



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 13 March 2015 at 10.15 am

Meeting Rooms 1 & 2, County Hall, New Road, Oxford

Peter G. Clark.

Peter G. Clark
County Solicitor

March 2015

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

Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Lynda Atkins
Surinder Dhesi
Jean Fooks

Nick Hards
Richard Langridge
Sandy Lovatt

Neil Owen

Co-optees

District Councillor Hywel Davies
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 5 June 2015***
- ***Annemarie Allen from Barnett Waddington will give a training session on the Management of Employer Risk prior to the meeting, starting at 9.30 am 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 Glenn Watson on (01865) 815270 or glenn.watson@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 5 December 2014 (**PF3**) and to receive information arising from them.

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

10:20

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

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 31 December 2014 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2014
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 2014
Table 25	Provides details of the Pension Fund's top holdings

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

Graph 1 – Value of Assets
Graph 2 – 3 Baillie Gifford
Graph 3 - Baillie Gifford
Graph 4 – Wellington
Graphs 7 and 10 – UBS

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 8, 9 and 10 on the agenda.

6. EXEMPT ITEMS

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

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

NOTE: In the case of items 8 and 9, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

7. Overview and Outlook for Investment Markets (Pages 35 - 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

10:35

- (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 (Anthony Dickson and Iain 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 2014;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2014.

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

11:05

- (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 (Nicola Staunton and Luke Stellini) 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 2014;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2014.

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.

10. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 45 - 50)

11:35

The Independent Financial Adviser will report **(PF10)** on the officer meetings with UBS and Legal and General, as well as update the Committee on any other issues relating to the Fund Managers not present , including issues in respect of the Private Equity portfolio.

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

11:40

The Independent Financial Adviser will, if necessary, summarise any issues arising from 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. Management of Employer Risk (Pages 51 - 82)

11:45

This item includes a detailed employer risk report prepared by Barnett Waddington, the Fund's Actuary (**PF12**). The report sets out information on deficit levels, and financial risks to the Fund, and looks at key ways of reducing levels of risk going forward.

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 reveal financial and other information of scheme employers.*

The Committee is RECOMMENDED to:

- a) confirm that a total risk score of 60% or more is the standard indicator to be used;***
- b) agree that officers should review and contact scheme employer identified in the report and, report back to the Committee on a***

regular basis;

c) confirm that this report should be submitted to Committee on an annual basis, unless external factors change the risk profiles; and

d) consider and incorporate any changes in next review of the Funding Strategy Statement

13. Annual Review of the Independent Financial Adviser (Pages 83 - 86)

12:10

The report (**PF13**) reviews the work undertaken by the Independent Financial Adviser over the past 12 months, and invites the Committee to agree any feedback on the levels of service received and/or changes going forward.

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.*

The Committee is RECOMMENDED to note the report and to consider if it wishes to offer any feedback to Mr Davis in relation to his performance as Independent Financial Adviser during the last year.

14. Report on Delegated Decision taken by the Chief Finance Officer (Pages 87 - 96)

12:20

To report a recent decision made by the Chief Finance Officer under delegated powers in respect of a request for the release of deferred benefits where the previous employer was no longer in existence (**PF14**).

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.*

The Committee is RECOMMENDED to note the report.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

15. Oxfordshire Pension Fund Business Plan for 2015/16 (Pages 97 - 120)

12:25

The report (**PF15**) sets out the Pension Fund annual business plan for the 2015/16 financial year which includes the key objectives of the Fund, the service priorities for the coming year, a budget for 2015/16 and the latest risk register for the service.

The Committee is RECOMMENDED to:

- (a) approve the Business Plan and Budget for 2015/16 as set out at Annex 1;*
- (b) approve the Pension Fund Cash Management Strategy for 2015/16 as set out at Annex 2;*
- (c) delegate authority to the 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 Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and*
- (e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.*

16. Local Pension Boards (Pages 121 - 140)

12:35

The Public Service Pension Act 2013 require Pension Boards to be established for all public service pension schemes. The reports at PF16 detail the recommendation for the establishment of a local Pension Board for the Oxfordshire Local Government Pension Scheme and for all of the Firefighter Pension Schemes. It also asks the Committee to agree the Constitution for the Oxfordshire Local Government Pension Scheme Board (**PF16**).

The amendment to the regulations require the Pension Boards to be established by the 1 April 2015 with training being delivered by the Local Government Association in May and June 2015 for Pension Board members.

The reports detail the background to the legislation and the proposals for the governance and structure of the Oxfordshire Firefighters Pension Board.

With regard to the Oxfordshire Local Government Pension Scheme, the Pension Fund Committee is RECOMMENDED to:

- (a) discuss the draft constitution as presented as Annex 1 to this report and in particular the points highlighted in paragraph 6 above, and***
- (b) agree the Constitution of the Oxfordshire LGPS Local Pension Board as presented in Annex 1, with any changes identified under (a) above.***

With regard to the Oxfordshire Firefighters Pension Board, the Pension Fund Committee is RECOMMENDED to:

- (a) delegate the authority to the Chief Fire Officer to make decisions on the everyday administration of the Scheme;***
- (b) agree the proposed format of the Firefighters Pension Board; and***
- (c) agree the delegation for the sign-off for the terms of reference to the Chairman of the Pension Fund Committee.***

17. Employer Update (Pages 141 - 142)

12:50

The report (PF17) seeks Committee approval for any new admissions to the Fund as well as update the Committee on the status of any current employer which impacts on future scheme membership.

The Committee is RECOMMENDED to:

- a) note the position regarding previous applications;***
- b) approve the application from UBICO providing that either a pass through arrangement, or a bond is put in place;***
- c) approve the write off in respect of AAA NORCAP; and***
- d) note the position regarding closure of scheme employers***

18. Corporate Governance - Voting (Pages 143 - 152)

12:55

The report **(PF18)** provides information on voting records of the fund managers in circumstances when they have voted on behalf of the Pension Fund.

The Committee is RECOMMENDED to note the Fund's voting activities.

19. Pension Fund Scheme of Delegation (Pages 153 - 158)

13:00

The Committee is asked to agree variations to the Scheme of Delegation to reflect recent organisational changes within the Council **(PF19)**.

The Committee is RECOMMENDED to:

a) note the report; and

b) approve amendments to the Scheme of Delegation as shown at Annex 1.

20. Write Offs (Pages 159 - 160)

13:10

The report **(PF20)** provides the Committee with summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund.

The Committee is RECOMMENDED to note the report.

21. Corporate Governance and Socially Responsible Investment (Pages 161 - 164)

13:15

This item covers any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee.

At the last meeting the Committee asked that UBS prepare a report following the

presentation by Professor Allport on di-vesting in fossil fuels. This is attached at PF21

The Committee is asked to note the report from UBS.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing in the **Members' Board Room**, County Hall on **Wednesday 11 March 2015 at 2.00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman.**

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 5 December 2014 commencing at 10.15 am and finishing at 1.20 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)

Councillor Surinder Dhese

Councillor Jean Fooks

Councillor Nick Hards

Councillor Richard Langridge

Councillor Sandy Lovatt

District Councillor Hywel Davies

District Councillor Jerry Patterson

Councillor Les Sibley (In place of Councillor Lynda Atkins)

District Council Representatives: District Councillor Hywel Davies
District Councillor Jerry Patterson

By Invitation: Paul Gerrish, Beneficiaries Observer
Peter Davies, Independent Financial Adviser

Officers:

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

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.

69/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor Les Sibley attended for Councillor Lynda Atkins. Apology received from Councillor Neil Owen.

70/14 DECLARATION OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Fooks, Lilly, Sibley, District Councillor Patterson and Paul Gerrish each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

71/14 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 5 September 2014 were approved and signed as a correct record.

72/14 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

Professor Alan Allport addressed the meeting in relation to item 7 on the Agenda. He alerted members of the Committee to his concern that there would be a major financial risk arising from climate change. He commented that investment consequences had not been adequately assessed and that 60% – 80% of existing fossil returns needed to remain in the ground. If this should not happen then the infrastructure of society would be destroyed. He added that divesting from fossil fuel energy and investing into renewable energy would prove very attractive with huge growth potential and would even yield slightly better returns.

73/14 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION
(Agenda No. 5)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 September 2014.

Mr Davies noted that the overall value of the Fund had risen by approximately £29 million.

RESOLVED: 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.

74/14 EXEMPT ITEMS
(Agenda No. 6)

The Committee **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 I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

75/14 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS
(Agenda No. 7)

The Committee considered a report of the Independent Financial Adviser (PF7) gave an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt

information and was available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

The public was 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 to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

76/14 UBS
(Agenda No. 8)

The Independent Financial Adviser reported orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 7.

The representatives, Malcolm Gordon, Eric Byrne and Antony Sander 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 2014. They also gave their views on the future investment scene.

At the end of the presentation, they responded to questions from members.

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 presentation and to take any necessary action, if required.

77/14 PARTNERS GROUP

(Agenda No. 9)

The Independent Financial Adviser reported orally on the performance and strategy of Partners Group drawing on the tables at Agenda Items 5 and 7.

The representatives, Sarah Brewer and Sergio 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 2014. They also gave their views on the future investment scene.

At the end of the presentation, they responded to questions from members.

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 presentation and to take any necessary action, if required.

78/14 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported (PF10) on the main issues arising from the officer meetings with Wellington and Baillie Gifford in conjunction with information contained in the tables (Agenda Item 5). The Committee also considered a report, again from the Independent Financial Adviser (PF10) which provided a review of the strategy and recent performance of the Fund's Private Equity portfolio.

The Independent Financial Adviser also reported back on his telephone discussion with Legal & General and responded to Members' questions.

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 note the main issues arising from the reports.

79/14 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Committee noted the summary of the Independent Financial Adviser.

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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80/14 OPTIONS FOR THE FUTURE ARRANGEMENTS FOR THE OXFORDSHIRE PENSION FUND

(Agenda No. 12)

The Committee considered a report (PF12) which set out the latest business proposal for the future arrangements of the Oxfordshire Pension Fund. Annex 1 set out the full business proposal which had been discussed with officers and members from the three pension funds of Buckinghamshire, Oxfordshire and Berkshire. The main report highlighted the key issues following these discussions and the key questions for further consideration.

Part of the concern expressed during the meeting on 17 November was in respect of the potential financial savings achieved through collaboration. In addressing this information further, this report contained information on the fee levels currently charged by Oxfordshire's Fund Managers and the potential for further reductions which is commercially sensitive information. It was therefore decided that:

the public should be excluded for the consideration of this report because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following 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 the Council's position would be prejudiced in respect of future negotiations with both Fund Managers and potential partners.*

It was noted that the Annex to the report was a public document as the Business Proposal did not include any specific fee information on the current mandates and all information included had already been in the public domain.

RESOLVED (unanimously) to:

- (a) defer any potential future collaboration until such time as the Government make clear its position on the mandating of passive investment for all listed assets;
- (b) ask officers to explore with other LGPS Funds who share a similar risk appetite/asset allocation, the opportunities for informal collaborative working, with the potential for more formal arrangements in the future;
- (c) note the information included in the report and to confirm that this covers the issues on which this Committee needs to be informed before making any decision on collaboration, whilst accepting that the actual information would need to be revised should other LGPS Funds be included in any future proposal; and
- (d) thank the officers for all their hard work to date on this project.

READMISSION OF THE PRESS AND PUBLIC

81/14 BETTER GOVERNANCE AND IMPROVED ACCOUNTABILITY IN THE LOCAL GOVERNMENT PENSION SCHEME

(Agenda No. 13)

The Committee considered a report (PF13) which set out the key elements of the latest consultations from the Department of Communities & Local Government and the LGPS Shadow Scheme Advisory Board on the Governance arrangements for the Local Government Pension Scheme.

RESOLVED to:

- (a) note the key issues set out in the latest consultation documents; and
- (b) to request the officers to draft a constitution and terms of reference in the new year on the lines of the steer given at this meeting, to be sent to all members of the Committee for comment; and that the outcome be submitted to the 13 March 2015 meeting for approval.

82/14 ANNUAL REPORT AND ACCOUNTS 2013/14

(Agenda No. 14)

The Annual Report and Accounts for 2013/14 had now been published and a copy was included with this agenda. There had been no changes of substance from the draft version approved by the Committee at the meeting in September 2014.

Following the drafting of the Report and Accounts, and after the conclusion of the majority of the external audit work, new statutory guidance on the contents of LGPS Annual Report and Accounts had been received. These were covered by an Addenda to the report.

RESOLVED: to note the publication of the Annual Report and Accounts 2013/14 and accompanying addendum.

83/14 FUND MANAGER MONITORING ARRANGEMENTS

(Agenda No. 15)

The Committee were asked to determine the arrangements for monitoring the performance of the Fund Managers, including the new Diversified Growth Manager for the 2015/16 financial year (PF15).

RESOLVED: to approve the recommendation, as set out at paragraph 6 in the report, subject to the revision that Adams Street and Partners Group be monitored by the Officers/IFA at least once per annum.

84/14 EMPLOYER ISSUES

(Agenda No. 16)

Approval was sought from the Committee for some new admissions to the Fund (PF16). The report also updated members on the status of any current employer which impacted on future Scheme membership.

RESOLVED: to

- (a) note the previous applications still outstanding;
- (b) note applications approved by Service Manager (PIMMS);
- (c) approve other applications received providing these are on either a pass - through basis, or via a bond;
- (d) note the completed applications;
- (e) note the closure of scheme employers; and
- (f) note progress of employer covenant project.

85/14 ADMINISTRATION - UPDATE

(Agenda No. 17)

The Committee received an update (PF17) on current administration issues which included consideration of the final version of the Administration Strategy, following a period of employer consultation.

RESOLVED: to

- (a) agree the changes to the service level agreement;

(b) note the current level of MARS Returns; and

(c) agree the Administration Strategy.

86/14 WRITE OFF'S

(Agenda No. 18)

The Committee considered a report (PF18) that gave 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.

87/14 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 19)

The Committee noted that an issue had been raised by Professor Allport under the Petitions and Public Address item. The Chairman requested an officer response to the points be produced and sent to Professor Allport and, at the same time, copied to all members of the Committee.

88/14 ANNUAL PENSION FORUM

(Agenda No. 20)

It was noted that the Pension Fund Forum, which had been planned for Friday 12 December 2014, had been cancelled due to a lack of support from scheme employers.

The Committee asked that a note to all scheme employers be sent by the Chairman to all scheme employers asking if an alternative date would be more suitable in the future. If little response was still forthcoming, then the officers be asked to think of an alternative way of dealing with the situation.

