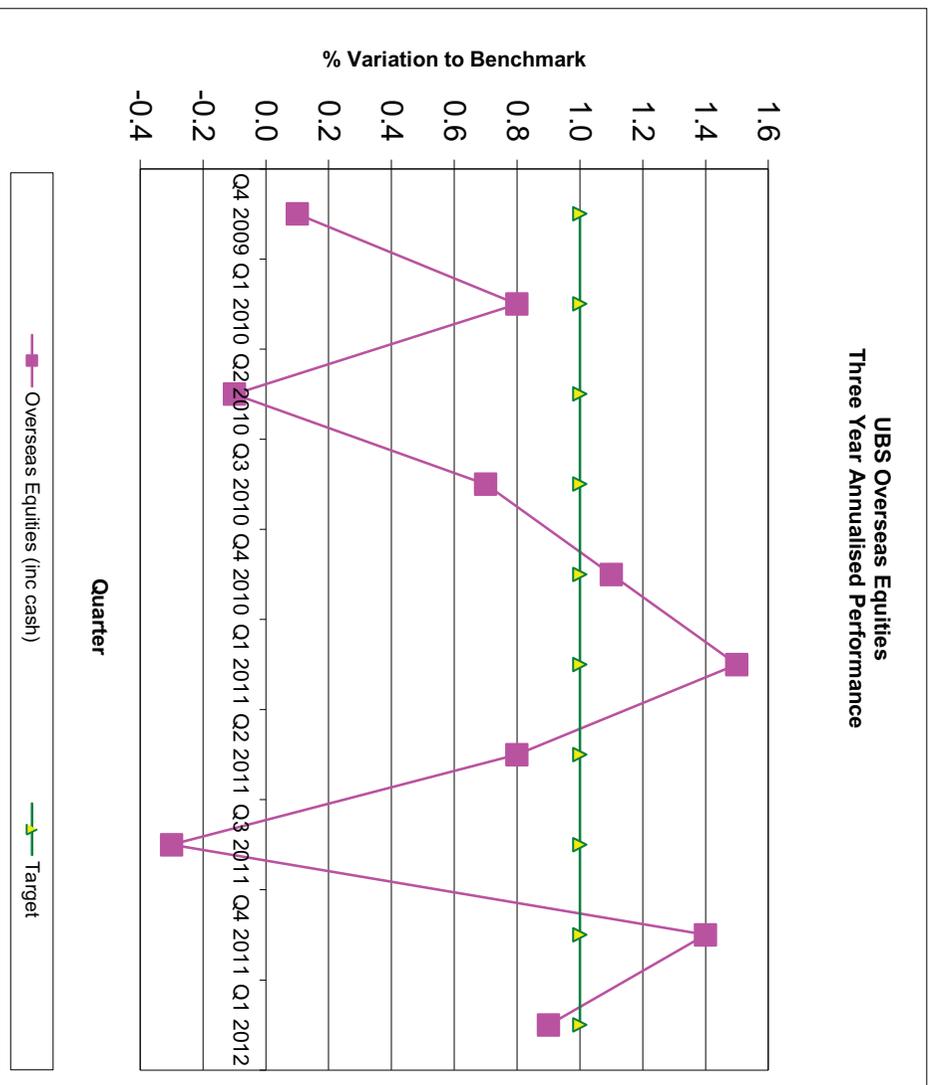
Rolling annual target of 0.40% above benchmark

Top 10 holdings at **31/03/2012**

Rank	Holding	Value £	% of portfolio
1	TREASURY STK 5.000% 07-MAR-2025	12,425,290	5.62
2	UK GOVT IDX-LKD STK 2.000% 26-JAN-2035	8,908,920	4.03
3	TREASURY INDEX-LINKED 2.500% 16-APR-2020	7,074,167	3.20
4	TREASURY INDEX-LINKED 2.500% 17-JUL-2024	6,358,738	2.88
5	UNITED KINGDOM GOV 1.875% 22-NOV-2022 GBP-100	4,885,394	2.21
6	UNITED KINGDOM GILT INFLATION 1.250% 11/22/2027	4,833,745	2.19
7	UK GOVT OF IDX-LKD STK 1.250% 22-NOV-2055	4,693,642	2.13
8	UNITED KINGDOM GILT 2.750% 01/22/2015	4,537,699	2.05
9	TSY 0.5/8% 20/42 I/L GILT 0.625% 11/22/2042 DD 07/24/09	4,303,250	1.95
10	TSY 4.1/2% 20/34 4.500% 09/07/2034 DD 06/17/09	4,022,981	1.82
<b>Total Legal &amp; General Market Value</b>		<b>62,043,826</b>	<b>28.08</b>
<b>Total Legal &amp; General Market Value</b>		<b>220,943,000</b>	

**Legal & General**

Top 10 holdings excludes investments held within pooled funds.

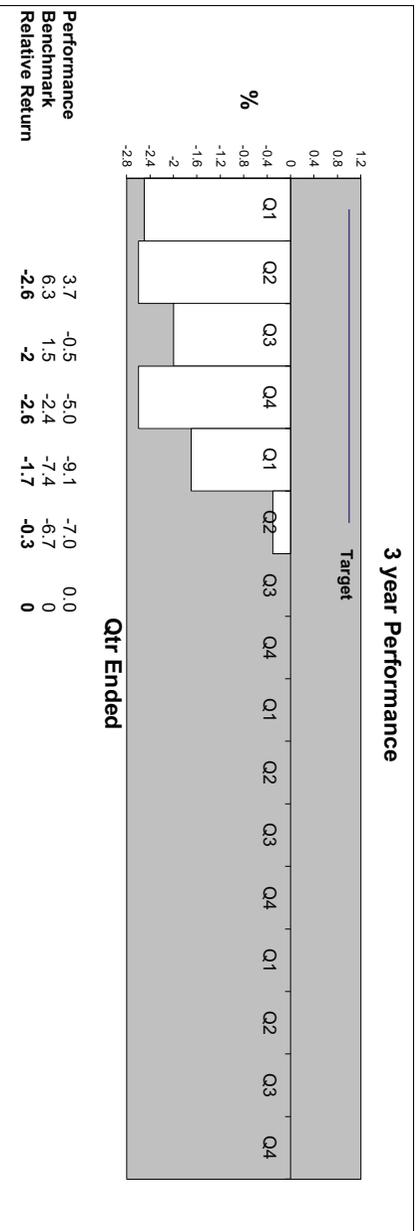
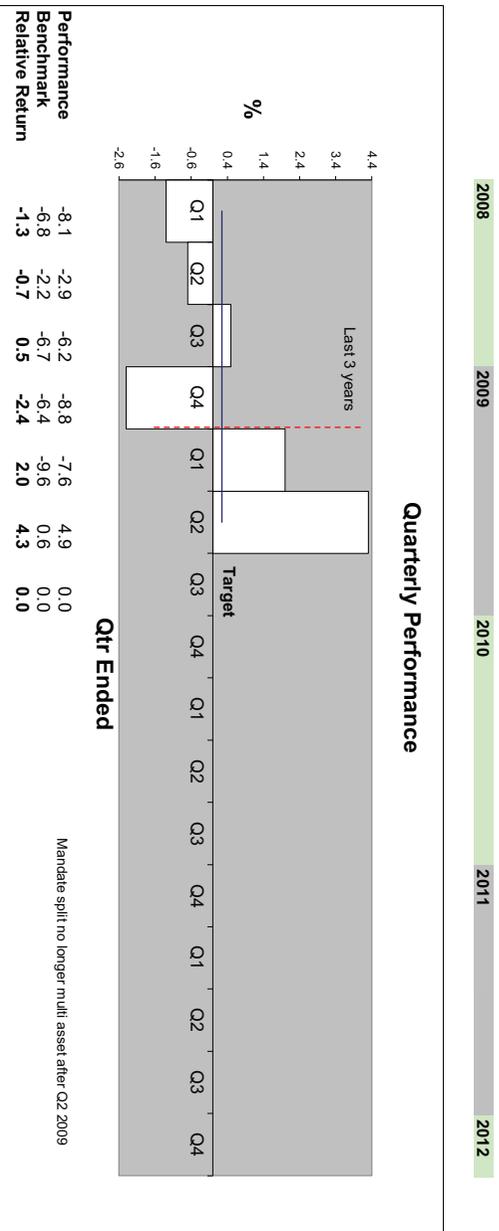


**UBS Three Year Annualised Performance**

	Overseas Equities (inc cash)	Target
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
Q1 2012	0.9	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7



