



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 8 March 2013 at 10.10 am

County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

February 2013

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

Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Roy Darke

Stewart Lilly
A.M. Lovatt

C.H. Shouler

Co-optees

District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 7 June 2013***
- ***A representative of Baillie Gifford, Marianne Harper Gow, will give a training session on Corporate Governance for members of the Committee immediately prior to the meeting. This will start at 9.30 am and will be held in the meeting room itself.***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, or

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Rachel Dunn on (01865) 815279 or Rachel.dunn@oxfordshire.gov.uk for a hard copy of the document.

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

AGENDA

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

To approve the minutes of the meeting held on 7 December 2012 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 9 - 36)**

10:15

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

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 31 December 2012 using the following tables:

| | |
|-----------------|---|
| Table 1 | provides a consolidated valuation of the Pension Fund at 31 December 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 24 | provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 31 December 2012 |
| Table 25 | 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
Graphs 2 – 3 – Baillie Gifford
Graphs 4 - 5 – Wellington
Graphs 6 - 7 – Legal & General
Graphs 8 – 12 - 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 7, 8, 9, 10 and 11 on the agenda.

6. EXEMPT ITEMS

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

7. Overview and Outlook for Investment Markets (Pages 37 - 44)

10:30

Report of the Independent Financial Adviser (**PF7**).

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.

8. Baillie Gifford

10:40

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 7.
- (2) The representatives (Mr A Dickson and Mr I McCombie) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2012;
 - (b) give their views on the future investment scene.

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

9. Wellington

11:20

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 5 and 7.

- (2) The representatives (Ms N Staunton and Mr T Burgess) of the Fund Manager will:
- (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2012;
 - (b) give their views on the future investment scene.

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

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

10. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 45 - 48)

12:00

The Independent Financial Adviser will report on the main issues arising from the reports from UBS and Legal & General (**PF10**) in conjunction with information contained in the tables (Agenda Item 5).

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.

11. Summary by the Independent Financial Adviser

12:05

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.

12. Annual Review of the Independent Financial Adviser (Pages 49 - 52)

12:10

The Pension Fund employs the services of an Independent Financial Adviser (IFA). Peter Davies, the current IFA, was appointed from February 2009 for five years with an option to extend for a further five years. This is the fourth annual review of his activities (**PF12**). The report reviews his activities and performance over the last year, and considers any changes to the current arrangements and fee levels.

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

The Committee is RECOMMENDED to:

(a) note the report and consider if they wish to offer any feedback to Mr Davies in relation to his performance as IFA during the last year; and

(b) discuss any contractual issues arising from the report and to delegate authority to the Service Manager, Pensions, Insurance and Money Management for their agreement and signature.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

13. Fund Manager Monitoring Arrangements (Pages 53 - 54)

12:20

Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. This report (PF13) sets out the proposed schedule for 2013/14 for approval.

The Committee is RECOMMENDED to approve the Fund Manager Monitoring Arrangements as set out in the report.

14. Corporate Governance - Voting (Pages 55 - 74)

12:25

The report (PF14) sets out the current voting arrangements of the Oxfordshire Pension Fund and reviews voting activities during 2012.

The Committee is RECOMMENDED to:

- (a) *note the Fund's voting policies and activities and consider whether or not they continue meet the requirements of the Oxfordshire County Council Pension Fund; and*
- (b) *decide whether or not they wish to continue to use proxy voting advisors or fully delegate vote decisions to fund managers.*

15. Annual Business Plan, Budget and Cash Management Strategy 2013/14 (Pages 75 - 98)

12:35

The report (PF15) sets out the Pension Fund annual business plan for the 2013/14 financial year which includes the business priorities and budget for 2013/14, the current risk register and the cash management strategy for 2013/14.

The Committee is RECOMMENDED to:

- (a) *approve the Business Plan and Budget for 2013/14 as set out at Annex 1;*
- (b) *approve the Pension Fund Cash Management Strategy for 2013/14 as set out at Annex 2;*
- (c) *delegate authority to the Assistant Chief Executive and Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;*

- (d) ***delegate authority to the Assistant Chief Executive and Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and***
- (e) ***delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.***

16. Academies and Pooling within the Oxfordshire LGPS Fund (Pages 99 - 114)

12:40

The report **(PF16)** provides feedback on the results of the recent consultation exercise in respect of the options for pooling Academy schools within Oxfordshire's LGPS Fund.

The Committee are recommended to consider the responses received, and determine what changes, if any, to make to the Funding Strategy Statement which would allow academies to be pooled for the purposes of the 2013 Valuation.

The covering letter which was sent out to all schools, together with the Consultation document on Options for Pooling are attached at Annex 1. Any later responses received after the report deadline will be reported by means of an Addendum.

The Committee are RECOMMENDED to consider in light of the responses to the consultation, what changes, if any, it wishes to make to the Funding Strategy Statement in respect of pooling academy schools, which will then form the basis of the 2013 Valuation results.

17. Employer Issues (Pages 115 - 118)

12:50

The report **(PF17)** seeks Committee approval for any new admissions to the Fund. It also updates the Committee on the cessation of a previous admitted body as a result of insolvency.

The Committee is RECOMMENDED to:

- a) note the progress of previously approved applications for admitted body status;***
- b) approve the application for admitted body status by Pabulum;***
- c) approve the amendment to the admission agreement with Carillion;***
- d) approve the application for admitted body status by The Banbury Museum Trust;***
- e) note the information regarding the cessation of AAA NORCAP as a scheme employer; and***

- f) agree the approach being proposed in respect of certain cessation situations, whereby subject to adequate safeguards, employers with no active members can still contribute towards a past service deficit, rather than be charged an immediate cessation valuation.**

18. Write Offs (Pages 119 - 120)

12:55

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

The Committee is RECOMMENDED to note the report.

19. Amendment to the Statement of Investment Principles (Pages 121 - 130)

13:00

The Pension Fund is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to publish and keep under regular review a Statement of Investment Principles, which govern the investment of the Fund.

The report (**PF19**) recommends Committee to amend their Statement of Investment Principles to bring the overall Performance Target for the Fund into line with the decisions to appoint Wellington as an active global equity manager and to switch £100m of the Fund into a passive global equity mandate. The Committee is also recommended to extend the current arrangements whereby the limit on the proportion of the Fund invested in a single insurance contract has been increased from 25% to 35%. A revised Statement of Investment Principles, incorporating these changes, is attached at Annex 1.

The Committee is RECOMMENDED to approve the revised Statement of Investment Principles as set down at Annex 1 to the report.

20. Pension Fund Taxation Review (Pages 131 - 134)

13:05

The report (**PF20**) will update the Committee on the latest position regarding tax reclaims, and, where appropriate, seek approval to join further legal actions to recover overpaid tax.

The Committee is RECOMMENDED to:

- (a) note the outcome of the review of taxation undertaken for the***

Pension Fund;

- (b) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue withholding tax reclaims in any EU territories, following the completion of a detailed cost benefit analysis; and***
- (c) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue a tax reclaim for MODs, following the completion of a detailed cost benefit analysis.***

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Tuesday 5 March 2013 at 3.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 7 December 2012 commencing at 10.00 am and finishing 1.00 pm

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Bill Service (Deputy Chairman)
Councillor Jean Fooks
Councillor Roy Darke
Councillor Stewart Lilly
Councillor Sandy Lovatt
Councillor C.H. Shouler
District Councillor Richard Langridge
District Councillor Jerry Patterson

Other Members in Attendance: Councillor Rodney Rose (part) - observing

District Council Representatives: District Councillor Richard Langridge
District Councillor Jerry Patterson

By Invitation: P. Davies (Independent Financial Adviser); P. Gerrish (Beneficiaries Observer)

Officers:

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

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

59/12 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence.

60/12 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

61/12 MINUTES

(Agenda No. 3)

Minutes approved and signed subject to the following amendment to Minute 42/12 (amendment in bold print):

'He added that towards the end of August the Fund had gained a further £20m, which gave an approximate value of **£1.290bn**.

With regard to Minute 53/12, Sally Fox reported that the County Council Members' annual pension statements were currently being distributed and those for the District Council members would follow and should be sent by the end of December.

62/12 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no petitions submitted or any requests to address the meeting.

63/12 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 5)

Mr Davies reported that the third quarter of 2012 had seen a total appreciation of £45m, and an additional £15m since 6 December, giving an approximate total value of £1.33bn. With regard to asset allocation, the overall value of equities was slightly below target, with bonds 1% above benchmark, but within their target range. Alternatives were also below their benchmark allocation. Despite outperformance by global equities and overseas bonds, overall performance for the quarter and year to 30 September 2012 was 0.6% below benchmark. Over 3 years performance was broadly in line with benchmark, but was 1.2% below benchmark over 5 years.

RESOLVED: to receive the tables and graphs; and that the information contained in them be borne in mind insofar as they related to items 7,8, 9, 10 and 11 on the agenda.

64/12 EXEMPT ITEMS

(Agenda No. 6)

RESOLVED: that the public be excluded for the duration of items 7,8,9,10,11 and 12 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 is considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

65/12 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 7)

The Committee considered a report of the Independent Financial Adviser (PF7) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

Mr Davies commented that since writing his report, the Chancellor had delivered his Autumn statement which had confirmed a poor economic outlook.

The public were 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:

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

66/12 UBS

(Agenda No. 8)

The representatives, Mr M. Gordon and Mr N. Irish reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2012.

The public were 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.*

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

67/12 PARTNERS GROUP

(Agenda No. 9)

The representatives, Mr G. Waller and Mr S. Jovele reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2012.

The public were 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.

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

68/12 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported on the main issues arising from meetings which took place during the quarter with Baillie Gifford (UK Equities) and Wellington Management (PF10).

Mr Davies reported that Baillie Gifford and Legal & General had slightly underperformed in the quarter, but their longer term figures were still very good. Early figures for Wellington were ok. He did not however consider that any action was required.

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

69/12 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Independent Financial Adviser reported that it was his view that there was potential in the Fund for new investment and he would therefore be recommending to the next Adam Street Global Programme meeting, a commitment of £25m to the 2013 programme. He added that infrastructure had been earmarked as a potential area for investment. This was referred to at Agenda Item 14.

RESOLVED: to note the Independent Financial Adviser's summary.

70/12 INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP) - CASE UPDATE

(Agenda No. 12)

The Committee had before them a report (PF12) updating them on the latest position regarding the Internal Dispute Resolution Procedure complaint which had been considered at the December 2011 meeting.

The public were 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.*

Sally Fox undertook to circulate to all members of the Committee the initial letter from the Pensions Ombudsman, along with the response from Sean Collins on behalf of the Council.

RESOLVED: to note the report.

RE-ADMISSION OF PRESS AND PUBLIC

71/12 ANNUAL REPORT AND ACCOUNTS 2011/12

(Agenda No. 13)

The Committee were requested to formally adopt the Annual Report and Accounts for 2011/12, a draft of which had been presented to the last meeting for comment (Min. 54/12 refers).

Donna Ross reported that there had been no major revisions to the accounts, only expansions to the notes on pages 25 and 31, as requested by Members at the last meeting.

RESOLVED: to formally adopt the Annual Report and Accounts for 2011/12.

72/12 THE NEW LOOK LOCAL GOVERNMENT PENSION SCHEME (LGPS) 2014

(Agenda No. 14)

The Committee considered a report (PF14) which gave an update on the latest position regarding the redesign of the Local Government Pension Scheme which was due to become affective from 1 April 2014. The report also included information on the most recent Government consultation on investment in partnerships, which had been published with the aim of reducing barriers to future investment in infrastructure products.

The Committee **RESOLVED** to:

- (a) note the latest position on the New Look LGPS 2014 as detailed in the report;

- (b) agree the response to the Government Consultation on Investment in Partnerships based on the draft at Annex 3; and
- (c) agree to hold a seminar on infrastructure investments, provisionally to be held on the afternoon of the 8 March 2013 Pension Fund Committee.

73/12 LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS REGULATIONS) 2012

(Agenda No. 15)

The Committee were requested to give their approval to a new Administering Authority policy (PF15) which gave employer discretion to bring employee benefits into payment where the scheme member's previous employer no longer exists. The introduction of such a policy is a requirement of the 2012 Miscellaneous Regulations.

RESOLVED:

- a) agree the policy for assessing requests for early payment of pensions;
- b) agree to delegate the decision making under this policy to a panel of officers, following consultation with the Chairman;
- c) note the change of bond requirement; and
- d) note the change of power to request closure valuations and revised rates and adjustment certificates.

74/12 EMPLOYER UPDATE

(Agenda No. 16)

The Committee had before them a report (PF16) which gave an update on new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). The report also informed Members of the intention to start a consultation on the future pooling arrangements for academy schools, which would then instruct the 2013 valuation process.

RESOLVED: to

- (a) note the progress of previously approved applications for admitted body status;
- (b) retrospectively approve the application for admitted body status by Hayward Services; and
- (c) agree the consultation process with academies in relation to pooling options.

75/12 APPOINTMENT PROCESS FOR A NEW FUND MANAGER

(Agenda No. 17)

The Committee had before them a report (PF16) which gave an update on new employers within the Fund, including new scheduled bodies (academy schools) and Transferee Admission Bodies (following outsourcing exercises). It also informed Members of the intention to start a consultation on the future pooling arrangements for academy schools, which would then instruct the 2013 valuation process.

RESOLVED: that

- (a) an informal Member/Officer working group be set up comprising Councillors Harvey, Lilly, Fooks, the Independent Financial Adviser and the officers, to look at the various options, and their cost implications, which could be employed to condense the appointment process in the future and to submit their report to the 8 March 2013 meeting; and
- (b) the above report to include issues of officer capacity.

76/12 PENSION FUND SCHEME OF DELEGATION

(Agenda No. 18)

The report (PF18) sought committee approval to two minor changes to the Fund's Scheme of Delegation relating to write off's and the investigation of Internal Dispute Resolution Procedure (IDRP) complaints.

RESOLVED: to

- (a) approve the proposed changes to the Pension Fund's Scheme of Delegation, as set down at paragraph 3 of the report; and
- (b) accept the change to the write off procedure to allow the Pension Services Manager to approve write off amounts of up to £500, subject to reports being made to this Committee.

77/12 WRITE OFF'S

(Agenda No. 19)

The Committee had before them a report (PF19) which provided summary details of the amounts written off in the last quarter, in accordance with the Financial Regulations of the Fund.

RESOLVED: to note the report.

78/12 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 20)

Mrs Ross gave an oral report on a number of issues.

- (a) to note the report; and
- (b) to accept the offer of Baillie Gifford to brief the Committee on Corporate Governance prior to start of the next meeting on 8 March 2013.

79/12 ANNUAL PENSION FORUM

(Agenda No. 21)

The Committee were reminded that the annual Pension Fund Forum would take place on Friday 14 December 2012. Members were encouraged to attend as part of their training programme.

..... in the Chair

Date of signing

TABLE 1

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

| Investment | COMBINED PORTFOLIO 1.10.12 | | Baillie Gifford UK Equities | | Wellington Global Equities | | Legal & General Global Equity Passive | | Legal & General Fixed Interest | | UBS Overseas Equities and Property | | Other Investments | | COMBINED PORTFOLIO 31.12.12 | | 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 | |
| EQUITIES | | | | | | | | | | | | | | | | | |
| UK Equities | 396,366 | | 262,867 | 97.3% | 12,227 | 7.7% | 137,523 | 57.3% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 412,617 | 30.3% | 31.0% |
| US Equities | 77,559 | 0 | 0 | 0.0% | 79,265 | 49.9% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 79,265 | 5.8% | |
| European & Middle Eastern Equities | 29,130 | 0 | 0 | 0.0% | 27,477 | 17.3% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 27,477 | 2.0% | |
| Japanese Equities | 11,982 | 0 | 0 | 0.0% | 12,678 | 8.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 12,678 | 0.9% | |
| Pacific Basin Equities | 2,713 | 0 | 0 | 0.0% | 3,802 | 2.4% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 3,802 | 0.3% | |
| Emerging Markets Equities | 31,681 | 0 | 0 | 0.0% | 22,321 | 14.1% | 0 | 0.0% | 0 | 0.0% | 17,609 | 6.7% | 0 | 0.0% | 39,930 | 2.9% | |
| UBS Global Pooled Fund | 161,444 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 165,595 | 63.3% | 0 | 0.0% | 165,595 | 12.2% | |
| L&G World (ex UK) Equity Fund | 100,315 | 0 | 0 | 0.0% | 0 | 0.0% | 102,516 | 42.7% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 102,516 | 7.5% | |
| Total Overseas Equities | 414,824 | 0 | 0 | 0.0% | 145,543 | 91.7% | 102,516 | 42.7% | 0 | 0.0% | 183,204 | 70.0% | 0 | 0.0% | 431,263 | 31.6% | 32.0% |
| BONDS | | | | | | | | | | | | | | | | | |
| UK Gilts | 37,247 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 40,275 | 17.2% | 0 | 0.0% | 0 | 0.0% | 40,275 | 3.0% | 3.0% |
| Corporate Bonds | 89,602 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 91,353 | 38.9% | 0 | 0.0% | 0 | 0.0% | 91,353 | 6.7% | 6.0% |
| Overseas Bonds | 30,055 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 25,527 | 10.9% | 0 | 0.0% | 0 | 0.0% | 25,527 | 1.9% | 2.0% |
| Index-Linked | 67,596 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 72,013 | 30.7% | 0 | 0.0% | 0 | 0.0% | 72,013 | 5.3% | 5.0% |
| Total Bonds | 224,500 | 0 | 0 | 0% | 0 | 0.0% | 0 | 0.0% | 229,168 | 97.7% | 0 | 0.0% | 0 | 0.0% | 229,168 | 16.9% | 16.0% |
| ALTERNATIVE INVESTMENTS | | | | | | | | | | | | | | | | | |
| Property | 83,851 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 78,000 | 29.8% | 7,755 | 4.0% | 85,755 | 6.3% | 8.0% |
| Private Equity | 118,936 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 123,300 | 63.3% | 123,300 | 9.1% | 10.0% |
| Hedge Funds | 31,628 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 31,870 | 16.4% | 31,870 | 2.3% | 3.0% |
| Total Alternative Investments | 234,415 | 0 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 78,000 | 29.8% | 162,925 | 83.7% | 240,925 | 17.7% | 21.0% |
| CASH | 45,867 | 7,296 | 2.7% | 959 | 0.6% | 0 | 0.0% | 5,439 | 2.3% | 425 | 0.2% | 31,713 | 16.3% | 45,832 | 3.5% | 0.0% | |
| TOTAL ASSETS | 1,315,972 | 270,163 | 100.0% | 158,729 | 100.0% | 240,039 | 100.0% | 234,607 | 100.0% | 261,629 | 100.0% | 194,638 | 100.0% | 1,359,805 | 100.0% | 100.0% | |

% of total Fund

19.87%

11.67%

17.66%

17.25%

19.24%

14.31%

100%

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2012LEGAL and GENERAL

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

Target Objective - To track the FTSE 100 Index

Market Value - at 31st December 2012 £137,523,000

TABLE 5

| FIXED INCOME | | | | | |
|-----------------|---------------|----------------------|-------------------|------------------|--|
| Asset | Control Range | Benchmark Allocation | Actual Allocation | + or - Benchmark | Index |
| UK Gilts | 0 - 36 | 18.75% | 17.2% | -1.6% | FTSE A All Gilts Stocks |
| Corporate Bonds | 20 - 55 | 37.50% | 38.9% | +1.4% | |
| Index-Linked | 15 - 46 | 31.25% | 30.7% | -0.6% | FTSE A Over 5 Year Index-linked Gilts |
| Overseas Bonds | 0 - 24 | 12.50% | 10.9% | -1.6% | JP Morgan Global Gov't (ex UK) Traded Bond |
| Cash | 0 - 10 | 0.00% | 2.3% | +2.3% | |
| Total | | 100.0% | 100.0% | | |

Target Objective - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

Market Value - at 31st December 2012 £234,607,000

TABLE 6

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2012LEGAL and GENERAL

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

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

Market Value - at 31st December 2012 £102,516,000

TABLE 7

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2012WELLINGTON

| GLOBAL EQUITIES | | | | | |
|-----------------|---------------|----------------------|-------------------|------------------|--------------------------------|
| Asset | Control Range | Benchmark Allocation | Actual Allocation | + or - Benchmark | Index |
| Global Equities | N/A | 100.0% | 99.4% | -0.6% | MSCI All Countries World Index |
| Cash | Nil | 0.0% | 0.6% | +0.6% | |
| Total | | 100.0% | 100.0% | | |

Target Objective - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (net of management fees).