..... in the Chair

Date of signing

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st DECEMBER 2014

Investment	COMBINED PORTFOLIO 1.10.14	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Global Equities and Property		Other Investments		COMBINED PORTFOLIO 31.12.14		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	Current %	Target %
EQUITIES																	
UK Equities	516,114	320,880	97.9%	19,410	9.2%	148,108	50.9%	0	0.0%	26,679	7.9%	0	0.0%	515,077	29.8%	31.0%	29.0%
<u>Overseas Equities</u>																	
North American Equities	102,937	0	0.0%	114,366	54.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	114,366	6.6%		
European & Middle Eastern Equities	33,370	0	0.0%	35,488	16.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	35,488	2.1%		
Japanese Equities	19,791	0	0.0%	19,757	9.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	19,757	1.1%		
Pacific Basin Equities	637	0	0.0%	1,074	0.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1,074	0.1%		
Emerging Markets Equities	18,346	0	0.0%	14,555	6.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,555	0.8%		
UBS Global Pooled Fund	210,089	0	0.0%	0	0.0%	0	0.0%	0	0.0%	212,377	62.7%	0	0.0%	212,377	12.3%		
L&G World (ex UK) Equity Fund	146,347	0	0.0%	0	0.0%	143,154	49.1%	0	0.0%	0	0.0%	0	0.0%	143,154	8.3%		
Total Overseas Equities	531,517	0	0.0%	185,240	87.8%	143,154	49.1%	0	0.0%	212,377	62.7%	0	0.0%	540,771	31.3%	32.0%	30.0%
BONDS																	
UK Gilts	73,613	0	0.0%	0	0.0%	0	0.0%	89,412	31.4%	0	0.0%	0	0.0%	89,412	5.2%	3.0%	3.0%
Corporate Bonds	51,370	0	0.0%	0	0.0%	0	0.0%	47,200	16.6%	0	0.0%	0	0.0%	47,200	2.7%	6.0%	6.0%
Overseas Bonds	41,498	0	0.0%	0	0.0%	0	0.0%	50,424	17.7%	0	0.0%	0	0.0%	50,424	2.9%	2.0%	2.0%
Index-Linked	86,314	0	0.0%	0	0.0%	0	0.0%	89,976	31.5%	0	0.0%	0	0.0%	89,976	5.2%	5.0%	5.0%
Total Bonds	252,795	0	0%	0	0.0%	0	0.0%	277,012	97.2%	0	0.0%	0	0.0%	277,012	16.0%	16.0%	16.0%
ALTERNATIVE INVESTMENTS																	
Property	105,208	0	0.0%	0	0.0%	0	0.0%	0	0.0%	96,265	28.4%	13,851	5.0%	110,116	6.4%	8.0%	8.0%
Private Equity	152,039	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	159,754	58.0%	159,754	9.2%	10.0%	9.0%
Hedge Funds	568	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	510	0.2%	510	0.0%	3.0%	0.0%
Multi Asset - DGF	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	80,675	29.3%	80,675	4.7%	0.0%	5.0%
Infrastructure	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	3.0%
Total Alternative Investments	257,815	0	0.0%	0	0.0%	0	0.0%	0	0.0%	96,265	28.4%	254,790	92.5%	351,055	20.3%	21.0%	25.0%
CASH	110,197	6,901	2.1%	6,426	3.0%	0	0.0%	7,948	2.8%	3,465	1.0%	20,675	7.5%	45,415	2.6%	0.0%	0.0%
TOTAL ASSETS	1,668,438	327,781	100.0%	211,076	100.0%	291,262	100.0%	284,960	100.0%	338,786	100.0%	275,465	100.0%	1,729,330	100.0%	100.0%	100.0%

% of total Fund

18.95%

12.21%

16.84%

16.48%

19.59%

15.93%

100.00%

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 2

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2014

ALTERNATIVE ASSETS

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Private Equity	6-11 %	10.0%	9.2%	-0.8%	FTSE Smaller Companies (inc investment trusts)
Hedge Funds	2-4	3.0%	0.0%	-3.0%	3 month LIBOR + 3%
Diversified Growth Fund		0.0%	4.7%	4.7%	3 month LIBID
Total		13.0%	13.9%	+0.9%	

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

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

Target Objective for Diversified Growth Fund - To seek to outperform the 3 month LIBID + 3-5% p.a. (net of fees & expenses)

Market Value - at 31st December 2014
 £159,754,000 Private Equity
 £510,000 Hedge Funds
 £80,675,400 Diversified Growth Fund

TABLE 3

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2014

BAILLIE GIFFORD

UK EQUITIES					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A %	100.0%	97.9%	-2.1%	FTSE Actuaries All-Share
Cash	Nil	0.0%	2.1%	+2.1%	
Total		100.0%	100.0%		

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

Market Value - at 31st December 2014 £327,781,000

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2014LEGAL 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 2014 £148,108,000

TABLE 5

FIXED INCOME					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Gilts	0 - 36	18.75%	31.4%	+12.6%	FTSE A All Gilts Stocks IBoxx Sterling Non-Gilt All Stocks Index FTSE A Over 5 Year Index-linked Gilts JP Morgan Global Gov't (ex UK) Traded Bond
Corporate Bonds	20 - 55	37.50%	16.6%	-20.9%	
Index-Linked	15 - 46	31.25%	31.5%	+0.3%	
Overseas Bonds	0 - 24	12.50%	17.7%	+5.2%	
Cash	0 - 10	0.00%	2.8%	+2.8%	
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 2014 £284,960,000

TABLE 6

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2014LEGAL 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 2014 £143,154,000

TABLE 7

ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2014WELLINGTON

GLOBAL EQUITIES					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
Global Equities	N/A	100.0%	97.0%	-3.0%	MSCI All Countries World Index
Cash	Nil	0.0%	3.0%	+3.0%	
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 2014 £211,076,000

TABLE 8

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**ASSET ALLOCATION AS AT QUARTER ENDED 31st DECEMBER 2014****UBS GLOBAL ASSET MANAGEMENT**

GLOBAL EQUITY PORTFOLIO					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Overseas Equities <i>Comprising</i> Global Pooled Fund	N/A	100.0%	100.0%	+0.0%	MSCI All Countries World Index
Total		100.0%	100.0%		

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

Market Value - at 31st December 2014 £239,056,000

TABLE 9

PROPERTY PORTFOLIO					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Property	90 - 100	100.0%	96.5%	-3.5%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	0.0%	3.5%	+3.5%	
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 2014 £99,730,000

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**TOTAL PORTFOLIO PROGRESS REPORT - 1 OCTOBER 2014 to 31 DECEMBER 2014**

Asset	Market Value 1.10.14	%	Net Purchases and Sales					Changes in Market Value					Market Value 31.12.14	%
			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	516,114	31	0	(6,416)		(2,761)	0	4,471	4,040	(368)	(3)	0	515,077	30
US Equities	102,937	6	0	0	0	2,706	0	0	0	0	8,723	0	114,366	7
European & Middle Eastern Equities	33,370	2	0	0	0	2,077	0	0	0	0	41	0	35,488	2
Japanese Equities	19,791	1	0	0	0	0	0	0	0	0	(34)	0	19,757	1
Pacific Basin Equities	637	0	0	0	0	579	0	0	0	0	(142)	0	1,074	0
Emerging Market Equities	18,346	1	0	0	0	(3,439)	0	0	0	0	(352)	0	14,555	1
Global Pooled Funds	356,436	22	0	0	(10,000)		0	2,288	0	6,807	0	0	355,531	21
Total Overseas Equities	531,517	32	0	0	(10,000)	1,923	0	2,288	0	6,807	8,236	0	540,771	31
BONDS														
UK Gilts	73,613	4	0	0	5,317		0	0	0	10,482	0	0	89,412	5
Corporate Bonds	51,370	3	0	0	301		0	0	0	(4,471)	0	0	47,200	3
Overseas Bonds	41,498	2	0	0	6,446		0	0	0	2,480	0	0	50,424	3
Index-Linked Bonds	86,314	5	0	0	(4,022)		0	0	0	7,684	0	0	89,976	5
ALTERNATIVE INVESTMENTS														
Property	105,208	6	60	0	0		13	4,336	0	0	0	499	110,116	6
Private Equity	152,039	9	0	0	0		(982)	0	0	0	0	8,697	159,754	9
Hedge Funds	568	1	0	0	0		(20)	0	0	0	0	(38)	510	0
Multi Asset - DGF	0	0	0	0	0		80,000	0	0	0	0	675	80,675	5
SUB TOTAL	1,558,241	93	60	(6,416)	(1,958)	(838)	79,011	11,095	4,040	22,614	8,233	9,833	1,683,915	97
CASH *	110,197	7	1,082	(2,436)	(7,973)	1,879	(57,334)	0	0	0	0	0	45,415	3
GRAND TOTAL	1,668,438	100	1,142	(8,852)	(9,931)	1,041	21,677	11,095	4,040	22,614	8,233	9,833	1,729,330	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 2014**

	<u>HOLDING</u>	<u>COST</u> £	<u>AVERAGE</u> <u>COST</u> £	<u>MARKET</u> <u>PRICE</u> £	<u>MARKET</u> <u>VALUE</u> £	<u>UNREALISED</u> <u>GAIN/LOSS</u> £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3I Group	1,424,713	4,013,565	2.817	4.502000	6,414,058	2,400,493
Candover Investments	236,060	1,687,945	7.150	3.980000	939,519	(748,426)
Electra Private Equity	1,016,179	13,886,422	13.665	30.280000	30,769,900	16,883,478
F&C Private Equity Trust	4,160,000	7,339,178	1.764	2.178750	9,063,600	1,724,422
Graphite Enterprise Trust	852,512	2,420,093	2.839	5.650000	4,816,693	2,396,600
HarbourVest European Senior Loans	2,284,315	149,750	0.066	0.008700	19,874	(129,876)
HG Capital Trust	1,934,000	11,207,516	5.795	10.575000	20,452,050	9,244,534
KKR & CO LP	220,000	1,523,040	6.923	14.878948	3,273,369	1,750,329
Northern Investors	293,247	467,808	1.595	4.350000	1,275,624	807,816
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.600000	356,167	(226,630)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0.974	0.365000	372,964	(622,200)
Schroder Private Equity	853,590	552,652	0.647	2.156765	1,840,994	1,288,342
Standard Life European Private Equity Trust	4,434,448	5,174,666	1.167	2.190000	9,711,441	4,536,775
SVG Capital	1,390,207	4,732,519	3.404	4.422000	6,147,495	1,414,976
		54,733,115			95,453,748	40,720,633
Other Fixed Interest						
Electra Private Equity 5.000% 12/29/2017 DD 12/29/10	2,870	2,870,000	1,000	1,450.000000	4,161,500	1,291,500
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		448,129			2,556,387	2,108,258
Partners Group Secondary 2008 L.P.		3,478,062			8,414,638	4,936,576
Partners Group Asia-Pacific 2007 L.P.		5,256,926			7,104,583	1,847,657
Partners Group Secondary 2011 L.P.		5,230,118			7,374,370	2,144,252
Partners Group Asia-Pacific 2011 L.P.		3,807,553			4,203,045	395,492
Adams Street 2007 Non US Fund		3,269,814			5,006,082	1,736,268
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		646,603			1,677,165	1,030,562
Adams Street 2008 Non US Fund		3,317,141			4,393,113	1,075,972
Adams Street 2008 US Fund		2,235,416			5,435,882	3,200,466
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		676,707			1,200,704	523,997
Adams Street 2009 Non US Developed Mkts Fund		1,441,688			1,689,146	247,458
Adams Street 2009 Non US Emerging Mkts Fund		667,266			727,501	60,235
Adams Street 2009 US Fund		2,229,225			3,436,609	1,207,384
Adams Street 2013 Global Fund		3,693,302			3,819,379	126,077
Oxford Technology ECF Limited Partner AC		1,536,940			2,488,200	951,260
Longwall Ventures ECF Limited Partner AC		735,000			612,000	(123,000)
		38,669,890			60,138,804	21,468,914
Cash Held by Custodian for Private Equity		8,827,504			8,827,504	
CASH HELD IN HOUSE		11,847,324			11,847,324	
TOTAL OF ALL INVESTMENTS		116,947,833			180,428,880	63,481,047

Delisted Quoted Investment Trusts

	<u>Holding</u>	<u>Market Value £</u>
Henderson Private Equity	132,519	53,000
HarbourVest European Senior Loans	2,284,315	19,874
No official market price - market value reflects estimate of final distribution due		

TABLE 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 31st DECEMBER 2014

DATE	HOLDING	TRANSACTION	BOOK COST £	PAYMENTS £	SALE PROCEEDS £	REALISED GAIN/LOSS £
		LIMITED PARTNERSHIP FUND OF FUNDS				
		DRAWDOWNS				
08/10/2014		Adams Street 2013 Global Fund	253,334	253,334		
14/10/2014		Adams Street 2009 Non US Developed Mkts Fund	109,865	109,865		
15/10/2014		Adams Street 2009 Non US Emerging Mkts Fund	51,469	51,469		
24/10/2014		Adams Street 2013 Global Fund	365,546	365,546		
14/11/2014		Adams Street 2008 Non US Fund	352,036	352,036		
20/11/2014		Adams Street 2008 Direct Fund	292,430	292,430		
20/11/2014		Adams Street 2007 Non US Fund	181,203	181,203		
27/11/2014		Longwall Ventures ECF Limited Partner AC	120,000	120,000		
09/12/2014		Oxford Technology ECF Limited Partner AC	60,000	60,000		
10/12/2014		Adams Street 2013 Global Fund	405,685	405,685		
15/12/2014		Longwall Ventures ECF Limited Partner AC	90,000	90,000		
19/12/2014		Partners Group Asia - Pacific 2011 L.P.	153,478	153,478		
22/12/2014		Partners Group Secondary 2011 L.P.	303,622	303,622		
			2,738,668	2,738,668		
		SALES				
		LIMITED PARTNERSHIP FUND OF FUNDS				
		CAPITAL DISTRIBUTIONS				
24/10/2014		Adams Street 2013 Global Fund	(47,076)		(47,076)	
30/10/2014		Partners Group Secondary 2006 L.P.	(228,557)		(228,557)	
31/10/2014		Partners Group Secondary 2011 L.P.	(297,481)		(297,481)	
03/11/2014		Adams Street 2008 Direct Fund	(22,144)		(22,144)	
14/11/2014		Adams Street 2008 Non US Fund	(186,576)		(186,576)	
20/11/2014		Adams Street 2007 Non US Fund	(281,692)		(281,692)	
20/11/2014		Adams Street 2008 Direct Fund	(429,126)		(429,126)	
26/11/2014		Partners Group Asia - Pacific 2011 L.P.	(146,568)		(146,568)	
22/12/2014		Partners Group Secondary 2011 L.P.	(303,622)		(303,622)	
22/12/2014		Partners Group Secondary 2008 L.P.	(557,060)		(557,060)	
22/12/2014		Partners Group Secondary 2006 L.P.	(113,797)		(113,797)	
22/12/2014		Partners Group Asia - Pacific 2007 L.P.	(190,366)		(190,366)	
26/12/2014		Adams Street 2008 Direct Fund	(86,691)		(86,691)	
			(2,890,756)		(2,890,756)	
		CORPORATE ACTION				
12/12/2014	(94,246)	SVG Capital	(320,831)		(452,381)	131,550
12/12/2014		HarbourVest European Senior Loans - Return of Capital	(585,470)		(585,470)	0
30/05/2014		KKR - Return of Capital adjustment*	63,442		63,442	0
02/06/2014		KKR - Return of Capital adjustment*	56,139		56,139	0
29/08/2014		KKR - Return of Capital adjustment*	88,502		88,502	0
			(698,218)		(829,768)	131,550
		TOTALS	(850,306)	2,738,668	(3,720,524)	131,550

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PERFORMANCE TO 31st DECEMBER 2014****COMBINED PORTFOLIO (BY ASSET CLASS)**

ASSET	% weighting of fund as at 31st December 2014	QUARTER ENDED 31st December 2014			12 MONTHS ENDED 31st December 2014			THREE YEARS ENDED 31st December 2014			FIVE YEARS ENDED 31st December 2014		
		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%	4.4	4.5	0.1	11.0	11.7	0.7	14.6	14.3	-0.3	10.4	9.2	-1.2
UK EQUITIES	29.8%	0.6	1.1	0.5	1.2	0.4	-0.8	11.1	12.2	1.1	8.7	10.9	2.2
OVERSEAS EQUITIES	20.6%	4.9	3.7	-1.2	12.2	9.5	-2.7	15.1	14.3	-0.8	10.7	8.5	-2.2
UK GOVERNMENT BONDS	5.2%	6.3	7.1	0.8	13.8	15.2	1.4	3.9	7.2	3.3	6.8	6.7	-0.1
UK CORPORATE BONDS	2.7%	4.3	4.6	0.3	12.2	12.0	-0.2	8.5	8.1	-0.4	8.2	8.4	0.2
OVERSEAS BONDS*	2.9%	2.8	1.8	-1.0	6.4	6.6	0.2	-0.1	3.7	3.8	1.9	4.4	2.5
UK INDEX LINKED GILTS	5.2%	9.4	9.4	0.0	21.4	12.3	-9.1	7.0	6.9	-0.1	10.5	11.1	0.6
TOTAL PRIVATE EQUITY	9.2%	0.3	6.0	5.7	0.9	17.1	16.2	19.6	16.3	-3.3	11.7	14.8	3.1
HEDGE FUNDS**	0.0%		-9.7			-4.7			2.1			2.2	
DIVERSIFIED GROWTH FUND***	4.7%		N/A			N/A			N/A			N/A	
PROPERTY ASSETS	6.4%	4.6	4.3	-0.3	17.2	15.8	-1.4	8.9	8.7	-0.2	9.1	9.3	0.2
TOTAL CASH	2.6%	-	0.7	-	-	1.5	-	-	1.2	-	-	0.9	-
TOTAL FUND	100%	3.0	3.5	0.5	7.9	8.5	0.6	12.0	11.6	-0.4	9.6	9.6	0.0

* This includes L&G Currency Hedging for Overseas bonds

** Hedge Funds disinvested from March 2014 - no recent performance figures

***Diversified Growth Fund investment made mid December 2014 - no performance figures included

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PERFORMANCE TO 31st DECEMBER 2014****COMBINED PORTFOLIO (BY FUND MANAGER)**