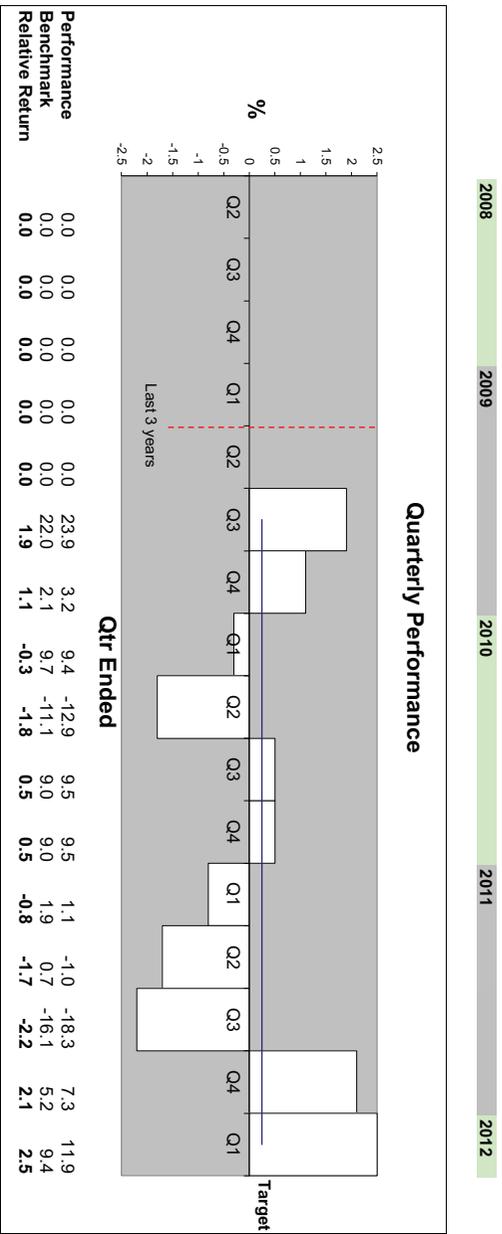
Target Returns

Rolling annual target of 1.00% above benchmark

**UBS - Multi Asset**

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 8

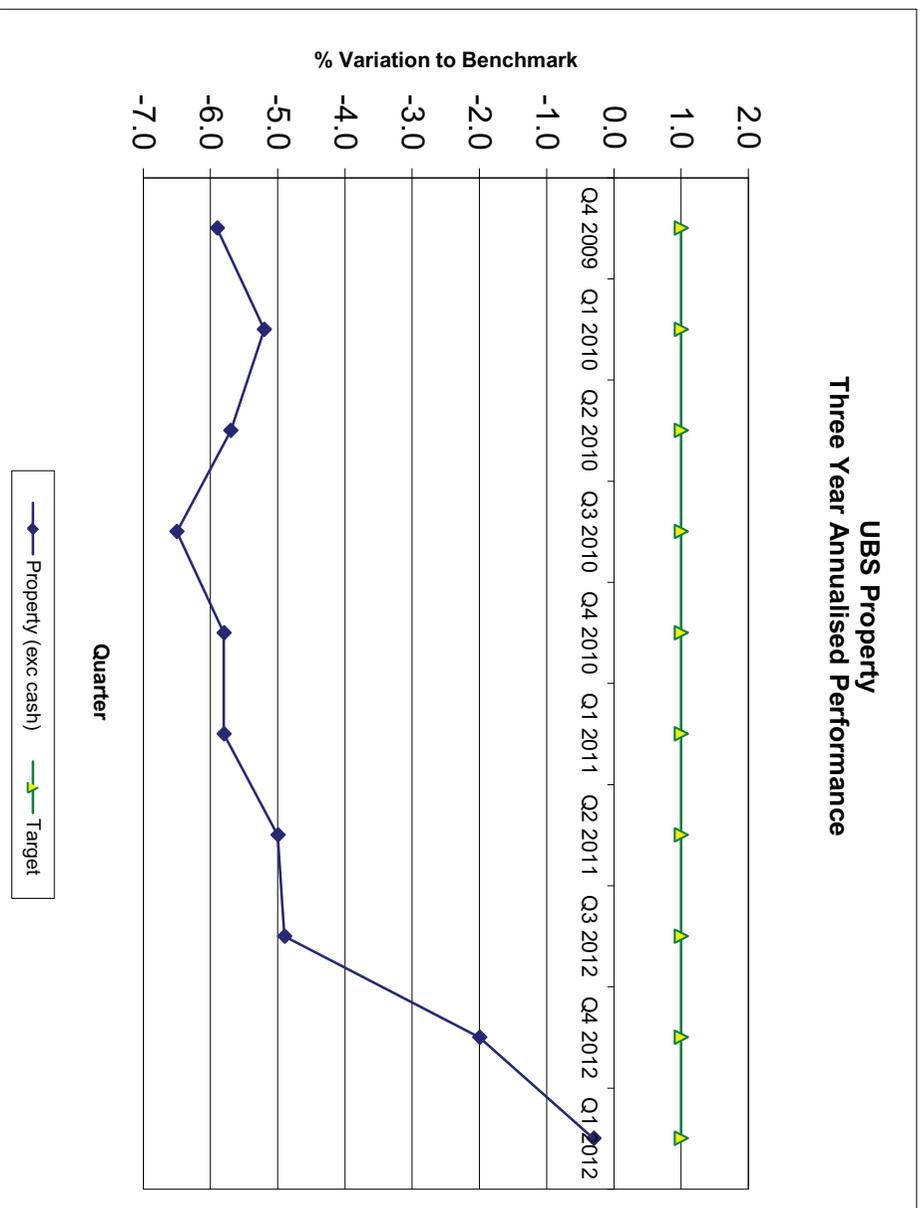


Rolling annual target of 1.00% above benchmark

**UBS -  
Overseas  
Equities**

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**GRAPH 9**

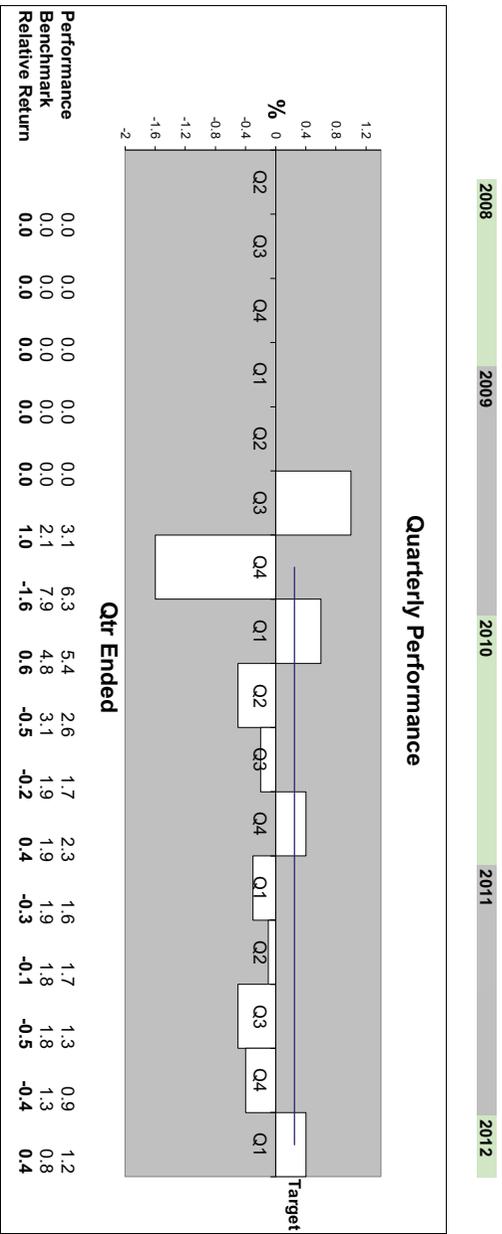


**UBS Three Year Annualised Performance**

	Property (exc cash)	Target
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 2011	-4.9	1.0
Q4 2011	-2.0	1.0
Q1 2012	-0.3	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 10



3 year Performance

Target Returns

Rolling annual target of 1.00% above benchmark

Top 5 holdings at 31/03/2012

Rank	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	7,590,096	9.62
2	STANDARD LIFE POOLED PPTY FD	5,852,186	7.42
3	PRUDENTIAL CORP PENSIONS PPTY FUND	5,475,563	6.94
4	REAL ESTATE - EUROPEAN FUND	5,203,393	6.60
5	M&G EUROPEAN PROPERTY SICAV	4,957,431	6.28
Top 10 Holdings Market Value		29,078,669	36.86
Total UBS Property Market Value		78,895,000	

UBS - Property

## PENSION FUND COMMITTEE – 1 JUNE 2012

### OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

#### Report by the Independent Financial Adviser

#### The Economy

- Forecasts of growth in 2012 point to a continuing slow recovery from the financial crisis, with positive signals being followed by disappointing data. In the **US**, for example, a sequence of good monthly job creation numbers was brought to an end by a low figure of 115,000 for April. In the **UK**, hopes of a strong start to the year were dampened by a surprisingly poor initial estimate of a 0.2% fall in GDP for the first quarter. **Eurozone** forecasts are being revised up slightly, but it is noticeable that only France and Germany are seeing improving growth, while Italy, Holland and the periphery are all seeing downgrades in growth forecasts. The official forecast for **China's** growth was reduced to 7.5% early in March, but it should also be noted that China has managed to wage a successful campaign against domestic inflation, and has ample scope to stimulate the economy if necessary. Growth in **Japan** is on an improving trend, underpinned by capital spending to repair the devastation caused by last year's earthquake and tsunami.