Market Value - at 31st December 2012 £158,729,000

TABLE 8

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

| OVERSEAS EQUITY PORTFOLIO | | | | | |
|---|---------------|----------------------|-------------------|------------------|---|
| Asset | Control Range | Benchmark Allocation | Actual Allocation | + or - Benchmark | Index |
| | % | % | % | % | |
| Overseas Equities <i>Comprising</i> | | | | | |
| Global Pooled Fund | 85 - 100 | 90.0% | 90.4% | +0.4% | See Split below * |
| Emerging Markets | 0 - 10 | 10.0% | 9.6% | -0.4% | FTSE AW Emerging Markets |
| Cash | 0 - 10 | 0.0% | 0.0% | | |
| Total | | 100.0% | 100.0% | | |
| * Global Pooled Fund Split:- | | | | | |
| North America | | 30.0% | | | FTSE North American Developed |
| Europe (ex UK) | | 30.0% | | | FTSE Europe (ex UK) Developed |
| Asia Pacific (inc. Japan) | | 30.0% | | | FTSE Asia-Pacific (inc Japan) Developed |
| Total Global Pooled | | 90.0% | 90.4% | +0.4% | |

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

Market Value - at 31st December 2012 £183,204,000

TABLE 9

| PROPERTY PORTFOLIO | | | | | |
|--------------------|---------------|----------------------|-------------------|------------------|--|
| Asset | Control Range | Benchmark Allocation | Actual Allocation | + or - Benchmark | Index |
| | % | % | % | % | |
| Property | 90 - 100 | 100.0% | 99.5% | -0.5% | IPD UK All Balanced Funds Index Weighted Average |
| Cash | 0 - 10 | 0.0% | 0.5% | +0.5% | |
| Total | | 100.0% | 100.0% | | |

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

Market Value - at 31st December 2012 £78,425,000

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**TOTAL PORTFOLIO PROGRESS REPORT - 1 OCTOBER 2012 to 31 DECEMBER 2012**

| Asset | Market Value 1.10.12 | % | Net Purchases and Sales | | | | | Changes in Market Value | | | | | Market Value 31.12.12 | % |
|------------------------------------|-------------------------|------------|-------------------------|--------------------|--------------------|--------------|--------------|-------------------------|--------------------|--------------------|--------------|--------------|--------------------------|------------|
| | | | UBS | Baillie Gifford | Legal & General | Wellington | Other | UBS | Baillie Gifford | Legal & General | Wellington | Other | | |
| | £000 | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| EQUITIES | | | | | | | | | | | | | | |
| UK Equities | 396,366 | 30 | 0 | 3,687 | 0 | (2,129) | 0 | 0 | 10,065 | 4,534 | 94 | 0 | 412,617 | 30 |
| US Equities | 77,559 | 6 | 0 | 0 | 0 | 2,584 | 0 | 0 | 0 | 0 | (878) | 0 | 79,265 | 6 |
| European & Middle Eastern Equities | 29,130 | 2 | 0 | 0 | 0 | (2,809) | 0 | 0 | 0 | 0 | 1,156 | 0 | 27,477 | 2 |
| Japanese Equities | 11,982 | 1 | 0 | 0 | 0 | 480 | 0 | 0 | 0 | 0 | 216 | 0 | 12,678 | 1 |
| Pacific Basin Equities | 2,713 | 0 | 0 | 0 | 0 | 828 | 0 | 0 | 0 | 0 | 261 | 0 | 3,802 | 0 |
| Emerging Market Equities | 31,681 | 2 | 3,500 | 0 | 0 | 2,636 | 0 | 571 | 0 | 0 | 1,542 | 0 | 39,930 | 3 |
| Global Pooled Funds | 261,759 | 20 | (3,500) | 0 | 0 | 0 | 0 | 7,651 | 0 | 2,201 | 0 | 0 | 268,111 | 20 |
| Total Overseas Equities | 414,824 | 32 | 0 | 0 | 0 | 3,719 | 0 | 8,222 | 0 | 2,201 | 2,297 | 0 | 431,263 | 32 |
| BONDS | | | | | | | | | | | | | | |
| UK Gilts | 37,247 | 3 | 0 | 0 | 3,375 | 0 | 0 | 0 | 0 | (347) | 0 | 0 | 40,275 | 3 |
| Corporate Bonds | 89,602 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,751 | 0 | 0 | 91,353 | 7 |
| Overseas Bonds | 30,055 | 2 | 0 | 0 | (3,539) | 0 | 0 | 0 | 0 | (989) | 0 | 0 | 25,527 | 2 |
| Index-Linked Bonds | 67,596 | 5 | 0 | 0 | 1,127 | 0 | 0 | 0 | 0 | 3,290 | 0 | 0 | 72,013 | 5 |
| ALTERNATIVE INVESTMENTS | | | | | | | | | | | | | | |
| Property | 83,851 | 6 | 1,347 | 0 | 0 | 0 | 242 | 45 | 0 | 0 | 0 | 270 | 85,755 | 6 |
| Private Equity | 118,936 | 9 | 0 | 0 | 0 | 0 | (115) | 0 | 0 | 0 | 0 | 4,479 | 123,300 | 9 |
| Hedge Funds | 31,628 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 242 | 31,870 | 2 |
| SUB TOTAL | 1,270,105 | 97 | 1,347 | 3,687 | 963 | 1,590 | 127 | 8,267 | 10,065 | 10,440 | 2,391 | 4,991 | 1,313,973 | 96 |
| CASH * | 45,867 | 3 | (893) | (2,915) | 1,355 | (875) | 3,293 | 0 | 0 | 0 | 0 | 0 | 45,832 | 4 |
| GRAND TOTAL | 1,315,972 | 100 | 454 | 772 | 2,318 | 715 | 3,420 | 8,267 | 10,065 | 10,440 | 2,391 | 4,991 | 1,359,805 | 100 |

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**VALUATION OF OTHER INVESTMENTS AS AT 31st DECEMBER 2012**

| | HOLDING | COST £ | AVERAGE COST £ | MARKET PRICE £ | MARKET VALUE £ | UNREALISED GAIN/LOSS £ |
|--|-----------|--------------------|----------------------|----------------------|----------------------|------------------------------|
| PRIVATE EQUITY | | | | | | |
| Managed by Mr P Davies, JFA | | | | | | |
| Quoted Investment Trusts | | | | | | |
| 3i Group | 1,874,713 | 5,281,262 | 2,817 | 2,171,000 | 4,070,002 | (1,211,260) |
| Candover Investments | 236,060 | 1,687,945 | 7,150 | 3,317,500 | 783,129 | (904,816) |
| Electra Private Equity | 1,016,179 | 13,886,422 | 13,665 | 19,160,000 | 19,469,990 | 5,583,568 |
| F&C Private Equity Trust | 4,160,000 | 7,339,178 | 1,764 | 1,855,000 | 7,716,800 | 377,622 |
| Graphite Enterprise Trust | 852,512 | 2,420,093 | 2,839 | 4,427,500 | 3,774,497 | 1,354,404 |
| Harbour/Vest European Senior Loans | 2,294,315 | 2,036,594 | 0,892 | 0,768750 | 1,756,067 | (280,527) |
| Henderson Private Equity | 132,519 | 234,424 | 1,769 | 3,642,500 | 482,700 | 248,276 |
| HG Capital Trust | 1,934,000 | 11,207,516 | 5,795 | 10,150,000 | 19,630,100 | 8,422,584 |
| KKR & CO LP | 220,000 | 1,649,953 | 7,500 | 9,350,968 | 2,057,213 | 407,260 |
| Northern Investors | 304,791 | 302,574 | 0,993 | 3,022,500 | 921,231 | 618,657 |
| Oxford Technology 3 Venture Capital Trust | 593,612 | 582,797 | 0,982 | 0,630,000 | 373,976 | (208,821) |
| Oxford Technology 4 Venture Capital Trust | 1,021,820 | 995,164 | 0,974 | 0,470,000 | 480,255 | (514,909) |
| Schroder Private Equity | 1,961,598 | 1,270,026 | 0,647 | 1,755122 | 3,442,845 | 2,172,819 |
| Standard Life European Private Equity Trust | 4,434,448 | 5,174,666 | 1,167 | 1,672,500 | 7,416,614 | 2,241,948 |
| SVG Capital | 1,691,580 | 5,758,449 | 3,404 | 2,878,000 | 4,868,367 | (890,082) |
| | | 59,827,063 | | | 77,243,786 | 17,416,723 |
| Other Fixed Interest | | | | | | |
| Electra Private Equity 5.000% 12/29/2017 DD 12/29/10 | 2,870 | 2,870,000 | 1,000 | 1,182,490 | 3,393,746 | 523,746 |
| | | | | | | |
| Unlisted Private Funds | | | | | | |
| Midlands Growth Fund | 2,509 | 306,254 | 122 | 3,500 | 8,782 | (297,472) |
| Limited Partnerships Fund of Funds | | | | | | |
| Partners Group Secondary 2006 L.P. | | 2,533,706 | | | 4,177,336 | 1,643,630 |
| Partners Group Secondary 2008 L.P. | | 8,452,318 | | | 11,124,710 | 2,672,392 |
| Partners Group Asia-Pacific 2007 L.P. | | 5,879,840 | | | 6,015,762 | 135,922 |
| Partners Group Secondary 2011 L.P. | | 1,343,664 | | | 1,957,515 | 613,851 |
| Partners Group Asia-Pacific 2011 L.P. | | 1,348,202 | | | 1,109,717 | (238,485) |
| Adams Street 2007 Non US Fund | | 3,604,325 | | | 4,026,466 | 422,141 |
| Adams Street 2008 Global Fund | | | | | | |
| Adams Street 2008 Direct Fund | | 1,117,121 | | | 1,281,502 | 164,381 |
| Adams Street 2008 Non US Fund | | 2,462,918 | | | 2,534,081 | 71,163 |
| Adams Street 2008 US Fund | | 2,655,094 | | | 4,133,192 | 1,478,098 |
| Adams Street 2009 Global Fund | | | | | | |
| Adams Street 2009 Direct Fund | | 584,618 | | | 690,525 | 105,907 |
| Adams Street 2009 Non US Developed Mkts Fund | | 960,290 | | | 936,764 | (23,526) |
| Adams Street 2009 Non US Emerging Mkts Fund | | 368,086 | | | 302,741 | (65,345) |
| Adams Street 2009 US Fund | | 1,843,685 | | | 2,169,880 | 326,195 |
| Oxford Technology ECF Limited Partner AC | | 1,420,119 | | | 2,178,237 | 758,118 |
| Longwall Ventures ECF Limited Partner AC | | 15,000 | | | 15,000 | 0 |
| | | 34,588,986 | | | 42,653,428 | 8,064,442 |
| Cash Held by Custodian for Private Equity | | | | | 9,308,763 | |
| | | | | | | |
| | | | | | 9,308,763 | |
| CASH HELD IN HOUSE | | 22,403,821 | | | 22,403,821 | |
| | | | | | | |
| TOTAL OF ALL INVESTMENTS | | 129,304,887 | | | 155,012,326 | 25,707,439 |

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 12

PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 31st DECEMBER 2012

| DATE | HOLDING | TRANSACTION | BOOK COST £ | PAYMENTS £ | SALE PROCEEDS £ | REALISED GAIN/LOSS £ |
|--|-----------|---|--------------------|------------------|--------------------|-------------------------|
| LIMITED PARTNERSHIP FUND OF FUNDS | | | | | | |
| DRAWDOWNS | | | | | | |
| 12/10/2012 | | Adams Street 2008 US Fund | 475,668 | 475,668 | | |
| 01/11/2012 | | Adams Street 2009 US Fund | 254,997 | 254,997 | | |
| 05/11/2012 | | Partners Group Asia - Pacific 2007 L.P. | 218,387 | 218,387 | | |
| 23/11/2012 | | Adams Street 2008 Direct Fund | 53,979 | 53,979 | | |
| 23/11/2012 | | Adams Street 2009 Direct Fund | 41,133 | 41,133 | | |
| 23/11/2012 | | Adams Street 2009 Non US Developed Mkts Fund | 148,002 | 148,002 | | |
| 28/11/2012 | | Adams Street 2007 Non US Fund | 211,104 | 211,104 | | |
| 05/12/2012 | | Adams Street 2008 Non US Fund | 244,705 | 244,705 | | |
| 19/12/2012 | | Adams Street 2009 Non US Developed Mkts Fund | 78,838 | 78,838 | | |
| 19/12/2012 | | Adams Street 2009 Non US Emerging Mkts Fund | 45,494 | 45,494 | | |
| 20/12/2012 | | Adams Street 2009 US Fund | 100,940 | 100,940 | | |
| 11/12/2012 | | Longwall Ventures ECF Limited Partner AC | 15,000 | 15,000 | | |
| 14/12/2012 | | Partners Group Asia - Pacific 2011 L.P. | 496,272 | 496,272 | | |
| 14/12/2012 | | Partners Group Secondary 2011 L.P. | 232,013 | 232,013 | | |
| 14/12/2012 | | Oxford Technology ECF Limited Partner AC | 45,000 | 45,000 | | |
| 27/12/2012 | | Partners Group Secondary 2011 L.P. | (193,348) | (193,348) | | |
| | | | 2,468,184 | 2,468,184 | | |
| LIMITED PARTNERSHIP FUND OF FUNDS | | | | | | |
| CAPITAL DISTRIBUTIONS | | | | | | |
| 12/10/2012 | | Adams Street 2008 US Fund | (373,817) | | (373,817) | |
| 19/10/2012 | | Partners Group Secondary 2006 L.P. | (142,165) | | (142,165) | |
| 01/11/2012 | | Adams Street 2009 US Fund | (182,123) | | (182,123) | |
| 07/11/2012 | | Partners Group Secondary 2008 L.P. | (472,387) | | (472,387) | |
| 28/11/2012 | | Adams Street 2007 Non US Fund | (165,556) | | (165,556) | |
| 23/11/2012 | | Adams Street 2009 Non US Developed Mkts Fund | (104,408) | | (104,408) | |
| 05/12/2012 | | Adams Street 2008 Non US Fund | (111,928) | | (111,928) | |
| 21/12/2012 | | Partners Group Secondary 2006 L.P. | (117,876) | | (117,876) | |
| 21/12/2012 | | Partners Group Secondary 2008 L.P. | (190,734) | | (190,734) | |
| | | | (1,860,994) | 0 | (1,860,994) | - |
| CORPORATE ACTION | | | | | | |
| 18/10/2012 | (216,213) | Schroder Private Equity - Repurchase | (139,986) | | (359,900) | 219,915 |
| 26/10/2012 | | HarbourVest European Senior Loans - Return of Capital | (223,406) | | (223,406) | |
| 30/10/2012 | (256,500) | HG Capital Trust Sub Shares - Warrants Exercise | | 2,436,750 | | |
| 30/10/2012 | 256,500 | HG Capital Trust - Warrants Exercise | 2,436,750 | | | |
| 20/11/2012 | (88,922) | KKR & Co LP - Return of Capital | (33,177) | | (33,177) | |
| 17/12/2012 | (492,696) | Northern Investors - Tender Offer | (88,275) | | (297,889) | 209,614 |
| 21/12/2012 | (192,592) | Henderson Private Equity - Tender offer | (871,571) | | (1,905,211) | 1,033,640 |
| 19/12/2012 | | Schroder Private Equity - Repurchase | (124,693) | | (339,656) | 214,963 |
| | | | 955,642 | 2,436,750 | (3,159,239) | 1,678,132 |
| TOTALS | | | 1,562,832 | 4,904,934 | (5,020,233) | 1,678,132 |

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

| ASSET | % weighting of fund as at 31st December 2012 | QUARTER ENDED 31st December 2012 | | | 12 MONTHS ENDED 31st December 2012 | | | THREE YEARS ENDED 31st December 2012 | | | FIVE YEARS ENDED 31st December 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 | 10.7% | 2.5 | 2.1 | -0.4 | 12.0 | 11.9 | -0.1 | 6.9 | 5.2 | -1.7 | 3.6 | -1.0 | -4.6 |
| UK EQUITIES | 30.3% | 3.8 | 4.1 | 0.3 | 12.3 | 14.0 | 1.7 | 7.5 | 10.7 | 3.2 | 2.5 | 4.1 | 1.6 |
| OVERSEAS EQUITIES | 21.0% | 2.4 | 3.7 | 1.3 | 12.1 | 12.3 | 0.2 | 6.9 | 4.1 | -2.8 | 3.6 | 2.9 | -0.7 |
| UK GOVERNMENT BONDS | 3.0% | -0.4 | -0.1 | 0.3 | 2.7 | 2.4 | -0.3 | 8.3 | 7.8 | -0.5 | 7.2 | 7.4 | 0.2 |
| UK CORPORATE BONDS | 6.7% | 2.0 | 1.9 | -0.1 | 13.0 | 13.4 | 0.4 | 9.4 | 10.2 | 0.8 | 6.8 | 7.8 | 1.0 |
| OVERSEAS BONDS* | 1.9% | -2.6 | 1.2 | 3.8 | 0.1 | 5.1 | 5.0 | 3.4 | 5.3 | 1.9 | - | 7.9 | - |
| UK INDEX LINKED GILTS | 5.3% | 5.0 | 5.0 | 0.0 | 0.5 | 0.4 | -0.1 | 10.5 | 11.5 | 1.0 | 8.1 | 8.9 | 0.8 |
| TOTAL PRIVATE EQUITY | 9.1% | 7.1 | 3.9 | -3.2 | 27.8 | 15.5 | -12.3 | 9.1 | 13.6 | 4.5 | 1.2 | 0.8 | -0.4 |
| HEDGE FUNDS | 2.3% | 0.9 | 0.8 | -0.1 | 3.8 | 3.0 | -0.8 | 3.8 | 2.5 | -1.3 | 4.8 | -1.1 | -5.9 |
| PROPERTY ASSETS | 6.3% | -0.4 | 0.4 | 0.8 | 1.0 | 1.8 | 0.8 | 6.6 | 7.2 | 0.6 | -2.0 | -4.9 | -2.9 |
| TOTAL CASH | 3.4% | - | 0.3 | | - | 2.1 | | - | 0.9 | | - | 1.2 | |
| TOTAL FUND | 100% | 2.9 | 3.0 | 0.1 | 11.5 | 10.8 | -0.7 | 7.8 | 8.0 | 0.2 | 3.8 | 2.7 | -1.1 |

* This includes L&G Currency Hedging for Overseas bonds

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

| FUND MANAGER | % Weighting of Fund as at 31st December 2012 | QUARTER ENDED 31st December 2012 | | | 12 MONTHS ENDED 31st December 2012 | | | THREE YEARS ENDED 31st December 2012 | | | FIVE YEARS ENDED 31st December 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 % |
| BAILLIE GIFFORD UK EQUITIES | 19.9% | 3.8 | 4.4 | 0.6 | 12.3 | 15.6 | 3.3 | 7.5 | 12.7 | 5.2 | 2.5 | 5.3 | 2.8 |
| WELLINGTON GLOBAL EQUITIES | 11.7% | 2.3 | 2.1 | -0.2 | - | - | - | - | - | - | - | - | - |
| L&G UK EQUITIES - PASSIVE | 10.1% | 3.4 | 3.4 | 0.0 | 10.0 | 10.0 | 0.0 | 6.6 | 6.7 | 0.1 | 0.0 | 0.0 | 0.0 |
| L&G GLOBAL EX UK EQUITIES - PASSIVE | 7.5% | 2.2 | 2.2 | 0.0 | 11.9 | 11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| L&G FIXED INCOME | 17.2% | 2.3 | 2.4 | 0.1 | 6.0 | 6.0 | 0.0 | 9.1 | 9.6 | 0.5 | 7.3 | 8.1 | 0.8 |
| PARTNERS GROUP PROPERTY SICAR | 0.6% | -0.4 | 3.7 | 4.1 | 1.0 | 6.9 | 5.9 | 6.6 | 11.1 | 4.5 | 0.0 | 0.0 | 0.0 |
| PRIVATE EQUITY | 9.1% | 7.1 | 3.9 | -3.2 | 27.8 | 15.5 | -12.3 | 9.1 | 13.6 | 4.5 | 1.2 | 0.8 | -0.4 |
| UBS OVERSEAS EQUITIES | 13.5% | 4.3 | 4.6 | 0.3 | 13.1 | 13.3 | 0.2 | 5.9 | 4.3 | -1.6 | 3.0 | 3.1 | 0.1 |
| UBS PROPERTY | 5.8% | -0.4 | 0.1 | 0.5 | 1.0 | 1.3 | 0.3 | 6.6 | 6.5 | -0.1 | -2.0 | -5.7 | -3.7 |
| UBS HEDGE FUNDS | 2.3% | 0.9 | 0.8 | -0.1 | 3.8 | 3.0 | -0.8 | 3.8 | 2.5 | -1.3 | 4.8 | -1.1 | -5.9 |
| IN-HOUSE CASH | 2.3% | 0.1 | 0.2 | 0.1 | 0.4 | 1.5 | 1.1 | 0.4 | 1.3 | 0.9 | 1.3 | 2.2 | 0.9 |
| TOTAL FUND | 100.0% | 2.9 | 3.0 | 0.1 | 11.5 | 10.8 | -0.7 | 7.8 | 8.0 | 0.2 | 3.8 | 2.7 | -1.1 |

* This includes L&G Currency Hedging for Overseas bonds

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

TABLE 15

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|---------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | 3.8 | 4.5 | 0.7 | 12.3 | 16.2 | 3.9 | 7.5 | 13.0 | 5.5 | 2.5 | 5.3 | 2.8 |
| TOTAL CASH | - | 0.1 | - | - | 0.6 | - | - | 0.6 | - | - | - | - |
| TOTAL ASSETS | 3.8 | 4.4 | 0.6 | 12.3 | 15.6 | 3.3 | 7.5 | 12.7 | 5.2 | 2.5 | 5.3 | 2.8 |

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

WELLINGTON - GLOBAL EQUITIES ACTIVE MANDATE

TABLE 16

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|------------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 INC UK EQUITIES | 2.3 | 2.1 | -0.2 | - | - | - | - | - | - | - | - | - |
| TOTAL CASH | - | 1.1 | - | - | - | - | - | - | - | - | - | - |
| TOTAL ASSETS | 2.3 | 2.1 | -0.2 | - | - | - | - | - | - | - | - | - |

Target Objective - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PERFORMANCE TO 31st DECEMBER 2012****LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS**

TABLE 17

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|---------------------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | 3.4 | 3.4 | 0.0 | 10.0 | 10.0 | 0.0 | 6.6 | 6.7 | 0.1 | - | - | |
| 2 L&G WORLD (EX-UK) EQUITY FUND | 2.2 | 2.2 | 0.0 | 11.9 | 11.9 | 0.0 | - | - | - | - | - | |
| | | | | | | | | | | | | |

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

LEGAL & GENERAL - BONDS

TABLE 18

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|---------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | -0.4 | -0.1 | 0.3 | 2.7 | 2.4 | -0.3 | 8.3 | 7.8 | -0.5 | 7.2 | 7.3 | 0.1 |
| UK CORPORATE BONDS | 2.0 | 1.9 | -0.1 | 13.0 | 13.4 | 0.4 | 9.4 | 10.2 | 0.8 | 6.8 | 8.0 | 1.2 |
| OVERSEAS BONDS* | 0.8 | 1.2 | 0.4 | 4.6 | 5.1 | 0.5 | 4.9 | 5.3 | 0.4 | - | 7.9 | - |
| UK INDEX LINKED | 5.0 | 5.0 | 0.0 | 0.5 | 0.4 | -0.1 | 10.5 | 11.5 | 1.0 | 8.1 | 8.9 | 0.8 |
| CASH/ALTERNATIVES* | - | n/a | | - | n/a | | - | n/a | | - | n/a | |
| TOTAL ASSETS | 2.3 | 2.4 | 0.1 | 6.0 | 6.0 | 0.0 | 9.1 | 9.6 | 0.5 | 7.3 | 8.1 | 0.8 |

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

Target Objective - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PERFORMANCE TO 31st DECEMBER 2012****INDEPENDENT ADVISOR - PRIVATE EQUITY****TABLE 19**

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|--------------------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | 7.1 | 5.5 | -1.6 | 27.8 | 21.7 | -6.1 | 9.1 | 14.5 | 5.4 | 1.2 | 0.5 | -0.7 |
| LIMITED LIABILITY PARTNERSHIPS | 7.1 | 0.9 | -6.2 | 27.8 | 4.8 | -23.0 | 9.1 | 11.5 | 2.4 | 1.2 | 5.5 | 4.3 |
| TOTAL ASSETS | 7.1 | 3.9 | -3.2 | 27.8 | 15.5 | -12.3 | 9.1 | 13.6 | 4.5 | 1.2 | 0.8 | -0.4 |

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

PARTNERS GROUP REAL ESTATE SICAR - PROPERTY**TABLE 20**

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|----------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | -0.4 | 3.7 | 4.1 | 1.0 | 6.9 | 5.9 | 6.6 | 11.1 | 4.5 | - | - | |
| TOTAL CASH | - | n/a | | - | n/a | | - | - | | - | - | |
| TOTAL ASSETS* | -0.4 | 3.7 | 4.1 | 1.0 | 6.9 | 5.9 | 6.6 | 11.1 | 4.5 | - | - | |

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

TABLE 21

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|---------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | 4.3 | 4.6 | 0.3 | 13.1 | 13.3 | 0.2 | 5.9 | 4.4 | -1.5 | 3.0 | 3.1 | 0.1 |
| TOTAL CASH | - | n/a | | - | n/a | | - | - | | - | - | |
| TOTAL ASSETS | 4.3 | 4.6 | 0.3 | 13.1 | 13.3 | 0.2 | 5.9 | 4.3 | -1.6 | 3.0 | 3.1 | 0.1 |

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 22

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|-----------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | -0.4 | 0.1 | 0.5 | 1.0 | 1.4 | 0.4 | 6.6 | 7.1 | 0.5 | -2.0 | -5.0 | -3.0 |
| TOTAL CASH* | - | 0.2 | | - | 0.9 | | - | -0.2 | | - | - | |
| TOTAL ASSETS** | -0.4 | 0.1 | 0.5 | 1.0 | 1.3 | 0.3 | 6.6 | 6.5 | -0.1 | -2.0 | -5.7 | -3.7 |

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

** Total Assets for this mandate reflect Cash from June 2009 only.

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 31st DECEMBER 2012****UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS**