FUND MANAGER	% Weighting of Fund as at 31st December 2014	QUARTER ENDED 31st December 2014			12 MONTHS ENDED 31st December 2014			THREE YEARS ENDED 31st December 2014			FIVE YEARS ENDED 31st December 2014		
		BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION	BENCHMARK	OXFORDSHIRE	VARIATION
		RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%	RETURN %	TOTAL FUND %	%
BAILLIE GIFFORD UK EQUITIES	18.9%	0.6	1.7	1.1	1.2	0.2	-1.0	11.1	13.2	2.1	8.7	12.4	3.7
WELLINGTON GLOBAL EQUITIES	12.2%	4.4	4.7	0.3	10.6	11.9	1.3	-	-	-	-	-	-
L&G UK EQUITIES - PASSIVE	8.6%	-0.2	-0.2	0.0	0.7	0.8	0.1	9.5	9.6	0.1	7.7	7.7	0.0
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.3%	5.0	5.0	0.0	12.3	12.3	0.0	15.5	15.5	0.0	-	-	-
L&G FIXED INCOME	16.5%	6.1	6.0	-0.1	14.8	14.5	-0.3	6.7	6.4	-0.3	8.3	8.4	0.1
PARTNERS GROUP PROPERTY	0.8%	4.6	3.8	-0.8	17.2	9.5	-7.7	8.9	5.8	-3.1	9.1	8.8	-0.3
PRIVATE EQUITY	9.2%	0.3	6.0	5.7	0.9	17.1	16.2	19.6	16.3	-3.3	11.7	14.8	3.1
UBS GLOBAL EQUITIES	13.8%	2.7	3.1	0.4	7.4	7.9	0.5	13.3	14.0	0.7	8.8	8.2	-0.6
UBS PROPERTY	5.8%	4.6	4.4	-0.2	17.2	16.4	-0.8	8.9	8.9	0.0	9.1	9.0	-0.1
UBS HEDGE FUNDS	0.0%		-9.7			-5.8			1.7			1.9	
INSIGHT DIVERSIFIED GROWTH FUND	4.7%		N/A			N/A			N/A			N/A	
IN-HOUSE CASH	1.2%	0.1	0.2	0.1	0.3	0.5	0.2	0.4	0.8	0.4	0.4	1.0	0.6
TOTAL FUND	100.0%	3.0	3.5	0.5	7.9	8.5	0.6	12.0	11.6	-0.4	9.6	9.6	0.0

* This includes L&G Currency Hedging for Overseas bonds

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2014

BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE

TABLE 15

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	0.6	1.8	1.2	1.2	0.2	-1.0	11.1	13.6	2.5	8.7	12.7	4.0
TOTAL CASH		-0.5	-		-0.3	-		0.2	-		0.4	-
TOTAL ASSETS	0.6	1.7	1.1	1.2	0.2	-1.0	11.1	13.2	2.1	8.7	12.4	3.7

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 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	4.4	4.5	0.1	10.6	11.7	1.1	-	-	-	-	-	-
TOTAL CASH		19.2	-		40.1	-		-	-		-	-
TOTAL ASSETS	4.4	4.7	0.3	10.6	11.9	1.3	-	-	-	-	-	-

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 2014

LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS

TABLE 17

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	-0.2	-0.2	0.0	0.7	0.8	0.1	9.5	9.6	0.1	7.7	7.7	0.0
2 L&G WORLD (EX-UK) EQUITY FUND	5.0	5.0	0.0	12.3	12.3	0.0	15.5	15.5	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 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	6.3	7.1	0.8	13.8	15.2	1.4	3.9	4.2	0.3	6.8	6.7	-0.1
UK CORPORATE BONDS	4.3	4.6	0.3	12.2	12.0	-0.2	8.5	8.1	-0.4	8.2	8.4	0.2
OVERSEAS BONDS*	2.7	1.8	-0.9	8.4	6.6	-1.8	4.3	3.7	-0.6	4.6	4.4	-0.2
UK INDEX LINKED	9.4	9.4	0.0	21.4	21.3	-0.1	7.0	6.9	-0.1	10.5	11.1	0.6
CASH/ALTERNATIVES*	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	6.1	6.0	-0.1	14.8	14.5	-0.3	6.7	6.4	-0.3	8.3	8.4	0.1

* 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 2014

INDEPENDENT ADVISOR - PRIVATE EQUITY

TABLE 19

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	0.3	6.2	5.9	0.9	14.8	13.9	19.6	19.2	-0.4	11.7	15.9	4.2
LIMITED LIABILITY PARTNERSHIPS	0.3	5.6	5.3	0.9	21.2	20.3	19.6	10.8	-8.8	11.7	12.5	0.8
TOTAL ASSETS	0.3	6.0	5.7	0.9	17.1	16.2	19.6	16.3	-3.3	11.7	14.8	3.1

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

PARTNERS GROUP REAL ESTATE - PROPERTY

TABLE 20

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	4.6	3.8	-0.8	17.2	9.5	-7.7	8.9	5.8	-3.1	9.1	8.8	-0.3
TOTAL CASH	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS*	4.6	3.8	-0.8	17.2	9.5	-7.7	8.9	5.8	-3.1	9.1	8.8	-0.3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2014

UBS GLOBAL ASSET MANAGEMENT- GLOBAL EQUITIES

TABLE 21

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	2.7	3.1	0.4	7.4	7.9	0.5	13.3	14.0	0.7	8.8	8.3	-0.5
TOTAL CASH			-			-			-			-
TOTAL ASSETS	2.7	3.1	0.4	7.4	7.9	0.5	13.3	14.0	0.7	8.8	8.2	-0.6

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

UBS GLOBAL ASSET MANAGEMENT - PROPERTY

TABLE 22

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	4.6	4.3	-0.3	17.2	16.8	-0.4	8.9	9.3	0.4	9.1	9.6	0.5
TOTAL CASH*	-	1.3	-	-	10.4	-	-	5.4	-	-	2.9	-
TOTAL ASSETS**	4.6	4.4	-0.2	17.2	16.4	-0.8	8.9	8.9	0.0	9.1	9.0	-0.1

* 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 2014

UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS

TABLE 23

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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		-9.7			-4.7			2.1			2.2	
TOTAL CASH			-									
TOTAL ASSETS		-9.7			-5.8			1.7			1.9	

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

INTERNALLY MANAGED CASH

TABLE 24

ASSET	QUARTER ENDED 31/12/2014			12 MONTHS ENDED 31/12/2014			THREE YEARS ENDED 31/12/2014			FIVE YEARS ENDED 31/12/2014		
	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	0.3	0.5	0.2	0.4	0.8	0.4	0.4	1.0	0.6
TOTAL ASSETS	0.1	0.2	0.1	0.3	0.5	0.2	0.4	0.8	0.4	0.4	1.0	0.6

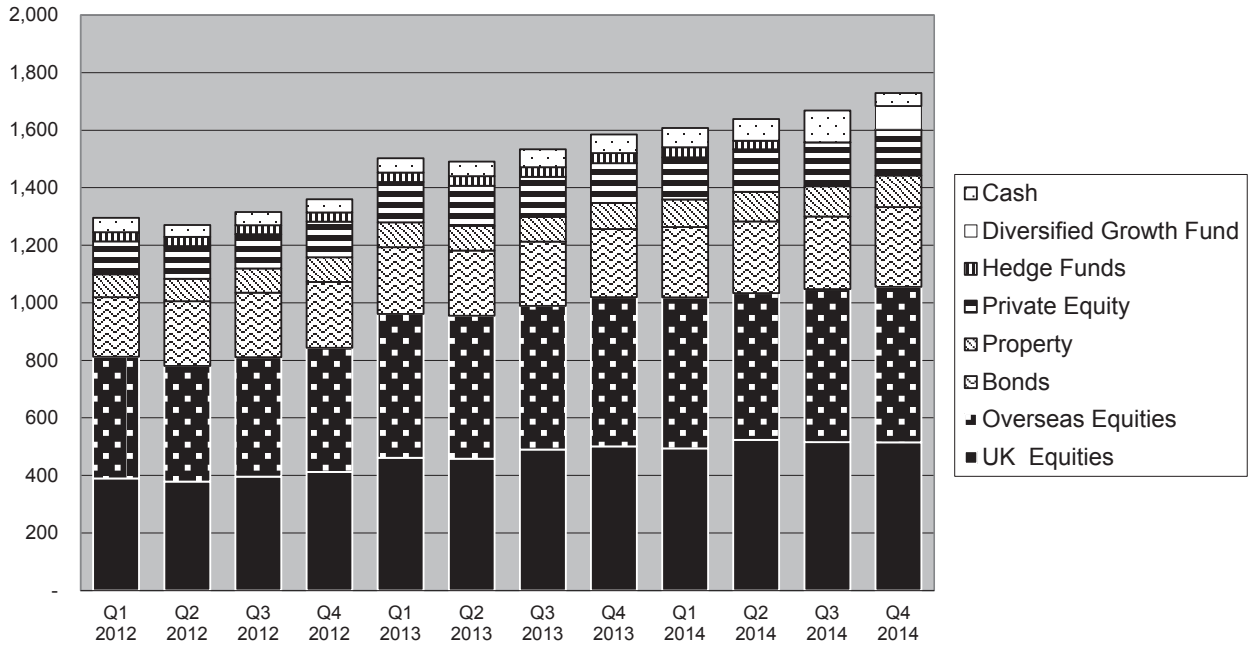
* This portfolio includes cash held at the Custodian

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDTOP 20 HOLDINGS AT 31/12/2014

ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<u>DIRECT HOLDINGS</u>		
1 ELECTRA PRIVATE EQUITY PLC	30,769,900	1.78
2 HGCAPITAL TRUST PLC	20,452,050	1.18
3 BRITISH AMERICAN TOBACCO PLC	16,337,405	0.94
4 ASHTEAD GROUP PLC	14,751,337	0.85
5 HSBC HOLDINGS PLC	11,583,800	0.67
6 PRUDENTIAL PLC	11,515,196	0.67
7 BUNZL PLC	11,440,228	0.66
8 ROYAL DUTCH SHELL PLC-B SHS	11,169,957	0.65
9 BG GROUP PLC	11,105,424	0.64
10 LEGAL & GENERAL GROUP PLC	10,923,484	0.63
11 ST JAMESS PLACE PLC	10,650,866	0.62
12 STANDARD LIFE EURO PR EQ ORD	9,711,441	0.56
13 F&C PRIVATE EQUITY TRUST-B	9,063,600	0.52
14 SABMILLER PLC	8,130,259	0.47
15 MEGGITT PLC	7,898,843	0.46
16 REED ELSEVIER PLC	7,319,587	0.42
17 UNILEVER PLC	7,012,660	0.41
18 UK TREASURY 2.5% 16/04/20 INDX LKD	6,678,647	0.39
19 UK TREASURY 2.5% 17/07/24 INDX LKD	6,494,004	0.38
20 3I GROUP PLC	6,414,058	0.37
TOP 20 HOLDINGS MARKET VALUE *	229,422,746	13.27
* Excludes investments held within Pooled Funds		
<u>POOLED FUNDS AT 31/12/2014</u>		
1 LIFE GLOBAL EQUITY ALL COUNTRY FUND A	239,056,459	13.82
2 HP UK FTSE 100 EQUITY INDEX	148,108,371	8.56
3 L&G WORLD (EX UK) EQUITY INDEX	143,153,873	8.28
4 LEGAL AND GENERAL TD CORE PLUS	105,601,199	6.11
5 INSIGHT BROAD OPPORTUNITIES FUND	80,675,400	4.67
TOTAL POOLED FUNDS MARKET VALUE	716,595,302	41.44
TOTAL FUND MARKET VALUE	1,729,330,400	

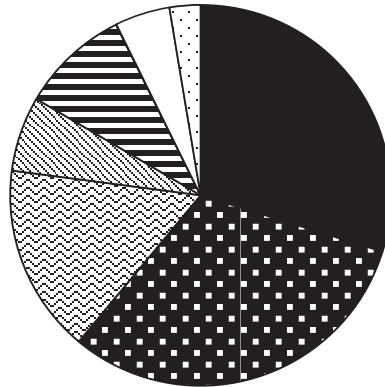
MARKET VALUE OF TOTAL FUND

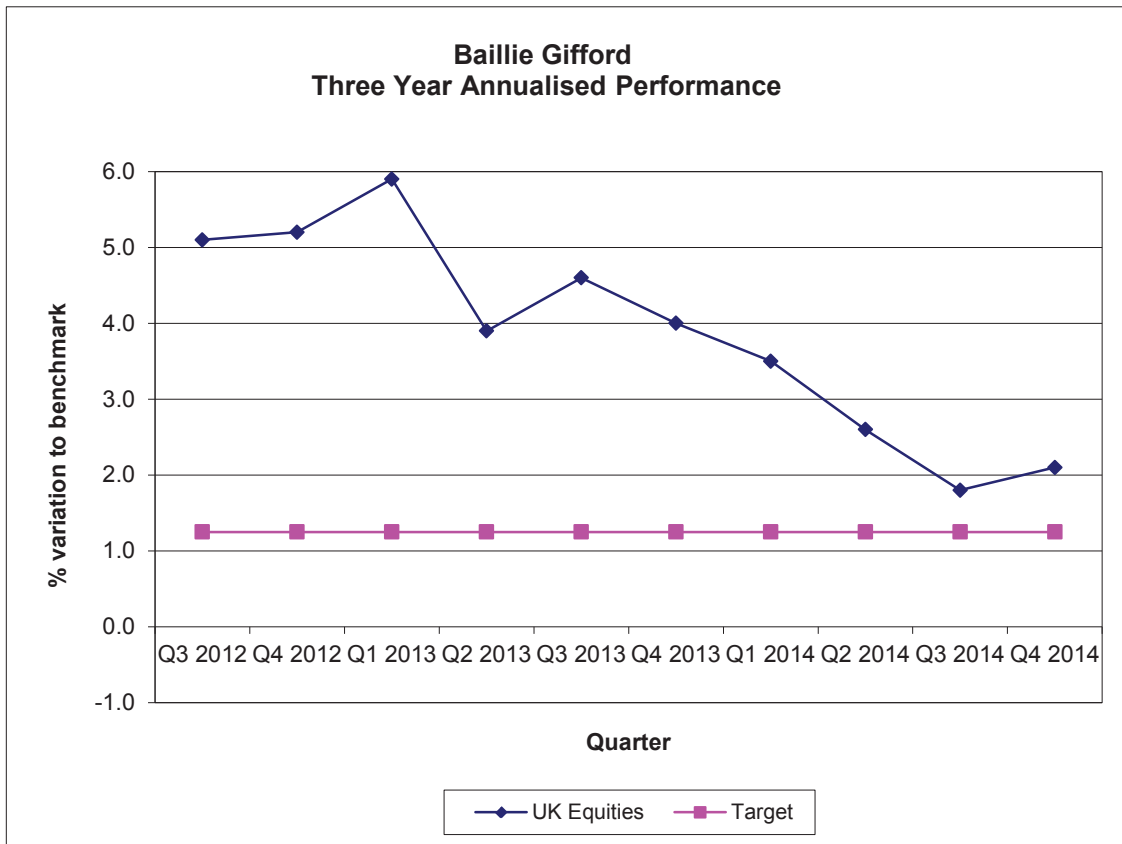
TOTAL FUND MARKET VALUE BY ASSET CLASS



Asset Allocation Latest Quarter

<u>Quarter</u>	<u>Market Value</u> <u>£m</u>
Q1 2012	1,295.7
Q2 2012	1,270.6
Q3 2012	1,316.0
Q4 2012	1,359.8
Q1 2013	1,503.0
Q2 2013	1,491.4
Q3 2013	1,533.7
Q4 2013	1,585.2
Q1 2014	1,607.5
Q2 2014	1,639.1
Q3 2014	1,668.4
Q4 2014	1,729.3