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

Consensus real growth (%)						Consumer prices latest (%)
	2009	2010	2011	2012E	2013E	
<b>UK</b>	- 4.7	+1.6	+0.9	(+0.2) +0.4	+1.7	+ 3.5 (CPI)
<b>USA</b>	- 2.5	+2.9	+1.7	(+2.0) +2.2	+2.3	+2.7
<b>Eurozone</b>	- 3.9	+1.7	+1.5	(-0.7)* -0.5	+0.7	+2.7
<b>Japan</b>	- 5.3	+4.2	-0.7	(+1.6) +1.8	+1.8	+0.5
<b>China</b>	+ 8.7	+10.3	+9.2	(+8.6) +8.3		+3.6

(\* Eurozone prior estimate for 2012 growth corrected from previous report)

[Source: The Economist 04.05.12]

2. Immediate worries over the Greek sovereign debt crisis were eased by the agreement in February on the terms for a bailout under which the EU and IMF would lend Greece €130bn in return for an austerity package, while private sector holders of Greek debt agreed to a restructuring which amounted to a significant writedown in the value of their holdings.
3. The European Central Bank instigated a second 'long-term refinancing operation' (LTRO) at the end of February, for a similar amount (€530bn) and on the same terms as the initial round in December. While this has given a short-term boost to confidence in the banking sector, it is clear that much of the finance has been deployed by banks in buying their own sovereign bonds, allowing foreign investors to sell but storing up potential trouble if these bonds themselves fall in value.
4. Markets will be watching closely how the election of Francois Hollande as President of France will affect France's co-operation with Germany in the handling of the debt crisis, while the outcome of the Greek election raises the possibility that a new government will renounce the bailout terms recently negotiated. The fall of the Dutch government in April, because the coalition partners disagreed on the austerity measures, was another reminder that there can be political obstacles impeding the implementation of fiscal cuts. Several influential commentators believe that the current emphasis on austerity in Europe will only exacerbate the crisis, and that measures to stimulate growth need to be introduced if economic recovery is to be achieved.
5. The UK Budget on March 21<sup>st</sup> included official forecasts of GDP growth of 0.8% in 2012 and 2.0% next year, while CPI inflation was forecast at 2.8% this year, falling to 1.9% in 2013. There was little change in the estimates of fiscal deficit from those in the Autumn Statement, namely 8.3% in 2011/12 falling to 7.6% in 2012/13. The Budget attracted strong criticism, however, for the reduction in the top rate of income tax, the freezing of pensioners' tax-free allowances and the plan to limit the tax reliefs offered on large charitable donations.

## **Markets**

6. **Equity** markets continued the rally which had started in October, and recorded significant gains during the quarter. In the US, the S&P 500 Index has risen more than 25% in the past six months. Strong rebounds were seen in Continental Europe and Emerging Markets, which had been the weakest areas during 2011. Sentiment in Europe was boosted by the agreement on the terms of the Greek debt restructuring and by the second round of LTRO.

In the UK market, there was a sharp divergence between the performance of the largest companies (FTSE 100 +3.5%) and the remainder (FTSE 250 and FTSE Small Cap indices both +14.2%).

<b>Capital return (in £, %) to 31.3.12</b>		
	<b>3 months</b>	<b>12 months</b>
<b>FTSE All-World Index</b>	<b>+8.3</b>	<b>-2.9</b>
FTSE All-World North America	+8.7	+4.6
FTSE All-World Japan	+6.8	-1.4
FTSE All-World Asia Pacific	+8.1	-6.4
FTSE All-World Europe (ex-UK)	+9.4	-15.0
FTSE All-World UK	+3.8	-2.3
FTSE All-World Emerging Markets	+10.2	-11.3

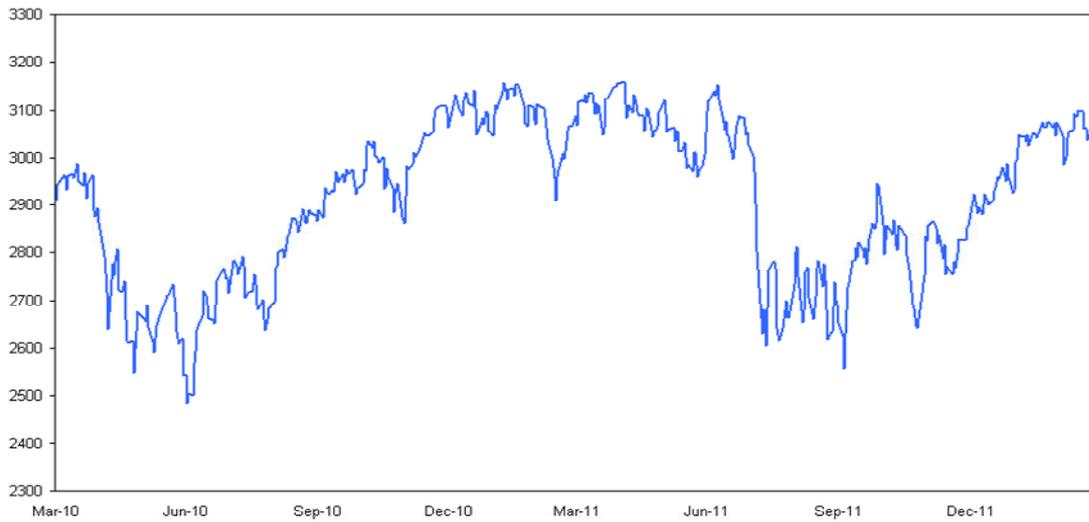
[Source: FTSE All-World Review, March 2012]

In global sector terms, Technology (+17.3%), Financials (+13.3%) and Industrials (+10.3%) were strong, while Telecommunications (-0.7%), Utilities (-0.3%) and Oil & Gas (+2.2%) lagged.

S&P 500



UK FTSE All-Share

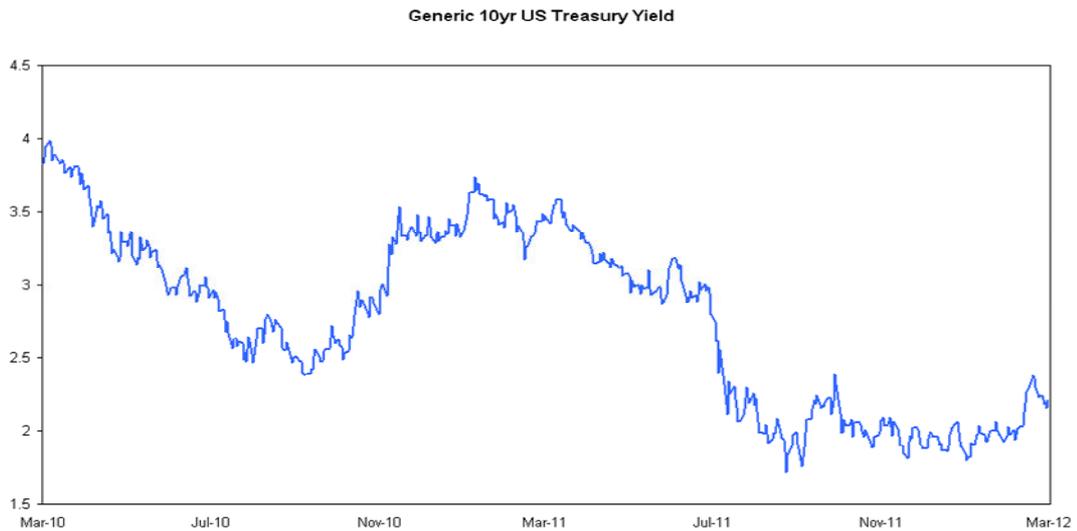


7. Within the 'safe-haven' **Government Bond** markets, US and UK yields increased during the quarter, though by the end of April they had regained