TABLE 23

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|---------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | 0.9 | 0.8 | -0.1 | 3.8 | 3.1 | -0.7 | 3.8 | 2.5 | -1.3 | 4.8 | -1.1 | -5.9 |
| TOTAL CASH | - | 0.0 | | - | 0.2 | | - | 0.3 | | - | 1.2 | |
| TOTAL ASSETS | 0.9 | 0.8 | -0.1 | 3.8 | 3.0 | -0.8 | 3.8 | 2.5 | -1.3 | 4.8 | -1.1 | -5.9 |

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

INTERNALLY MANAGED CASH

TABLE 24

| ASSET | QUARTER ENDED 31/12/2012 | | | 12 MONTHS ENDED 31/12/2012 | | | THREE YEARS ENDED 31/12/2012 | | | FIVE YEARS ENDED 31/12/2012 | | |
|--------------------------|-----------------------------|--------------------------------|----------------|-------------------------------|--------------------------------|----------------|---------------------------------|--------------------------------|----------------|--------------------------------|--------------------------------|----------------|
| | 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 | 0.4 | 1.5 | 1.1 | 0.4 | 1.3 | 0.9 | 1.3 | 2.2 | 0.9 |
| TOTAL ASSETS | 0.1 | 0.2 | 0.1 | 0.4 | 1.5 | 1.1 | 0.4 | 1.3 | 0.9 | 1.3 | 2.2 | 0.9 |

* This portfolio includes cash held at the Custodian

TABLE 25

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**TOP 20 HOLDINGS AT 31/12/2012**

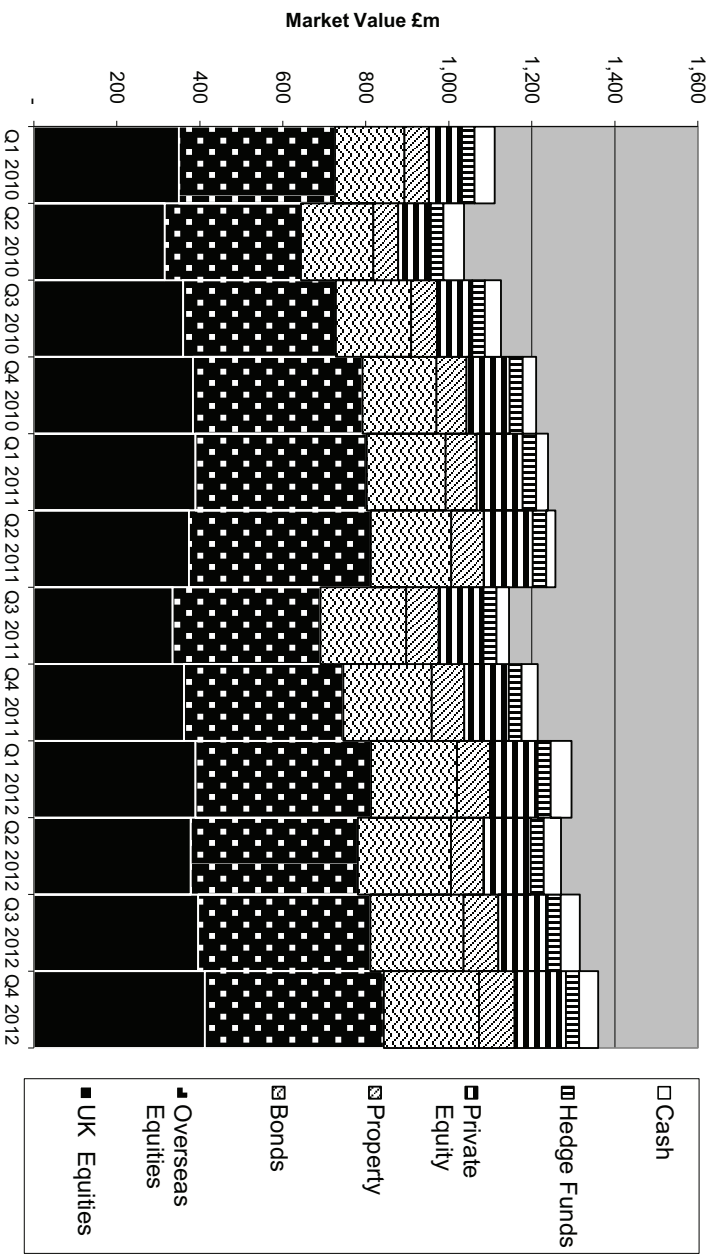
| ASSET DESCRIPTION | MARKET VALUE | TOTAL FUND |
|---|----------------------|--------------|
| | £ | % |
| DIRECT HOLDINGS | | |
| 1 HG CAPITAL TRUST ORD GBP0.25 | 19,630,100 | 1.44 |
| 2 ELECTRA INVESTMENT TR ORD 25P | 19,469,990 | 1.43 |
| 3 BRITISH AMERICAN TOBACCO ORD | 13,493,354 | 0.99 |
| 4 HSBC HLDGS ORD USD0.50 (UK) | 13,110,358 | 0.96 |
| 5 BG GROUP PLC ORD GBP0.10 | 11,570,560 | 0.85 |
| 6 ROYAL DUTCH SHELL PLC B SHS | 10,728,613 | 0.79 |
| 7 BHP BILLITON PLC USD0.50 | 8,814,912 | 0.65 |
| 8 IMPERIAL TOBACCO GROUP ORD 10P | 8,017,360 | 0.59 |
| 9 STANDARD CHARTERED ORD USD0.50 | 7,776,487 | 0.57 |
| 10 F & C PRIVATE EQUITY TRUST | 7,716,800 | 0.57 |
| 11 RIO TINTO PLC | 7,422,254 | 0.55 |
| 12 STANDARD LIFE EURO ORD | 7,416,614 | 0.55 |
| 13 SABMILLER PLC | 7,061,250 | 0.52 |
| 14 REED ELSEVIER | 6,905,215 | 0.51 |
| 15 PRUDENTIAL PLC GBP0.05 | 6,900,070 | 0.51 |
| 16 BUNZL ORD GBP0.3214857 | 6,759,033 | 0.50 |
| 17 TREASURY INDEX-LINKED 2.500% 16-APR-2020 | 6,732,809 | 0.50 |
| 18 LEGAL & GENERAL GROUP ORD 2.5P | 6,602,790 | 0.49 |
| 19 ASHTEAD GROUP PLC | 6,345,266 | 0.47 |
| 20 SCHRODERS GBP I INC | 6,191,690 | 0.46 |
| TOP 20 HOLDINGS MARKET VALUE * | | |
| | 188,665,525 | 13.90 |
| * Excludes investments held within Pooled Funds | | |
| POOLED FUNDS AT 31/12/2012 | | |
| 1 UBS GLOBAL OPTIMAL THIRDS | 165,594,578 | 12.18 |
| 2 L&G UK FTSE 100 EQUITY INDEX FUND | 137,523,411 | 10.11 |
| 3 L&G WORLD (EX UK) EQUITY INDEX FUND | 102,515,592 | 7.54 |
| 4 L&G CORE PLUS FUND | 91,353,271 | 6.72 |
| 5 UBS GLOBAL EMERGING MARKETS | 17,608,657 | 1.29 |
| TOTAL POOLED FUNDS MARKET VALUE | 514,595,509 | 37.84 |
| TOTAL FUND MARKET VALUE | 1,359,805,000 | |

GRAPH 1

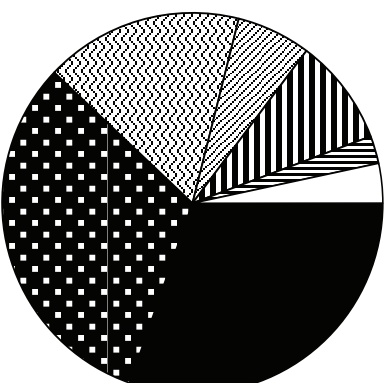
OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

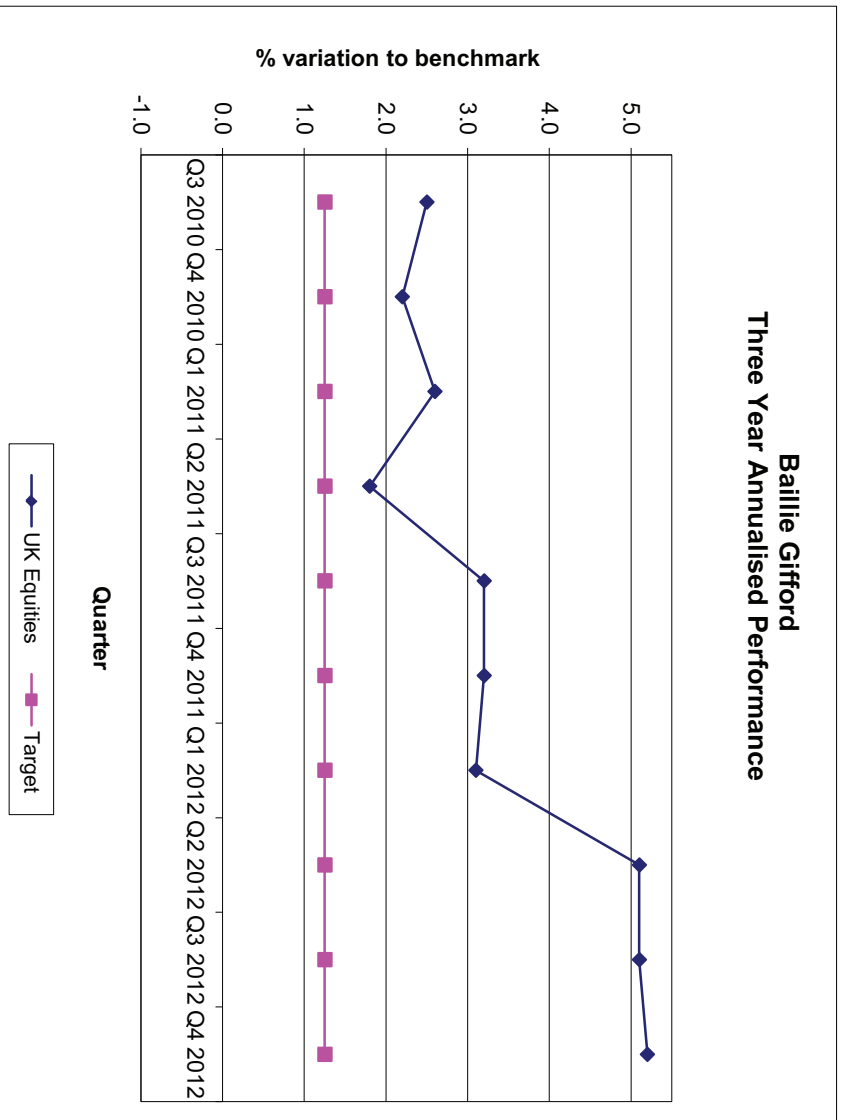
TOTAL FUND MARKET VALUE BY ASSET CLASS



Asset Allocation Latest Quarter



| Quarter | Market Value (£m) |
|---------|-------------------|
| 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 |
| Q2 2012 | 1,270.6 |
| Q3 2012 | 1,316.0 |
| Q4 2012 | 1,359.8 |

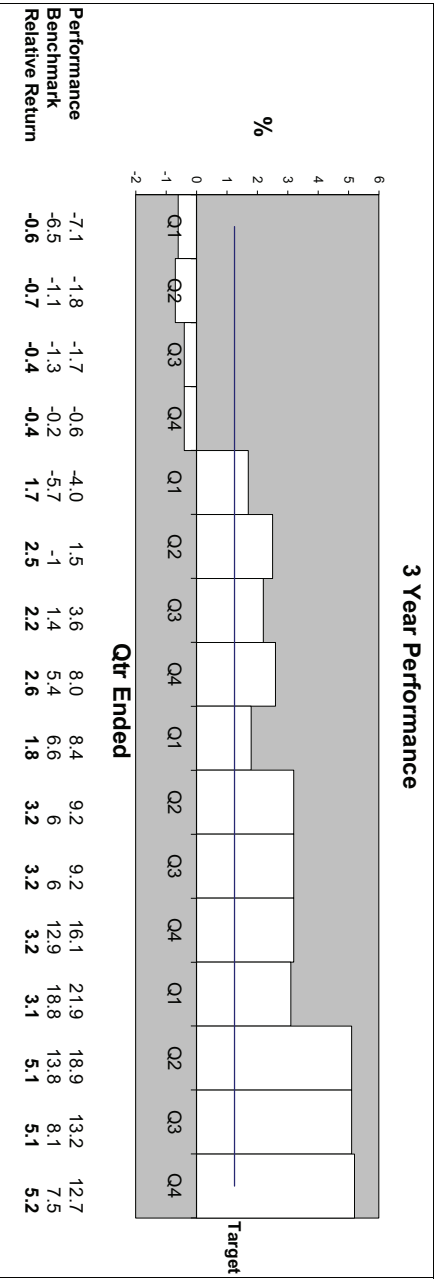
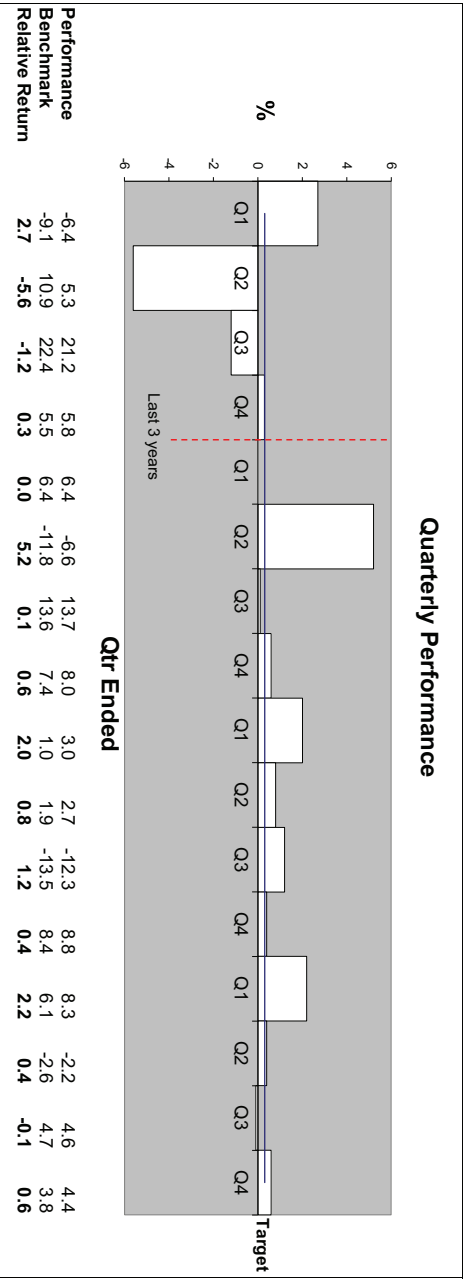


Baillie Gifford Three Year Annualised Performance

| | UK Equities | Target |
|---------|-------------|--------|
| Q3 2010 | 2.5 | 1.25 |
| Q4 2010 | 2.2 | 1.25 |
| Q1 2011 | 2.6 | 1.25 |
| Q2 2011 | 1.8 | 1.25 |
| Q3 2011 | 3.2 | 1.25 |
| Q4 2011 | 3.2 | 1.25 |
| Q1 2012 | 3.1 | 1.25 |
| Q2 2012 | 5.1 | 1.25 |
| Q3 2012 | 5.1 | 1.25 |
| Q4 2012 | 5.2 | 1.25 |

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3



Target Returns

Rolling annual target of 1.25% above benchmark

Top 10 holdings at 31/12/2012

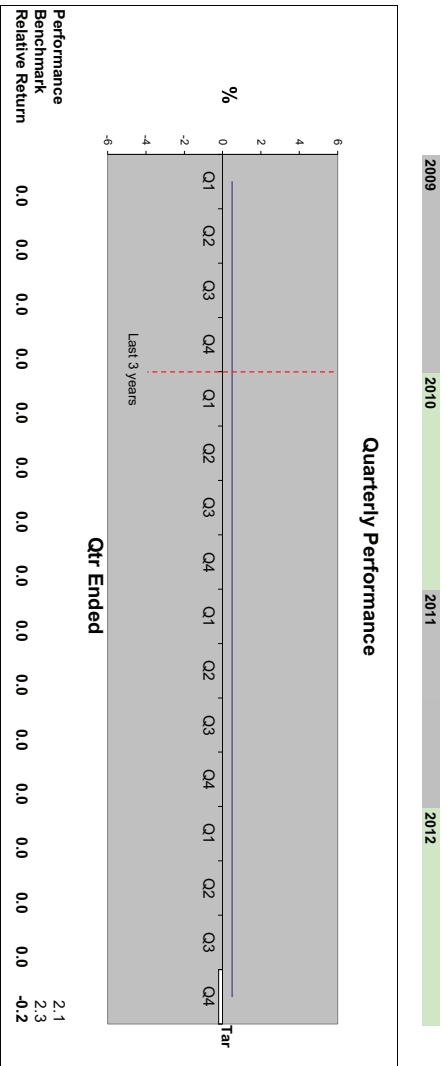
| Rank | Holding | Value £ | % of portfolio |
|---|--------------------------------|--------------------|----------------|
| 1 | BRITISH AMERICAN TOBACCO ORD | 11,951,515 | 4.42 |
| 2 | BG GROUP PLC ORD GBP0.10 | 10,810,639 | 4.00 |
| 3 | HSBC HLDGS ORD USD0.50 (UK) | 10,701,953 | 3.96 |
| 4 | ROYAL DUTCH SHELL 'B' SHS | 9,288,833 | 3.44 |
| 5 | BHP BILLITON PLC USD0.50 | 8,814,912 | 3.26 |
| 6 | IMPERIAL TOBACCO GROUP ORD 10P | 8,017,360 | 2.97 |
| 7 | STANDARD CHARTERED ORD USD0.50 | 7,776,487 | 2.88 |
| 8 | RIO TINTO PLC | 7,422,254 | 2.75 |
| 9 | SABILLER PLC | 7,061,250 | 2.61 |
| 10 | REED ELSEWIER | 6,905,215 | 2.56 |
| Top 10 Holdings Market Value | | 88,750,418 | 32.85 |
| Total Baillie Gifford Market Value | | 270,163,000 | |

Baillie Gifford

Top 10 holdings excludes investments held within pooled funds.

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 4



Target Returns

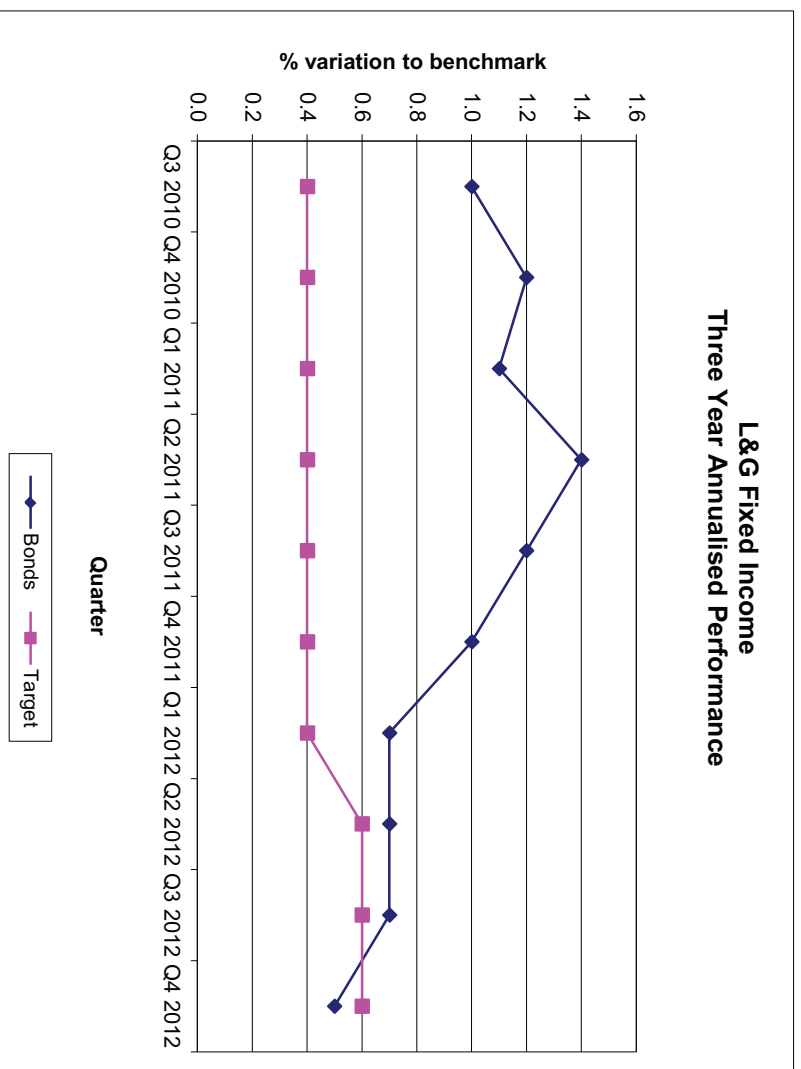
Rolling annual target of 2% above benchmark

Top 10 holdings at 31/12/2012

| Rank | Holding | Value £ | % of portfolio |
|--------------------------------------|--|--------------------|----------------|
| 1 | CREDIT SUISSE GROUP AG CHF:0.04 REGD | 3,673,383 | 2.31 |
| 2 | JP MORGAN CHASE & CO | 3,672,752 | 2.31 |
| 3 | WELLS FARGO & CO | 3,643,644 | 2.30 |
| 4 | MARSH & MCLENNAN COS INC | 3,332,858 | 2.10 |
| 5 | ZURICH INSURANCE GROUP AG CHF:1 | 3,330,389 | 2.10 |
| 6 | SAMSUNG ELECTR-GDR REGS | 3,194,728 | 2.01 |
| 7 | GOLDMAN SACHS GROUP INC THE | 3,049,141 | 1.92 |
| 8 | TAMWAN SEMICONDUCTOR MANUFACTURING ADR | 3,047,734 | 1.92 |
| 9 | STATOIL ASA NOK:50 | 2,756,948 | 1.74 |
| 10 | INTERNATIONAL PAPER CO | 2,736,939 | 1.73 |
| Top 10 Holdings Market Value | | 32,438,516 | 20.44 |
| Total Wellington Market Value | | 158,729,000 | |

Wellington

Top 10 holdings excludes investments held within pooled funds.