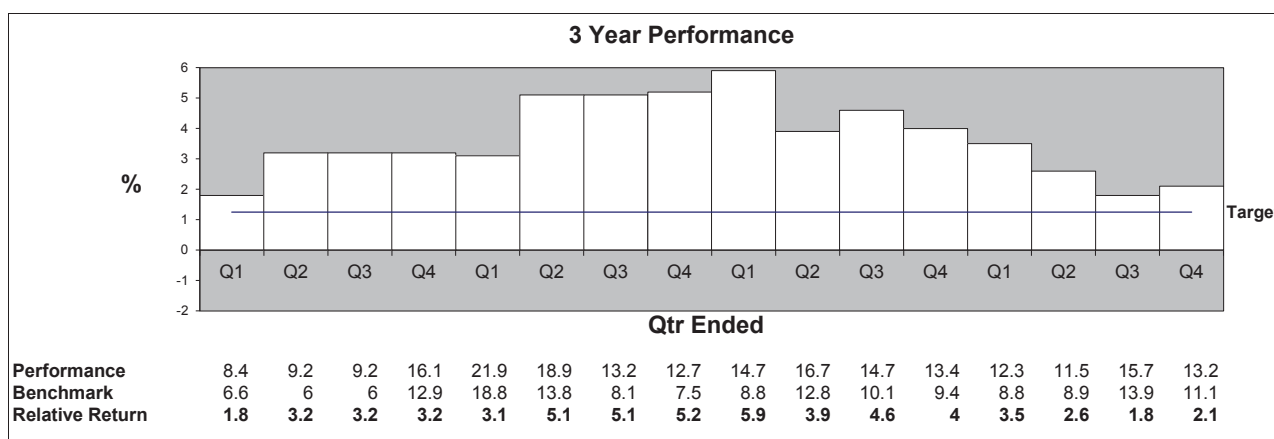
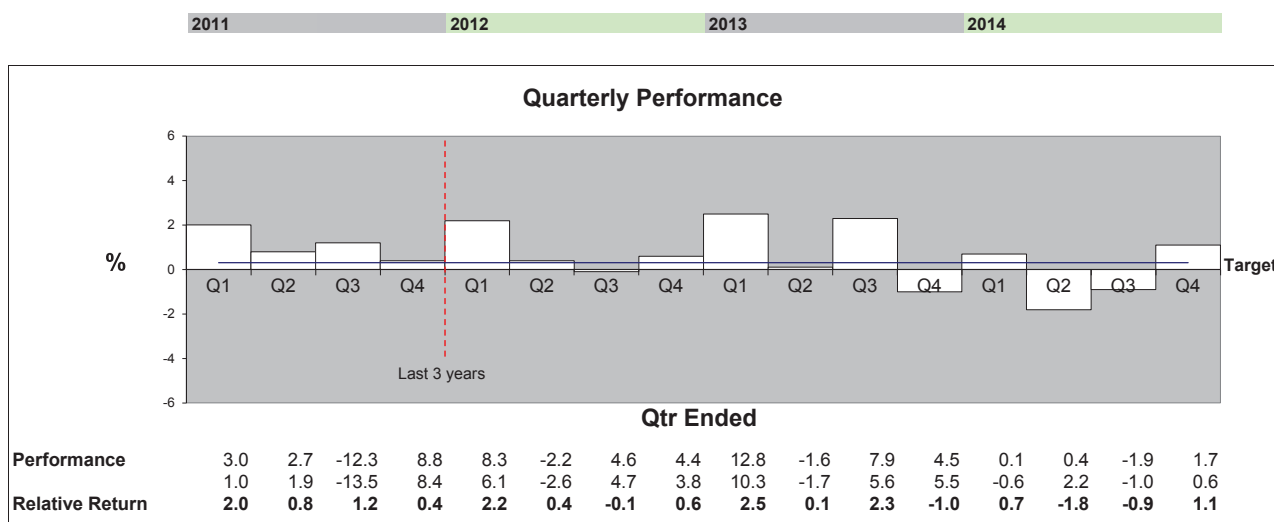


Baillie Gifford Three Year Annualised Performance

	UK Equities	Target
Q3 2012	5.1	1.25
Q4 2012	5.2	1.25
Q1 2013	5.9	1.25
Q2 2013	3.9	1.25
Q3 2013	4.6	1.25
Q4 2013	4.0	1.25
Q1 2014	3.5	1.25
Q2 2014	2.6	1.25
Q3 2014	1.8	1.25
Q4 2014	2.1	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3



Target Returns

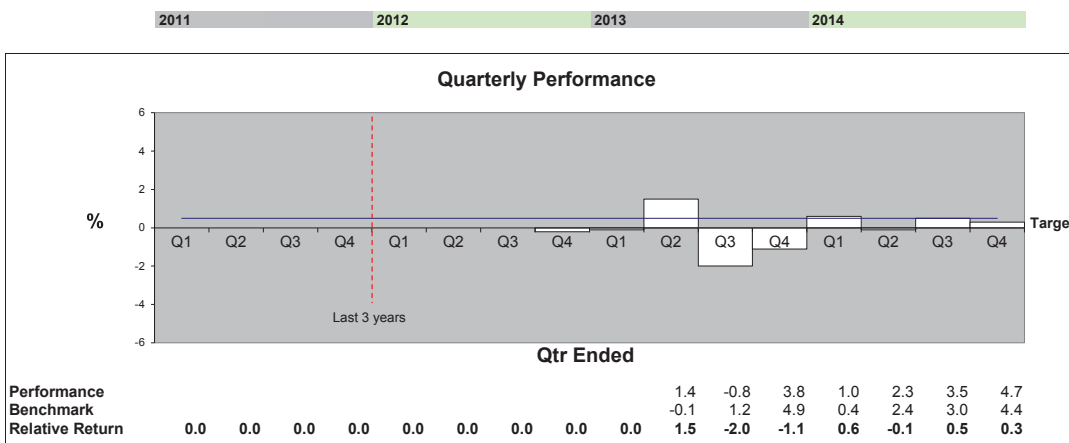
Rolling annual target of 1.25% above benchmark

Top 10 holdings at 31/12/2014

Rank	Holding	Value £	% of portfolio
1	ASSTEAD GROUP PLC	14,751,337	4.50
2	BRITISH AMERICAN TOBACCO PLC	13,405,000	4.09
3	PRUDENTIAL PLC	11,515,196	3.51
4	BUNZL PLC	11,440,228	3.49
5	LEGAL & GENERAL GROUP PLC	10,923,484	3.33
6	ST JAMESS PLACE PLC	10,650,866	3.25
7	HSBC HOLDINGS PLC	9,742,469	2.97
8	ROYAL DUTCH SHELL PLC-B SHS	9,226,108	2.82
9	BG GROUP PLC	8,928,919	2.73
10	SABMILLER PLC	8,130,259	2.48
Top 10 Holdings Market Value		108,713,866	33.17
Total Baillie Gifford Market Value		327,781,000	



Top 10 holdings excludes investments held within pooled funds.



Target Returns

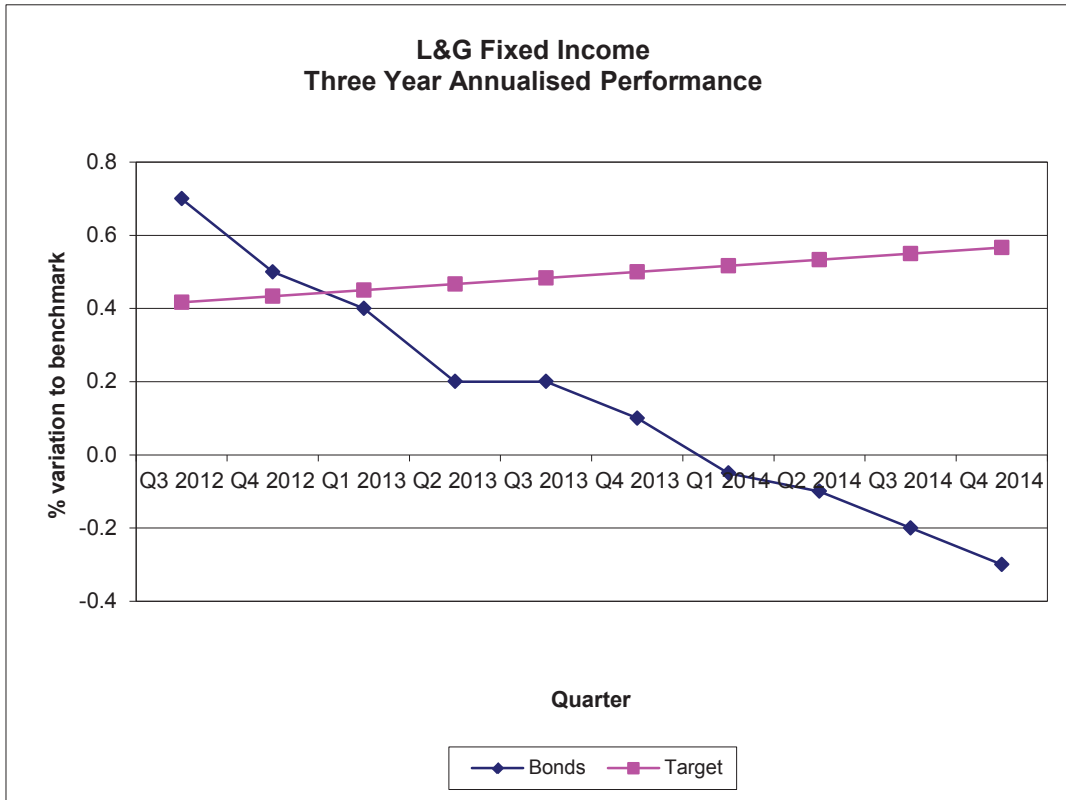
Rolling annual target of 2% above benchmark

Top 10 holdings at 31/12/2014

Holding	Value £	% of portfolio
1 MERCK & CO. INC.	5,978,129	2.83
2 APPLE INC	5,290,241	2.51
3 CISCO SYSTEMS INC	4,267,214	2.02
4 MAXIM INTEGRATED PRODUCTS	4,051,685	1.92
5 PNC FINANCIAL SERVICES GROUP	3,954,324	1.87
6 INTERNATIONAL PAPER CO	3,834,851	1.82
7 ZURICH INSURANCE GROUP AG	3,742,170	1.77
8 UNITED HEALTH GROUP	3,680,668	1.75
9 INTEL CORP	3,552,941	1.68
10 MICROSOFT CORP	3,422,620	1.62
Top 10 Holdings Market Value	41,774,843	19.79
Total Wellington Market Value	211,076,000	

Wellington

Top 10 holdings excludes investments held within pooled funds.

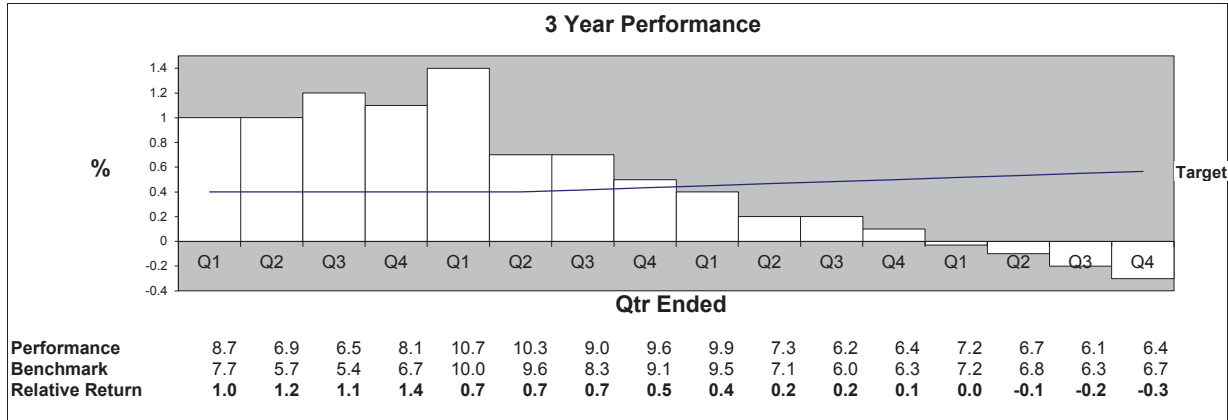
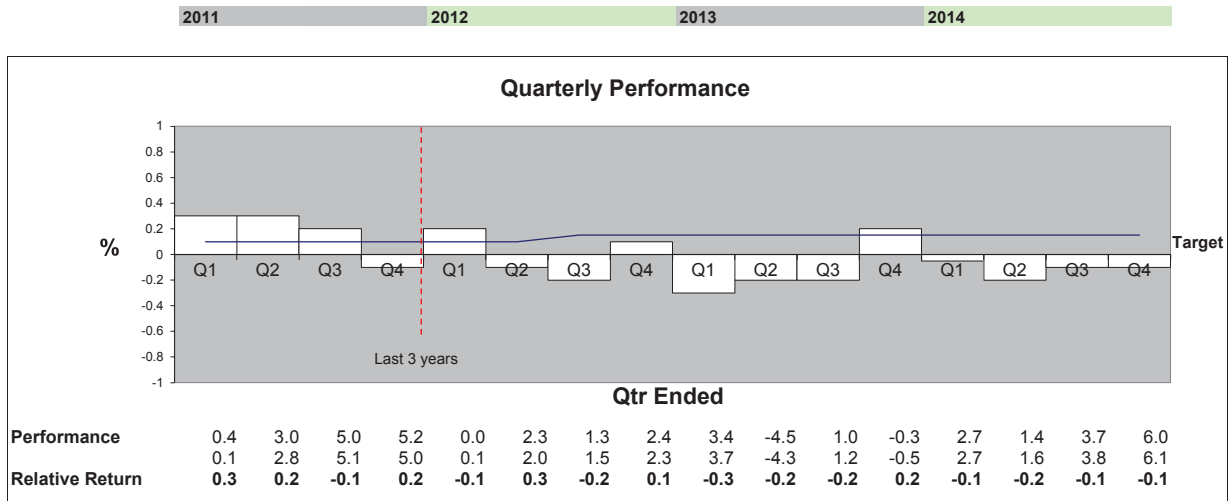


L&G Fixed Income Three Year Annualised Performance

	Bonds	Target
Q3 2012	0.7	0.4
Q4 2012	0.5	0.4
Q1 2013	0.4	0.5
Q2 2013	0.2	0.5
Q3 2013	0.2	0.5
Q4 2013	0.1	0.5
Q1 2014	-0.1	0.5
Q2 2014	-0.1	0.5
Q3 2014	-0.2	0.6
Q4 2014	-0.3	0.6

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 6



Target Returns

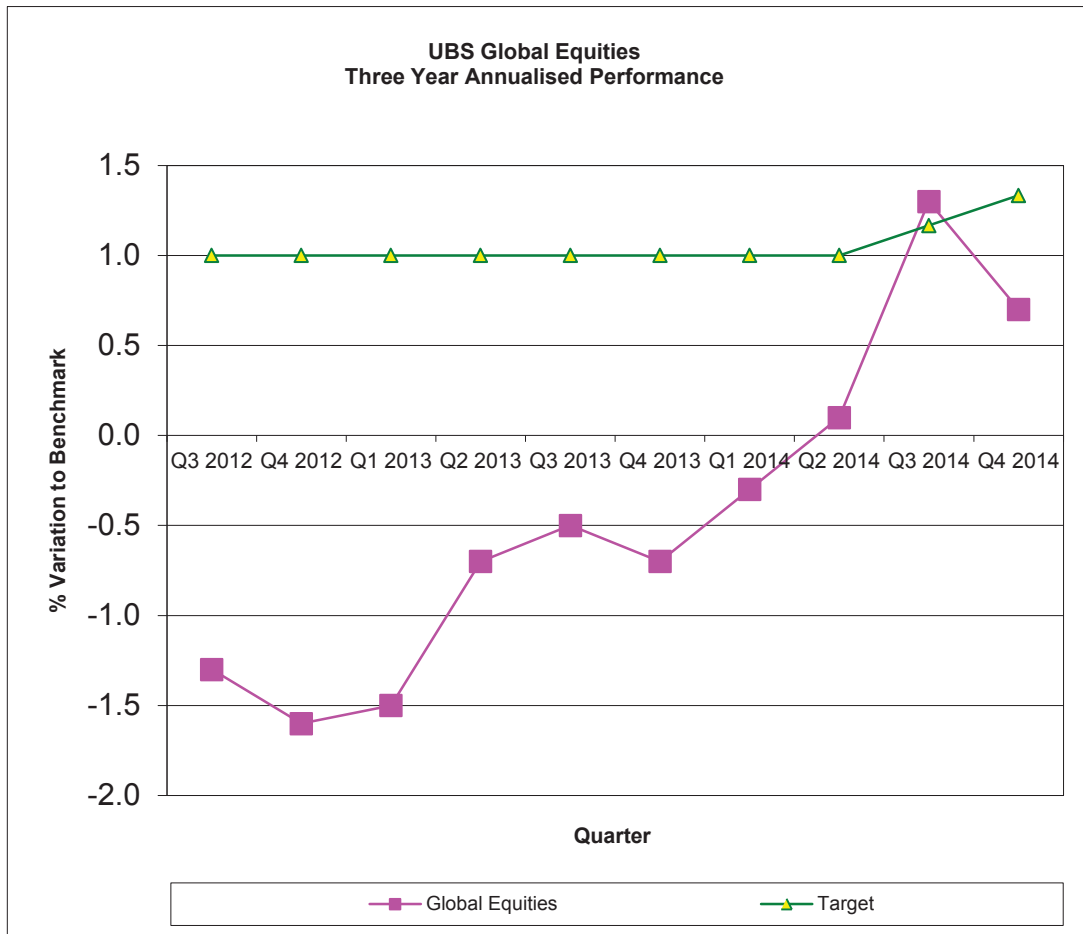
Rolling annual target of 0.60% above benchmark

Top 10 holdings at 31/12/2014

Holding	Value £	% of portfolio
1 UK TREASURY 2.5% 16/04/20 INDX LKD	6,678,647	2.34
2 UK TREASURY 2.5% 17/07/24 INDX LKD	6,494,004	2.28
3 UK TREASURY 1.25% 22/11/55 INDX LKD	5,820,720	2.04
4 UK TREASURY 1.25% 22/11/27 INDX LKD	5,550,341	1.95
5 UK TREASURY 1.125% 22/11/37 INDX LKD	5,118,566	1.79
6 UK TREASURY 2% 26/01/35 INDX LKD	4,975,467	1.75
7 UK TREASURY 0.375% 22/03/62 INDX LKD	4,813,013	1.69
8 UK TREASURY 0.75% 22/11/47 INDX LKD	4,749,337	1.67
9 UK TREASURY 0.125% 22/03/44 INDX LKD	4,633,997	1.63
10 UK TREASURY 1.25% 22/11/32 INDX LKD	4,530,667	1.59
Top 10 Holdings Market Value	53,364,759	18.73
Total Legal & General Market Value	284,960,000	