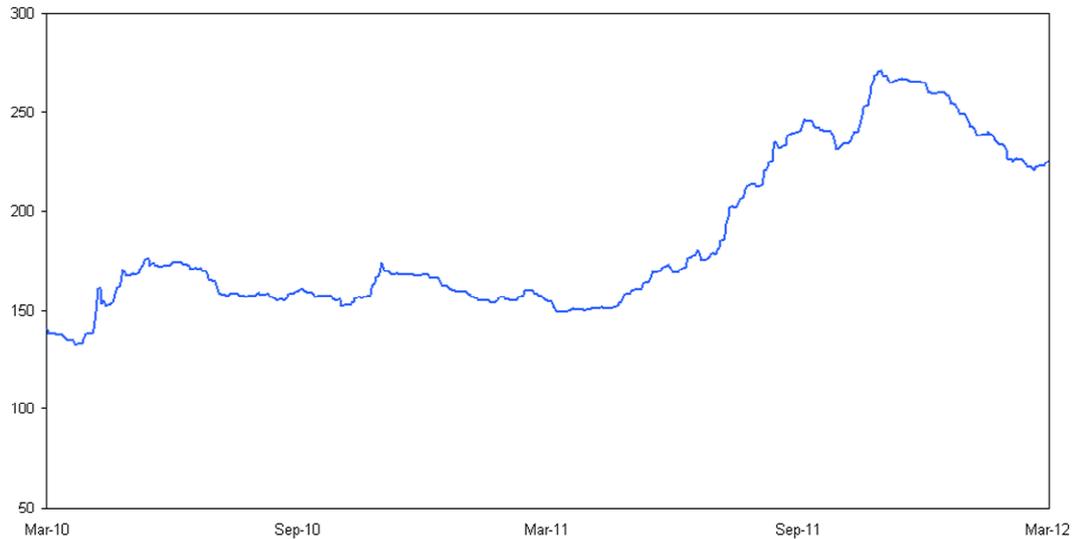
their end-2011 levels. German bonds, meanwhile, continued to be in demand, and their 10-year yield had fallen as low as 1.67% at the end of April. The spreads on French and Dutch bonds widened relative to Bunds on political uncertainty, while yield spreads on peripheral Eurozone bonds also widened after initially narrowing on the Greek bailout agreement. UK corporate bonds strengthened as the yield gap with gilts narrowed.

<b>10-year government bond yields (%)</b>					
	<b>Dec 09</b>	<b>Dec 10</b>	<b>Sept 2011</b>	<b>Dec 2011</b>	<b>Mar 2012</b>
<b>US</b>	3.84	3.34	1.93	1.88	2.21
<b>UK</b>	4.01	3.39	2.42	1.98	2.21
<b>Germany</b>	3.40	2.92	1.89	1.83	1.82
<b>Japan</b>	1.29	1.12	1.03	0.98	0.99

[Source: Financial Times]



£ Non-Gilt Spread over Gilts

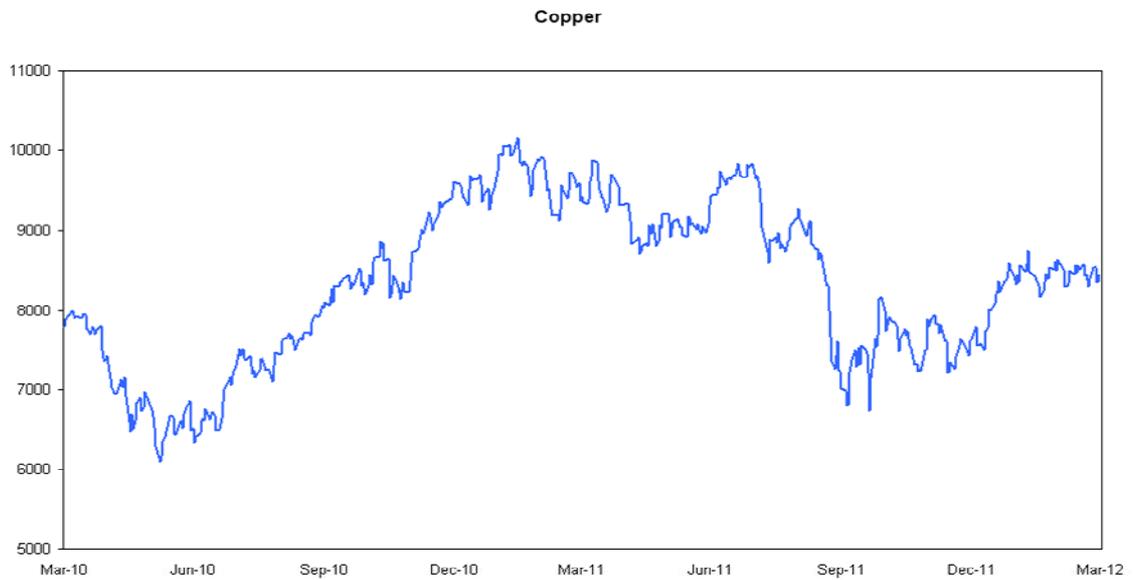


8. Capital values of **UK Commercial Property** have remained flat during the past year, with the rental yield accounting for virtually all of the returns achieved, as the following table of total returns shows.

	<b>3 months return</b>	<b>12 months return</b>	<b>Current yield</b>
<b>UK Commercial Property</b>	+0.9%	+6.6%	6.2%
- <b>Office</b>	+1.1%	+8.2%	6.0%
- <b>Industrial</b>	+1.2%	+6.7%	7.0%
- <b>Retail</b>	+0.5%	+5.2%	6.0%

[Source: IPD UK Monthly Property Index]

9. In **Commodities**, the Oil price was stable at around \$100/bbl on the WTI measure, although Brent crude rose by 10% to \$122/bbl. Copper appreciated sharply in January and February, but fell back in March on worries of a slowdown in Chinese demand; Gold followed a similar path.



10. The main feature in **Currency** markets was the weakness of the Yen, after the Bank of Japan's statement in mid-February that it would add Y10trn (\$120bn) to its asset-buying programme while adopting a 1% 'goal' for inflation. This policy shift caused an immediate 5% fall in the yen against the dollar, with a further 2% depreciation to Y82/\$ by the end of March. Elsewhere, the pound rose by 3% against the dollar during the quarter, and was unchanged relative to the euro at €1.20.



## Outlook

11. Hopes that the Greek bailout in February had at least bought time for Greece to reform its economy, have been dashed by the voting in the Greek elections where pro-bailout coalition parties lost their majority. If the bailout package is indeed revoked, the earlier worries of a break-up of the Eurozone will return in full force. This renewed uncertainty is likely to be negative for Continental European equities, and for peripheral sovereign bonds, while reinforcing the demand for 'safe-haven' government bonds. If, however, the election of M Hollande as French President causes a shift in emphasis from austerity to growth in European policy, markets may react positively.
12. Government Bond yields in US, UK and Germany are still at historically low levels, and are likely to rise as economic growth returns. Globally, equities should be supported by the gradual recovery in the US and by still-buoyant growth in China and the Emerging Markets. Despite the inevitable short-term volatility which equities display, I still feel that the Pension Fund's high exposure to equities is appropriate on a medium-term view.

Peter Davies

Independent Financial Adviser

May 7<sup>th</sup>, 2012

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Division(s): N/A

## **PENSION FUND COMMITTEE – 1 JUNE 2012**

### **REVIEW OF PENSION FUND POLICIES**

**Report by the Assistant Chief Executive and Chief Financial Officer**

#### **Introduction**

1. Under the various Local Government Pension Scheme Regulations, the Pension Fund Committee as the Administering Authority of the Oxfordshire Pension Scheme is required to produce and maintain a number of key policy documents. The last comprehensive review of all such policies was in June 2010. Since that time, a number of the policies have been updated in line with individual decisions taken by the Committee. This report presents the latest version of these policies for them to be formally endorsed by the Committee.
2. Whilst not a formally required policy under the LGPS Regulations, this report also presents a formal Scheme of Delegation to be formally endorsed by the Committee. This Scheme of Delegation brings together a series of decisions previously made by this Committee to delegate decisions to officers of the Council.

#### **Policies for Endorsement**

3. The key policies to be reviewed and endorsed are set out as Annexes to this report. The key issues with each policy, including any changes to the Policy is set out below

##### Annex 1 – The Funding Strategy Statement.

4. The Funding Strategy Statement sets out the Fund's approach to managing the solvency of the Fund, and is the framework which guides the work of the Fund Actuary in completing the Triennial Valuation of the Pension Fund.
5. The initial Funding Strategy Statement was prepared in 2005 with considerable support from the Fund's then Actuary. The Committee carried out a consultation exercise as part of a fundamental review of the Statement in 2009/10 and agreed a number of changes to the Statement to increase flexibility around recovery periods, stepping arrangements and the treatment of admitted bodies. More recently the Committee considered the pooling arrangement in respect of academy schools following a joint letter from the Secretaries of State for Education, and Communities & Local Government.
6. As part of the current review, the Funding Strategy Statement has been completely re-written to reflect the differences in approach agreed with our

new Actuary, as well as incorporating the decisions of the Committee in March 2010 following the formal consultation, and in March 2011 re pooling.

#### Annex 2 – The Statement of Investment Principles

7. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's resources. This document was subject to a significant re-write when last formally reviewed in June 2010.
8. The latest version of the Statement of Investment Principles has been revised to reflect the changes in global equities, with the introduction of a passive element to the portfolio and the appointment of Wellington. The increase in the limit of unit linked contracts of insurance has been confirmed for the second year to enable the Fund to maintain the current transition arrangements with Legal & General.
9. The main change for the Committee to note and endorse is an increase in the target performance for Legal & General with regard to their fixed income mandate. Following the switch to the Core Plus Fund as the vehicle for our investment in corporate bonds, Legal & General believe there is an increased opportunity for out-performance and have therefore agreed an increase in their target from 0.4% above benchmark to 0.6% above benchmark.