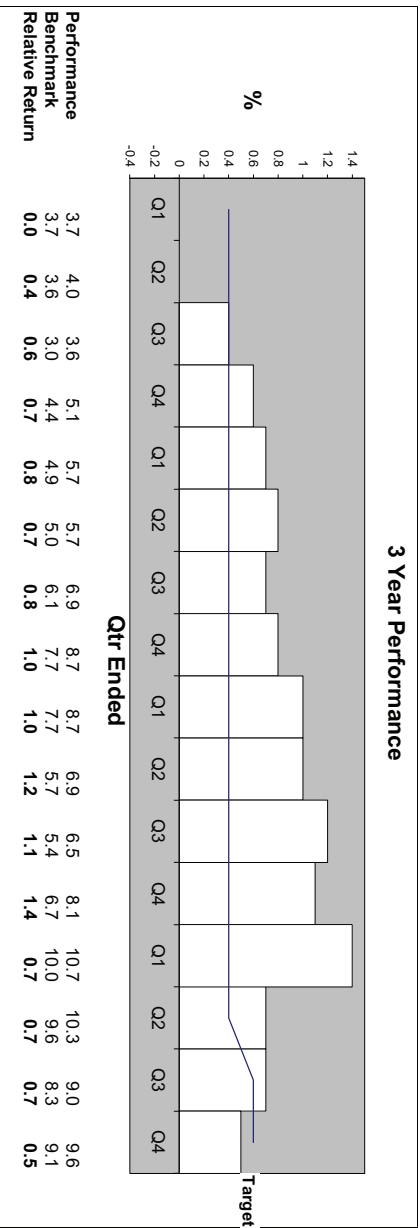
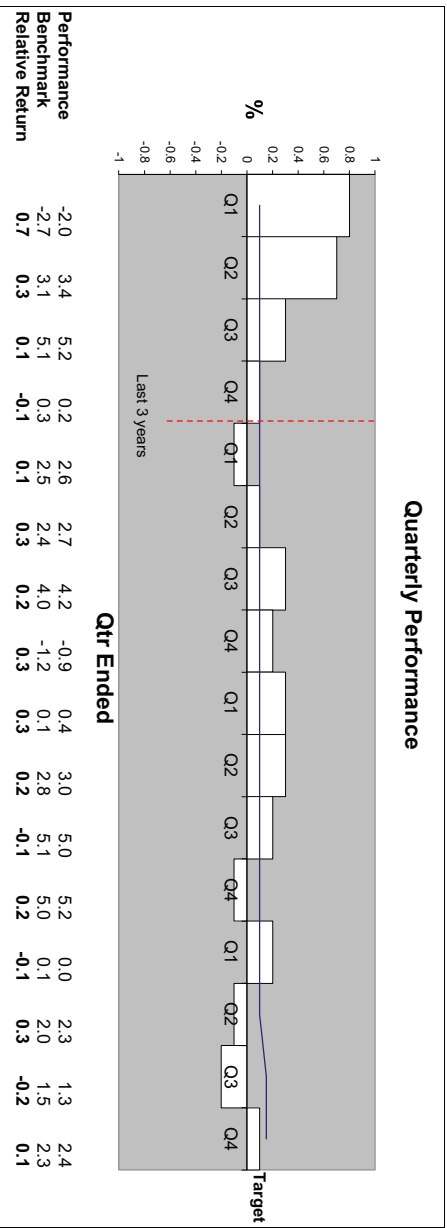


L&G Fixed Income Three Year Annualised Performance

| | Bonds | Target |
|---------|-------|--------|
| 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 |
| Q2 2012 | 0.7 | 0.6 |
| Q3 2012 | 0.7 | 0.6 |
| Q4 2012 | 0.5 | 0.6 |

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 6



Target Returns

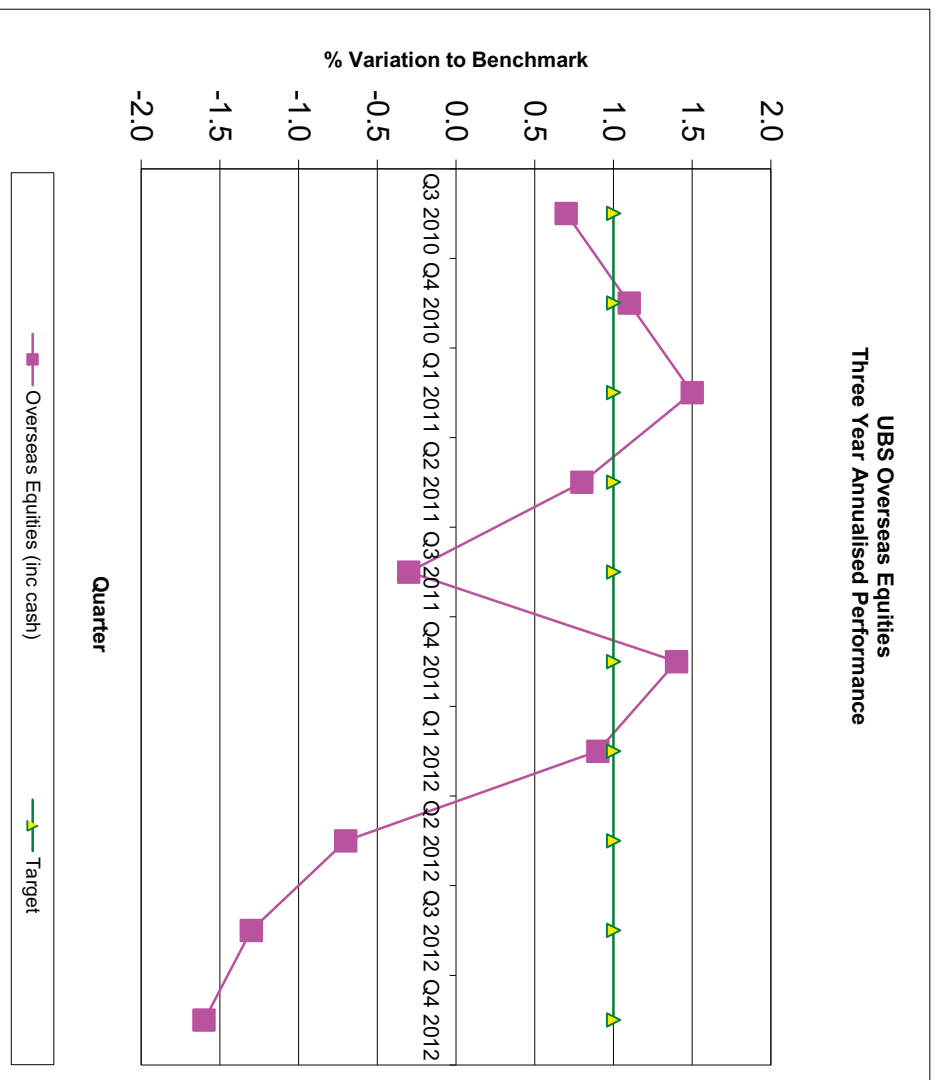
Rolling annual target of 0.60% above benchmark

Top 10 holdings at **31/12/2012**

| Rank | Holding | Value £ | % of portfolio |
|---|---|--------------------|----------------|
| 1 | TREASURY INDEX-LINKED 2.500% 16-APR-2020 | 6,732,809 | 2.87 |
| 2 | TREASURY INDEX-LINKED 2.500% 17-JUL-2024 | 5,872,606 | 2.50 |
| 3 | UNITED KINGDOM GILT INFLATION 1.250% 11/22/2027 | 5,828,349 | 2.48 |
| 4 | UNITED KINGDOM (GOVT OF) 1.125% 22-NOV-2037 | 5,172,632 | 2.21 |
| 5 | UNITED KINGDOM (GOVT OF) 1.875% 22-NOV-2022 | 4,751,880 | 2.03 |
| 6 | UK GOVT OF IDX-LKD STK 1.250% 22-NOV-2055 | 4,655,989 | 1.98 |
| 7 | UK GOVT IDX-LKD STK 2.000% 26-JAN-2035 | 4,472,534 | 1.91 |
| 8 | UNITED KINGDOM (GOVT OF) 1.250% 22-NOV-2032 | 4,434,670 | 1.89 |
| 9 | UNITED KINGDOM GILT 2.750% 01/22/2015 | 3,666,744 | 1.56 |
| 10 | UK TREASURY IDX LKD STK 4.125% 22-JUL-2030 | 3,680,841 | 1.56 |
| Top 10 Holdings Market Value | | 49,249,054 | 20.99 |
| Total Legal & General Market Value | | 234,607,000 | |

Legal & General

Top 10 holdings excludes investments held within pooled funds.

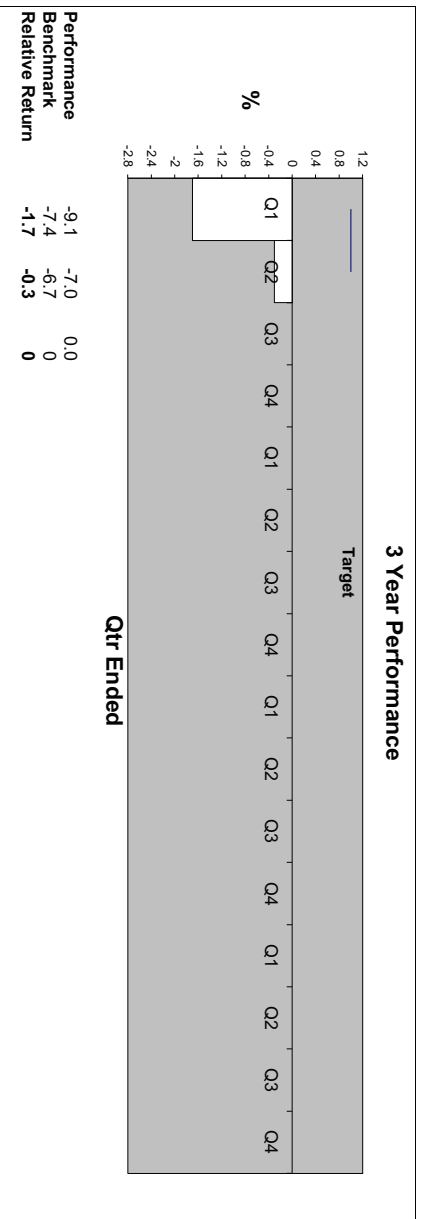
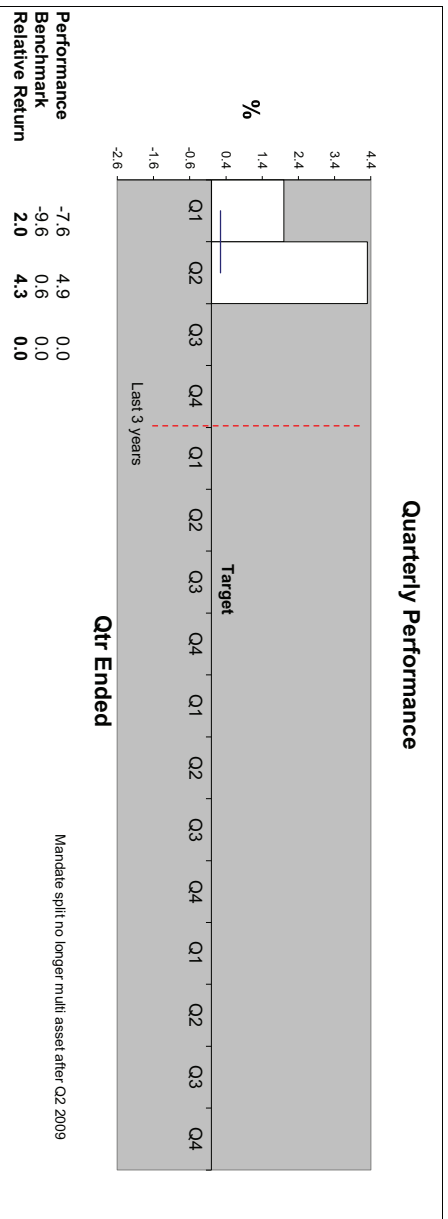


UBS Three Year Annualised Performance

| | Overseas Equities (inc cash) | Target |
|---------|------------------------------|--------|
| 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 |
| Q2 2012 | -0.7 | 1.0 |
| Q3 2012 | -1.3 | 1.0 |
| Q4 2012 | -1.6 | 1.0 |

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 8



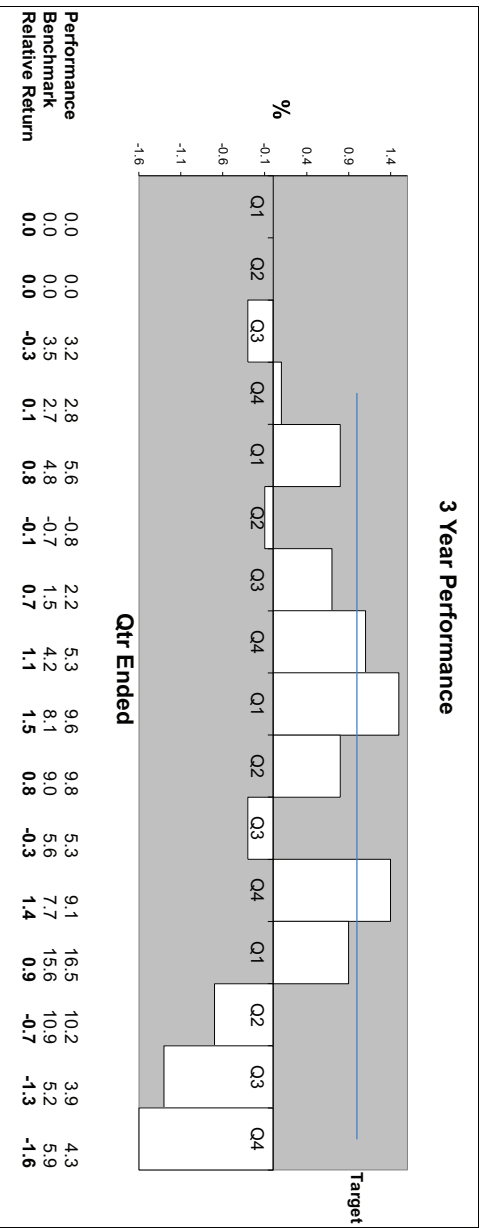
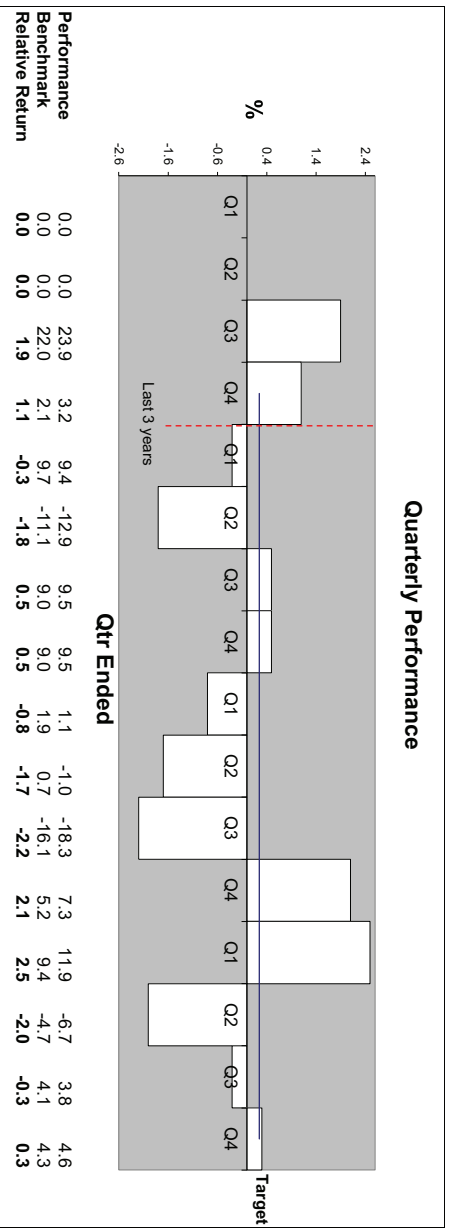
Target Returns

Rolling annual target of 1.00% above benchmark

**UBS - Multi
Asset**

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 9



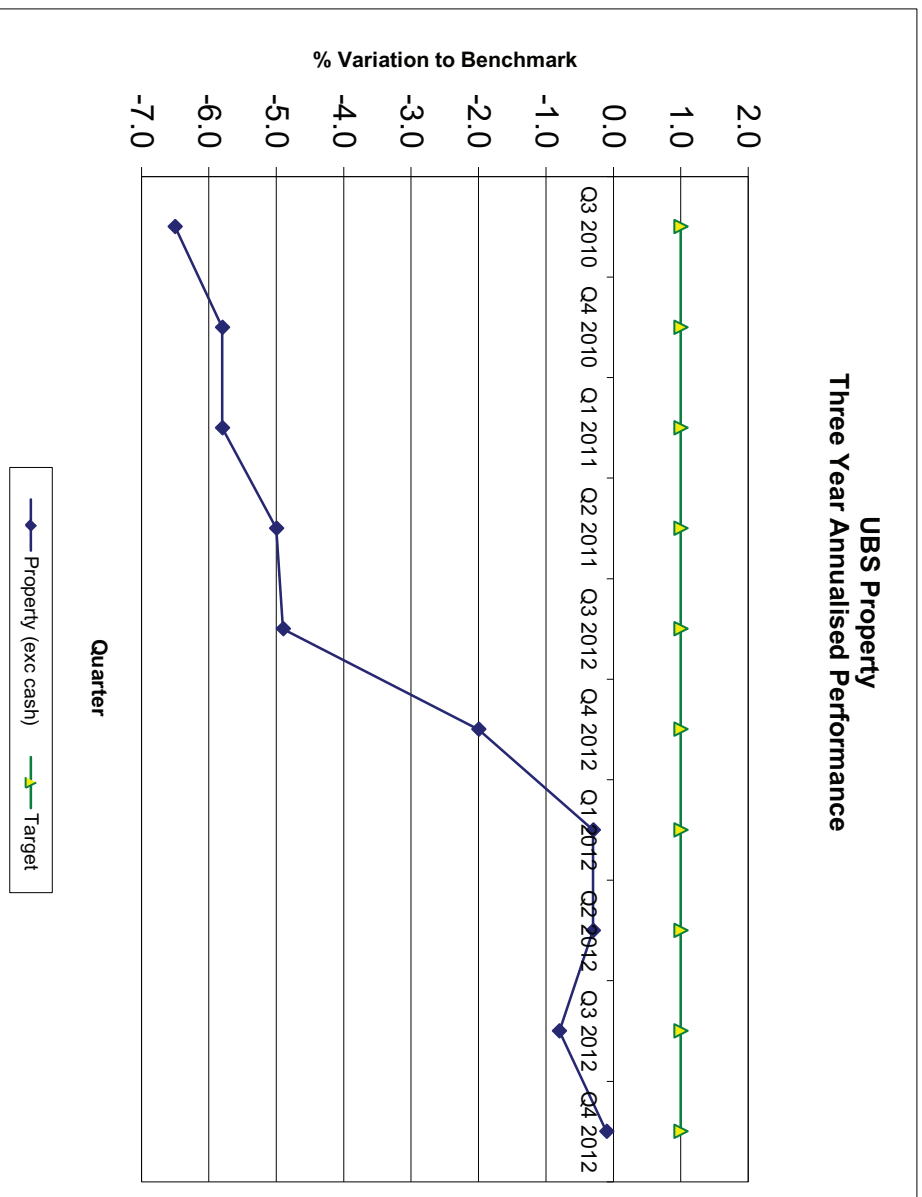
Target Returns

Rolling annual target of 1.00% above benchmark

**UBS -
Overseas
Equities**

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 10

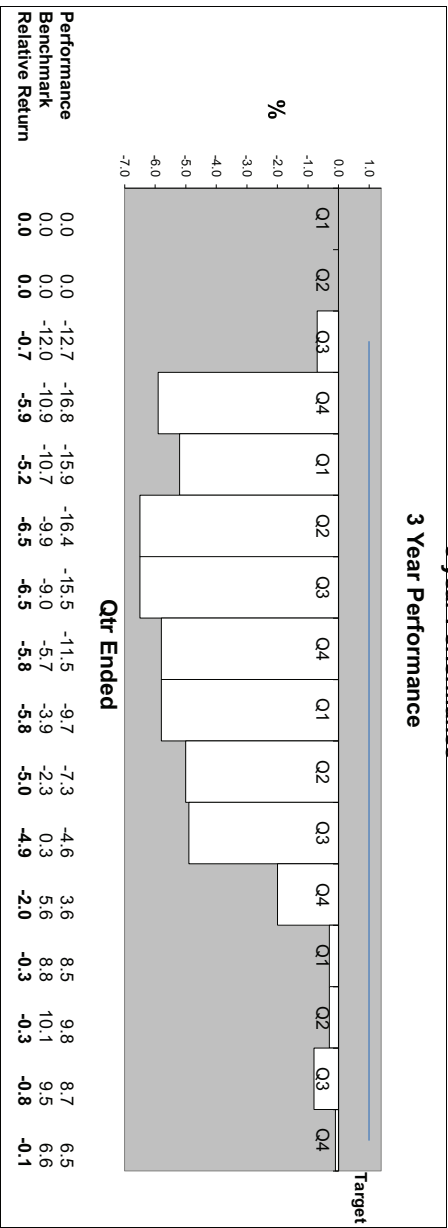
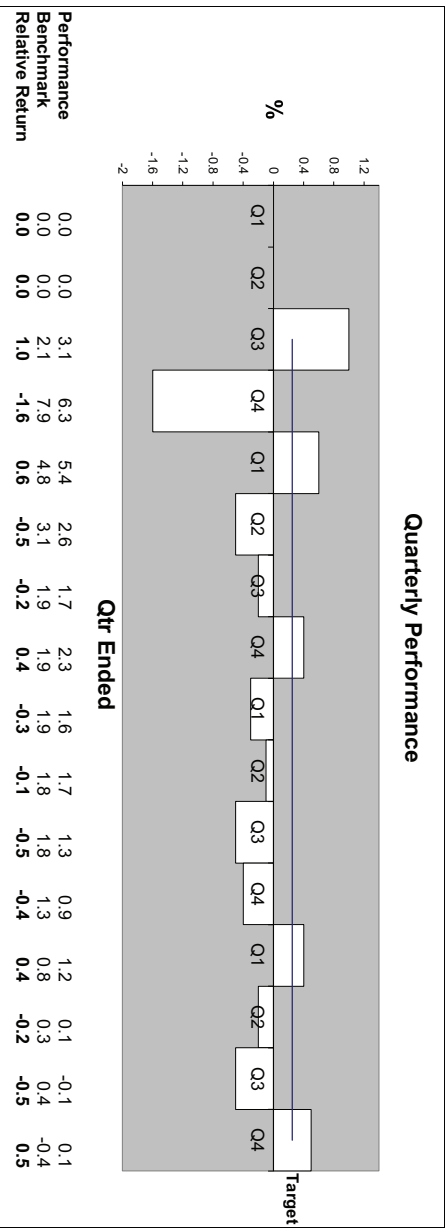


UBS Three Year Annualised Performance

| | Property (exc cash) | Target |
|---------|---------------------|--------|
| 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 |
| Q2 2012 | -0.3 | 1.0 |
| Q3 2012 | -0.8 | 1.0 |
| Q4 2012 | -0.1 | 1.0 |

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 11



Target Returns

Rolling annual target of 2.0% above benchmark

Top 10 holdings at 31/12/2012

| Rank | Holding | Value £ | % of portfolio |
|---------------------------------|------------------------------------|------------|----------------|
| 1 | BLACKROCK UK PROPERTY FUND | 9,938,677 | 12.67 |
| 2 | SCHRODERS GBP I INC | 6,191,690 | 7.90 |
| 3 | STANDARD LIFE POOLED PTTY FD | 5,824,989 | 7.43 |
| 4 | PRUDENTIAL CORP PENSIONS PTTY FUND | 5,453,359 | 6.95 |
| 5 | REAL ESTATE - EUROPEAN FUND | 5,067,278 | 6.46 |
| Top 10 Holdings Market Value | | 32,475,993 | 41.41 |
| Total UBS Property Market Value | | 78,425,000 | |

**UBS -
Property**

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PENSION FUND COMMITTEE – 8 MARCH 2013

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

The Economy

- The UK economy contracted by 0.3% in the December quarter, while the US economy was flat quarter on quarter, but still recorded GDP growth of 2.2% for the year. Compared with their pre-crisis peaks in 2008, US and Germany had slightly higher output in Q3 2012, while UK, France, Italy and Japan had still not recovered to peak output level. Forecasts for 2013 continue to show weak growth - except in China.