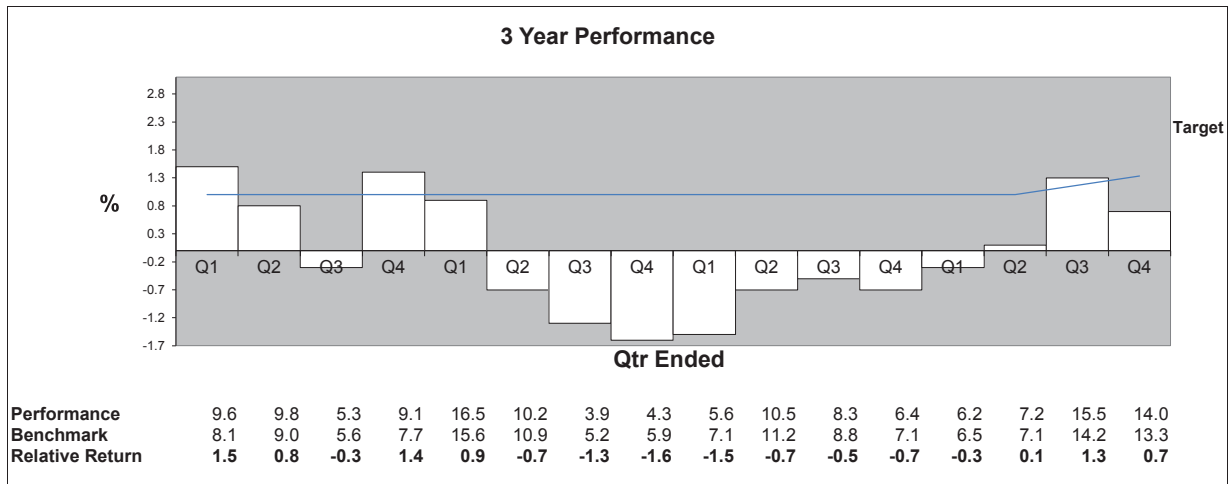
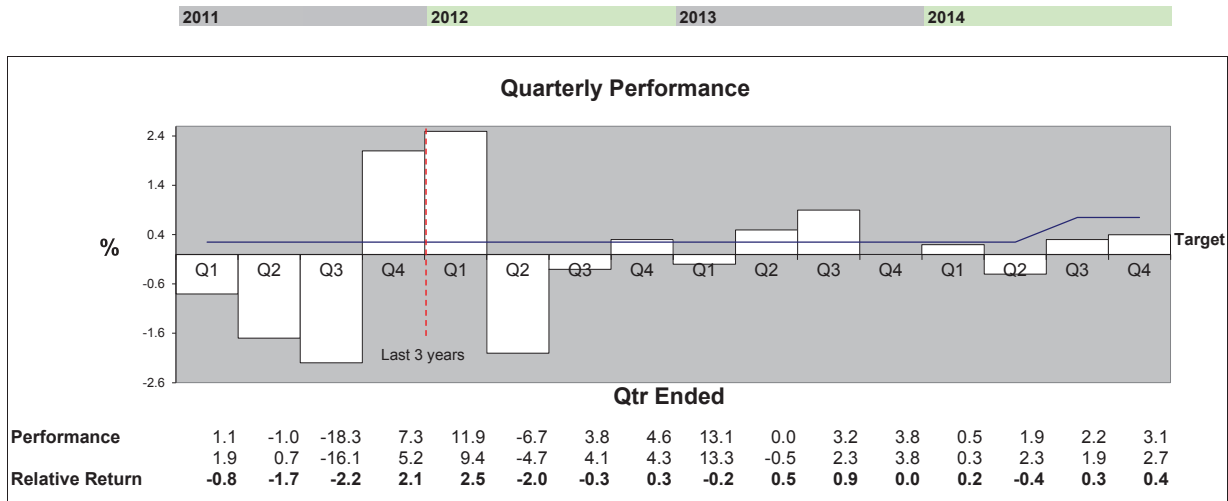
Legal & General

Top 10 holdings excludes investments held within pooled funds.



UBS Three Year Annualised Performance

	Global Equities	Target
Q3 2012	-1.3	1.0
Q4 2012	-1.6	1.0
Q1 2013	-1.5	1.0
Q2 2013	-0.7	1.0
Q3 2013	-0.5	1.0
Q4 2013	-0.7	1.0
Q1 2014	-0.3	1.0
Q2 2014	0.1	1.0
Q3 2014	1.3	1.2
Q4 2014	0.7	1.3



Target Returns

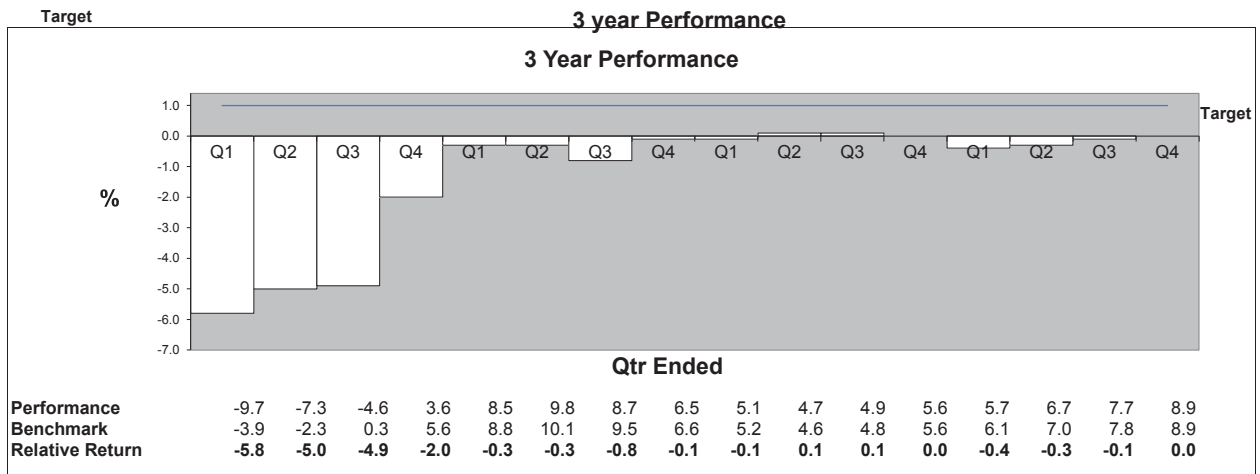
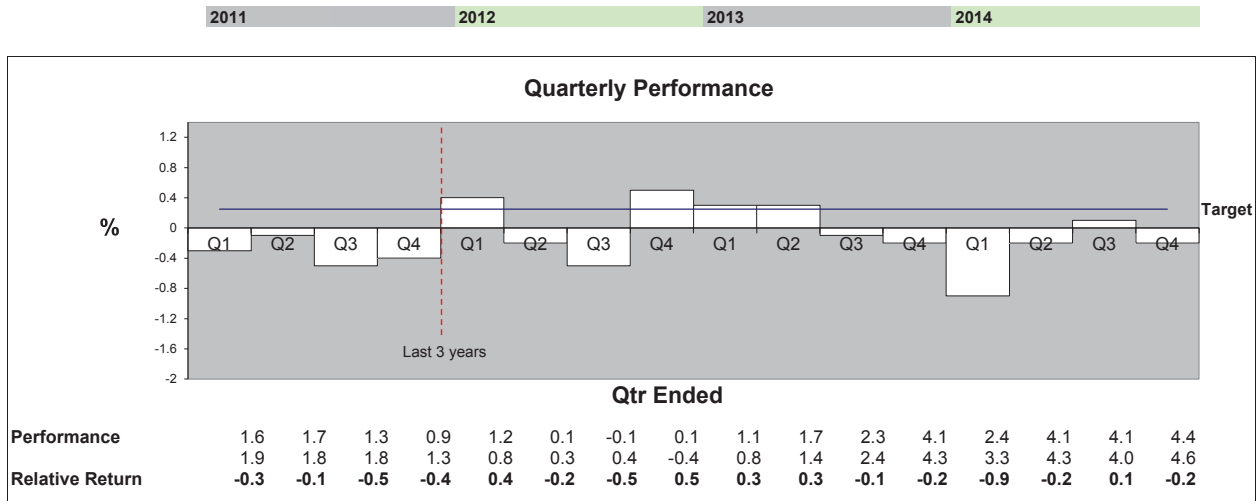
Rolling annual target of 3.00% above benchmark

**UBS -
Overseas
Equities**



UBS Three Year Annualised Performance

	Property	Target
Q3 2012	-0.8	1.0
Q4 2012	-0.1	1.0
Q1 2013	-0.1	1.0
Q2 2013	0.1	1.0
Q3 2013	0.1	1.0
Q4 2013	0.0	1.0
Q1 2014	-0.4	1.0
Q2 2014	-0.3	1.0
Q3 2014	0.3	1.0
Q4 2014	0.4	1.0



Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 31/12/2014

Rank	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND-I	11,459,971	11.49
2	STANDARD LIFE POOLED PPTY FD	7,618,831	7.64
3	SCHRODER UK PROPERTY-INC	7,304,582	7.32
4	UBS CEN LON VAF UNITS GBP	7,288,713	7.31
5	PRUDENTIAL MGD PROP CORP-P	6,631,491	6.65
Top 10 Holdings Market Value		40,303,588	40.41
Total UBS Property Market Value		99,730,000	

**UBS -
Property**

QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q4 2014

8 February 2015

Peter Davies

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OXFORDSHIRE PENSION FUND COMMITTEE – 13 MARCH 2015

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

- The US economy slowed to growth of +0.6% in the fourth quarter, while the UK's 0.5% gain also represented a slowing from the previous rate of growth. The Eurozone economies remained sluggish, while Japan contracted for a second successive quarter and China's growth rate looked likely to slow down. The fall in oil prices reduced rates of inflation globally, but whereas the annual UK core rate (excluding energy, food and alcohol) was +1.3%, the negative inflation in the Eurozone was symptomatic of weak demand in the region.

(In the table below, bracketed figures show the forecasts at the time of the report to the December Committee)

Consensus real growth (%)					Consumer prices latest (%)
	2012	2013	2014E	2015E	
UK	-0.1	+1.7	(+3.0) +2.7	+2.6	+0.5 (CPI)
USA	+2.2	+1.9	(+2.2) +2.4	+3.3	+0.8
Eurozone	-0.5	-0.4	(+0.8) +0.8	+1.2	-0.6
Japan	+1.9	+1.7	(+0.9) +0.3	+1.1	+2.4
China	+7.8	+7.7	(+7.3) +7.3	+7.1	+1.5

[Source of estimates: The Economist 7th February, 2015]

- In his **Autumn Statement** on December 3rd, George Osborne forecast UK GDP growth of 3.0% in 2014, but the estimates for the following five years were slightly lower than previously forecast, and all below 2.5%. CPI inflation is expected to remain in the 1-2% range throughout 2015 and 2016. The fiscal deficit in the 2014/15 tax year is expected to be £91.3bn (5% of GDP, and some £5bn larger than previously forecast) and to fall each year until a surplus of £4bn is achieved in 2018/19. The Debt/GDP ratio was forecast to peak at 81% in 2015/16. Notable changes announced in the Statement included an immediate revamp of Stamp Duty rates, and restrictions on the banks' ability to offset past losses against future tax.

3. The coalition's planned reduction in the fiscal deficit is predicated on cutting public spending by 1% of GDP each year, while increasing tax receipts by 0.1% of GDP each year. The Labour Party criticised the scale of these spending cuts, and indicated that, if elected, they would cut spending by only 0.6% of GDP per annum. This difference in approach looks likely to be one of the main themes of the forthcoming General Election campaign.
4. In mid-November, **Japan's** GDP was announced to be -0.4% for the third quarter, thereby confirming a recession, and shortly afterwards Prime Minister Abe announced he would defer the second stage of the consumption tax increase from October 2015 to April 2017. He also called a snap election for December 14th, which, in the face of opposition disarray, confirmed the LDP's standing in the Diet.
5. The most dramatic – and unexpected – development has been the steep fall in the price of **oil**. A barrel of Brent Crude halved in price (from \$112 to \$57) during the second half of 2014, and ended January at \$52. The causes have been a mix of slowing demand and inflexible supply. Within the OPEC group, the low-cost producers (Saudi Arabia, Kuwait, Qatar and UAE) have decided to maintain their production levels, knowing that this will force the price of oil downwards. Their motivation may be to make life difficult for the shale oil producers of North America, whose profitability – and in some cases viability – is severely affected by such a sharp reduction in market prices. The death of King Abdullah of Saudi Arabia on January 23rd created more uncertainty about the OPEC producers' future policy on oil supplies. While cheaper fuel is beneficial for private and industrial consumers, it is deeply negative for countries relying on oil exports, notably Russia, Nigeria and Venezuela.
6. The plunging oil price dealt a further blow to the **Russian** economy, already weakened by the imposition of trade sanctions earlier in the year. After raising interest rates from 9.5% to 10.5% on December 11, ostensibly to combat inflation, the Russian Central Bank suddenly increased the rate to 17% at midnight on December 15, in an attempt to defend the rouble which had fallen to R66 per \$. The following day the rate fell further - to 77 per \$ - before rebounding to the 55 level on heavy buying from the Russian Central Bank. After the interest rate was cut to 15% at the end of January, the rouble weakened to R70 per \$.
7. The political situation in **Greece** has reawakened concerns about the future of the Eurozone. On December 29th the Greek parliament failed to elect a president, forcing an early election on January 25th. This resulted in a victory for the far-left populist party Syriza, led by Alexis Tsipras, who formed a coalition government with the right-wing Independent Greeks party. Mr Tsipras had advocated revoking most of the conditions attached to Greece's bail-out: he would end austerity, scrap asset sales and seek to repudiate half of Greece's debt. This will bring him into conflict with the ECB.
8. On January 15th the **Swiss** National Bank surprised markets with the news that it was abandoning the currency cap against the Euro, which had prevented the Swiss Franc appreciating beyond SFr1.20 per € since 2011. A

massive surge in the Swiss Franc took it to 0.85 /€, before it closed the day at 1.04/€. Deprived of support from the SNB, the Euro weakened to \$1.15 – its lowest level for eleven years. In two days the £ moved from SFr 1.55 to just SFr 1.29, but then rallied to end the month at SFr 1.38.

9. On January 22nd, the European Central Bank announced it would embark on a €60bn per month programme of Quantitative Easing – purchasing assets including government and private sector bonds – from March 2015 until at least September 2016, in an effort to stimulate the Eurozone economies.

Markets

10. The movements of **equity** market indices for the quarter as a whole conceal a volatile period, where prices fell by some 10% in the month to mid-October (as described in my previous report), before recovering, and then underwent a smaller correction in early December. UK, European and Emerging Markets lagged the other regions, while almost the entire gain in the All-World Index was attributable to North America's rise.

	Capital return (in £, %) to 31.12.14		
Weight %	Region	3 months	12 months
100.0	FTSE All-World Index	+4.0	+8.5
54.9	FTSE All-World North America	+7.7	+17.1
7.8	FTSE All-World Japan	+1.5	+0.7
11.6	FTSE All-World Asia Pacific ex Japan	+2.7	+6.6
15.6	FTSE All-World Europe (ex-UK)	-1.7	-4.4
7.2	FTSE All-World UK	-0.8	-2.9
8.9	FTSE All-World Emerging Markets	+0.0	+4.7

[Source: FTSE All-World Review, December 2014]

11. Within the UK equity market, only the 'mid-cap' FTSE 250 Index gained ground during the quarter or, indeed, during the year as a whole.

(Capital only %, to 31.12.14)	3 months	12 months
FTSE 100	- 0.9	-2.7
FTSE 250	+4.6	+0.9
FTSE Small Cap	-0.3	-1.5
FTSE All-Share	+0.0	-2.1

[Source: Financial Times]

12. By sector, Oil & Gas and Basic Materials were dragged down by the falling prices of oil and commodities, while all the other sectors (with the exception of Telecommunications) registered solid gains during the quarter.