#### Annex 3 - Governance Policy and Governance Compliance Statement

10. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Governance Compliance Statement sets out the extent that this policy complies with best practice.
11. There have been no changes to either document since the last review in June 2010. This means that the Fund remains only partially compliant in respect of scheme member representation and Committee member training. The latter issue arises from the fact that substitute members of the Committee are not restricted to those who have undergone specific pension fund training, and the Committee does not approve a specific training programme for the Committee members themselves.

#### Annex 4 – Communication Policy

12. This policy was last reviewed in June 2011 and no further changes have been proposed this year..

#### Annex 5 - Scheme of Delegation

13. As noted in the introduction to this report, the Scheme of Delegation is a new document which sets out to bring together all areas where the Pension Fund Committee has previously delegated decisions to Officers of the Council.
14. Where appropriate, the Scheme of Delegation has amended the job title of the Officer to which the responsibility has been delegated to reflect structural

changes in the Council and changes to job titles. The Scheme remains consistent with the principles initially agreed by the Committee.

15. A section has been included in the Scheme of Delegation to reflect the current practice around the review of the asset allocation for the Fund, where changes in allocation to remain within the agreed bands has been delegated to Officers, and any decision to agree a temporary allocation outside the band has been delegated to officers following consultation with the Chairman of the Committee.

## **RECOMMENDATION**

16. **The Committee are RECOMMENDED to approve the revised policy documents as set out in Annexes 1-5 to this report, noting the main changes in the documents.**

SUE SCANE

Assistant Chief Executive and Chief Financial Officer

Background papers: None

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

May 2012

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## **Oxfordshire Pension Fund**

### **Funding Strategy Statement**

#### **Introduction**

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004.
  
2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 1 June 2012. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meeting on 19 March 2010 following a full consultation exercise with the scheme employers.
  
3. The Funding Strategy Statement will be subject to further review in advance of the 2013 Valuation, which will allow for the impact of the forthcoming proposals for changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund, with the growth of the numbers of Academies within Oxfordshire. Any change will only be made after full consultation with all scheme employers.

#### **Purpose of the Funding Strategy Statement**

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

## Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are:
- To enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the tax-payer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.
  - To ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensure sufficient liquid resources to meet regular pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first instance from incoming employer and employee contributions to avoid the expense of dis-investing assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.
  - To manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.
  - To maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments on social or ethical grounds where to do so would not be in the best interests of the Fund Beneficiaries and reduce the investment income available to the Fund.

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

### **Responsibilities of Key Parties**

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.
8. The key responsibilities of the Administering Authority are:
- Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19<sup>th</sup> of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.
  - Investing all surplus monies within the Fund in accordance with the relevant Regulations, and the Fund's Statement of Investment Principles.
  - Ensure there is sufficient cash available to meet all liabilities as they fall due.
  - Maintain adequate records for each individual scheme member.
  - Pay all benefits and transfer payments in accordance with the Regulations.
  - Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.
  - Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.

- Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.
9. The key responsibilities of individual employers are:
- Correctly deduct contributions from employee pay.
  - Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.
  - Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.
  - Provide adequate membership records to the Administering Authority as required.
  - Notify the Administering Authority of all changes in membership details.
  - Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.
10. The key responsibilities of the Fund Actuary are:
- Prepare triennial valuations including setting employer contribution rates after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.
  - Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

### **Solvency and Target Funding Levels**

11. The Fund must determine the level at which the Fund will be deemed solvent, and should then aim for a target funding level whereby the assets of the Fund, and anticipated future income streams (by way of investment income and contributions) meet this solvency level in respect of the anticipated liabilities of the Fund.
12. The Funding Strategy Statement must set out how solvency and target funding issues will be addressed across different classes of scheme employer, and the timescales against which any deficit recovery plan must be delivered.
13. Solvency Level – The Pension Fund Committee has determined that the solvency level should be set such that the value of current assets, and

anticipated income streams is equal to 100% of the anticipated value of future liabilities. Any lower figure cannot be sustained in the longer term, and therefore would introduce an unacceptable level of risk into the management of the Fund and the delivery of the Funds aims.

14. Funding Level – The funding level is the percentage the current assets and future income streams form of the anticipated liabilities at any given time. The Actuary will calculate the current funding level based on a series of financial assumptions to be agreed with the Administering Authority. In particular the Actuary will seek to smooth short term variations in asset values rather than taking the strict market value at the point of valuation.
15. In discounting the value of the liabilities back to the point of the valuation, the Actuary will in general allow for an assumed premium investment return from equity and other higher risk assets held in the Fund. Where the future participation within the Fund is not assured, or at the point a cessation valuation is required, the Administering Authority retains the right to instruct the Actuary to complete a valuation on a low risk basis, such that the future liabilities are discounted by reference to current gilt yields, with no allowance for the premium investment return from higher risk assets. Where an employer is pooled, or where another scheme employer is prepared to underwrite the financial risks, valuations can still be undertaken on an on-going/higher risk basis, even where there is a question about the long term participation of an employers within the Fund.
16. The funding level of individual employers will in general be based on a shared investment experience (i.e. it is assumed that the assets allocated to each employer all hold an identical proportion of each asset class), but the individual membership experience of each employer's individual scheme members (i.e. liabilities will reflect the individual retirement decisions of scheme employers/members, patterns of ill-health retirements etc, so that no one employer is required to subsidise the decisions of another – although see pooling arrangements below).
17. Deficit Recovery Plans – Where the triennial valuation identifies the funding level of any given employer has fallen below the target funding level a deficit recovery plan must be agreed. The Committee has agreed that in normal circumstances any deficit recovery plan must aim to restore the funding level to the 100% target within a maximum of 25 years. This was set as the standard Recovery Period in the 2007 Valuation.
18. The Administering Authority retains the right to require a shorter recovery period where it has concerns about the financial standing of the employer, or where it has concerns regarding the level of an employer's participation in the

Fund going forward (e.g. significant decline in membership numbers, admission is linked to a short term service contract etc). Individual employers have the right to negotiate a lower recovery period than the standard period if they so wish.

19. In cases of exceptional financial hardship, and where the fall in funding level is seen to have been heavily influenced by short term factors which will not remain in the longer term the Administering Authority does have the discretion to agree a longer recovery period than the standard 25 years, to maintain a more stable employer contribution rate. It should be noted that this discretion will not be exercised where the Administering Authority believes the nature of the pressure on the funding level is long term in nature, and the extension of the recovery period is simply going to shift the increase in contribution rates to a later period.
20. The Actuary, in consultation with the Administering Authority may choose to vary the recovery period downwards for any individual employer in order to maintain as near stable contribution rate as possible.
21. The Administering Authority also has the discretion to agree stepping arrangements with individual employers, to enable them to manage an increase in their contribution rate over a number of years. The standard stepping period will be a period of 3 years, but in exceptional circumstances the Administering Authority has the discretion to increase this to 6 years. This again should be seen as a mechanism for maintaining as near stable contribution rates as possible, rather than a means for delaying an inevitable increase in contribution rates.
22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. For the 2010 Valuation, in light of the financial circumstances at the time, the Administering Authority agreed that the deficit payments for all smaller employers must be made by way of a cash amount, whilst allowing the larger employers to determine between a cash amount and a percentage of pensionable pay.
23. Pooling – Whilst in general the funding level of each individual employer will be based on its own membership experience, it is recognised that this can create high volatility in an employer's contribution rate, and therefore their financial standing and/or their continued participation in the Fund.

24. Some of the most vulnerable employers within the Fund are the small transferee admission bodies, who have been admitted to the Fund following the successful bid for an outsourcing contract from one of the scheduled scheme employers. Not only are such employers exposed to the risks associated with their size, but because of the fixed term nature of their participation in the Fund (in line with the length of their service contract) they are less able to benefit from the discretions available in managing any subsequent deficit recovery plan.
25. The Administering Authority therefore has the discretion, following consultation with the sponsoring scheme employer, to allow such transferee admission bodies to be pooled with their sponsoring employer. As transferee admission agreements require the sponsoring employer to under-write any future pension costs associated with the transferee admission body, such pooling arrangements involve no greater risk whilst maintaining more stable contribution rates in regards to the delivery of the outsourced service. At the end of any such admission agreement, any cessation valuation can be undertaken on the standard high risk basis, or the assets and liabilities can be retained within the pool and the deficit carried forward and allocated as part of the re-tendering of the service.
26. The Fund has also pooled together the smaller scheduled/designated employers, and separately the remaining smaller admitted bodies. Each employer within the pool shares the same membership experience, so for example the costs of a single expensive ill-health retirement are shared across all employers in the pool rather than falling to the employer who employed the scheme member at the point of their retirement.
27. At the time of the 2010 Valuation and the last review of the Funding strategy Statement there were three Academy schools within Oxfordshire, and each had been set their own contribution rate based on their own membership experience. Since that time the Government has asked Administering Authorities to consider pooling the academies with their former maintaining authority.
28. Following consultation with Oxfordshire County Council as the former maintaining authority of the Oxfordshire academies, it has been determined not to pool the academies with the Council. As the number of academies in Oxfordshire grows, the Administering Authority will undertake a consultation around the options of pooling all academies, sub-groups of academies potentially based on sponsorship/umbrella Trusts etc.