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

| Consensus real growth (%) | | | | | | Consumer prices latest (%) |
|---------------------------------|-------|-------|------|-------------|-------------|----------------------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013E | |
| UK | - 4.7 | +1.6 | +0.9 | (-0.2) -0.1 | (+1.1)+0.9 | + 2.7 (CPI) |
| USA | - 2.5 | +2.9 | +1.7 | (+2.1) +2.2 | (+1.9)+1.9 | +1.7 |
| Eurozone | - 3.9 | +1.7 | +1.5 | (-0.5) -0.5 | (NIL) -0.1 | +2.0 |
| Japan | - 5.3 | +4.2 | -0.7 | (+2.1) +1.9 | (+0.9)+1.0 | -0.1 |
| China | + 8.7 | +10.3 | +9.2 | (+7.8) +7.8 | (+8.6) +8.5 | +2.5 |

[Source: The Economist, 08.02.13]

- In the Autumn Statement on December 5th, George Osborne revealed weaker forecasts for UK economic growth and confirmed that he would miss his target of reducing the share of public debt in national income by 2015-16. The cuts in public sector spending are now expected to continue until 2018.
- In the United States, the much-vaunted 'fiscal cliff' was averted – or at least deferred – by a New Year's Eve deal in Congress under which households with incomes under \$450,000 will continue to benefit from the Bush tax cuts,

although the 2% increase in payroll tax will go ahead. The decision on spending cuts was postponed until the end of February, and debate on the debt ceiling deferred until later in the year.

4. In Japan, the currency had been weakening since a General Election was called, on the expectation that the LDP, under Shinzo Abe, would return to power. The December 15th result did indeed show a massive victory for the LDP over the DPJ, and Mr Abe wasted no time in announcing that he wanted the Bank of Japan to adopt an inflation target of 2%, instead of 1%, and to ease monetary policy. In addition he planned to reflate the economy by means of fiscal stimulus and public-works programmes. Although the Bank of Japan has supported the policy rather half-heartedly, it is expected that a new Governor, to be appointed in March, will be more in tune with the Prime Minister.
5. Sentiment in financial markets towards Spain and Italy has been much stronger, and the yields on their sovereign bonds have fallen considerably since the ECB President Mr Draghi's famous pledge in July to do "whatever it takes" to preserve the Euro. Political risk persists, however, with Italian elections imminent, allegations of corruption at the highest levels in Spain, and street demonstrations in several European capitals protesting against the austerity programmes being imposed.

Markets

6. **Equities** ended the year strongly, except in the US where 'fiscal cliff' worries dominated sentiment. Once this cloud had passed, all markets rose sharply in January, recording gains of 5 - 7% in sterling terms, and in many cases reached their highest levels since 2008. Within the UK equity market there was a wide dispersion between the performance during 2012 of the FTSE 100 and the other sectors:

| | |
|----------------|--------|
| FTSE 100 | + 5.8% |
| FTSE 250 | +22.5% |
| FTSE Small Cap | +24.4% |

7. The Table below has been expanded to show the % weighting of each region in the FTSE All-World Index, as at the end of 2012, to illustrate their relative importance in a Global Equity portfolio.

| Capital return (in £, %) to 31.12.12 | | | |
|---|--------------------------------------|-----------------|------------------|
| Weight % | Region | 3 months | 12 months |
| 100.0 | FTSE All-World Index | + 2.0 | + 8.8 |
| 48.2 | FTSE All-World North America | -1.4 | +8.2 |
| 7.1 | FTSE All-World Japan | +4.9 | +0.9 |
| 14.3 | FTSE All-World Asia Pacific ex Japan | +5.1 | +13.8 |
| 17.7 | FTSE All-World Europe (ex-UK) | +7.6 | +12.8 |
| 8.2 | FTSE All-World UK | +3.0 | +6.4 |
| 11.5 | FTSE All-World Emerging Markets | +4.7 | +9.1 |

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

8. The following Table shows the variation in returns across the industry groups during 2012. The strength of Financials will have wrong-footed many investment managers, while Basic Materials (notably the Mining sector) suffered a second consecutive weak year.

| Capital return (in £, %) to 31.12.12 | | |
|---|-----------------|------------------|
| Industry Group | 3 months | 12 months |
| Financials | +7.5 | +19.9 |
| Consumer Services | +1.6 | +14.2 |
| Industrials | +5.0 | +10.7 |
| Health Care | -0.5 | +10.3 |
| Consumer Goods | +3.9 | +9.8 |
| Technology | -4.0 | +7.8 |
| Basic Materials | +4.1 | +1.7 |
| Telecommunications | -5.1 | -1.3 |
| Oil & Gas | -3.1 | -3.7 |
| Utilities | -1.9 | -6.0 |

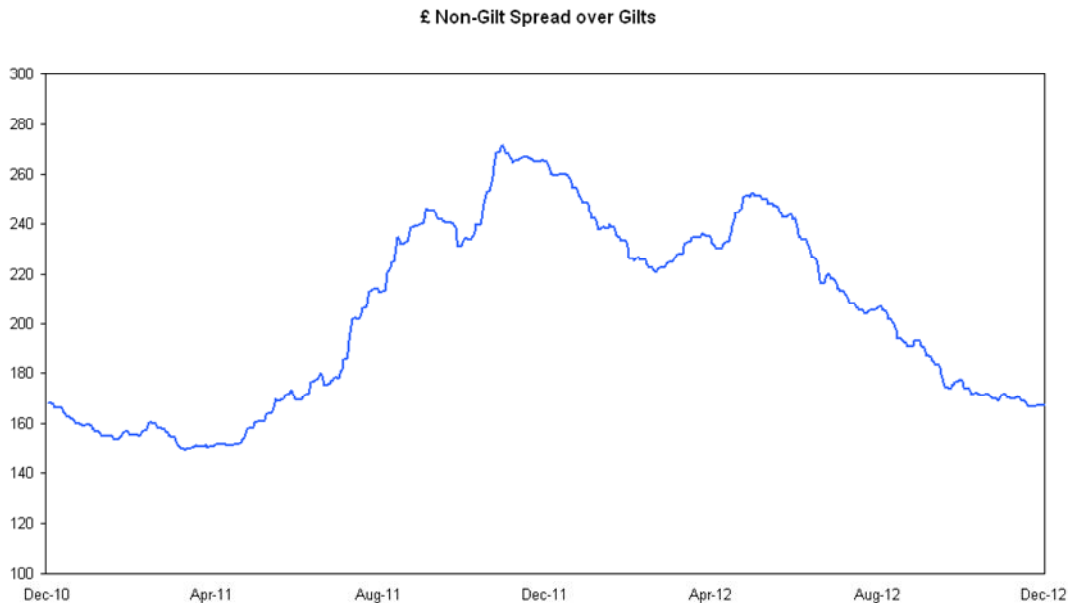
[Source: FTSE All-World Review, December 2012]

9. The ‘safe-haven’ **Sovereign Bonds** were little changed during the quarter, but in January they weakened as investor interest moved towards equities. Yields on Spanish and Italian bonds have fallen by some 200 bps since the summer of 2012, because of the ECB’s declared intention to support those bonds if the government were to approach the ECB for a bailout.

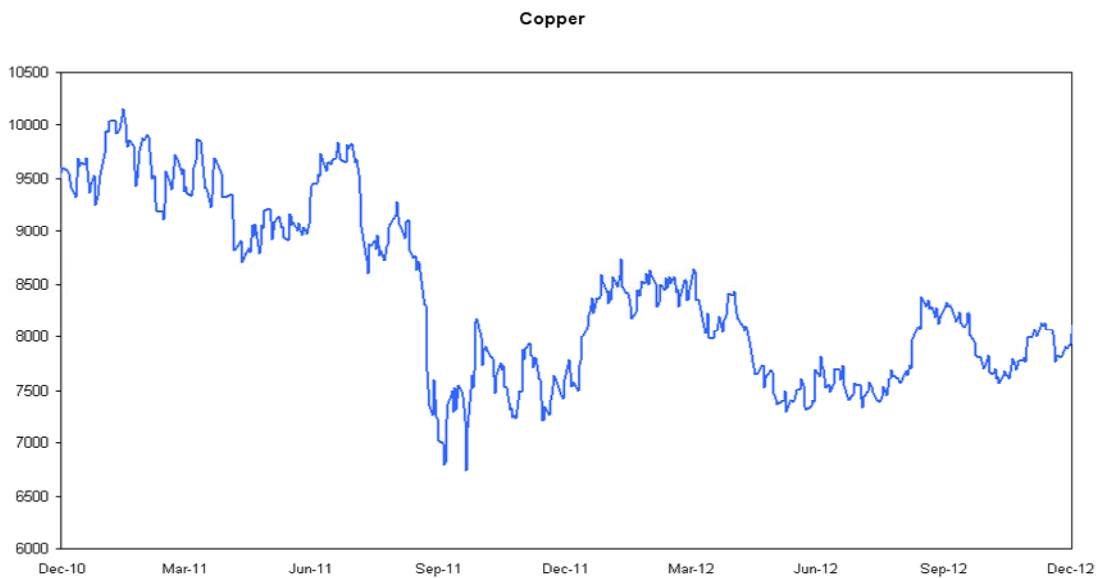
| 10-year government bond yields (%) | | | | | |
|------------------------------------|--------|--------|----------|-----------|----------|
| | Dec 09 | Dec 10 | Dec 2011 | Sept 2012 | Dec 2012 |
| US | 3.84 | 3.34 | 1.88 | 1.64 | 1.76 |
| UK | 4.01 | 3.39 | 1.98 | 1.72 | 1.85 |
| Germany | 3.40 | 2.92 | 1.83 | 1.46 | 1.32 |
| Japan | 1.29 | 1.12 | 0.98 | 0.77 | 0.79 |

[Source: Financial Times]

10. **Corporate Bonds** have performed well recently, with yield differentials against government bonds falling sharply, as shown in the graph below.



11. The drift in **UK Commercial Property** values continued. A full-year total return of just 2.4% (IPD UK Quarterly Property Index) translates to a fall of some 3% in capital values. Offices were the best performing sector (+4.1%) followed by Industrials (+2.9%) and Retail (+1.5%).
12. Among **Commodities**, the Oil price remained flat over the quarter, while Gold fell by 7%. Copper weakened in November, but then rallied as more positive news was published on Chinese manufacturing levels.



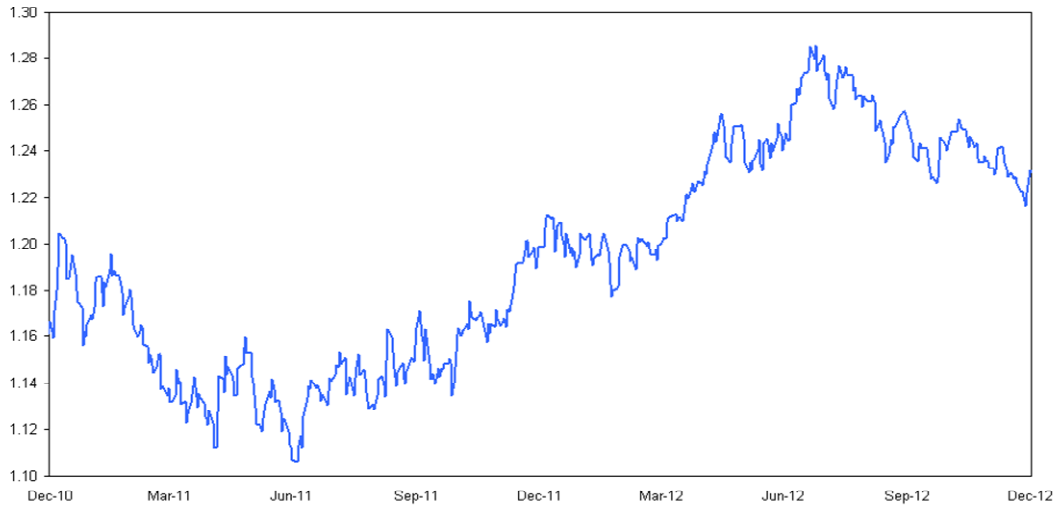
13. The most dramatic development in **Currencies** was the depreciation of the Yen. Anticipating the election as Prime Minister of Shinzo Abe, whose pro-growth policies were well known, investors sold the Yen to the extent that it moved from 78/\$ to 87/\$ in December, and to 92/\$ in January. The other feature of the fourth quarter was the rise of the Euro against all the major currencies. The strength of sterling during 2012 is shown below:

| | 31.12.11 | 31.12.12 | £ move |
|----------|-----------------|-----------------|---------------|
| \$ per £ | 1.554 | 1.625 | + 4.6% |
| € per £ | 1.197 | 1.233 | + 3.0% |
| Y per £ | 119.6 | 140.5 | +17.5% |

GBP vs JPY



GBP vs EUR



Outlook

14. My previous report listed the three clouds overhanging the equity markets as the US 'fiscal cliff', Spain and Italy, and the outlook for China's GDP growth. In the event, the worst-case outcome for each of these three situations has – so far – been averted, and equity markets have gained more than 5% in January by way of response. At the same time yields on 'safe-haven' bonds have risen by around 0.25% in January.
15. One cause of this movement appears to have been the re-direction of retail investment flows from fixed-income to equity funds, as reported in the US, and this trend has further to run. Although the recent equity market rally could be stopped in its tracks by negative developments in the three areas mentioned above – or by other unforeseen events – equities still look good value relative to government bonds, and I expect the recent out-performance of equities to persist during 2013.

Peter Davies

Independent Financial Adviser

February 11th, 2013

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PENSION FUND COMMITTEE – 8 MARCH 2013

FUND MANAGER MONITORING ARRANGEMENTS

Report by Assistant Chief Executive & Chief Financial Officer

Introduction

1. Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. This report sets out the proposed schedule for 2013/14, and recommends the Committee to approve the arrangements.

Proposed Arrangements

2. Under the current arrangements, the performance of all Fund Managers is reviewed every three months, either by the full Committee, or by officers in conjunction with the Independent Financial Advisor to the Fund. For those quarters that the Committee does not see the Fund Manager, the officer meeting is held in advance of the Committee to allow the Independent Financial Adviser to report all key issues to the Committee.
3. Traditionally, the Committee have seen the three actively managed equity fund managers every 6 months, the fixed income and passive equity manager once a year, and the two private equity managers once every two years.
4. It is the view of Officers that these arrangements have worked well, and the proposed arrangements for 2013/14 have been prepared on a similar basis.
5. The detailed monitoring arrangements are therefore proposed as follows:

| | Committee | Officers |
|---|---|---|
| Quarter 1 Committee 7 June 2013 | UBS Legal and General | Baillie Gifford Private Equity Wellington |
| Quarter 2 Committee 6 September 2013 | Baillie Gifford Wellington | UBS Legal and General Private Equity |
| Quarter 3 Committee 6 December 2013 | Partners Group Private Equity UBS | Baillie Gifford Wellington |
| Quarter 4 Committee 7 March 2014 | Baillie Gifford Wellington | UBS Legal and General Private Equity |

RECOMMENDATION

6. The Committee is RECOMMENDED to approve the Fund Manager Monitoring Arrangements as set out in the report.

Sue Scane

Assistant Chief Executive & Chief Financial Officer

Background papers: Nil

Contact Officer: Donna Ross, Principal Financial Manager

Telephone: 01865 323976

February 2013

| |
|------------------|
| Division(s): N/A |
|------------------|

PENSION FUND COMMITTEE – 8 MARCH 2013

CORPORATE GOVERNANCE - VOTING

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. The UK Stewardship Code was introduced by the Financial Reporting Council in 2010, and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code.
2. Principle 6 of the Code states that Institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.
3. Institutional investors should disclose the use made, if any, of proxy voting or other voting advisory services and disclose their approach to stock lending and recalling lent stock.
4. The Oxfordshire County Council Pension Fund's voting policy is set out in its Statement of Investment Principles (SIP), which states that its Fund Managers have been instructed to vote in accordance with the guidance set by RiskMetrics Group. However, in exceptional circumstances managers may vote differently from the RiskMetrics Group guidance, if in their judgement this would be in the best interests of the fund. Where managers take a contrary view to the RiskMetrics Group they must obtain permission from officers to vote differently and officers must report this to the Pension Fund Committee.
5. RiskMetrics Group research and voting operations in the UK are conducted through a wholly-owned subsidiary called Research, Recommendations and Electronic Voting Limited (RREV). In the UK, RREV's research and voting recommendations cover all companies in the FTSE All-Share and selected UK companies that fall outside the

FTSE ALL-Share Index. RREV voting recommendations for UK companies are based on the NAPF's corporate governance policies.

6. RREV's research and recommendations provide a best practises view on a company's:
 - Governance and financial performance
 - Board structure
 - Remuneration
 - Auditing and accounting disclosure
 - Shareholder Relations

7. Proxy voting advisors provide a service to investors utilising accepted principles of good corporate governance and guidelines devised by asset owners, and other market participants. However, the ultimate voting decision for each resolution at a company meeting is the responsibility of the investor. Whilst Oxfordshire Pension Fund asks its Fund Managers to vote in accordance with RREV, it expects Fund Managers to consider the recommendations and identify resolutions which may be contentious and in contrast to the Managers own policy, and where appropriate request permission to vote differently. Use of RREV recommendations is in part a screening mechanism to highlight issues which may require further attention by officers and the Pension Fund Committee.

8. Proxy voting advisory services are widely used by pension funds to assist with informed decision making. They can also help funds to vote all shares consistently, when they have stocks held by more than one fund manager. Some funds prefer to delegate all voting decisions to their fund managers. This may result in the pension fund voting a proportion of the shares it holds in a company 'for' and a proportion 'against' if its fund managers hold different views. Voting decisions should follow active dialogue with company boards and a vote 'against' or 'abstain' should be a result of an unsatisfactory outcome following engagement with the company. Whilst Fund Managers and proxy voting advisors can engage with companies, proxy voting agents don't manage the assets. Fund Managers may ultimately decide to sell the stock as a result of unsatisfactory engagement with the company.

Current Position

9. The Pension Fund Committee may wish to consider whether or not it wishes to continue with its current policy or delegate fully vote decisions to its Fund Managers. In practice, RREV advice applies to approximately 30% of the equity holding within the Fund, being the segregated element invested in the UK. Officers believe that the corporate governance and voting policies and procedures of the fund's segregated UK equities manager are robust.

10. The remaining 70% of our equity portfolio is held within pooled funds, or in overseas investments. Assets held indirectly via pooled funds,

are not subject to the Oxfordshire Pension Fund's voting policy. The segregated global equity fund portfolio is managed in accordance with the managers own corporate governance policies using recommendations provided to the fund manager by Glass Lewis. Voting decisions in relation to the listed private equity holdings are taken by officers with regard to the recommendations provided by the Fund's Independent Financial advisor.

11. Voting and corporate action notifications are sent to the relevant fund managers by the Fund's global custodian. Fund Managers are responsible for advising the custodian's proxy voting agent of the vote decision for each resolution based on the Pension Fund's existing policy. The proxy voting agent files vote decisions in accordance with the instructions received from relevant fund managers. Officers periodically review the independent voting records held by the proxy voting agent and monitor fund manager compliance with the voting policy.
12. Stocks on loan via the global custodian's stock lending program may be returned at the request of the fund manger, if it is deemed to be advantageous to the fund, in order to exercise rights to vote. No stocks on loan were returned during 2012 for the purpose of exercising voting rights.
13. A summary of the Oxfordshire Pension Fund voting activity for segregated UK equity mandates at 31 December 2012, is provided below:-

| Manager | Number of Meetings | Number of Resolutions | Number of votes against management proposals | Number of items abstained | Number of resolutions voted against RREV recommendations |
|------------------------------------|--------------------|-----------------------|--|---------------------------|--|
| Baillie Gifford UK equities | 59 | 1094 | 17 | 8 | 4 (with permission) |
| Private Equity | 16 | 113 | 2 | 0 | n/a |

Votes against management proposals generally related to re-election of directors, remuneration reports and share plans. Resolutions voted against management are listed in Annex 1.

Pooled Funds

14. Legal and General Investment Management and UBS invest in pooled funds on behalf of the Oxfordshire Pension Fund. There are also some pooled fund investments within the segregated portfolio managed by Baillie Gifford. The Pension Fund's voting policy does not apply to its pooled fund investments, which are subject to the corporate governance policies of the individual funds. The Pension Fund is not able to exert direct control over the voting or engagement activities of

pooled funds. However, officers have reviewed the Fund Manager’s vote records. UK resolutions voted ‘against’ are shown in Annex 2.

15. During 2012, the LGIM UK FTSE 100 Equity Index fund voted ‘against’ management in 31 of 2056 resolutions. For 13 of the 31 resolutions, RREV recommended a vote ‘for’ and ‘abstain’ for one of them. Baillie Gifford did not hold any of the 31 stocks voted ‘against’ by LGIM.
16. 7 resolutions voted ‘against’ by Baillie Gifford were voted ‘for’ by LGIM UK FTSE 100 fund during 2012. These are shown in bold in Annex 1.

| Manager | Number of Meetings | Number of Resolutions | Number of votes against shareholder proposals | Number of votes against management proposals |
|--|--------------------|-----------------------|---|--|
| LGIM UK FTSE 100 equity index | 100 | 2056 | 0 | 31 |
| LGIM World (Ex UK) Equity Index | 1737 | 20435 | 0 | 2373 |
| UBS Property | 9 | 38 | 0 | 2 |
| UBS Global Optimal Thirds | 79 | 945 | 34 | 37 |
| UBS Emerging Markets | 55 | 1223 | 2 | 78 |

Overseas

17. The Fund’s global equities manager , Wellington exercises voting activities for overseas stocks according to the Manager’s own voting policies and guidelines. For securities domiciled in the UK, the Manager will exercise voting rights attached to the Oxfordshire Pension Fund in accordance with NAPF guidelines.

NAPF guidelines

18. The NAPF supports the UK Stewardship Code and believes that ‘the informed use of votes, while not a legal duty, is a responsibility of owners and an implicit fiduciary duty of pension fund trustees and investment managers to whom they may delegate this function’. NAPF Corporate Governance policy and voting guidelines have recently been updated and are available on the NAPF website.