Capital return (in £, %) to 31.12.14		
Industry Group	3 months	12 months
Health Care	+6.7	+24.1
Technology	+6.9	+23.4
Utilities	+5.7	+15.9
Consumer Services	+10.7	+11.9
FTSE All-World	+4.0	+8.5
Financials	+5.6	+8.2
Consumer Goods	+6.4	+7.2
Industrials	+4.7	+5.8
Telecommunications	-0.1	+0.8
Basic Materials	-3.3	-5.3
Oil & Gas	-12.8	-10.9

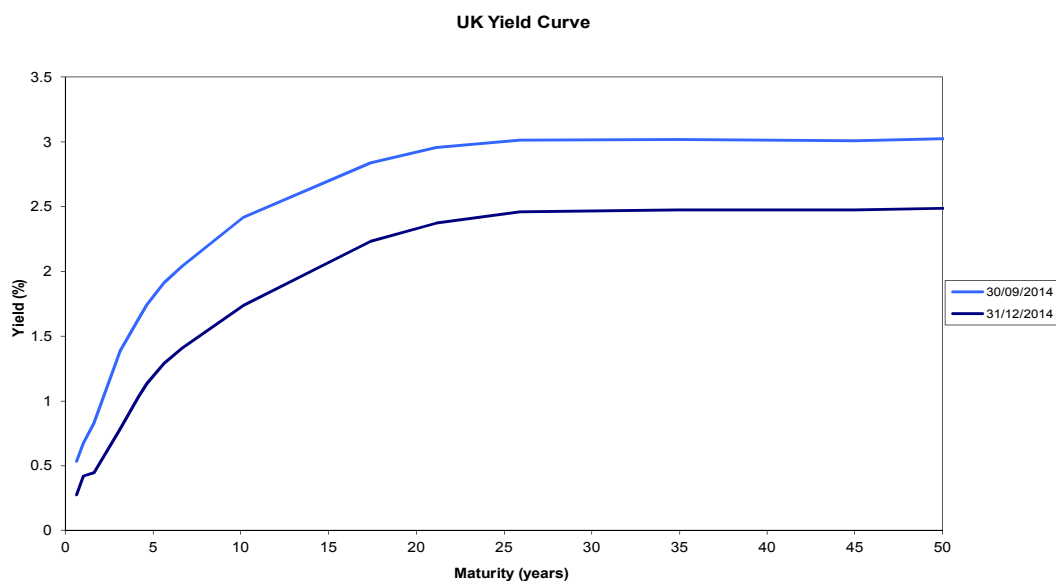
[Source: FTSE All-World Review, December 2014]

13. **Government bond** markets in the 'safe haven' economies strengthened further, and yields have fallen substantially during 2014 in all these markets as shown in the table below. Amid investors' worries about the outlook for Greek bonds (see para 7) and possibly other peripherals, the security of German, UK or US government bonds became increasingly attractive, and 10-year yields on UK and US government bonds fell by 0.5% in January 2015 – equivalent to a 3-4% gain in price. Lower inflation has also contributed to the demand for fixed-coupon bonds by increasing the real yields.

10-year government bond yields (%)					
	Dec 11	Dec 12	Dec 2013	Sept 2014	Dec 2014
US	1.88	1.76	3.03	2.49	2.17
UK	1.98	1.85	3.04	2.43	1.76
Germany	1.83	1.32	1.94	0.95	0.54
Japan	0.98	0.79	0.74	0.53	0.33

[Source: Financial Times]

14. In the UK, yields continued to reduce at all durations, as shown below.



Currencies

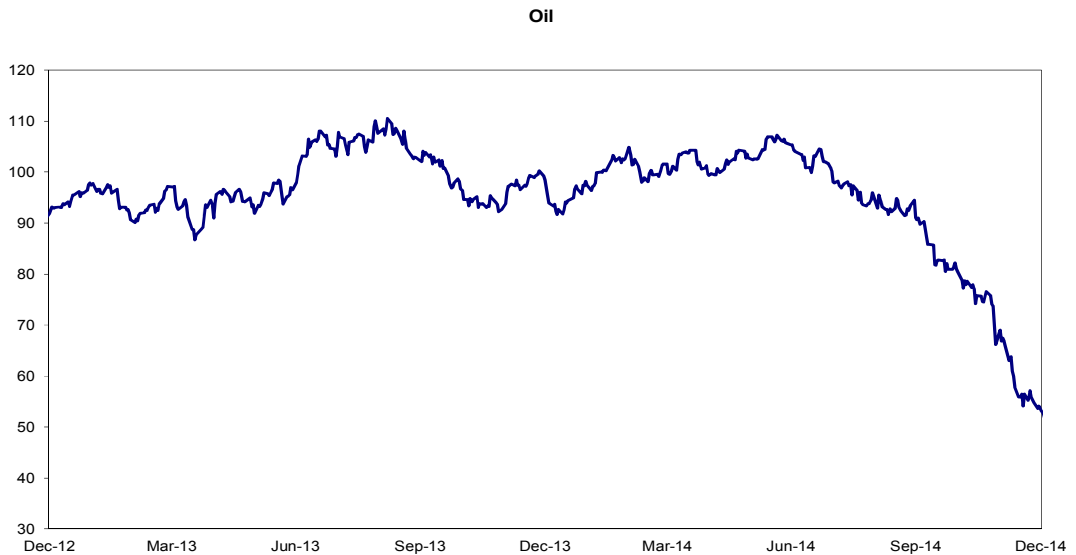
15. The yen fell after the Bank of Japan embarked on its enhanced QE policy, while the pound fell against the dollar (see graph below) as it became clear that the first UK interest rate rise would be delayed until at least the final quarter of 2015.

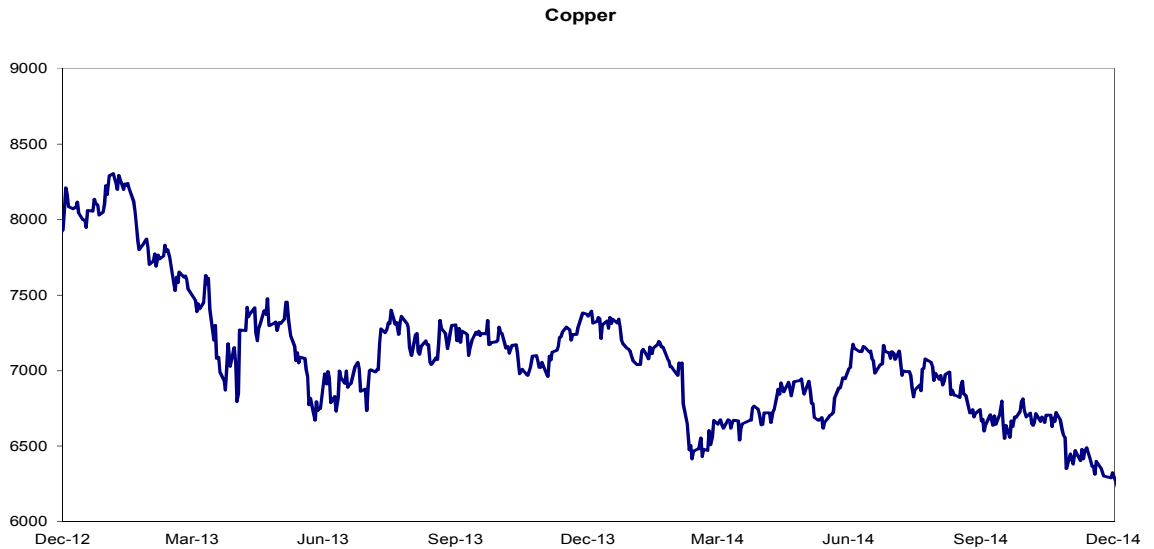
	31.12.13	30.09.14	31.12.14	£ move	
				3m	12m
\$ per £	1.656	1.621	1.559	- 3.8%	- 5.9%
€ per £	1.202	1.283	1.289	+ 0.5%	+ 7.2%
Y per £	174.1	177.8	186.9	+ 5.1%	+ 7.4%



Commodities

16. The sharp fall in oil prices has been described in para 5, but the price of copper also weakened on the expectation of lower demand from China.





Property

17. The UK property market has maintained its strong momentum of the past eighteen months, with returns, as measured by the IPD Monthly Index, especially strong in the Office and Industrial sectors.

	3-month	12-month
All Property	+4.4%	+19.3%
Retail	+2.8%	+14.1%
Office	+5.6%	+24.3%
Industrial	+6.0%	+24.4%

[IPD Monthly Index of total returns, Dec 2014]

Outlook

18. The sharp fall in the oil price should be of benefit to consumers, by boosting their spendable income, and to those companies whose input costs are significantly related to the price of oil. Clearly there are other companies (e.g. those reliant on oil exploration) who are suffering from the new regime, and will continue to do so while the price remains depressed. Oil-exporting countries (including several Emerging Markets) are also under pressure, just as oil-importing countries are beneficiaries. Overall, the boost to consumer spending should be positive for global economic growth in 2015.
19. The ECB's decision to start a programme of Quantitative Easing has delivered a boost to equity and bond markets, but the election of Syriza in Greece has

created renewed uncertainty about Greece's place in the Eurozone – and the possible consequences for other members if Greece were to default on its debts or to leave the single currency.

20. While the lower level of inflation makes lower bond yields more sustainable, and in turn emphasises the attractions of equity yields, there are also many reasons to remain cautious on the outlook for equities during 2015.

Peter Davies

Senior Adviser – AllenbridgeEpic Investment Advisers

February 8th, 2015

[All graphs supplied by Legal & General Investment Management]

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Division(s): N/A

PENSION FUND COMMITTEE – 13 MARCH 2015

OXFORDSHIRE PENSION FUND BUSINESS PLAN FOR 2015/16

Report by the Chief Finance Officer

Introduction

1. The business plan for 2015/16 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 2015/16 and the latest risk register for the service.

Key objectives

2. The key high level objectives of the fund remain consistent with the 2014/15 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.
3. In approving the Business Plan the Committee will be endorsing these objectives.
4. Part A of the plan includes a broad summary of the service activity undertaken. Part B includes the service priorities along with the relevant action plans to deliver on the priorities. These priorities represent improvements or developments that the officers are planning for the coming year. By definition they exclude business as usual.
5. As discussed in recent Committee meetings, the plan looks to move the focus away from quarterly review of the performance of fund managers, to a more strategic oversight of the performance of the Fund.

Oxfordshire Pension Fund 2015/16 Budget

6. Part C sets out the Fund's investment management and scheme administration budget for 2015/16 and compares it with the budget set for 2014/15. The budget increase is predominantly due to an expected rise in fund management fees resulting from an increase in the value of the fund's assets. A report comparing the scheme administration and investment

management actual expenses figures, against the budget for 2014/15, will be produced for the September 2015 Committee meeting.

7. The administration and investment team staffing budgets have increased to reflect the increase in salary costs due to pay awards and increments due during 2015/16. The budget has also increased to reflect the fact that the Pension Fund will benefit from a greater proportion of senior management time, following the transfer of some county council services to Hampshire in July 2015. Employee costs also include other staffing related support service recharges, including H.R., Learning and Development, training costs etc.
8. The increase in the budget for Support Services including ICT reflects the implementation of new modules of the Altair system which over time should support the more efficient and effective administration of the Fund.
9. Within the Other category of costs, there is a new budget line to reflect the budget allocated to support the work of the new Pension Board. This allocation will need to cover any expenses and allowances paid to Board Members, the costs of their training programme, and any specialist advice they require to undertake their responsibilities. As this is the first year of the Board, the appropriateness of the allocation will need to be reviewed during the year.

Risk Register

9. The risk register for the Pension Fund is included as Part D of the Business Plan. This has been reviewed, and some minor changes have been made to update the text.
10. Risk 19 has been added to acknowledge the risk associated with failure to recruit to the new Pension Board. As this is a new initiative, the risk is not to current standards, but could impact on the ability to improve our governance arrangements going forward. The refocuses of the work of the Committee as covered in the service priorities above should mitigate this risk.

Cash Management

11. 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 2015/16, 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.

RECOMMENDATIONS

12. The Committee is RECOMMENDED to:

- (a) approve the Business Plan and Budget for 2015/16 as set out at Annex 1;**
- (b) approve the Pension Fund Cash Management Strategy for 2015/16 as set out at Annex 2;**
- (c) delegate authority to the 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 Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and**
- (e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.**

LORNA BAXTER
Chief Finance Officer

Background papers: Nil

Contact Officers:

Sally Fox – Pensions Administration Manager, Tel: (01865)797111
Donna Ross – Principal Financial Manager, Tel: (01865) 323976

March 2015

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Oxfordshire Pension Fund: Business Plan 2015/16

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. 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</p>

Part B – Service Priorities

Task	Actions	Measures of Success
<p>Refocus the work of the Committee to improve overall governance of the Fund.</p>	<p>Develop a set of key performance indicator reports based on the guidance of the Scheme Advisory Board, and ensure regular reports presented to the Committee and Pension Board.</p>	<p>Oxfordshire LGPS Fund seen as a model of good practice by the Scheme Advisory Board.</p>
<p>Develop the Strategy for the management of the Pension Fund Deficit.</p>	<p>Obtain greater transparency of the cash flow associated with future pension liabilities from the Actuary.</p> <p>Improve arrangements for monitoring scheme employer actions which will impact on future liability profiles.</p> <p>Develop asset allocation modelling around future liability cash flows.</p> <p>Develop links to management of employer risks below.</p>	<p>Clear links established between investment strategy and liability profile to maximise the risk/return position with a clear plan for reducing the fund deficit over a given timescale.</p>
<p>Develop strategy for the Management of Employer Risk.</p>	<p>Create individual employer monitoring arrangements based on the risk assessments completed by the Fund Actuary.</p> <p>Consider changes to the Funding Strategy Statement to reduce risk of non-payment of individual employer deficits.</p>	<p>Reduced level of future write offs on cessation valuations.</p>
<p>Establish the new Local Pension Board.</p>	<p>Run recruitment process to identify Board Members.</p> <p>Establish training programme for Board</p>	<p>Greater transparency of the overall governance arrangements and performance of the Fund.</p>

	<p>Members.</p> <p>Develop initial work programme.</p>	
Develop performance and accounting, custody system reports	Work with the fund custodian to develop accounting and performance monitoring reports.	Reports available for efficient performance monitoring, accounting and completion of regular returns.
Develop accounting systems and procedures to ensure business continuity and minimise risks following transfer of some support functions to Hampshire County Council.	Work with project leads, identify pension specific issues, develop strategies, policies and procedures to integrate with new systems. Document and communicate changes, monitor, review and update.	<p>Smooth transition of support functions to Hampshire C.C. No regulatory breaches.</p> <p>Robust accounting information available for internal controls, monitoring and final accounts.</p>
Develop administration system	Implement new Altair system modules and develop member self-service option	<p>New system modules successfully implemented.</p> <p>Improved customer satisfaction</p>
Explore efficiencies through partnership working/scheme merger	Provide support for project investigating potential benefits of fund merger and joint working.	

Part C. Budget:

	2015/16 Budget	2014/15 Budget
	£'000	£'000
Administrative Expenses		
Employee Costs		
- Administrative	915	876
- Investment	269	223
Support Services including ICT	349	313
Actuarial Fees	75	50
External Audit Fees	25	57
Internal Audit Fees	14	14
Printing and Stationery	40	40
Advisory and Consultancy Fees	275	275
Other – Pension Board	10	0
Other costs	117	112
	2,089	1,960
Investment Management Expenses		
Management Fees	4,300	3,800
Custody Fees	100	100
Performance Monitoring Service	15	14
Other	50	42
	4,465	3,956
Total Pension Fund Budget	6,554	5,916

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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.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
6	Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing.	3	3	9	Employers are charged the extra capital cost of non ill health retirements following each individual decision. Employer ill health retirement experience is monitored.
7	Pension Fund 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 Pension Fund monitors membership movements. There will be a requirement under the 2013 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. Pooling now compulsory for academies with less than 50 staff in the LGPS.
	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.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
11	Failure of individual investments leading to a failure to reduce the deficit.	3	2	6	Diversified investment strategy and investment manager structure minimises impact at fund level of any individual investment failure.
12	Failure in investment performance by individual investment managers leading to a failure to reduce the deficit.	4	3	12	Thorough manager selection and due diligence process. Regular monitoring of manager performance using external advisers with knowledge of manager performance.
13	Negligence, fraud or default by individual investment manager leading to a failure to reduce the deficit and potential adverse media interest.	3	1	3	Legal requirements on fund managers set out in investment management agreements; FCA 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 FCA regulation of custodian. 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, BNP Paribas (Fund custodian). All securities in programme are over-collateralised (by 5%).
16	Non-compliance with LGPS investment regulations leading to legal challenge.	1	1	1	Investment management mandates structured to ensure compliance. Robust monitoring arrangements for investment managers.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
	Governance				
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 Introduction of Pension Board from April 2015 Pension Regulator becomes responsible for public sector schemes
18	Pension Fund Committee and/or Board 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
19	Pension Fund unable to attract and retain Board members, restricting improvements in the governance of the Fund.	3	3	9	Re-focusing of the work of the Committee itself on governance and performance should support the overall improvement, even in the event of a failure to successfully establish the Board.
	Operational				
20	Failure of pensions administration IT systems leading to complaints from beneficiaries and potential costs.	2	1	2	ICT business continuity plan / disaster recovery plan in place

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
21	Failure to comply with LGPS pensions 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.
22	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. April 2015 introduction of employer risk monitoring, to be further developed throughout the year.
23	Inability or refusal of an employer to pay the cessation valuation.	3	3	9	Action through the courts.
24	Breach of data protection legislation leading to complaints from members of the scheme.	1	1	1	County Council data security protocol.
25	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.
26	Employers' failure to carry out their responsibilities for scheme administration leading to complaints from members of the scheme. Particularly given the further requirements placed on employers under 2014 scheme	1	1	1	Regular communication to employers on LGPS matters. Pension administration strategy now in place Training for employers Adjudication of Disagreements Procedure in place for formal complaints

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
27	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
28	Concentration of knowledge in a small number of officers and risk of departure of key staff.	2	3	6	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. For administration staff qualifications via IPPM or LPFA in benefits administration.
	Regulatory				
29	Changes to LGPS Regulations 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 Pension Fund responds to most 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 regulations change.