29. If an employer ceases to be a member of the Fund (whether through choice, the ending of a service contract, or the departure of their last active member), the Administering Authority will instruct the Actuary to carry out a cessation valuation, unless the deficit is held as part of a pooling arrangement for a transferee admission body. As noted above, the cessation valuation will be undertaken on a low risk basis, unless another scheme employer has under-written the financial risk.
30. Where a scheme employer fails to meet the cessation valuation, the cost will fall to the sponsoring employer in the case of a transferee admission body, the other members of the pool for a pooled body, and the Fund as a whole in all other cases. Similarly, where liabilities accrue in respect of scheme members where their former employer is no longer a scheme employer (orphan liabilities), these liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

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

31. This Funding Strategy Statement has been prepared in light of the Fund's Statement of Investment Principles (SIP). This document sets out the strategic allocation of the Fund's investments, the restrictions on investment, and the benchmarks against which Fund Management performance will be measured. A target outperformance of 1.3% above these benchmarks has been set for the Fund as a whole.
32. As noted above, the Actuary takes note of the actual investment allocation and the split between high and low risk assets in determining the discount factor to be applied to scheme liabilities. This allocation is in turn determined by the Statement of Investment Principles. As the Fund becomes more mature (i.e. the ratio of pensioners/deferred members to active members increases), the investment approach as set out in the Statement of Investment Principles will move to reduce the overall level of risk. This in turn will worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.
33. The Fund has previously consulted on changing the Funding Strategy Statement to allow multiple investment approaches to reflect the different levels of maturity of individual scheme employers. The consultation identified no real appetite for such a change, nor a current need, and as such, the Fund maintains a single investment strategy for the whole Fund.

## Identification of Risks and Counter-Measures

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

40. The main governance risks can be mitigated to an extent by the ability to set shorter recovery periods where there are doubts about an employer's future participation in the Fund, as well as the requirement to pay all deficit contributions by way of a cash figure rather than as a percentage of the pensionable pay bill.

### **Monitoring and Review**

41. The Administering Authority has undertaken to review this Funding Strategy Statement at least once every three years, in advance of the formal valuation of the Fund.
42. The Administering Authority will also monitor key events and consider an interim review of the Funding Strategy Statement where deemed necessary. Such key events include
- a significant change in market conditions,
  - a significant change in Fund membership,
  - a significant change in Scheme benefits, and
  - a significant change to the circumstances of one or more scheme employers.

June 2012

## ◆ STATEMENT OF INVESTMENT PRINCIPLES

### 1 Introduction

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

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

### 2 Overall Responsibility

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

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

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

### 3 Investment Objectives and Strategy

#### Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.3% per annum over a rolling three-year period.

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

#### Risk

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

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

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of

- poor performance by investment managers;
- diversification of investments, including investing in alternative assets with a low degree of correlation;
- use of a number of different investment managers to spread the risk of poor performance.

- diversification of investment styles, e.g. growth and value

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

### Strategic asset allocation

In September 2009 the Pension Fund Committee agreed a customised benchmark for the strategic allocation of assets. This was most recently endorsed in March 2011 and is set out in the table below:

Asset Class	Target asset allocation %	Range %
UK Equities		
- passively managed	10	
- actively managed	21	
<b>Total UK Equities</b>	<b>31</b>	<b>29 - 33</b>
Overseas Equities		
- passively managed	8	
- actively managed	24	
<b>Total Overseas Equities</b>	<b>32</b>	<b>30 - 34</b>
<b>Total Equities</b>	<b>63</b>	<b>59 - 67</b>
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
<b>Total Bonds &amp; Index Linked</b>	<b>16</b>	<b>14 - 18</b>
Property	8	5 - 9
Private Equity	10	6 - 11
Hedge Funds	3	2 - 4
Cash	0	0 - 5
<b>Total Other Assets</b>	<b>21</b>	
<b>Total All Assets</b>	<b>100</b>	

### 4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a

specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2011.

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

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

# Target performance is based on rolling 3-year periods

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

markets. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

### Restrictions on Investment

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

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

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

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in unit linked contracts of insurance
- the limit on this investment has been increased to 35%
- this increase has been agreed to allow the Council to effectively manage the transition between the Fund Managers for the global equity element of its portfolio. During the transition, the Funds will be held by a single manager in a passive fund. As the money is in a passive fund there is no additional risk associated with manager decision, as the manager is required to follow the market.
- The increase has been agreed for a period not exceeding 2 years.
- The increase was reviewed after 1 year, and it was agreed to maintain the increase in the limit for the full two years until 5 May 2013, to enable the completion of the transition to the new global equity manager.
- The decision to increase the limit has been made in accordance with the Regulations.

### Realisation of Investments

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

funds are long term investments and as such are not readily realisable.

### Monitoring and review

The individual manager's performance, current activity and transactions are monitored quarterly by the Pension Fund Committee. Investment management performance of the Fund is reviewed annually upon receipt of the annual report prepared by WM Performance Services.

### 5 Social, Environmental & Ethically Responsible Investment

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

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

Investment Managers' adherence to the policy and to ask Investment Managers to report regularly on any engagement undertaken.

### 6 Exercise of Rights attached to Investments

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

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. They have been instructed to vote in accordance with the guidance set by RiskMetric Group. However, in exceptional circumstances managers may vote differently from the RiskMetric Group guidance, if in their judgement this would be in the best interests of the fund. Where managers take a contrary view to the RiskMetric Group they must obtain permission from officers to vote differently and officers must report this to the Pension Fund Committee.

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

## 7 Custody & Stock Lending

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

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

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

## 8 Compliance

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

The Pension Fund Committee has assessed itself against the updated Principles of Pension Fund Investment

in June 2010 and is broadly compliant. This statement also complies with the guidance given by the Secretary of State.

## 9 Review of this Statement

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

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## **PF16 – ANNEX 3**

### **Oxfordshire Pension Fund**

### **Governance Policy Statement**

#### **Introduction**

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, published under the Local Government Pension Scheme (Amendment) (No.2) Regulations 2005.
2. As required by the Regulations, the Statement covers:
  - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
  - The frequency of any committee/sub-committee meetings;
  - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
  - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

#### **Governance of the Oxfordshire Pension Fund**

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

## **Oxfordshire Pension Fund Committee – Terms of Reference**

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:
  - The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
  - The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.
  
6. A more detailed interpretation of these terms of reference includes the following:
  - a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
  - b) regularly review and approve the asset allocation for the pension fund's investment
  - c) approve and maintain the fund's Statement of Investment Principles
  - d) approve and maintain the fund's Funding Strategy Statement
  - e) approve and maintain the fund's Governance Policy Statement
  - f) approve and maintain the fund's Communications Policy Statement
  - g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager
  - h) review the performance of the fund, and its fund managers
  - i) appoint an actuary, independent financial advisor(s), and custodians for the fund
  - j) approve an annual report and statement of accounts for the fund
  - k) approve an annual budget and business plan for the investment and administration of the fund
  - l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
  - m) consider all other relevant matters to the investment and administration of the fund.

## **Membership of the Committee**

7. The Committee's members shall be appointed by full Council and shall comprise
  - 7 County Councillors appointed with political parties represented in proportion to their representation on the Council as a whole
  - 2 Representatives of the City and District Councils of Oxfordshire.

These 9 members of the Committee shall have full voting rights

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

## **Operational Procedures**

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.
10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.
11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.
12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.

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

#### **Informal Governance Arrangements**

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

June 2012

## Oxfordshire Pension Fund

### Governance Compliance Statement

#### Principle A – Structure

a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not Applicable
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Oxfordshire County Council acting as Administering Authority has determined to delegate all functions relating to the management of the Pension Fund to the Pension Fund Committee.