RECOMMENDATIONS

19. The Committee are RECOMMENDED to:

- (a) note the Fund's voting policies and activities and consider whether or not they continue meet the requirements of the Oxfordshire County Council Pension Fund; and**
- (b) decide whether or not they wish to continue to use proxy voting advisors or fully delegate vote decisions to fund managers.**

Sue Scane
Assistant Chief Executive and Chief Financial Officer

Background Papers: None

Contact Officer: Donna Ross, Principal Financial Manager, (01865) 323976

February 2013

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SEGREGATED EQUITES**Annex 1****Baillie Gifford Votes Against Management Proposals**

| Meeting Date | Company Name | Meeting Type | Resolutions Voted Against | RREV Recs. | Vote Results FOR | AGAINST |
|---------------------|------------------------------|---------------------|---|---------------------|-------------------------|----------------|
| 26/01/2012 | MITCHELLS & BUTLERS PLC | AGM | 6 Re-elect Ron Robson as Director | FOR - 'contentious' | 86% | 14% |
| | | | 7 Re-elect Douglas McMahon as Director | FOR - 'contentious' | 86% | 14% |
| 26/04/2012 | JARDINE LLOYD THOMPSON GROUP | AGM | 4 Re-elect Lord Leach of Fairford as Director | AGAINST | 77% | 23% |
| | | | 8 Re-elect Simon Keswick as Director | AGAINST | 77% | 23% |
| | | | 13 Approve Remuneration Report | AGAINST | 92% | 8% |
| | | | 16 Approve Waiver on Tender-Bid Requirement | AGAINST | 57% | 43% |
| 26/04/2012 | MEGGITT PLC | AGM | 2 Approve Remuneration Report | AGAINST | 80% | 20% |
| 04/05/2012 | IMI PLC | AGM | 18 Amend Long-Term Incentive Plan '05 & Share Matching Plan | AGAINST | 69% | 31% |
| 09/05/2012 | STANDARD CHARTERED PLC | AGM | 12 Re-elect Rudolph Markham as Director | AGAINST | 81% | 19% |
| 11/05/2012 | PETROFAC LTD | AGM | 21 Approve Value Creation Plan | AGAINST | 80% | 20% |
| 17/05/2012 | PRUDENTIAL PLC | AGM | 2 Approve Remuneration Report | AGAINST | 70% | 30% |
| | | | 13 Re-elect Harvey McGrath as Director | FOR | 95% | 5% |

| | | | | | | | |
|------------|---------------|-----|-----------|---|------------------------|------------|------------|
| 26/07/2012 | SABMILLER PLC | AGM | 2 | Approve Remuneration Report | AGAINST | 77% | 23% |
| | | | 9 | Re-elect John Manser as Director | AGAINST | 84% | 16% |
| | | | 11 | Re-elect Miles Morland as Director | AGAINST | 82% | 18% |
| | | | 14 | Re-elect Cyril Ramaphosa as Director | AGAINST | 86% | 14% |
| 08/11/2012 | GENUS PLC | AGM | 12 | Amend 2004 Performance Share Plan | FOR - 'contentious' | 81% | 19% |

(Resolutions in bold were voted 'FOR' in LGIM pooled UK FTSE 100 Equity Index Fund)

Private Equity Votes Against Management Proposals

| Meeting Date | Company Name | Meeting Type | Resolutions Voted Against |
|---------------------|---------------------|---------------------|---|
| 29/06/2012 | 3I GROUP PLC | AGM | 21 To change the Company's investment policy while the Company's shares are trading at a discount to net asset value 22 To resolve that the company brings forward proposals for management incentivisation and reduction of total expense ratio |

POOLED FUNDS**Annex 2****Legal & General UK FTSE 100 Equity Index Fund**

| Meeting Date | Company Name | Meeting Type | Resolutions Voted Against | RREV Recs. | Vote Results | |
|--------------|--|--------------|--|------------------------|--------------|---------|
| | | | | | FOR | AGAINST |
| 19/01/2012 | Aberdeen Asset Management | Annual | 17 Approve Remuneration Report | FOR | 89% | 11% |
| 03/05/2012 | Aviva | Annual | 2 Approve Remuneration Report | AGAINST | 41% | 49% |
| 05/07/2012 | Babcock International Group | Annual | 15 Approve Deferred Bonus Matching Plan | AGAINST | 58% | 42% |
| 27/04/2012 | Barclays | Annual | 2 Approve Remuneration Report | FOR - | 73% | 27% |
| | | | 5 Re-elect Alison Carnwath as Director | 'contentious' FOR | 79% | 21% |
| 01/11/2012 | British Sky Broadcasting Group | Annual | 17 Approve Remuneration Report | ABSTAIN | 89% | 11% |
| 25/04/2012 | Capital Shopping Centres | Annual | 15 Approve Remuneration Report | AGAINST | 71% | 29% |
| 02/04/2012 | Eurasian Natural Resources Corp (ENRC) | Special | 1 Approve Acquisition of Shares in Shubarkol Komir JSC | FOR - 'contentious' | - | - |
| 12/06/2012 | Eurasian Natural Resources Corp (ENRC) | Annual | 3 Approve Remuneration Report | FOR - 'contentious' | 98% | 2% |

| | | | | | | | |
|------------|-------------------------|--------|----|--|------------------------|-----|-----|
| 18/06/2012 | Evraz | Annual | 10 | Re-elect Olga Pokrovskaya as Director | AGAINST | 96% | 4% |
| | | | 13 | Re-elect Eugene Tenenbaum as Director | AGAINST | 97% | 3% |
| 23/11/2012 | Hargeaves Lansdown | Annual | 2 | Approve Remuneration Report | FOR - 'contentious' | 95% | 5% |
| | | | 15 | Approve the Unapproved Share Option Plan 2012 | FOR - 'contentious' | 96% | 4% |
| 11/05/2012 | Kazakhmys | Annual | 19 | Approve LTIP Waiver Granted By the Takeover Panel Pursuant | FOR - 'contentious' | 95% | 5% |
| 13/06/2012 | Polymetal International | Annual | 2 | Approve Remuneration Report | AGAINST | 93% | 7% |
| 17/05/2012 | Resolution Ltd | Annual | 2 | Approve Remuneration Report | FOR - 'contentious' | 90% | 10% |
| 02/05/2012 | Royal Dutch Shell (A) | Annual | 2 | Approve Remuneration Report | FOR - 'contentious' | 91% | 9% |
| 26/07/2012 | SABMiller | Annual | 2 | Approve Remuneration Report | AGAINST | 77% | 23% |
| | | | 11 | Re-elect Miles Morland as Director | AGAINST | 82% | 18% |
| 07/02/2012 | Tui Travel | Annual | 2 | Approve Remuneration Report | AGAINST | 79% | 21% |
| | | | 11 | Re-elect Tony Campbell as Director | AGAINST | 86% | 14% |
| 28/08/2012 | Vedanta Resources Plc | Annual | 2 | Approve Remuneration Report | AGAINST | 88% | 12% |
| | | | 6 | Re-elect Naresh Chandra as Director | FOR | 96% | 4% |
| | | | 17 | Approve Employee Share Ownership Plan | AGAINST | 84% | 16% |

| | | | | | | | |
|------------|-----------------------|---------|----|---|---------------------|-----|-----|
| 28/08/2012 | Vedanta Resources Plc | Special | 1 | Approve Acquisition of 26-29.5% of Hindustan Zinc Ltd | AGAINST | - | - |
| | | | 2 | Approve Acquisition of 44-49% of Bharat Aluminium Company Ltd | AGAINST | - | - |
| 13/06/2012 | WPP Group | Annual | 2 | Approve Remuneration Report | AGAINST | 40% | 60% |
| | | | 14 | Re-elect Jeffrey Rosen as Director | FOR | 78% | 22% |
| 01/05/2012 | Xstrata | Annual | 3 | Approve Remuneration Report | AGAINST | 63% | 37% |
| 20/11/2012 | Xstrata | Court | 1 | Approve Scheme of Arrangement Subject to Revised Mgmt Incentive Arrangements Res. | FOR - 'contentious' | - | - |
| 20/11/2012 | Xstrata | Special | 2 | Approve Revised Mgmt Incentive Arrangements & Revised New Xstrata 2012 Plan | AGAINST | - | - |

UBS Global Emerging Markets Fund

| Meeting Date | Company Name | Meeting Type | Resolutions Voted Against |
|--------------|--|----------------|--|
| 08/02/2012 | Ping An Insurance (Group) Co. of China, Ltd. | Special | 1 Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| 28/03/2012 | PT Bank Rakyat Indonesia (Persero) Tbk | Annual | 6 Amend Articles of Association 7 Elect Commissioners and/or Directors |
| 23/04/2012 | PT Bank Mandiri (Persero) Tbk | Annual | 5 Elect Commissioners |
| 25/04/2012 | America Movil S.A.B. de C.V. | Special | 1 Elect Directors for Series L Shares |
| 27/04/2012 | Novatek OAO | Annual | 2.1 Elect Andrei Akimov as Director via Cumulative Voting 2.2 Elect Burckhard Bergmann as Director via Cumulative Voting 2.4 Elect Yves Louis Darricarrere as Director via Cumulative Voting 2.5 Elect Mark Gyetvay as Director via Cumulative Voting 2.6 Elect Leonid Mikhelson as Director via Cumulative Voting 2.8 Elect Kirill Seleznev as Director via Cumulative Voting 2.9 Elect Gennady Timchenko as Director via Cumulative Voting |
| 27/04/2012 | PT Astra International Tbk | Annual/Special | 3 Elect Commissioners and Approve Remuneration of Directors and Commissioners |
| 11/05/2012 | PT Telekomunikasi Indonesia Tbk | Annual | 7 Amend Articles of Association |

| | | | | |
|------------|----------------------------------|--------|------|--|
| | | | 8 | Elect Directors and Commissioners |
| 25/05/2012 | China Shenhua Energy Co., Ltd. | Annual | 12 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| 29/05/2012 | Belle International Holdings Ltd | Annual | 5 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| | | | 7 | Authorize Reissuance of Repurchased Shares |
| 29/05/2012 | China Unicom (Hong Kong) Ltd | Annual | 6 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| | | | 7 | Authorize Reissuance of Repurchased Shares |
| 29/05/2012 | MTN Group Ltd | Annual | 11 | Approve Remuneration Philosophy |
| 01/06/2012 | Sberbank of Russia | Annual | 5.1 | Elect German Gref as Director |
| | | | 5.11 | Elect Alessandro Profumo as Director |
| | | | 5.12 | Elect Aleksey Savatuygin as Director |
| | | | 5.13 | Elect Rair Simonyan as Director |
| | | | 5.14 | Elect Sergey Sinelnikov-Murylev as Director |
| | | | 5.15 | Elect Valery Tkachenko as Director |
| | | | 5.16 | Elect Dimitriy Tulin as Director |
| | | | 5.17 | Elect Aleksey Ulyukaev as Director |
| | | | 5.18 | Elect Ronald Freeman as Director |
| | | | 5.19 | Elect Sergey Shvetsov as Director |
| | | | 5.3 | Elect Anton Danilov-Danilyan as Director |
| | | | 5.4 | Elect Mikhail Dmitriev as Director |
| | | | 5.5 | Elect Bella Zlatkis as Director |
| | | | 5.6 | Elect Nadezhda Ivanova as Director |
| | | | 5.7 | Elect Sergey Ignatyev as Director |

| | | | | |
|------------|--|--------|------|--|
| | | | 5.8 | Elect Georgy Luntovsky as Director |
| | | | 5.9 | Elect Mikhail Matovnikov as Director |
| 15/06/2012 | China Mengniu Dairy Co., Ltd. | Annual | 6 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| 18/06/2012 | Shimao Property Holdings Ltd. | Annual | 5 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| | | | 7 | Authorize Reissuance of Repurchased Shares |
| 21/06/2012 | China Resources Land Ltd. (frmrly. China Resources Beijing Ltd) | Annual | 6 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| | | | 7 | Authorize Reissuance of Repurchased Shares |
| 26/06/2012 | Cez A.S. | Annual | 8 | Amend Articles of Association |
| 27/06/2012 | Mobile Telesystems OJSC | Annual | 5.1 | Elect Anton Abugov as Director |
| | | | 5.2 | Elect Aleksey Buyanov as Director |
| | | | 5.3 | Elect Andrey Dubovskov as Director |
| | | | 5.4 | Elect Ron Sommer as Director |
| | | | 5.7 | Elect Vsevolod Rozanov as Director |
| | | | 5.8 | Elect Gregor Harter as Director |
| | | | 5.9 | Elect Mikhail Shamolin as Director |
| 29/06/2012 | Gazprom OAO | Annual | 6 | Approve Remuneration of Directors |
| | | | 9.1 | Elect Andrey Akimov as Director |
| | | | 9.11 | Elect Mikhail Sereda as Director |
| | | | 9.12 | Elect Igor Yusufov as Director |
| | | | 9.2 | Elect Farit Gazizullin as Director |

| | | | | |
|------------|--|---------|------|--|
| | | | 9.3 | Elect Viktor Zubkov as Director |
| | | | 9.4 | Elect Elena Karpel as Director |
| | | | 9.5 | Elect Timur Kulibayev as Director |
| | | | 9.6 | Elect Vitaliy Markelov as Director |
| | | | 9.7 | Elect Viktor Martynov as Director |
| | | | 9.8 | Elect Vladimir Mau as Director |
| | | | 9.9 | Elect Aleksey Miller as Director |
| | | | 10.2 | Elect Andrey Belobrov as Member of Audit Commission |
| | | | 10.7 | Elect Georgiy Nozadze as Member of Audit Commission |
| | | | 10.9 | Elect Karen Oganyan as Members of Audit Commission |
| 29/06/2012 | Zoomlion Heavy Industry Science and Technology Co., Ltd. | Annual | 2 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| 20/07/2012 | Grupo Modelo S.A.B. de C.V. | Special | 2 | Amend Articles 29 and 41 of Bylaws |
| | | | 4 | Approve Consolidation of Company Bylaws |
| 13/08/2012 | Hero MotoCorp Ltd. | Special | 1 | Approve Employee Stock Option Plan |
| 31/08/2012 | Naspers Ltd | Annual | 4 | Authorise Repurchase of A Ordinary Issued Shares |
| | | | 5 | Adopt New Memorandum of Incorporation |
| | | | 6 | Approve Remuneration Policy |
| | | | 7 | Place Authorised but Unissued Shares under Control of Directors |
| 03/09/2012 | The Foschini Group Ltd | Annual | 2 | Adopt New Memorandum of Incorporation |
| | | | 11 | Approve Remuneration Policy |
| 14/09/2012 | China Shenhua Energy Co., Ltd. | Special | 1 | Approve Issuance of Debt Financing Instruments of the Company |

| | | | | |
|------------|------------------------------------|---------|----|--|
| 08/11/2012 | Sun Pharmaceutical Industries Ltd. | Annual | 10 | Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| 18/12/2012 | Cez A.S. | Special | 4 | Elect Supervisory Board Member |
| | | | 5 | Elect Audit Committee Member |

UBS Optimal Thirds Fund

| Meeting Date | Company Name | Meeting Type | Resolutions Voted Against |
|---------------------|---|---------------------|---|
| 23/02/2012 | Apple Inc. | Annual | 4 Prepare Conflict of Interest Report 5 Advisory Vote to Ratify Directors' Compensation 6 Report on Political Contributions |
| 15/03/2012 | F5 Networks, Inc. | Annual | 4 Declassify the Board of Directors |
| 10/04/2012 | The Bank of New York Mellon Corporation | Annual | 16 Restore or Provide for Cumulative Voting |
| 17/04/2012 | Citigroup Inc. | Annual | 16 Disclose Prior Government Service 17 Report on Political Contributions and Lobbying Expenditures 18 Stock Retention/Holding Period 19 Require Audit Committee Review and Report on Controls Related to Loans, Foreclosure and Securitizations |
| 24/04/2012 | Wells Fargo & Company | Annual | 18 Require Independent Board Chairman 19 Provide for Cumulative Voting 20 Adopt Proxy Access Right 21 Require Audit Committee Review and Report on Controls Related to Loans, Foreclosure and Securitizations |
| 27/04/2012 | Abbott Laboratories | Annual | 4 Report on Research Animal Care and Promotion of Testing Alternatives 5 Report on Lobbying Payments and Policy 6 Require Independent Board Chairman |

| | | | | |
|------------|----------------------------------|--------|----|--|
| | | | 7 | Adopt Anti Gross-up Policy |
| | | | 8 | Stock Retention/Holding Period |
| | | | 9 | Cease Compliance Adjustments to Performance Criteria |
| | | | 10 | Pro-rata Vesting of Equity Plans |
| 30/04/2012 | The Boeing Company | Annual | 14 | Report on Political Contributions |
| | | | 16 | Adopt Retention Ratio for Executives/Directors |
| | | | 17 | Submit SERP to Shareholder Vote |
| 04/05/2012 | Occidental Petroleum Corporation | Annual | 14 | Request Director Nominee with Environmental Qualifications |
| 16/05/2012 | WellPoint, Inc. | Annual | 7 | Report on Political Contributions |
| 31/05/2012 | Royal Caribbean Cruises Ltd. | Annual | 7 | Report on Political Contributions |
| 04/06/2012 | UnitedHealth Group Incorporated | Annual | 13 | Report on Lobbying Payments and Policy |
| 21/06/2012 | Google Inc. | Annual | 8 | Adopt Proxy Statement Reporting on Political Contributions and Advisory Vote |
| | | | 9 | Amend Articles Regarding Arbitration of Shareholder Lawsuits |
| 25/07/2012 | McKesson Corporation | Annual | 14 | Stock Retention |
| | | | 15 | Pro-rata Vesting of Equity Awards |
| 23/10/2012 | Symantec Corporation | Annual | 4 | Stock Retention/Holding Period |
| 28/11/2012 | Microsoft Corporation | Annual | 13 | Provide for Cumulative Voting |

19/12/2012 Australia and New Zealand Banking Group Ltd. Annual 6 Elect R.J. Reeves as a Director

Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2013

OXFORDSHIRE PENSION FUND BUSINESS PLAN FOR 2013/14

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report covers the key strategic frameworks under which the Pension Fund will operate within 2013/14, and seeks the approval of this Committee for the proposals.
2. The business plan for 2013/14 is set out at Annex 1. The plan includes the key objectives of the Fund, details of the service activities, the service priorities for the coming year, a budget for 2013/14 and the latest risk register for the service. Annex 2 to this report sets out the cash management strategy for 2013/14.

Business Plan - Key objectives

3. The key high level objectives of the fund remain consistent with the 2012/13 plan. The objectives are shown on the front page of the plan and are summarised as:
 - Administer pension benefits in accordance with the LGPS regulations;
 - Achieve a 100% funding level;
 - Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments; and
 - Maintain as near a constant employer contribution rate as is possible.
4. In approving the Business Plan the Committee will be endorsing these objectives.
5. Part A of the plan includes a broad summary of the service activity undertaken. Part B includes the service priorities along with the relevant action plans to deliver on the priorities. These priorities represent improvements or developments that the officers are planning for the coming year, and include the appointment of a new Custodian, and the implementation of the New Look LGPS 2014. By definition they exclude business as usual.

Oxfordshire Pension Fund 2013/14 Budget

6. Part C sets out the Fund's investment management and scheme administration budget for 2013/14 and compares it with the budget set for

2012/13. Overall there is an increase of £137,000 resulting in a total budget of £4.703m. A report comparing the investment management and scheme administration outturn figures against the budget for 2012/13 will be produced for the September 2013 Committee meeting.

7. The rise in **Fund Management fees** reflects the increase in actively managed assets following the appointment of Wellington. Fund Management fees are expected to be higher for the proportion of assets which were temporarily held in a passive pooled fund during 2012/13.
8. The **Global Custody Fee** change reflects the increase in actively managed stocks, following the transfer of equities to Wellington. At this stage, it is not possible to determine the impact of the current tender exercise.
9. The **financial services recharge** budget has increased to reflect an estimated increase in salary costs due to pay awards and increments due during 2013/14.
10. The income budget for **Stock Lending fees** has been reduced due to the lower levels of stock lending income achieved by the global custodian under prevailing market conditions.
11. **Pension Admin Team and other support service costs** shows an overall increase arising from provision for pay increases and recharges for other staffing costs, in part offset by a reduction in legal charges.
12. The reduction in **software support and licencing costs** is due to the successful implementation of the new software, the one off costs of which were included in the 2012/13 budget. The budget for 2013/14 includes an amount for the implementation of an additional module to allow Pension Services to make direct payments, thereby streamlining the payment process. The cost of changing the software to provide real time information to HMRC is also included in the budget.
13. The budget for **appointed person fees** has been removed since this work is now carried out in-house.
14. The budget provision for **other costs** is reduced by removing provision for vacancy advertisements which has been partly offset by increased subscription costs.

Risk Register

15. The risk register for the Pension Fund is included as Part D of the Business Plan. This has been reviewed, but no substantial changes have been identified. All risks are regularly monitored to mitigate against negative results for the Pension Fund.

Cash Management

16. Annex 2 to this report provides the annual Cash Management Strategy for the Pension Fund. This Strategy is broadly in line with that proposed for the County Council for 2013/14, though with a more restricted set of potential counter-parties reflecting the lower sums of cash involved, and the fact that the Pension Fund already has wider investment opportunities established as part of its asset allocation.