Risk ID	Risk	Impact	Likelihood	Risk Score	Existing Risk Control Measures
30	An employer ceasing to exist with insufficient funding or adequacy of a bond.	1	3	3	<p>The risk is mitigated by:</p> <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 • Introduction of employer risk monitoring to identify issues at an early stage
31	Ceding employers fail to understand / comply with their statutory requirements in respect of outsourcing; failure to be party to the admission agreement	2	4	8	<p>This risk is (partly) mitigated by</p> <ul style="list-style-type: none"> • Information sent out to scheme employers • Working more with scheme employers to highlight their responsibilities and the consequences of failing to comply with Fair Deal / Best Value • Training of employing body staff

Pension Fund Cash Management Strategy 2015/16

Report by Chief Finance Officer

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short term commitments and forms 0-5% of the Fund's strategic asset allocation.
2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 S.I.No. 3093 state that from 1 April 2011 the administering authority must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment policy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This report sets out the strategy for the financial year 2015/16.

Management Arrangements

3. 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

4. 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.
5. 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.
6. 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

7. 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

8. 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.
9. 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.
10. Pension Fund deposits will be restricted to the County Council's approved counterparties at the time of deposit. Approved counterparties as at 25 February 2015 are shown in appendix 2.

Borrowing for Pension Fund

11. 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.
12. 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.

13. The 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 Chief Finance Officer during 2015/16.

**Oxfordshire County Council 2015/16 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
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
Reverse Repurchase Agreements – maturity under 1 year from arrangement and counterparty of high credit quality	Counterparty Rating: Fitch short-term F1, Long-term A-
Covered Bonds – maturity under 1 year from arrangement	A-
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 25/02/15

Ignis Sterling Liquidity Fund

Bank of Montreal

Bank of Nova Scotia

Barclays Bank Plc

Canadian Imperial Bank of Commerce

Close Brothers

Commonwealth Bank of Australia

Coventry Building Society

Credit Suisse

Development Bank of Singapore

Goldman Sachs International Bank

HSBC Bank plc

Landesbank Hessen-Thuringen (Helaba)

Lloyds TSB Bank plc

National Australia Bank

National Bank of Canada

Nationwide Building Society

Oversea-Chinese Banking Corp

Rabobank

Royal Bank of Canada

Santander UK plc

Standard Chartered Bank

Svenska Handelsbanken

Toronto-Dominion Bank

United Overseas Bank

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Division(s): N/A

PENSION FUND COMMITTEE – 13 MARCH 2015

LOCAL GOVERNMENT PENSION SCHEME – LOCAL PENSION BOARD

Report by Chief Finance Officer

Introduction

1. As previously discussed by this Committee, one of the recommendations of Lord Hutton's independent Public Service Pension Commission was that every public sector pension scheme should have a properly constituted, trained and competent pension board, with member nominees. Such Boards should be responsible for meeting good standards of governance, including effective and efficient administration.
2. This was enshrined into legislation by the Public Service Pension Scheme Act 2013 ('the Act'). In order to comply with the Act, Pension Scheme Regulations are to be amended to include the establishment of Pension Boards by 1st April 2015.
3. For the Local Government Pension Scheme, the framework for the Board is set out in the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.
4. These arrangements include the requirement for the Scheme Manager to establish a local Pension Board to assist it to:
 - Secure compliance with the Local Government Pension Scheme Regulations, and any other legislation relating to the governance and administration of the scheme and any connected scheme
 - To ensure the effective and efficient governance and administration of this and any connected scheme.

Oxfordshire LGPS Local Pension Board

5. Annex 1 contains a draft constitution for the Oxfordshire LGPS Local Pension Board. This is based on the discussion at the last meeting of this Committee and subsequent conversations with the Chairman of the Committee.
6. The key features within the draft Constitution which Members should consider before making any final determination on the Constitution are as follows:
 - Membership (paragraphs 9-11) – membership has been proposed as 3 representatives each of scheme employers and scheme members, plus an independent member who will not have any voting rights.

- In light of the knowledge and understanding requirements on Board members, no substitute members will be allowed (paragraphs 14 and 18).
- Appointment of Scheme Member representatives (paragraph 15) – all scheme members can be nominated or can self-nominate. A selection Panel to consist of the Committee Chairman and Deputy Chairman, plus one other committee member, alongside 2 representatives of the main trade unions will then interview candidates to ensure they have the capacity to undertake the role, and make appointments to ensure an appropriate level of knowledge and understanding across the candidates, and that the selected candidates provide a balanced representation of scheme members as a whole.
- Appointment of Scheme Employer representatives (paragraph 19) – elected members, office holders and senior employees can be nominated or self-nominated, with no restriction on the number of nominations from a single employer. A selection Panel comprising the Chairman and Deputy Chairman of the Committee plus one other Committee Member will then interview all candidates to ensure they have the capacity to undertake the role, and make appointments to ensure an appropriate level of knowledge and understanding across the candidates, and that the selected candidates provide a balanced representation of scheme employers as a whole. The decision will also be informed by any advice offered by the Employers Forum.
- The committee will appoint an independent chairman for the Board, subject to the selected candidate being endorsed by the majority of scheme employer and scheme member representatives. (paragraph 21).
- Terms of Office (paragraphs 24-26) – the standard term of office will be 4 years, with the opportunity for the Committee, with the agreement of the Board to grant an extension for further terms of office. The Committee can also grant an additional 2 year extension to the term of office for any of the initial Board members, to ensure that there is some continuity of membership and all knowledge and understanding is not lost at the same time.
- Meetings (paragraphs 33 – 37) – the Board shall meet a minimum of 4 times a year, with additional meetings as required, with a quorum of one scheme employer, one scheme member representative and the independent chairman.
- Expenses and allowances (paragraphs 52 and 53) – Board Members will be paid expenses by the Administering Authority,, only to cover travel, subsistence and any carers expenses at rates in line with the County Council’s Member’s Allowance Scheme. The only exception will be the independent Chairman who will be paid an allowance to undertake their duties, in line with the special responsibility allowance paid to co-opted members under the Council’s Members Allowances Scheme. The chairman will also be entitled to claim expenses when they

attend the Pension Committee to provide reports on the work of the Board.

RECOMMENDATION

7. **The Pension Fund Committee is RECOMMENDED to:**
- (a) discuss the draft constitution as presented as Annex 1 to this report and in particular the points highlighted in paragraph 6 above, and**
 - (b) agree the Constitution of the Oxfordshire LGPS Local Pension Board as presented in Annex 1, with any changes identified under (a) above.**

Lorna Baxter
Chief Finance Officer

Background papers: Nil

Contact Officer: Sean Collins – Service Manager (Pensions) , Tel: (01865) 797190

March 2015

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LOCAL GOVERNMENT PENSION SCHEME - LOCAL PENSION BOARD OF OXFORDSHIRE PENSION FUND COMMITTEE CONSTITUTION

Introduction

1. This document sets out the terms of reference of the Local Government Pension Scheme Local Pension Board of Oxfordshire Pension Fund Committee (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
'the Fund'	means the Fund managed and administered by the Administering Authority.

'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

It should be noted that the role of the Board is to assist the Pension Fund Committee. It does not replace the Committee nor can it make decisions which are the responsibility of the Pension Fund Committee.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the principles of public conduct contained in the Members' Code of Conduct which forms part of the County Council's Constitution. These principles are themselves based upon the Seven Principles of Public Conduct.

Establishment

8. The Board is established on 1 April 2015 subsequent to approval by the Oxfordshire Pension Fund Committee on 13 March 2015 and ratification by County Council on 14 April 2015.

Membership

9. The Board shall consist of 6 voting members, as follows:

3 Member Representatives; and

3 Employer Representatives.

10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be 1 other representative who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members¹ or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity² to attend and complete the necessary preparation for meetings and participate in training as required.
14. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
15. The 3 Member representatives shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority. This will comprise of a nomination, or self-nomination process followed by an interview conducted by the Chairman and Deputy Chairman of the Pension Fund Committee and one other member; and two representatives from the main trade unions.

Employer representatives

16. Employer representatives shall be elected members, office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

¹ Active, deferred or pensioner members

² See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

17. Employer representatives should be able to demonstrate their capacity³ to attend and complete the necessary preparation for meetings and participate in training as required.
18. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
19. The 3 Employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority. This will comprise of an interview conducted by the Chairmen and Deputy Chairman and 1 other member of the Pension Fund Committee. The Employers Forum shall also be given the opportunity to offer advice to the Administering Authority on all nominated candidates.

Other members

20. 1 other member, whose function will be that of independent chairman to the Board, shall be appointed to the Board by the agreement of both the Administering Authority and the Board.

Appointment of chairman

21. Subject to the meeting arrangements in paragraphs 33 to 35 below a chairman shall be appointed for the Board using the process listed below

An independent chairman to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund. The appointment of the chairman shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.

Duties of chairman

22. The chairman of the Board:
 - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

³ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

Notification of appointments

23. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office

24. The term of office for Board members is 4 years.
25. In the interests of retaining relevant knowledge and understanding on the Board, all Board members can seek to be re-appointed for further terms of office, as long as they still meet the criteria necessary to be able to act as a representative of scheme employers or scheme members. Such extensions may be made by the Administering Authority with the agreement of the Board. For members appointed to the initial Board, the Pension Fund Committee can agree an extension of up to 2 years to enable the replacement of members on a phased basis, so that not all the knowledge and understanding is lost at the same time.
26. Board membership may be terminated prior to the end of the term of office due to:
- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to the Oxfordshire Pension Fund Committee their capacity to attend and prepare for 3 Board meetings in any 12 month period, or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Committee.
 - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.
 - (i) A serious breach of the Code of Conduct in the opinion of the Monitoring Officer
 - (j) A serious failure to comply with the Knowledge and Understanding Policy in the opinion of the Monitoring Officer
 - (k) Resignation of the member concerned.

Conflicts of interest⁴

27. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
28. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
29. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's Conflicts of Interest policy and the requirements of the Code.

Knowledge and understanding (including Training)⁵

30. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
31. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
32. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board. Each Board Member must be satisfied that they have the appropriate degree of knowledge and understanding and be able to demonstrate this as required.

Meetings

33. The Board shall as a minimum meet 4 times each year
34. Meetings shall normally take place at County Hall, Oxford at a time to be agreed with the Chair of the Board which maximises the assistance to be provided to the Pension Fund Committee.

⁴ See section 7 of the Guidance for more information on Conflicts of Interest.

⁵ See section 6 of the Guidance for more information on Knowledge and Understanding.

35. The chairman of the Board, in consultation with the chairman of the Pension Fund Committee and Board members may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

36. The quorum for a Board meeting will comprise the Chairman, one representative of scheme employers and one representative of scheme members.
37. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

38. The Chairman shall agree an Agenda with the 'Board Secretary' prior to each Board meeting.
39. The agenda and supporting papers will be issued at least 5 clear working days (where practicable) in advance of the meeting except in the case of matters of urgency.
40. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 15 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
41. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
42. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
43. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board. The Board may be supported in its role and responsibilities through the appointment of advisors. To this end the Board should seek to establish a reciprocal arrangement with a neighbouring Local Pension Board, which allows it to obtain independent advice from the Officers and Advisors to the neighbouring Pension Fund Committee, to minimise the additional costs chargeable to the Pension Fund.

44. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
45. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

46. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
47. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) *Members of the Committee,*
 - (b) *Any person requested to attend by the Board.*

Any such attendees will be permitted to speak at the discretion of the Chairman.

48. In accordance with the Act the Administering Authority shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and members on the Board.
 - (c) The role of the Board.
 - (d) These Terms of Reference.

49. The Administering Authority shall also publish other information about the Board including:
 - (a) Agendas and minutes
 - (b) Training and attendance logs
 - (c) An annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year.

50. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
 - (a) On the Fund's website.
 - (b) As part of the Fund's Annual Report.
 - (c) As part of the Governance Compliance Statement.

51. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A

of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

52. The Administering Authority shall meet the travel, subsistence and carers expenses of Board members, in line with those payable under the County Council's Member's Allowance Scheme. These expenses will be paid in respect of attendance at Board meetings, and all training events deemed appropriate for meeting the knowledge and understanding requirements of Board members.
53. The Administering Authority shall pay a special responsibility allowance to the Independent Chairman of the Board in respect of the performance of their duties as the Chairman, including agenda planning, chairing Board meetings, and reporting to the Pension Fund Committee. This payment will be in line with the special responsibility allowance payable to co-opted Committee members as identified under the County Council's Member's Allowances Scheme. In addition to expenses paid under paragraph 52 above, the chairman is entitled to claim expenses when required to attend meetings of the Pension Fund Committee.

Budget

54. The Board is to be provided with adequate resources to fulfil its role. The Administering Authority will allocate an annual budget which is managed by and at the discretion of the Board. All costs of the Board will be chargeable to the Pension Fund. The budget will include cover for the costs of allowances and expenses for Board members, the costs of obtaining appropriate advice and support and the costs of all appropriate training programmes. Any expenditure on independent advisers outside of the budget provision will be subject to the prior approval of the Pension Fund Committee Chairman.

Core functions⁶

55. The first core function of the Board is to assist⁷ the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.

⁶ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

⁷ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
 - c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
 - d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
 - e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
 - f) *Monitor complaints and performance on the administration and governance of the scheme.*
 - g) *Assist with the application of the Adjudication of Disagreements Process.*
 - h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
 - i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
 - j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
 - k) *Review the complete and proper exercise of employer and administering authority discretions.*
 - l) *Review the outcome of internal and external audit reports.*
 - m) *Review draft accounts and Fund annual report.*
 - n) *Review the compliance of particular cases, projects or process on request of the Committee.*
 - o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*
56. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
- a) *Assist with the development of improved customer services.*
 - b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*
 - c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
 - d) *Monitor investment costs including custodian and transaction costs.*
 - e) *Monitor internal and external audit reports.*
 - f) *Review the risk register as it relates to the scheme manager function of the authority.*
 - g) *Assist with the development of improved management, administration and governance structures and policies.*
 - h) *Review the outcome of actuarial reporting and valuations.*

- j) Assist in the development and monitoring of process improvements on request of Committee.*
- k) Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
- Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*

57. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
58. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting⁸

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer
60. Requests and recommendations should be reported under the provisions of paragraphs 57 and 58 above.
61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
62. On receipt of a report under paragraph 61 above the Committee should, within a reasonable period consider and respond to the Board. The response may be in the form of a written response directly to Board members for subsequent submission to the next meeting.
63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 61 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
65. The appropriate internal route for escalation is to the Monitoring Officer or/and the Section 151 Officer as appropriate.

⁸ See section 8 of the Guidance for more information on Reporting.

- 66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
- 67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

Review of terms of reference

- 68. This Constitution shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every 3 years.
- 69. These Terms of Reference were adopted on 13 March 2015.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published 5 March 2015

PENSION FUND COMMITTEE – 13 MARCH 2015

FIREFIGHTER PENSION SCHEME – LOCAL PENSION BOARD

Report by Chief Fire Officer

Introduction

1. The independent Public Service Pension Commission, known as the Hutton Review, reported in March 2011 and made a number of recommendations relating to public sector pensions, including that “every pension scheme should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration.
2. This was enshrined into legislation by the Public Service Pension Scheme Act 2013 (‘the Act’). In order to comply with the Act, Pension Scheme Regulations are to be amended to include the establishment of Pension Boards by 1st April 2015.
3. There have been two consultations on the Firefighters’ Pension Scheme (Amendment) (Governance) Regulations 2015. The final Statutory Instrument has not been laid before Parliament but this will come into force on 1st April 2015.
4. The Statutory Instrument amends the Firefighter Pension Scheme (England) Regulations 2014 and will set out the governance arrangements for the various firefighters’ pension schemes.
5. These arrangements include the requirement for the Scheme Manager to establish a local Pension Board to assist it to:
 - (a) Secure compliance with
 - (1) the Firefighters’ Pension Scheme Regulations
 - (2) Any other legislation relating to the governance and administration of the scheme and any connected scheme
 - (b) To ensure the effective and efficient governance and administration of this and any connected scheme.
6. For the purpose of these regulations Oxfordshire County Council as the Fire and Rescue Authority are the Scheme Manager. This is delegated to the Pension Fund Committee in Part 2 Article 8 of the Constitution under the Local Authorities (Functions and Responsibilities)(England) Regulations 2000
7. The daily administration of the Scheme is delegated to the Chief Fire Officer, who exercises his discretion within his delegated authority.