## Principle B – Representation

a.	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> <li>• Employing authorities (including non-scheme employers e.g. admitted bodies)</li> <li>• Scheme members (including deferred and pensioner scheme members)</li> <li>• Where appropriate, Independent professional observers, and</li> <li>• Expert advisors (on an ad hoc basis)</li> </ul>	Partly compliant
b.	<p>That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	Compliant

Please use this space to explain reasons for non-compliance

The Pension Fund Committee contains representatives of the County Council (7 Members) and the 5 City and District Councils (2 Members). The Committee is also attended by a Beneficiaries Observer, appointed by the Unions to represent all scheme members (including deferred and pensioners). The Committee though does not include any representation from other key stakeholders, including Brookes University, the colleges, the Housing Associations, the small scheduled bodies and the small scheduled bodies. It has been determined that given the decision to manage all functions through a single Committee, increasing representation to cover these other key stakeholder groups would make the Committee unworkable. These stakeholders are afforded the opportunity to contribute to significant decisions through consultation exercises, and the annual Forum for all employers.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

### Principle C – Selection and Role of Lay Members

a.	That committee or panel members are made fully aware of the status role and function they are required to perform on either a main or secondary committee.	Partly Compliant
b.	That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant

Please use this space to explain reasons for non-compliance

A briefing is provided to all new members of the Committee members clearly setting out their role and responsibilities on the Pension Fund Committee. However this briefing is not given where substitute members attend the Committee.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

### Principle D – Voting

a.	The policy on individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Voting rights have been extended to the two District Council representatives on the Pension Fund Committee. As current employees of the County Council cannot have voting rights on a Council Committee, and as this group forms the largest single stakeholder group within the Fund, it has been determined that the Beneficiaries Observer does not have voting rights, to avoid any perverse incentive to appointing a current employee of the County Council to the position. This decision is clearly stated in the Fund's Governance Policy.

## Principle E – Training/Facility Time/Expenses

a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	Compliant
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant
c.	That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken.	Partly Compliant

Please use this space to explain reasons for non-compliance

The Committee considers each year the allocation to be provided as part of the annual budget to be spent on Committee member training, but it does not adopt a specific training programme.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

The Committee approve a training budget each year as a specific part of the business planning purpose. Training sessions are arranged to take place before all Committee meetings. External training courses are brought to the attention of Committee members. Training is provided free of charge, with all legitimate expenses reimbursed.

### Principle F – Meetings (frequency/quorum)

a.	That an administering authority's main committee or committee meet at least quarterly	Compliant
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Non Applicable
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

In addition to the quarterly meetings of the main Pension Fund Committee, the Fund holds an annual Pension Fund Forum, attended by Committee Members, to which all employers are invited.

### Principle G – Access

a.	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

All information on which decisions at the main Committee are based is equally available to all Members. Under the Council's Constitution, the Chairman, Deputy Chairman and Opposition Spokesperson are invited to a briefing meeting in advance of each Committee meeting, and as such receive a briefing not available to other members, including representatives of the third political party.

## Principle H – Scope

a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues.

## Principle I – Publicity

a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant
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Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

**OXFORDSHIRE PENSION FUND**  
**COMMUNICATION POLICY STATEMENT**

**Introduction**

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund, published under the Local Government Pension Scheme (Amendment) (No 2) Regulations 2005. SI 2005 No. 3199.

**Purpose**

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

**Aim**

6. To ensure that all members and scheme employers, as defined above have access to full information about the scheme, their benefits, or prospective benefits due from the scheme and about the changes, both actual and proposed to the scheme regulations.
7. Oxfordshire County Council, as administering authority will make available to all scheme employers any documents relating to consultation of changes to the regulations so that they can undertake the consultation with their employees.

**Communication Policy**

8. Annex 1 details the types and frequency of specific communications to members.

**Review of This Policy**

9. This policy will be reviewed annually in April or earlier if there is a material change to this policy, as a result of regulation change

<b>Communication Issue</b>	<b>Target audience</b>	<b>Method</b>	<b>Frequency</b>
Communication Policy	<ul style="list-style-type: none"> <li>• Employers</li> <li>• Members – active, deferred and pensioner</li> <li>• Prospective scheme members</li> <li>• Employee representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Include in all next issues of newsletters</li> <li>• County intranet</li> <li>• County web site</li> <li>• Make available for employers in the fund for their sites</li> </ul>	Initial publicity and then after any future changes to the policy.
Pensions Increase Notification	<ul style="list-style-type: none"> <li>• Pensioner members</li> </ul>	<ul style="list-style-type: none"> <li>• Post</li> <li>• County Web site</li> </ul>	Annually – in February
Annual Benefit statements	<ul style="list-style-type: none"> <li>• Active</li> <li>• Deferred members</li> </ul>	<ul style="list-style-type: none"> <li>• Post to individuals, either to home addresses via employers</li> </ul>	Annually - by December
Employers Forum	<ul style="list-style-type: none"> <li>• Employers in the Oxfordshire Pension Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting</li> </ul>	Annually - December
Regular, quarterly newsletters; (Will replace and incorporate current ad hoc bulletins and the summary leaflet of accounts)	<ul style="list-style-type: none"> <li>• Active Scheme members</li> <li>• With one newsletter including summary of accounts for pensioners</li> </ul>	<ul style="list-style-type: none"> <li>• Paper distribution with assistance from employers.</li> <li>• Available to download from County Web site</li> </ul>	Quarterly
Beneficiaries Report from the Pension Fund Committee beneficiary's advisor.	<ul style="list-style-type: none"> <li>• Active members</li> <li>• Employee representatives</li> </ul>	<ul style="list-style-type: none"> <li>• E mail distribution to Employers for notice boards and intra nets</li> <li>• By post and information on intra nets</li> </ul>	Quarterly
Pensions User Group	<ul style="list-style-type: none"> <li>• Employer Human Resource and Payroll contacts</li> </ul>	<ul style="list-style-type: none"> <li>• Meeting</li> <li>• Email distribution of agenda and action notes.</li> </ul>	Quarterly



Communication Issue	Target audience	Method	Frequency
LGPS Summary information guide  Membership forms	<ul style="list-style-type: none"> <li>• Prospective scheme members</li> <li>• Employers for new starters, job application packs</li> </ul>	<ul style="list-style-type: none"> <li>• Paper copies</li> <li>• Download from County web site</li> <li>• Email</li> </ul>	All year.
Provide presentations and talks on LGPS matters  Facilaite pensions seminars for Prudential 'Basic LGPS scheme and AVC talks'	<ul style="list-style-type: none"> <li>• Active members</li> <li>• Employers</li> </ul>	<ul style="list-style-type: none"> <li>• Staff meetings</li> <li>• Part of pre retirement courses</li> <li>• Induction meetings for new joiners</li> <li>• Active members group meetings</li> </ul>	Ad hoc as required  Timings as agreed with the Prudential and individual employer area
Development of electronic information systems, external County Council web site and intranet pages.	All targeted audiences should be able to access information, especially from the external site.		Regular reviews to keep up to date

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## **Pension Fund Scheme of Delegation**

### **Introduction**

1. The Council's Constitution sets out the general Scheme of Delegation to the Strategic Directors and a small number of other Officers. These named posts are therefore authorised by the council to exercise the specific powers and functions of the council.
2. It is not possible for such a small number of people to take all the necessary decisions and authorise expenditure, and therefore further delegation of these powers is allowed. The Scheme of Delegation is the formal record of that authorisation.
3. The Scheme of Financial Delegation is made by Joanna Simons, Chief Executive, in accordance with the Contract Procedure Rules (part 8.3) of the Council's Constitution, to enable delegation of her authority to sign contracts and other financial authorisations. The levels of delegation applicable to pension fund authorisations and financial transactions are shown within the Chief Executive's Office Scheme of Delegation and the Oxfordshire Customer Services Scheme of Delegation. Appendix (a) shows the main extracts of the schemes of delegation which were relevant to usual pension fund administration and investment activities, at the date of the report.
4. Schemes of Financial Delegation are reviewed and amended throughout the year. Amendments are signed off by relevant service directors, the section 151 officer and the county solicitor.
5. In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

### **Internal Disputes Resolutions Procedure (IDRP)**

6. Under the Local Government Pension Scheme (Administration) Regulations 2008, a Member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates).
7. Once the employer has issued their determination of the dispute, the Member has the right to have their dispute reviewed a second time by an independent officer appointed by the Administering Authority.

8. At their meeting on 4 December 2009, the Pension Fund Committee delegated authority to the Assistant Head of Shared Services (Financial Services), after consultation with the Chairman of the Pension Fund Committee, to determine non-contentious cases, subject to reporting to the next meeting of the Committee on such determinations. The Assistant Head of Shared Services (Financial Services) post no longer exists in the current directorate structure. Consequently IDRPs responsibilities have transferred to the Service Manager, Pensions, Insurance and Money Management post.

### **Death Benefits**

9. The Local Government Pension Scheme Regulations (2007) state that if a scheme member dies before his 75<sup>th</sup> birthday, the administering authority at their absolute discretion may make payment, in respect of the death grant to or for the benefit of the member's nominee or personal representatives or any person appearing to the authority to have been his relative or dependant at any time.
10. In accordance with the Council's Constitution and Scheme of Delegated Powers, death grant decisions can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee.
11. At their meeting on 4<sup>th</sup> December 2009, the Pension Fund Committee delegated authority to the Assistant Head of Shared Services (Financial Services), after consultation with the Chairman of the Pension Fund Committee, to determine non-contentious cases, subject to reporting to the next meeting of the Committee on such determinations. Due to a directorate restructure the delegated authority has transferred to the Service Manager, Pensions, Insurance and Money Management post.