RECOMMENDATION

17. **The Committee is RECOMMENDED to:**
- (a) **approve the Business Plan and Budget for 2013/14 as set out at Annex 1;**
 - (b) **approve the Pension Fund Cash Management Strategy for 2013/14 as set out at Annex 2;**
 - (c) **delegate authority to the Assistant Chief Executive and Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;**
 - (d) **delegate authority to the Assistant Chief Executive and Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and**
 - (e) **delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: None

Contact Officers:

Sally Fox – Pensions Administration Manager, Tel: (01865) 797111

Donna Ross – Principal Financial Manager, Tel: (01865) 323976

March 2013

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Oxfordshire Pension Fund: Business Plan 2013/14

Service Manager - Pensions & Treasury Management: Sean Collins

Service Definition:

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

Our Customers:

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

Key Objectives:

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

Part A: Service Activities

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

Part B – Service Priorities

| Task | Actions | Measures of Success |
|--|--|---|
| Investment Management | | |
| Manage new global custody arrangements and monitor the global custodian's performance. | <p>Agree contractual arrangements and legal documentation.</p> <p>Set up performance monitoring arrangements.</p> <p>If new provider Set up custody accounts.</p> <p>Arrange transfer of assets.</p> <p>Reconcile all custody accounts</p> | <p>Contracts signed by 31 May</p> <p>Performance monitoring processes operating effectively.</p> <p>All segregated fund assets transferred efficiently.</p> |
| Review investment team and member training arrangements. | <p>Review knowledge and skills requirements and individual training needs.</p> <p>Develop training plan.</p> | Members and Officers knowledge and skills requirements met. |
| Produce Pension Fund Final Accounts in accordance with new CIPFA guidance. | <p>Assess CIPFA guidance.</p> <p>Identify changes, obtain required data and amend procedures to comply with recommendations.</p> | <p>Final accounts produced on time and in compliance with CIPFA recommendations.</p> <p>No adverse comments from auditors</p> |
| Explore efficiencies through partnership working | Discuss opportunities for joint working with other investment teams. | Clear position statement on future partnership working. |

| Task | Actions | Measures of Success |
|--|---|--|
| Scheme Administration | | |
| Implementation of new regulations | <p>Assess the new regulations when they are published</p> <p>Make changes to the processes and procedures</p> <p>Communicate changes to customers and actions for participating employers</p> | <p>New regulation implemented by the relevant due date.</p> <p>Stakeholders kept up to date with the proposed changes and what action they need to take</p> |
| Review of communications ahead of 2014 scheme | <p>Work with LGE national group</p> <p>Review website content</p> <p>Review publication content</p> | <p>Scheme members are informed about new scheme</p> <p>Easier access for interested stakeholders</p> |
| Continuous improvement of processes and procedures | <p>Review remaining procedures</p> <p>Implement pension task management system for procedures already reviewed and for those to be reviewed</p> <p>Identify and implement efficiencies</p> | <p>All procedures are efficient and meet both regulatory and customer requirements</p> <p>Task management system is used effectively across the admin team</p> <p>Time and cost savings identified</p> |
| Improved customer focus | <p>Monitor performance information to identify opportunities for improvement</p> <p>Improve service delivery times</p> <p>Explore customer self service options</p> | Improved customer satisfaction |
| Explore efficiencies through partnership working | <p>Hold discussions with other scheme administrators to identify opportunities</p> <p>Where appropriate, bring forward any proposals to Committee for consideration</p> | <p>Clear position statement on future partnership working</p> <p>Action plan agreed where appropriate</p> |

Part C. Budget:

| | 2013/14 | 2012/13 |
|---|----------------|----------------|
| | Budget | Budget |
| | £'000 | £'000 |
| Investment Management | | |
| Fund Management fees | 2,900 | 2,800 |
| Global custody fee | 100 | 60 |
| Independent Financial Adviser | 58 | 58 |
| Consultancy fees | 60 | 60 |
| Performance Measurement Service | 13 | 13 |
| Member training | 12 | 12 |
| Pensions Investment Team and other support services | 253 | 242 |
| Other | 5 | 5 |
| | 3,401 | 3,250 |
| Less: Stock lending fees | 60 | 100 |
| Total Investment Management | 3,341 | 3,150 |
| Scheme Administration | | |
| Pensions Admin Team and other support services | 893 | 883 |
| Printing & Stationery | 40 | 40 |
| Postage | 8 | 8 |
| Software Support & Licensing | 234 | 293 |
| Actuary fees | 90 | 90 |
| External Audit fees | 57 | 57 |
| Appointed person fees | 0 | 3 |
| Other | 69 | 71 |
| | 1,391 | 1,445 |
| Less: Income (e.g. Fire & Teacher Admin) | 29 | 29 |
| Total Scheme Administration | 1,362 | 1,416 |
| | | |
| Total Pension Fund Budget | 4,703 | 4,566 |

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Part D: Risk Register

Identification of Risks:

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

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

Key to Scoring

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

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Likelihood

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

| Risk ID | Risk | Impact | Likelihood | Risk Score | Existing Risk Control Measures |
|---------|---|--------|------------|------------|---|
| | | | | | |
| | Funding | | | | |
| 1 | Inappropriate long-term investment strategy in relation to fund liabilities leading to an increase in the deficit | 5 | 1 | 5 | Fundamental Strategic review post valuation. Fund-specific benchmark and targets set. Advised by the Fund's IFA |
| 2 | Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities and an increase in the deficit. | 4 | 2 | 8 | Quarterly monitoring of liabilities. Toleration of risk in the expectation of higher real returns from riskier assets (equities, property). Investment in bonds helps mitigate the risk. |
| 3 | Pay and price inflation significantly higher than anticipated increasing the value of the liabilities. | 4 | 2 | 8 | Inter-valuation monitoring. Toleration of risk in the expectation of higher real returns from riskier assets (equities, property). The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Some investment in bonds helps to mitigate this risk. |
| 4 | Effect of possible increase in employer's contribution rate on service delivery by admission/scheduled bodies. | 3 | 2 | 6 | Mitigate impact through deficit spreading and phasing in of contribution rises. Employers given early indications of potential increases. |
| 5 | Pensioners living longer than assumed in actuarial assumptions and therefore pension liabilities increase. | 4 | 3 | 12 | Review life expectancy assumptions at each valuation. Set mortality assumptions with some allowance for future increases in life expectancy. |
| 6 | Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing. | 3 | 3 | 9 | Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored. |

| Risk ID | Risk | Impact | Likelihood | Risk Score | Existing Risk Control Measures |
|---------|---|--------|------------|------------|---|
| 7 | County Council unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) leading to non-recovery of past service deficits. | 2 | 1 | 2 | The County Council monitors membership movements. There is a requirement since the 2010 rates and adjustments certificate for all small admitted and designated bodies to pay past service deficits by a cash sum rather than a percentage of pay. |
| 8 | Growth in number of academies as free standing employers within the fund with uncertain financial futures, potentially leading to inability to fund pension deficits. | 3 | 1 | 3 | Monitoring number of academies. Currently low number doesn't present significant risk. Consideration of pooling options. |
| | Investment | | | | |
| 9 | Failure of investment strategy to produce long-term returns assumed by Funding Strategy leading to a failure to reduce the deficit. | 4 | 2 | 8 | Investment Strategy reviewed every three years by the Pension Fund Committee with advice from the IFA. Investment strategy will be reviewed in light of 2013 actuarial valuation results. |
| 10 | Failure of investment markets (market crash) leading to a failure to reduce the deficit. | 5 | 2 | 10 | Diversification between asset classes. Reporting and monitoring arrangements for investment performance in place. Flexibility in quarterly rebalancing. |
| 11 | Failure of individual investments leading to a failure to reduce the deficit. | 3 | 2 | 6 | Diversified investment strategy and investment manager structure minimises impact at fund level of any individual investment failure. |

| Risk ID | Risk | Impact | Likelihood | Risk Score | Existing Risk Control Measures |
|---------|--|--------|------------|------------|--|
| 12 | Failure in investment performance by individual investment managers leading to a failure to reduce the deficit. | 4 | 3 | 12 | Thorough manager selection and due diligence process. Regular monitoring of manager performance using external advisers with knowledge of manager performance. |
| 13 | Negligence, fraud or default by individual investment manager leading to a failure to reduce the deficit and potential adverse media interest. | 3 | 1 | 3 | Legal requirements on fund managers set out in investment management agreements; FSA and other regulatory requirements. Separation of investment management arrangements from custody of assets through use of global custodian. |
| 14 | Failure of custodian leading to losses resulting in a failure to reduce the deficit and potential adverse media interest. | 5 | 1 | 5 | Regular review and periodic re-tendering of custodian contract. Banking and FSA regulation of custodian. All pension fund assets in custody are held in nominee accounts. |
| 15 | Counterparty default in securities lending programme leading to a failure to reduce the deficit and potential adverse media interest. | 3 | 1 | 3 | Programme managed by experienced third party, BNY Mellon (Fund custodian). All securities in programme are over-collateralised (by 5%). |
| 16 | Non-compliance with LGPS investment regulations on investments permitted to pension fund leading to legal challenge. | 1 | 1 | 1 | Investment management mandates structured to ensure compliance. Robust monitoring arrangements for investment managers. |
| | Governance | | | | |

| Risk ID | Risk | Impact | Likelihood | Risk Score | Existing Risk Control Measures |
|---------|---|--------|------------|------------|---|
| 17 | Inadequate investment and actuarial advice leading to: <ul style="list-style-type: none"> Pension Fund Committee and officers making decisions based on inaccurate or incomplete advice Inappropriate decisions being taken leading to increased employer costs | 3 | 1 | 3 | Officer and member training programme in place to help with: <ul style="list-style-type: none"> Challenge and review of advice given; and Decision making |
| 18 | Pension Fund Committee members have insufficient knowledge and advice to make correct decisions | 3 | 2 | 6 | Training programme and budget in place. IFA appointed and performance reviewed annually |
| | Operational | | | | |
| 19 | Failure of pensions administration IT systems leading to complaints from beneficiaries and potential costs. | 2 | 1 | 2 | ICT business continuity plan / disaster recovery plan in place |
| 20 | Failure to comply with LGPS pensions benefits regulations (e.g. as the result of incorrect benefit calculations and the holding of incorrect data) leading to potential losses and complaints from beneficiaries. | 2 | 2 | 4 | Pensions administration procedures. Independent internal and external audit review of internal control arrangements. |
| 21 | County Council failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt | 3 | 1 | 3 | System of monitoring of employers in place. |

| Risk ID | Risk | Impact | Likelihood | Risk Score | Existing Risk Control Measures |
|---------|--|--------|------------|------------|---|
| 22 | Inability or refusal of an employer to pay the cessation valuation. | 3 | 3 | 9 | Action through the courts. |
| 23 | Breach of data protection legislation leading to complaints from members of the scheme. | 1 | 1 | 1 | County Council data security protocol. |
| 24 | Failure to comply with pension fund accounting requirements leading to the accounts being qualified. | 2 | 1 | 2 | Staff awareness of changes to legislative requirements via networks, professional press and training. External audit review of pension fund accounts. |
| 25 | Employers' failure to carry out their responsibilities for scheme administration leading to complaints from members of the scheme. | 1 | 1 | 1 | Regular communication to employers on LGPS matters. SLA |
| 26 | Failure by Prudential to provide AVC services to the Pension Fund leading to complaints from members of the scheme and potential media interest. | 2 | 1 | 2 | Annual review undertaken and reported to Pension Fund Committee |
| 27 | Concentration of knowledge in a small number of officers and risk of departure of key staff. | 2 | 2 | 4 | Ensure the review of CIPFA's knowledge and skills framework relating to officers results in key outcomes being delivered. Merger of Pensions Investment and Treasury Management provided some mitigation to this risk. |
| | Regulatory | | | | |

| Risk ID | Risk | Impact | Likelihood | Risk Score | Existing Risk Control Measures |
|---------|--|------------------|------------------|------------------|---|
| 28 | Changes to LGPS regs (plus auto enrolment) could lead to: <ul style="list-style-type: none"> ▪ Increase in workload ▪ Variation in liability and liability profile ▪ Recruitment and retention issues ▪ Admitted bodies opting out | 1 1 1 2 | 3 3 1 1 | 3 3 1 2 | The County Council responds to all consultation papers on structural change to the LGPS issued by the Department of Communities and Local Government. Risks will need to be addressed if the regs change. |
| 29 | An employer ceasing to exist with insufficient funding or adequacy of a bond. | 2 | 2 | 4 | The risk is mitigated by: <ul style="list-style-type: none"> • Seeking a funding guarantee from another scheme employer, or external body, where possible. • Vetting prospective employers before admission. • Admitted bodies' contribution rates are based on the same assumptions as scheduled bodies |

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Annex 2

Oxfordshire Pension Fund Cash Management Strategy 2013/14

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short term commitments and forms 0-5% of the Fund's strategic asset allocation.
2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 S.I.No. 3093 state that from 1 April 2011 the administering authority must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment policy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This report sets out the strategy for the financial year 2013/14.

Management Arrangements

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

Rebalancing

5. The Oxfordshire County Council Pension Fund has a cash strategic asset allocation range of 0 – 5%. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise.
6. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the pension fund Investment Managers in accordance with the decisions taken during the rebalancing exercise.
7. In general a minimum cash balance of £10million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private equity investment transactions. The level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

Investment Strategy

8. The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-
 - (a) The security of capital and
 - (b) The liquidity of investments
 - (c) optimum return on investments commensurate with proper levels of security and liquidity.

Investment of Pension Fund Cash

9. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures. Lending limits relating to the council's in-house deposits will however not apply due to differences in the levels of cash held. The Pension Fund cash balances managed in-house will be deposited with a minimum of two counterparties.
10. The pension fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's approved list of specified investments is attached at Appendix 1.
11. Pension Fund deposits will be restricted to the County Council's approved counterparties at the time of deposit. Approved counterparties as at 8 February are shown in Appendix 2.

Borrowing for Pension Fund

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

13. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.
14. The Assistant Chief Executive and Chief Finance Officer (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Assistant Chief Executive and Chief Finance Officer during 2013/14.

**Oxfordshire County Council 2013/14 Approved Specified Investments for
Maturities up to one year.**

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

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

Approved Counterparties as at 08/02/13

Ignis Sterling Liquidity Fund

Bank of Montreal
Bank of Nova Scotia
Barclays Bank Plc
Canadian Imperial Bank of Commerce
Commonwealth Bank of Australia
Development Bank of Singapore
HSBC Bank plc
JP Morgan Chase Bank
Lloyds TSB Bank plc
National Australia Bank
National Bank of Canada
Nationwide Building Society
Overseas Chinese Banking Corp
Royal Bank of Canada
Royal Bank of Scotland
Santander UK plc
Standard Chartered Bank
Svenska Handelsbanken
Toronto-Dominion Bank
United Overseas Bank

English, Welsh and Scottish Local Authorities

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Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2013

ACADEMIES WITHIN THE OXFORDSHIRE LGPS FUND

Report by the Assistant Chief Executive and Chief Financial Officer

Introduction

1. At its meeting in December 2012, this Committee agreed to consult on the options for pooling academies within the Oxfordshire LGPS Fund. Annex 1 to this report contains the Consultation Report and the covering letter that was published and made available to all schools (both maintained and academies) as well as key organisations involved in the sponsorship of academies in Oxfordshire.
2. The closing date for responses to the consultation was 22 February 2013, which was after this report was finalised. This report therefore covers the main issues within the consultation report itself, plus any early feedback. Any consultation responses received after this report has been finalised, but before the consultation deadline will be summarised, and presented to the Committee directly.

Consultation Report

3. The aim of the consultation report is to consider the future arrangements for treating academies within the Oxfordshire Pension Fund, which best protects individual academy schools and the Pension Fund against financial risk. In particular, there is a need to consider how best to meet the regulatory requirement to maintain employer contribution rates as stable as possible, and ensure no academy is in a position where it is unable to meet its pension liabilities.
4. The consultation report highlights that many academies will be small employers in terms of LGPS membership (normally defined as those with less than 50 active members). As such, changes in the profile of scheme membership is more likely to directly impact on the contribution rate, and any high cost ill-health retirement will have a dramatic effect on the contribution rate. (Ill-health costs are estimated between £250,000 and £750,000 depending on grade and age at point of retirement).
5. There is also the concern that where an academy closes for any reason, any pension costs are not currently underwritten and as such would fall to the Pension Fund as a whole.
6. The Consultation report therefore looked at options to mitigate these risks. Following the previous decision of this Committee not to pool the academies

with the County Council (following feedback from the Cabinet), this option was not included in the current consultation. Early responses to the consultation, including the response submitted on behalf of the School's Forum asked this Committee to reconsider this position.

7. In particular, these early responses highlighted the fact that the County Council, subsequent to their previous decision not to support the option to pool with Oxfordshire academies, had determined to support all Oxfordshire schools become academies. As the financial risk associated with pensions is increasingly seen as a barrier to moving to academy status, the County Council could further support its schools to become academies by accepting pooling and sharing the pension risk.
8. The consultation report set out the reasons why the option for pooling academies with the County Council had been rejected. In particular, if all schools switch to academy status, their combined membership would form over 40% of the total membership of a pool with the County Council. As academies are free to set their own terms and conditions, this would mean that the Council's own contribution rate would be highly dependent on decisions made independently of the Council.
9. The early responses suggested that the Council impose conditions alongside membership of the pool such that each academy bears the costs of its own actions, but shares the unforeseen risks. These proposals were seen to reflect the arrangements the Council has with a number of contractors where we have out-sourced service provision. In these cases, the funding of pension costs is covered as part of the service contract. However, there is no legal mechanism to impose such conditions on academies, as there is no contractual relation between the Council and individual academies.
10. The view of the County Council remains that it is inappropriate to pool academies with the County Council, and that there are other options included in the consultation report which would appropriately mitigate the risks faced by individual academies.
11. The key issues in respect of the options that were included in the consultation report are
 - Whether membership of a pool should be compulsory for all academies
 - If compulsory for small academies, how should small be defined, and could larger academies have the option to join (with any decision to be permanently binding on the academy)
 - Should there be more than one pool for academies.
12. The initial responses were not in favour of making membership of a pool compulsory for all academies, arguing that larger academies and those backed by an Academy Trust in a position to pick up any financial liability, should be entitled to remain outside any pool. These responses also supported the created of a separate pool if requested by an Academy Trust to cover all their sponsored academies within the Oxfordshire Fund.

13. The responses though did believe that all schools should have the option to join a single academy pool. It was argued that the potential liabilities of an ill-health retirement would be prohibitive for even a large academy, and as such, the Academy should have the option to join the pool and share the risk.
14. The early responses were against a model of multiple pools based on different criteria, including school partnerships. It was argued that such a model would lead to fragmentation, would be overly complex for individual academies being asked to make a decision as to which pool to join, and ultimately would not meet the objective of creating groups of academies of sufficient size to adequately share the risks.
15. The early responses represent the views of the Schools Forum (which in turn represents all schools in Oxfordshire), a secondary academy and a secondary maintained school. A further update will be presented to the Committee covering any further views expressed between the finalisation of this report, and the deadline for responses.

RECOMMENDATION

16. **The Committee are RECOMMENDED to consider in light of the responses to the consultation, what changes, if any, it wishes to make to the Funding Strategy Statement in respect of pooling academy schools, which will then form the basis of the 2013 Valuation results.**

SUE SCANE

Assistant Chief Executive and Chief Financial Officer

Background papers: None

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

February 2013

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

Sean Collins
Services Manager (Pensions)

Please ask for Sean Collins
e-mail: sean.collins@oxfordshire.gov.uk

Direct Line: 01865 797190
Fax: 01865 783108

My Ref: SJC/

Your Ref:

25 February 2013

Dear Colleague

**Oxfordshire Pension Fund – Options for Pooling Academies
Consultation Document**

Please find attached a consultation paper issued on behalf of the Oxfordshire Pension Fund Committee, covering the options for pooling academy schools within the Oxfordshire Pension Fund. This paper is being sent to all headteachers/chairs of governors of current academy schools and potential academy schools within Oxfordshire, as well as known academy sponsors and relevant representative groups.

I appreciate that the issue of local government pensions is not often at the forefront of your discussions/considerations (especially if you are not yet to consider the issue of academy status in any great detail), and that the attached consultation is unfortunately complex. However, as the paper hopefully makes clear, Academy schools take on the liability for meeting the pension costs for their non-teaching staff who have remained members of the local government pension scheme, and in exceptional cases, this can involve one off costs running into many £100,000's. Whilst these costs cannot be avoided if a trigger event occurs (highest cost event being an early retirement on the grounds of ill-health), the risk and costs can be shared where individual academies have been pooled for the purposes of the local government pension fund.

This consultation paper sets out the issues in a little more detail, as well as potential options going forward, and invites comments on a number of key questions. The responses will enable the Pension Fund Committee to determine a way forward when it next meets on 8 March 2013. Responses are therefore requested by 22 February 2013. This timescale is necessary to ensure whatever pooling arrangements that may be agreed as a result of this consultation, are in place in time for the 2013 Fund Valuation and the setting of employer contribution rates for all employers from 1 April 2014. Views of all schools are requested



now, to ensure whatever arrangements are established meet the needs of both the current and future academies in Oxfordshire.

I will be grateful to receive any comments you may have on this issue.

Yours sincerely

Sean Collins
Services Manager (Pensions)

Academies and the Local Government Pension Scheme

Consultation on Options for Pooling

Introduction

1. Under the Local Government Pension Scheme (Administration) Regulations 2008, the proprietor of an Academy School is a Scheme employer within the Local Government Pension Scheme (LGPS). All non-teaching staff employed by Academy Trusts are automatically eligible for membership of the LGPS, and new staff with contracts over 3 months should be enrolled into the scheme unless they complete the opt out process.
2. The Regulations further state that the employees of a proprietor of an Academy will belong to the Fund maintained by the administering authority within whose local government area the relevant Academy is located. Free Schools run by Academy Trusts are also scheme employers within the LGPS, and will belong to the Fund in which they are physically located. Where an employer would be forced to contribute to more than one fund, they can apply to the Secretary of State for Communities and Local Government for a direction to substitute a single fund for all employees.
3. Under the 2008 Regulations, each Academy Trust is a scheme employer in its own right, and unless determined otherwise, will have its own employer contribution rate, calculated by the Fund Actuary. In undertaking a Fund Valuation to determine employer contribution rates, the Fund Actuary must have regard to the Fund's Funding Strategy Statement. The Funding Strategy Statement in turn must set out the Fund's approach to pooling scheme employers for the purposes of the valuation. In setting and amending the Funding Strategy Statement, the Fund must consult all key stakeholders, although the final decision on pooling rests with the Administering Authority.
4. All Academy schools previously maintained by Oxfordshire County Council, and Academy Trusts running Free Schools located within Oxfordshire are scheme employers within the Oxfordshire LGPS Fund. The Funding Strategy Statement has not been amended since the growth in academy numbers under the Academies Act 2010, the Pension Fund Committee previously determining to delay any decision until there were sufficient numbers of academies to allow for a meaningful consultation. **As such, all academies within Oxfordshire remain as standalone employers for the purposes of the Fund Valuation, have their own individual employer contribution, and are liable for all future pension costs.**
5. Given the growth in numbers of Academies within Oxfordshire during 2012/13, and the concerns being expressed by some academies about their pension risks

and potential liabilities, the Pension Fund Committee determined at its meeting on 7 December 2012 to undertake a consultation exercise on the options for pooling and to consider any changes to the current Funding Strategy Statement at their meeting on 8 March 2013. This timescale will allow any changes to be taken into account by the Actuary for the next formal Fund Valuation, to be undertaken as at 31 March 2013.

6. This consultation paper sets out the key issues for consideration, and invites feedback from interested stakeholders. This feedback needs to be received by 22 February 2013 to enable the Pension Fund Committee to consider the views expressed in reaching their determination.

The benefits (and costs) of pooling

7. One of the statutory objectives of the Fund Valuation process is to maintain as near stable employer contribution rates as possible. Contribution rates are determined in relation to the change in asset values and pension liabilities, as well as any change in the financial assumptions used by the Actuary.
8. Changes in asset values and actuarial assumptions apply equally to all employers within the Fund. Changes in pension liabilities though vary by employer, depending on the pay and service of the employees, the length pensions are in payment, and the pattern of ill-health retirements amongst other factors. It should be noted that in the case of other early retirements, whether as a result of redundancy, flexible retirement or employer/employee choice, any additional pension liabilities are met by the employer/employee at the time of retirement as a separate charge (which can be phased over an agreed period of no more than 5 years).
9. Where employee numbers are small, there is an increased risk that staff turnover can lead to a significant change in staff profile over the 3 year period between valuations, and therefore a significant variation in employer contribution rates (e.g. one or two younger staff being replaced by older, long serving LGPS members). Similarly, pensioners living longer (or shorter) than assumed at the time of the valuation can have an impact where overall numbers are small.
10. Of much greater risk is a single ill-health retirement at tier 1, whereby the employer needs to fund the additional costs of making the employee's pension up to the level they would have received had they worked to their normal retirement age. Where the employee retires due to ill-health at an early age, the additional costs of making up their pension and paying it early can be significant.
11. By way of illustration, if an employee was forced to retire early at the age of 35, the additional costs chargeable to the employer range from £250,000 (for a

teaching assistant on c£25,000, to £400,000 for an office Manager on c£40,000 and to £750,000 for a finance director on £70,000. Even when the early retirement is later, the costs can be considerable, with the equivalent costs for an early retirement at the age of 50 ranging from £165,000 to £500,000.

12. Where employers are pooled for valuation purposes, the impact of a small number of ill-health retirements are shared, and costs spread across all pooled employers. Similarly, in a wider group of employees, the average age and service profile is less likely to vary significantly under normal staff turnover. Pooling therefore enables a group of smaller employers to spread those risks largely outside their control, and therefore maintain as near stable employer contribution rates as possible.
13. As well as sharing the uncontrolled risks associated with scheme membership, pooling will share the costs/savings which are directly under the control of the employer. The most significant issue here for academies is the ability for each Academy to set its own terms and conditions for its staff. Under the current final salary scheme, any decision to award additional pay to scheme members increases not only their future pension liability, but increases the pension benefit of all previous pension service the scheme member has linked to their current pension record.
14. Where a pool is established where the individual members of the pool are free to determine their own policies, and staff terms and conditions, employers can be required to bear a share of costs resulting directly from the decisions of others within the pool. Similarly, employers are able to make decisions in the knowledge that they do not bear the full consequences in terms of pension liabilities.
15. For the Fund as a whole, there are potential benefits of pooling small employers, to ensure no employer is driven out of business by an unaffordable increase in employer contribution e.g. following a high cost ill-health retirement. Where an employer ceases to exist leaving a pension liability, this will be picked up by the Fund as a whole. To reduce the risk to all employers within a Fund, the Administering Authority can seek to establish pooling arrangements, so that risks are shared. The Oxfordshire Fund currently has a pooled arrangement for small admitted bodies, and a separate pooled arrangement for small scheduled bodies.
16. The County Council and the City Council have also set up pooled arrangements to pool pension risks with their contractors, following a TUPE transfer of staff. In these cases, the pension risk has not been passed across to the new contractors, although provision in the service contracts makes the contractor liable for any pension costs arising directly from their actions/inactions (i.e. the costs of ill-

health retirements are pooled, but the contractor remains responsible for costs associated with pay awards above the Council's own pay policy).