### **Power of Attorney – Custody Accounts**

12. The Pension Fund's Global Custodian makes arrangements for the custody of assets in relevant countries. Where they do not have a presence in a particular country, a sub-custodian may be appointed. In some countries regulators require the Pension Fund to grant a Power of Attorney to allow the sub-custodian open an account on behalf of the Fund.
13. In March 2011, The Pension Fund committee delegated decision-making related to the custody of assets to the Chief Finance Officer and Monitoring Officer, after consultation with the Chairman of the Committee.

### **Pension Fund Cash Management Strategy**

14. 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 balances held by the administering authority are managed by the Council's Treasury Management and Pension Fund Investment team. The Pension Fund Committee have delegated authority to the Assistant Chief Executive and Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy.
15. To avoid cashflow deficits or the excessive build up of cash over the strategic asset allocation, the level of cash balances is reviewed as part of a quarterly asset allocation re-balancing exercise by the Independent Financial Adviser and the Pension Fund Investments officers.

### **Strategic Asset Allocation**

16. The Pension Fund strategic asset allocation is approved by the Pension Fund Committee and is periodically reviewed by the Independent Financial Adviser. Due to market volatility and the varying performance levels of fund managers, the actual asset allocation fluctuates on a daily basis.
17. The Independent Financial Adviser and officers review the actual asset allocation on a quarterly basis and make arrangements to transfer assets or cash to fund managers, to rebalance the fund.
18. Decisions to rebalance the fund within approved strategic asset allocation ranges are delegated to officers. Arrangements to rebalance the fund outside the strategic asset allocation ranges, are taken after consultation with the Chairman of the Pension Fund committee, and reported to the next Committee.

### **Voting rights**

19. Investment Managers are delegated authority to exercise voting rights in respect of the Pension Fund's holdings in accordance with RREV recommendations. Where Fund Manager's take a contrary view to RREV guidance they must obtain permission from officers to vote differently. In practice, the decision is delegated to the Service Manager, Pensions, Insurance and Money Management or the Principal Financial Manager, Treasury Management and Pension Fund Investments.

### **Private Equity**

20. In February 2011, The Pension Fund Committee resolved to transfer the responsibility for private equity fund management decisions to the lead officer

for Pensions Investment. The Fund's Independent Financial Adviser is responsible for advising officers on the management of the private equity portfolio. Officers consider the advice and decide whether or not to act on the recommendations. In practice, private equity decisions are delegated to the Service Manager, Pensions Insurance and Money Management, or in his absence the Principal Financial Manager, Treasury Management and Pension Fund Investments.

**Scheme of Financial Delegation - Extracts**

**Appendix (a)**

**Authority to Sign Purchase Orders, Invoices and Contracts for the Oxfordshire County Council Pension Fund**

**Sole signatories for Pension Fund Goods and Services**

Up to £500,000 for Goods and Services,

Chief Executive

Assistant Chief Executive and Chief Finance Officer

Director for Environment & Economy

Up to £200,000 for Goods and Services

Deputy Chief Finance Officer

Service Manager – Pensions, Insurance and Money Management

Principal Financial Manager – Treasury Management & Pension Fund Investments

Pension Services Manager

Up to £25,000

Team Leader – Pensions Administration

Team Leader – Pensions Administration

**Joint signatories for Pension Fund Goods and Services**

Up to £500,000,

Deputy Chief Finance Officer

Service Manager – Pensions, Insurance and Money Management

with the Chief Executive for Goods and Services over £500,000.

Assistant Chief Executive and Chief Finance Officer

Deputy Chief Finance Officer

With the s151 officer for Goods and Services over £500,000

Director for Environment and Economy

### **Income (Debt) Write Offs**

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee. The authorisation of debt write offs up to and including £10,000 is delegated to the Service Manager – Pensions, Insurance and Money Management in conjunction with:

Assistant Chief Executive and Chief Finance Officer for amounts between £7,500 and £10,000 and with the Deputy Chief Finance Officer for amounts below £7,500.

### **Cash Management**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, state that the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund and formulate an investment policy to govern how the authority invests any Pension Fund cash.

Management of the Oxfordshire Pension Fund cash balances is delegated to the Treasury Management team. The Treasury Management team responsible officers list is authorised by the Section 151, or Deputy Section 151 Officer

Officers authorised to enter into Money Market arrangements are listed as Dealers on the Treasury Management Responsible Officers List.

### **Fund Management and Custody Agreements – 2 signatories required**

Service Manager – Pensions, Insurance and Money Management

Principal Financial Manager – Treasury Management and Pension Fund Investments

Authorisers listed in the approved Treasury Management Responsible Officers List.

Division(s): NA

## PENSION FUND COMMITTEE – FRIDAY 01 June 2012

### Admission Bodies

Report by Assistant Chief Executive and Chief Financial Officer

#### Introduction

1. This report seeks Committee approval for the most recent applications for admission to the fund. These applications for transferee admission body status arise from outsourcing of services from Oxfordshire County Council.

#### Outsourcing of Property Services

2. The services being outsourced are property, some of which is already outsourced and some from in-house plus QCS and Food with Thought. Overall around 700 staff are to be transferred of these circa 457 are scheme members.
3. **Carillion** - The majority of staff, around 440, will be transferring to Carillion on 01 July 2012.
4. Carillion is seeking to admission to the Oxfordshire Pension Fund, from this date, as a transferee admission body
5. **Capita** - The remaining staff will transfer to Capita, who are also seeking admission to the Oxfordshire Pension Fund as a transferee admission body as at 01 July 2012.

#### Outsourcing of Independent Living Services

6. Independent Living Services are made up of the Supported Living Service (SLS) and the Daytime Support Service (DTS), both of which are due to be outsourced. Although other small parts of the overall ILS will remain with Oxfordshire County Council.
7. The first part of the service to be outsourced is the Supported Living Service. This is to be split into geographical areas for the tender process. To date there have been two successful bidders: -
8. **The Camden Society** - will be taking the contract for the City area from 01 September 2012. It is anticipated that around 37 staff will transfer to this new provider.
9. The Home Farm Trust – have won the contract covering the area of South & Vale. It is anticipated that this contract will start on 03 September 2012 and again will apply to approximately 37 staff.

## **Admission Agreements**

10. In the above cases the admission agreements will be between Oxfordshire County Council, as administering authority, the scheme employer and the transferee admission body.

## **Financial and Staff Implications**

11. In all cases the service agreement sets out a “pass through” arrangement for pension costs, whereby the contractor rate is set at the Oxfordshire County Council rate of 19.3%. Pension costs, with the exception of those arising directly from the decision/action of the contractor, will be charged back to OCC as part of the contract costs.

## **Oxfordshire and Berkshire Mental Health Trust (OBMH)**

12. OBMH has changed name to The Oxford Health NHS Foundation Trust. The admission agreement has been updated.

## **RECOMMENDATION**

**The Committee is RECOMMENDED to**

- a) Approve the above applications subject to their agreeing to the terms of the Admission Agreements and this Committee being informed when the agreement is signed; and**
- b) Note the change of name for Oxfordshire and Berkshire Mental Health Trust to The Oxford Health NHS Foundation Trust.**

Sue Scane  
Assistant Chief Executive and Chief Finance Officer

Background papers:  
Contact Officer: Sally Fox  
Tel: 01865 797111

May 2012

Division(s): N/A

## **PENSION FUND COMMITTEE – 1 June 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) and the Deputy Chief Finance Officer have approved the write off of £5,321.16 chargeable to the pension fund in respect of five cases.
5. In three of these cases the member had died resulting in a small over payment of pension, which could not be recovered. The smallest amount was £5.77 and the highest amount was £46.19
6. An amount of £2,402.88, to be written off relates to costs incurred in setting up an admission agreement which was not finalised. Emmaus, a local charity, had taken a member of staff on from another local charity and so, wished to offer a pension through the Local Government Pension Scheme.
7. At the initial enquiry Emmaus were told that they would be responsible for the actuarial and legal costs incurred in setting up the admission, however it was not made clear that this cost would apply even if they chose not to sign up to the admission agreement. Unfortunately, this is what happened and since it is not clearly recorded that Emmaus would be responsible for these monies there is no alternative but to write off the amount.

8. Oxfordshire Mental Health Matters (OMHM) ceased to be a scheme employer on 01 July 2010. At the point of collecting data for the closure valuation it was not recognised that OMHM were paying the cost an early retirement in instalments. Therefore, the final instalment of £2,843.94 was not included in the closure valuation figure. There is no successor body and so no alternative but to write off this amount.

## **RECOMMENDATION**

9. 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 Tel: (01865) 797111  
May 2012