Options for Pooling

17. The Administering Authority has previously considered the option to enable academy schools to be pooled with the County Council as their former maintaining authority. This followed the publication of a joint letter from the Secretaries of State for Education and Communities & Local Government which supported the approach.
18. At the time the issue was considered there were insufficient numbers of Academies schools in Oxfordshire for a representative consultation exercise. The Administering Authority did consult the County Council, and the Cabinet responded on behalf of the Council against the option. The main argument raised by the Cabinet was the fact that as the number of Academy schools in Oxfordshire increased, the County Council's own contribution rate would become increasingly influenced by the decisions of the individual Academy Trusts. N.B. Academies and maintained schools make up over 40% of the total employer contributions of the County Council and its former maintained schools.
19. The Administering Authority supported the position presented by the Cabinet, and determined not to pool the Oxfordshire academies with the County Council. In light of the reduction of the County Council's responsibility for maintaining school provision and the ability of each Academy Trust to set their own terms and conditions, it was deemed inappropriate for the academies to be pooled with the County Council. The potential for schools not previously maintained by Oxfordshire County Council to join the Oxfordshire LGPS Fund, whether through Secretary of State Direction or the growth in Free Schools, would further suggest pooling the academies with the County Council to be inappropriate.
20. If academies are not to be pooled with the County Council, there are a number of alternative options including:
 - A single pool to include all academies
 - A single pool to include all academies below a certain size (current pools are based on 50 employees or fewer), with the option for larger academies to opt in.
 - A single pool open to all academies based on a one-off option to join
 - Creation of a series of pools. These could be based on Academy sponsors, school partnerships etc.
21. The option to include all academies in a single pool has the advantage of simplicity, and provides the greatest degree of protection for individual academies

against the risk of an extreme pension cost. Apart from the general downside of pooling, this option also involves the compulsory pooling of those larger academies which would be deemed to be of sufficient size to stand alone.

22. The second option seeks therefore to balance the need to protect the smaller academies against the risk of significant volatility in their future employer contribution rate, whilst allowing those Academies large enough to manage their own risk to do so. Whilst academies deemed too small to manage their own risk would be automatically placed in the pool, the option could be retained for larger academies to join the pool if they so wished. It should be noted that any option to join a pool would be a permanent decision to ensure the stability of the pool and its contribution rate.
23. The third option retains the right for all academies to make their own decision whether to join a pool or not (though once the decision is made to join the pool it becomes binding to ensure stability of the pool and its contribution rate). Clearly the success of this option in spreading risk will depend on the numbers of academies exercising their right to join the pool. The Administering Authority would need to consider its position in the event that the smaller academies choose not to join the pool, and the potential risks to the Fund as a whole of any subsequent failure to meet pension liabilities.
24. The fourth option of creating multiple pools based around a common factor seeks to reduce the variability between the decisions made by individual Academy Trusts and therefore the main disadvantage of pooling. The potential problems with such an option are around the lack of transparency over which pool an individual academy should join (e.g. should it join a partnership pool, or a sponsor pool where both options exist) and the risk that some academies may be left with no pool to join. The latter risk can be mitigated by combining this option with one of the previous options above. This option also carries the risk that if not all schools within any potential pool convert to academy status at the same time, the pool may not initially be of sufficient size to spread the risk effectively.
25. In determining the way forward, it should be noted that the final decision lies with the Administering Authority, and that the Administering Authority does have the right to pool employers. In reaching its determination, the Administering Authority must have regard to the views of key stakeholders, and specifically welcomes the views on the questions set out in the annex.
26. The Pension Fund Committee meeting on 8 March 2013 will consider all responses to the consultation questions, as well as any overall comments received as part of this consultation exercise. It will then determine what changes if any to make to the Funding Strategy Statement, which will form the

basis for the 2013 Valuation, and therefore the calculation of employer contribution rates effective from 1 April 2014.

27. All responses should be sent to Sean Collins, Service Manager (Pensions), Oxfordshire County Council, Unipart House, Garsington Road, Oxford. OX4 2GQ, or by email to sean.collins@oxfordshire.gov.uk. All responses received by 22 February 2013 will be summarised and reported to the Committee. It would be helpful if all responses make clear on whose behalf the response is made, so that the Committee is clear the extent to which the responses are representative of the various stakeholders involved, and whether responses differ between stakeholders e.g. are views consistent between schools of irrespective of size, irrespective of sponsorship arrangements etc.

28. A summary of all responses made will be publicly available, although individual respondees will not be identified.

Sean Collins

Service Manager (Pensions)

9 January 2013

Annex 1 Consultation Questions

Responses are invited on the specific consultation questions included below. General comments related to the question of pooling arrangements are also welcome. It would be helpful if all responses include information on whose behalf the response is made, which would enable further analysis of the responses and in particular, any characteristics leading to key differences of views.

Please submit all responses to Sean Collins, Service Manager (Pensions), Oxfordshire County Council, Unipart House, Garsington Road, Oxford. OX4 2GQ, or by email to sean.collins@oxfordshire.gov.uk to be received by 22 February 2013.

Details of Organisation making Response

1. Organisation on whose behalf response has been submitted.
-

2. Name and Contact Details in Case of Query
-

3. If an Academy sponsor, please provide the number of Academies sponsored (or potentially to be sponsored) in Oxfordshire (plus number if any sponsored outside of Oxfordshire)
-

4. If response made on behalf of a school (or specific group of schools), please provide the number of current LGPS members within the school. N.B. We are not looking for an exact response here, but a broad indication of size of current pension risk, and in particular to distinguish between small employers (fewer than 50 members) and larger employers (50 plus members).
-

Consultation Questions

1 The Administering Authority needs to safeguard all scheme employers from the potential risks of individual employers being unable to meet their pension liabilities. As such, do you believe it is acceptable for the Administering Authority to make membership of a pool compulsory for all academies?

Yes No Don't Know

Comments

2 If you answered No to question 1 above, do you believe there is a threshold below which all small academies should be required to join a pool? (n.b. Small employers are often taken to be those with fewer than 50 active members)

Yes No Don't Know

If yes, please indicate what you believe that threshold should be.

<50 <40 <30 Other (please specify)

Comments

3 Where a pool is established for all small academies, do you believe there are any circumstances in which a small academy can choose to opt out of the pool e.g. future pension liabilities are under-written by the sponsors of the Academy Trust?

Yes No Don't Know

Comments

- 4 If the Administering Authority determines to set up a pool for small academies, do you believe that any larger employer should have the right to make a one-off decision to join that pool?

Yes

No

Don't know

Comments

- 5 Do you support the establishment of a single pool into which all academies have the right to join? N.B. Although membership of this pool is not compulsory, once a decision to opt in has been made there is no option to opt back out.

Yes

No

Don't know

Comments

- 6 Do you support a model of multiple pools which individual academies can opt to join, or a group of academies can seek to set up a new pool? If yes, please indicate the basis on which these pools should be established e.g. a pool per sponsor, school partnerships etc.

Yes

No

Don't know

Comments

- 7 Please feel free to provide any further comments you wish the Pension Fund Committee to consider in arriving at its decision on future pooling arrangements.
-

Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2013

EMPLOYER UPDATE

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. This report is to update members on recent employer issues including applications for admission and the closure of a scheme employer.

Admission Agreements

2. The admission agreement for Care Outlook has now been sealed.
3. The admission agreements for Fresh Start Catering and Hayward Services Limited are as yet unsigned. This is being followed up with the schools / companies.

Pabulum

4. Oxford Spires Academy (OSA), which is sponsored by CfBT, is outsourcing four catering staff to a new service provider from 1 April 2013. As an Academy, OSA are not required to comply with the Fair Deal guidance, which stipulates that staff should be offered a comparable pension scheme by their new employer.
5. However, in line with best practice, OSA is asking their contractor (Pabulum) to seek admission to the Oxfordshire County Council Pension Fund, so that staff can continue to contribute to the Local Government Pension Scheme. OSA has also stipulated that this agreement will be modelled on the OCC pass through arrangement so that the Academy will be underwriting the pension costs for these staff.
6. Pabulum, has therefore requested admission to the Oxfordshire County Council Pension Fund.
7. The admission agreement will be a three way agreement between the Academy, Contractor and the Fund, thereby ensuring that any pension liabilities are underwritten by the Academy.

Carillion

8. The contract to outsource cleaning staff to Carillion in July 2012 included various work streams one of which was for Carillion to provide a managed service in instances where the staff that had remained as direct employees of schools.
9. Oxfordshire County Council has recently consulted with the schools to review this arrangement, with the result that two thirds of the schools now want to subscribe to the Carillion Cleaning Service. Therefore, 61 of the 86 staff will be transferred to Carillion on 1 April 2013.
10. This will require an amendment to the existing admission agreement.
11. The admission agreement will be a three way agreement between Oxfordshire County Council, Contractor and the Fund. As a pass through arrangement pension costs will be underwritten by Oxfordshire County Council.

Banbury Museum Trust

12. Cherwell District Council are transferring Banbury Museum to Banbury Museum Trust on 1 July 2013 and are seeking community admission body status for the new Banbury Museum Trust.
13. This transfer affects a total of 27 staff, 12 of whom are permanent and 15 who are casual employees.
14. It is intended that the Banbury Museum Trust will be grant funded by Cherwell District Council with the ability to generate income. The admission agreement will be a three way agreement between the Pension Fund, Cherwell District Council and the Banbury Museum Trust. In line with new regulatory requirements a bond assessment will be undertaken and is likely to be put in place.

Employer Cessation

15. AAA NORCAP has been a scheme employer since 2003. During the past year officers have had discussions with the charity about falling membership numbers and the pension liabilities, although the situation seemed stable with one active member remaining in the scheme.
16. Email notification was received on 16 January to inform all parties that AAA NORCAP had ceased trading on 14 January 2013. The fund's actuaries have calculated the charity's pension liabilities to be £316,000. A written claim has now been sent to the insolvency administrators.
17. Pension Services have also been approached by two other scheme employers, both housing associations, to discuss how their withdrawal from the fund can be managed without initiating an immediate cessation valuation of liabilities.

18. Neither company wishes to avoid payment of their liabilities but wishes to manage the situation in view of falling scheme membership. The proposal is that the company would continue to make payments, as assessed by the Fund Actuary, even if there were no longer any active scheme members.
19. Legal and actuarial advice has been sought on whether it is permissible, under the regulations, for an employer to continue to make payments whilst having no active scheme members. The advice received is that there is no reason why an admission agreement could not remain in place and that providing the appropriate financial safeguards are put in place such an arrangement would then ensure that the fund is receiving the monies due.

RECOMMENDATION

20. The Committee is RECOMMENDED to:

- a) note the progress of previously approved applications for admitted body status;**
- b) approve the application for admitted body status by Pabulum;**
- c) approve the amendment to the admission agreement with Carillion;**
- d) approve the application for admitted body status by The Banbury Museum Trust;**
- e) note the information regarding the cessation of AAA NORCAP as a scheme employer; and**
- f) agree the approach being proposed in respect of certain cessation situations, whereby subject to adequate safeguards, employers with no active members can still contribute towards a past service deficit, rather than be charged an immediate cessation valuation.**

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: None

Contact Officer: Sally Fox, Pensions Administration Manager
Tel: (01865) 797111

February 2013

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| Division(s): N/A |
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PENSION FUND COMMITTEE – 8 March 2013

Write Off's

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. In December 2012 a change was made to the Scheme of Financial Delegations to allow write offs, under £500, chargeable to the pension fund to be approved by the Pension Services Manager. (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 Pension Services Manager has approved the write off of £15.88 chargeable to the pension fund in respect of five cases.
5. In all these cases the member had died resulting in a small over payment of pension, which could not be recovered. The smallest amount was £0.94 and the highest amount was £4.93

RECOMMENDATION

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

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: None
Contact Officer: Sally Fox, Pensions Services Manager, Tel: (01865) 797111
February 2013

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Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2013

AMENDMENT TO THE STATEMENT OF INVESTMENT PRINCIPLES

Report by the Assistant Chief Executive and Chief Financial Officer

Introduction

1. The Pension Fund is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to publish and keep under regular review a Statement of Investment Principles, which govern the investment of the Fund.
2. As part of the most recent review of the current Statement of Investment Principles, it has been identified two elements need to be amended. The first relates to the overall investment objectives for the Fund in light of the decision to switch an increased element of the Fund into a passive mandate. The second is to review the increase in the proportion of the Fund invested in a single insurance contract, which was initially agreed for a two year period which expires on 5 May 2013.

Proposed Amendments to the Statement of Investment Principles

3. As part of the Investment Objectives contained within the current Statement of Investment Principles, the Fund has been targeted to outperform its overall benchmark by 1.3% per annum over a rolling three year period. However, following changes over the last year in the individual manager mandates, this out performance target is no longer consistent with the individual manager targets.
4. The three main changes are
 - the decision to switch £100m into a global equity passive mandate;
 - the agreement of a 2% out-performance target with Wellington as opposed to the 3% target held by Alliance Bernstein; and
 - the increase from 0.4% to 0.6% in the out-performance target for the fixed income mandate with Legal and General.
5. By aggregating the out-performance targets of the individual managers, the expected level of out-performance is now calculated at 1.0%. It is recommended that the Statement of Investment Principles is amended to reflect this position.

6. Under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, there are a number of limits on asset allocations to ensure appropriate diversification and manageable levels of risk. The Fund can increase these limits up to a maximum level prescribed in the regulations following appropriate consideration.
7. In 2011, the Fund agreed to increase the limit on the amount allocated to a single insurance contract from the normal 25% of the Fund to the 35% allowed as the maximum proportion. This increase was time limited to 2 years, and expires on 5 May 2013.
8. The change in 2011 was made as a consequence of the transitional arrangements in respect of the global equity mandates. Legal and General who manage the passive mandates for the Fund, as well as the fixed interest mandate, operate all their pooled arrangements through a single insurance contract. At the time the change was agreed, it was assumed that the Fund would revert back to the normal 25% limit once the funds held by Legal and General had been paid over to Wellington.
9. The latest monitoring figures show that the total funds held by Legal and General under the single Insurance contract amount to c£330m or 24.5% of the total Fund. This comprises the UK passive allocation, the overseas passive mandate, and the Core Plus element of the fixed income allocation.
10. Whilst the current allocation to a single insurance contract is below the 25% limit, to revert to this limit from May 2013 would restrict Legal and General's ability to switch money between to Core Plus Fund from the rest of the fixed income allocation. In particular, if Legal and General wished to go to the extreme of the amount they could allocate to the Core Plus Fund, the total of the Fund allocated to the single insurance contract would rise above 27%.
11. To ensure Legal and General retain the flexibility to switch money within their fixed income mandate, it is therefore recommended that the Committee extend the current increase in the limit on the proportion of the Fund allocated to a single insurance contract. This extension would be for a period of 18 months, to be reviewed following the next fundamental asset allocation review in 2014.
12. A revised Statement of Investment Principles is included in Annex 1 to this report, incorporating the changes recommended in this report.

RECOMMENDATION

13. **The Committee is RECOMMENDED to approve the revised Statement of Investment Principles as set down at Annex 1 to the report.**

SUE SCANE
Assistant Chief Executive and Chief Financial Officer

Background papers: None

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

February 2013

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◆ 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 1.0% 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 | |
| Total UK Equities | 31 | 29 - 33 |
| Overseas Equities | | |
| - passively managed | 8 | |
| - actively managed | 24 | |
| Total Overseas Equities | 32 | 30 - 34 |
| Total Equities | 63 | 59 - 67 |
| UK Gilts | 3 | |
| Index Linked Gilts | 5 | |
| Overseas Bonds | 2 | |
| Corporate Bonds | 6 | |
| Total Bonds & Index Linked | 16 | 14 - 18 |
| Property | 8 | 5 - 9 |
| Private Equity | 10 | 6 - 11 |
| Hedge Funds | 3 | 2 - 4 |
| Cash | 0 | 0 - 5 |
| Total Other Assets | 21 | |
| Total All Assets | 100 | |

4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in 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 any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 24%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 27%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- The increase has been agreed for a period not exceeding 18 months, and follows on from an agreement which covered the previous 2 years.
- The increase will be reviewed as part of the 2014 Fundamental Asset Allocation Review and expires no later than 5 November 2014.

- 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.

PENSION FUND COMMITTEE – 8 MARCH 2013

PENSION FUND TAXATION REVIEW

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report summarises a recent taxation review for the Oxfordshire County Council Pension Fund, provides an update on the progress of existing claims for the recovery of tax, and considers new claim opportunities for the Fund.
2. The potential for the Oxfordshire Pension Fund to receive additional tax repayments via new tax reclaim applications was discussed in a meeting between officers and KPMG in January 2013. KPMG indicated that the timeframe to initiate the claims procedure may, in some instances, require a decision to be taken before the next Pension Fund Committee meeting. The recommendations at the end of this report are intended to address this issue.

General Tax Review

3. The Pension Fund Investment team have recently conducted a taxation review to ensure that the fund's investment activities operate in a tax efficient manner. The review sought to ensure that the fund receives all available relief for withholding tax suffered on overseas dividends, where it is cost effective to do so.
4. A number of areas for further investigation were identified and are being explored with the relevant parties.

FIDS/Manninen Claims Update

5. At the 26 May 2006 Pension Fund Committee meeting, it was agreed that the fund would pursue claims for the repayment of excess UK tax credits on Foreign Income Dividends (FIDs) and foreign dividends against HMRC, on the basis of breach of EU Community Law. The OCC Pension Fund filed FIDs/Manninen claims amounting to £1.2m.
6. In June 2011 the ruling from the First-Tier Tribunal (Tax) was released in a test case brought by the BT Pension Scheme Trustees. The OCC Pension Fund was part of the group funding arrangement (GFA) to bring this case. The Tribunal found largely in favour of the claimant on the principles involved in the tax issues, but found that the majority of the claims were made out of time. The OCC Pension Fund claims related to the tax years 1993/94 – 1997/98 and were made in the 2005/06 tax year. Under the current ruling all of the claims are deemed to be out of time, as they are outside the six year time limit imposed under UK legislation.
7. The case is now being appealed in the Upper Tribunal (Tax and Chancery); the case was heard in July 2012 with a decision expected in early 2013. Depending on the granting of permissions to appeal, the case could continue

up to the Supreme Court. If this were the case a final ruling would be expected around 2015.

8. McGrigors (who have subsequently merged with Pinsent Mason) were engaged to pursue the case on behalf of the pension fund. The pension fund agreed a legal fee cap of £36k which has now been reached. Individual costs of £27k have been incurred to date and are not capped.

Fokus Claims Update

9. These claims relate to withholding tax suffered on dividends on stocks held in certain EU territories, under domestic law in those territories. Where the domestic law treats domestic pension funds more favourably than other EU based pension funds, it is argued that this is in breach of the EU principal of the free movement of capital.
10. The pension fund successfully filed a claim in the Netherlands through KPMG, for withholding tax levied on dividends between 2004 and 2006. The pension fund subsequently received a repayment of €162,000 from the Dutch Tax Authorities. When this claim was made, this committee decided not to pursue claims in any other EU territories as the estimated cost versus the chance of a successful claim was deemed to be inappropriate.
11. There have been a number of recent rulings in the EU that support the principle behind these claims, and change the likelihood of a successful claim. Based on initial analysis, the table below details the amounts of withholding tax potentially reclaimable in a number of EU countries in which the pension fund has held stocks. These results suggest it would be worth investigating the potential benefits of filing a claim in Germany and France. Due to the small amount of the potential claims in Spain and Italy relative to the costs, officers believe that claims in these territories would not be cost effective for the pension fund.
12. In Germany a positive decision was made in October 2011 in 'Commission v Germany', in respect of a corporate. A separate case was brought against Germany by the EU Commission in respect of EU pension funds. The ruling was made in November 2012 in favour of Germany. However, this latter case only addressed a limited element of the German tax regime and it is still argued that the German rules are contrary to EU law.
13. KPMG has agreed a test claimant for the German claim with its GFA clients. The test case work is intended to commence within the next couple of months.
14. There have been a number of court rulings confirming French taxation rules to be in breach of EU rules. As a result the French tax authorities have amended their rules going forward so that domestic and foreign investors are treated equally. Retrospective claims are being filed covering the period when the rules were still viewed as discriminatory. A test case is intended to be taken forward in France. It is likely that the pension fund would have to demonstrate comparability to French pension funds in order to be successful.

15. The table below shows the tax amounts Oxfordshire County Council Pension Fund could potentially reclaim.

| Country | Local Reclaim Amount (€'000) | GBP Reclaim Amount (£'000) |
|----------------|-------------------------------------|-----------------------------------|
| Germany | 155 | 133 |
| France | 155 | 133 |
| Spain | 47 | 40 |
| Italy | 63 | 54 |

16. Based on KPMG's proposed fee structure the cost of filing a claim is likely to be around £15,000 per territory.

Manufactured Overseas Dividends Claims

17. Manufactured overseas dividends (MOD) are created when a stock is out on loan as part of the securities lending programme and a dividend is paid. The ownership of a stock on loan temporarily transfers to the borrower. If the dividend record date occurs whilst the stock is on loan, the borrower will receive any dividend due. A payment is then typically made from the borrower to the lender, representing the dividend payment. If it relates to a non-UK stock it is referred to as a MOD.
18. UK withholding tax is suffered on MODs at a rate broadly equal to 15%. Whereas manufactured dividend receipts relating to domestic stocks are not subject to any withholding tax. The claim asserts that this is contrary to the free movement of capital provisions of the EC Treaty.
19. At its meeting on 25 June 2010, the Pension Fund Committee decided not to pursue a claim in respect of MODs due to potential costs and concerns around the chances of success. As it is intended that a test case will be brought soon, the pension fund has the opportunity to review the potential benefit of joining, taking in to account changes since the last review.
20. A test case is expected to be brought against HMRC. There is an opportunity to join the GFA for this claim. HMRC have agreed in principle that the ruling in the test claimant's case should be binding on GFA participants subject to any materially distinguishing factors. Pinsent Mason believe there are no distinguishing factors regarding other MOD claims filed by GFA members, which includes other LGPS funds. There are currently about 30-40 claimants in the GFA and direct costs for joining the claim are estimated to be £30k.
21. Officers are waiting for the Pension Fund's Global Custodian to provide details of MODs that the fund has received, so that the potential claim value can be established. In 2009 the estimated potential claim was £1.5m. However, since then the period over which a claim can be made has been reduced and the claim period will now cover the period during which the pension fund had no segregated overseas equities, due to the transition to a new fund manager, so the claim value is likely to be lower.

RECOMMENDATIONS

22. The Committee is RECOMMENDED to:

- (a) note the outcome of the review of taxation undertaken for the Pension Fund;**
- (b) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue withholding tax reclaims in any EU territories, following the completion of a detailed cost benefit analysis; and**
- (c) delegate to the Service Manager (Pensions, Insurance & Money Management) following consultation with the Chairman, the decision as to whether to pursue a tax reclaim for MODs, following the completion of a detailed cost benefit analysis.**

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

Background Papers: None

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