Pension Boards

8. The main features of the Pension Boards, as defined by the draft SI are as follows:
 - (1) Pension Boards must be separate from the body responsible for the management and administration of the scheme and other conflict of interest must be avoided.
 - (2) There must be equal number of employer and scheme member representatives on the Pension Board (a minimum of 2 each)
 - (3) Only Scheme member and employer representatives are allowed to vote.
 - (4) Scheme members for the Pension Board must be active Scheme members, that is they must be a firefighter who is currently employed by OFRS
 - (5) Employer representatives can be OCC Members or officers, but they must not be responsible for making decisions on the Pension Scheme.
 - (6) Pension board members must have the capacity to represent to represent employers, or scheme members

Proposed format of the Oxfordshire Firefighters Pension Board

9. Elected members are able to act as employer representatives of the Pension Board, as OCC as the Fire Authority delegates responsibility for scheme management to the Pension Fund Committee. This enables all other elected members of Oxfordshire County Council to become members of the Pension Board.

Membership

10. It is recommended that three employer and 3 scheme member representatives should initially be appointed. For the employer appointments this would consist of one officer appointment and 2 elected members. (Note: the officer appointment should not be involved in any decisions relating to the Pension Scheme).
11. It is recommended that authority is delegated to the Chief Fire Officer to establish a process to identify the officer employer appointment and the appropriate scheme member representatives for approval by the Pension Fund Committee in June 2015.
12. It is proposed that elected Member representatives are appointed by Cabinet as they are removed from any decision making in relation to any Public Sector Pension Scheme.

13. Due to the training requirements and the time it will take for Board members to build up their knowledge, it is recommended that all initial appointments are made for a minimum period of 3 years.

Code of Conduct

14. It is recommended that all members of the Pension Board will be bound by the members 'Code of Conduct' as either elected Members or co-opted members of a County Council Committee.

Meeting Frequency

15. There is no strict requirement for the frequency of meetings and the proposal is for the board to meet at least 2 times each year, with the ability to call additional meetings. This will be reviewed at the meeting in April 2016 to ensure that the frequency is appropriate to carry out the business of the Board.

Terms of Reference

16. The model Terms of Reference have not yet been circulated and the recommendation is that the final Terms of Reference are presented to the Pension Fund Committee Chairman for delegated sign off and then presented to the Committee in June 2015, alongside the Board member appointments.

Financial and Staff Implications

17. Officer support will be drawn from existing support arrangements and will not attract any additional costs. Under the regulations the Authority are required to set up a cost centre and to meet their own costs. There will be costs for travel re-imburement and training for board members, which will be met from existing Fire and Rescue Service budget.

Equalities Implications

18. There have been no impacts identified.

RECOMMENDATION

19. **The Pension Fund Committee is RECOMMENDED to:**
 - (a) **Delegate the authority to the Chief Fire Officer to make decisions on the everyday administration of the Scheme;**
 - (b) **Agree the proposed format of the Firefighters Pension Board; and**

- (c) **Agree the delegation for the sign-off for the terms of reference to the Chairman of the Pension Fund Committee**

David Etheridge
Chief Fire Officer

Background papers: Nil

Contact Officer: Simon Furlong – Assistant Chief Fire Officer, Tel: (01865) 855206

February 2015

Division(s): N/A

PENSION FUND COMMITTEE – 13 MARCH 2015

EMPLOYER UPDATE

Report by the Chief Finance Officer

Introduction

1. This report is to update members on recent employer issues including applications for admission.

Update on Previous Applications for Admission

2. In December this report detailed 33 applications for admission mainly from schools outsourcing either cleaning and / or catering services.

Admission agreements have been completed for:

- D F Williams / St Thomas More Catholic Primary School
- D F Williams / Our Lady of Lourdes Catholic Primary School
- The School Lunch Company / St John Fisher Catholic Primary School
- The School Lunch Company / St Joseph's Catholic Primary School
- The School Lunch Company / Appleton C of E Primary School
- The School Lunch Company / Chesterton C of E Primary School

Work is continuing in all other cases to get to the stage of signing the admission agreement.

New Requests for Admission

3. West Oxfordshire District Council is outsourcing its environmental and waste services to UBICO on 01 April 2015.

UBICO is a wholly owned local authority company which was originally set up by Cotswold District Council and Cheltenham Borough Council, both of whom have admission agreements with Gloucestershire County Council.

Three other councils will become shareholders of UBICO on 01 April 2015, one of which is West Oxfordshire District Council. As a result 34 staff, of which 25 are current scheme members, will be TUPE'd to UBICO.

Closure Valuations

4. AAA Norcap which was a Community Admission Body within the fund went in to administration in January 2013. The committee will be aware from previous reports that the full cessation cost, calculated on a low risk basis, amounted to £316,000.

In addition the last month of employee (£228.03) and employer (£1733.61) contributions were not paid over to the fund and an early strain cost (£27,029.73) was also incurred since the last member of staff was entitled to immediate payment of pension.

A claim was submitted to the administrator for the outstanding £316,000 and the fund was advised to make a separate claim to recoup the outstanding contributions of £27,991.37.

Last year a payment of £5,536.03 was received in final settlement against the claim of £316,000; and it has now been confirmed that the fund is not able to reclaim any of the underpaid pension contributions. This report therefore seeks committee approval to write off the outstanding value of invoices amounting to £338,455.34.

5. Work is continuing on cessation valuations in respect of SOLL Vale; Nexus and Sovereign Vale

RECOMMENDATIONS

6. **The Committee is RECOMMENDED to:**
 - a) **note the position regarding previous applications;**
 - b) **approve the application from UBICO providing that either a pass through arrangement, or a bond is put in place;**
 - c) **approve the write off in respect of AAA NORCAP; and**
 - d) **note the position regarding closure of scheme employers**

Lorna Baxter
Chief Finance Officer

Background papers:

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

February 2015

Division(s):N/A

PENSION FUND COMMITTEE – 13 MARCH 2015

CORPORATE GOVERNANCE - VOTING

Report by 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. The Oxfordshire County Council Pension Fund's voting policy is set out in its Statement of Investment Principles (SIP), which states that voting decisions are fully delegated to the Fund Managers to exercise voting rights in respect of the Pension Fund's holdings. Officers monitor this activity and raise any concerns with the Fund Managers. This report summarises the voting activity and fulfils the voting disclosure requirement.
4. The Fund Managers include a summary of company engagement and voting activity in their quarterly reports.

UK Equities

5. A summary of the Oxfordshire Pension Fund voting activity during 2014 for UK Equity mandates is provided in Annex 1.
6. The majority of Legal & General's (L&G) votes against management recommendations, at UK AGMs, centred on remuneration packages and long term incentive plans (LTIP). L&G worked closely with the Government's Department for Business, Innovation and Skills in reshaping new remuneration regulations which came in to force in 2013. The regulations are aimed at improving transparency in executive pay, and directing the Remuneration Committee to create a remuneration structure that is linked to the strategy of

the business and focused on long term growth. It also provided mechanisms to give shareholders more power to curb excessive pay policies.

7. L&G is increasingly concerned about the misalignment of both the structure and sum of executive pay compared with company performance. L&G promotes structures that are simple, transparent and aligned to the long-term strategy and performance of the business. L&G believe that the remuneration committee should be mindful of the economic climate, and that pay increases should be aligned with that of the general workforce or inflation unless there is a compelling reason why a higher pay award is necessary.
8. UK companies have adopted a number of different LTIP that have the potential to provide additional reward to management for delivering business targets. In the interest of simplicity, L&G advocates the adoption of one long-term plan. The plan should not have too many performance conditions but should include at least one measure that is linked to shareholder returns.
9. If engagement with a company does not result in an outcome that supports the above principles, L&G may vote against the resolutions on remuneration and the chairman of the remuneration committee. An example of this was at the Sky AGM where L&G voted against the remuneration report due to the complexity of the LTIP, concerns with the performance measures and the lack of transparency surrounding discretion applied.
10. In comparison, following a successful turnaround in performance, L&G supported the remuneration report and the introduction of the new LTIP at ITV's 2014 AGM. L&G were consulted on the proposals and suggested some changes. Subsequent to this, ITV reduced its LTIP and complexity of the scheme, and increased its performance target level. L&G felt that the targets were sufficiently stretching and voted in favour of the resolutions.
11. The majority of Baillie Gifford's (BG) votes against resolutions were related to remuneration packages and the allotment of equity securities. As with L&G, Baillie Gifford take executive remuneration seriously. BG will engage with companies to ensure remuneration arrangements for executives are aligned with shareholders interests and, if necessary, will vote against the proposals.
12. An example of this was at the Standard Chartered AGM. BG opposed the remuneration policy due to the company increasing fixed pay through additional allowances to compensate them for the reduction in their variable pay component. BG also felt that their focus on shorter term performance periods was not good practice. The remuneration policy received a 40% vote against by shareholders and BG are continuing their dialogue with Standard Chartered.
13. In light of the uncertainty in markets in 2009, when the banks were undertaking large rights issues, it became desirable to give companies the ability to ask their shareholders for more potential to raise capital. New guidelines for share issuance were produced, increasing the maximum amount which may be raised from 33% to 66% of the current issued share

capital. The additional 33% which companies are now allowed to request must be reserved for rights issues (as opposed to placings which do not allow existing holders to sell their right to subscribe for shares).

14. BG believe that for most companies such additional flexibility is not necessary, and that the best practice is for companies to seek authority for share issuance requests above 33% at the time of the capital raising. Share issues on such a scale can completely change the proportion of a company which existing shareholders own, particularly if they are not in a position to fully take up their rights. BG recognise their position is uncommon amongst institutional shareholders and that most UK listed companies seek shareholders' view on a similar authorisation every year. However, their votes are guided by what they believe is in the best interest of their clients, not what is common practice in a market.
15. BG have been engaging on this issue with companies, and note that some, including BG Group and GlaxoSmithKline, have reverted back to authorisations to issue only 33% of the share capital. In some cases, the authority to issue an additional 33% is proposed under a separate resolution, giving shareholders the opportunity to support the greater authority if deemed appropriate.
16. BG accept there are instances when they believe it is right to give companies the increased flexibility permitted and do very occasionally support this resolution. This generally relates to very small companies which need the additional flexibility.
17. Wellington generally voted against a range of issues with no particular trend. They did vote against remuneration packages at a few AGMs, most notably Orange where they believed remuneration packages emphasised fixed fees and short-term incentives. As a long-term investor, Wellington value remuneration plans that incentivise management on a longer-term focus.
18. All three votes against in the Private Equity portfolio were against a proposal by Sherborne Investors Management, shareholders in Electra Private Equity, to replace one of the current directors with two of their own nominees.
19. The decision to vote against these proposals was taken after discussions between officers and the Independent Financial Advisor. It was felt that Electra had performed very strongly over many years and the proposed changes by Sherbourne would destabilise the board and management without any clear prospect of an improved return for shareholders.

Overseas Equities

20. A summary of the Oxfordshire Pension Fund voting activity during 2014 for Overseas Equity mandates is provided in Annex 2.
21. A significant number of UBS votes against management were in relation to the appointment of company directors. UBS consider the board to be an important

aspect of the governance of a company. While no single type of structure or good board balance can ever guarantee a company's success, having a weak board structure can negatively affect performance and shareholder returns.

22. When looking at the election of directors to company boards, UBS take into account a number of factors, including the composition of the overall board (skills, balance and independence) and the individual concerned and their contract terms.
23. If UBS have concerns at either overall board level, or with the individual nominated for election (or re-election) then they may vote against the appointment of directors. An example of this was Mediaset Espana Comunicacion, where they decided to vote against the election of various directors due to the length of contracts exceeding 4 years, and lack of independence from other board members whilst sitting on key board committees, including the remuneration committee.
24. L&G have also focused on director appointments as well as the appointment of internal statutory auditors, particularly in Japan. L&G have been heavily focused on improving corporate governance in the country and have been pushing for more independent directors on Japanese boards.
25. This engagement and voting action in collaboration with other international investors has led to improvements among the corporates and regulators in Japan. The introduction of a Stewardship Code, as well as the formation of a Corporate Governance Code, illustrates the positive momentum in corporate governance reform in Japan.
26. L&G have stated that they will continue to focus on corporate governance issues in Japan and are enhancing their voting policy, and leading a collaborative initiative with other international investors to improve board independence.

RECOMMENDATION

27. **The Committee is RECOMMENDED to note the Fund's voting activities.**

Lorna Baxter
Chief Finance Officer

Contact Officer: Dan Reeves, Pension Funds Investments Officer,
Tel: (01865) 323980

February 2015

Annex 1

A summary of the Oxfordshire Pension Fund voting activity for UK Equity mandates during 2014

Manager	No. of Meetings	No. of Agenda Items Voted on	No. Items Voted Against Manager Proposals	No. Items Voted Against Shareholder Proposals	No. of Items Abstained
Baillie Gifford	58	1,210	50	1	9
L&G UK FTSE 100	101	2,273	40	7	0
Wellington	5	119	5	0	0
Private Equity	13	136	3	0	0
Totals	177	3,738	98	8	9

Annex 2

A summary of the Oxfordshire Pension Fund voting activity for Overseas Equity mandates during 2014

Manager	No. of Meetings	No. of Agenda Items Voted on	No. Items Voted Against Manager Proposals	No. Items Voted Against Shareholder Proposals	No. of Items Abstained
L&G World (Ex-UK)	1,762	21,545	2,252	493	129
UBS Global Equities	124	1,884	135	23	0
UBS Property	5	15	1	0	0
Wellington	40	638	12	9	10
Totals	1,931	24,082	2,400	525	139

Votes Against on Segregated Mandates 2014

Annex 3

Baillie Gifford

Meeting Date	Company	Meeting Type	Description	Proposed By	Country
30-Jan-14	Euromoney	AGM	Allot Equity Securities	Management	UK
07-Feb-14	Shaftesbury	AGM	Allot Equity Securities	Management	UK
13-Feb-14	IMI Plc	SGM	Allot Equity Securities	Management	UK
18-Mar-14	Hiscox plc	EGM	Allot Equity Securities	Management	UK
15-Apr-14	Rio Tinto	AGM	Allot Equity Securities	Management	UK
17-Apr-14	Carnival	AGM	Approve Compensation	Management	UK
17-Apr-14	Carnival	AGM	Approve Remuneration	Management	UK
17-Apr-14	Carnival	AGM	Approve Remuneration	Management	UK
17-Apr-14	Carnival	AGM	Allot Equity Securities	Management	UK
24-Apr-14	Reed Elsevier Plc	AGM	Allot Equity Securities	Management	UK
25-Apr-14	Pearson	AGM	Waiver of Pre-emption Rights	Management	UK
30-Apr-14	British American Tobacco	AGM	Approve Issuance of Equity	Management	UK
01-May-14	ARM Holdings	AGM	Allot Equity Securities	Management	UK
01-May-14	GKN	AGM	Allot Equity Securities	Management	UK
01-May-14	Rolls-Royce	AGM	Allot Equity Securities	Management	UK
07-May-14	Meggitt	AGM	Allot Equity Securities	Management	UK
08-May-14	IMI Plc	AGM	Allot Equity Securities	Management	UK
08-May-14	Standard Chartered	AGM	Approve Directors Remuneration	Management	UK
08-May-14	Standard Chartered	AGM	Allot Equity Securities	Management	UK
14-May-14	Prudential	AGM	Approve Authority to allot Ordinary Shares	Management	UK
14-May-14	Prudential	AGM	Approve Share Repurchase	Management	UK
14-May-14	Wood Group (John) plc	AGM	Allot Equity Securities	Management	UK
15-May-14	BG Group	AGM	Approve Remuneration Report	Management	UK
15-May-14	Hiscox plc	AGM	Allot Equity Securities	Management	UK
16-May-14	Intertek Group	AGM	Allot Equity Securities	Management	UK

20-May-14	Royal Dutch Shell A(Lse)	AGM	Approve Directors Remuneration	Management	UK
20-May-14	Royal Dutch Shell A(Lse)	AGM	Approve Remuneration Report	Management	UK
20-May-14	Royal Dutch Shell A(Lse)	AGM	Approve Incentive Plan	Management	UK
20-May-14	Royal Dutch Shell B Shrs	AGM	Approve Directors Remuneration	Management	UK
20-May-14	Royal Dutch Shell B Shrs	AGM	Approve Remuneration Report	Management	UK
20-May-14	Royal Dutch Shell B Shrs	AGM	Approve Incentive Plan	Management	UK
20-May-14	United Business Media	AGM	Approve Allotment of Securities	Management	UK
21-May-14	Jupiter Fund Management	AGM	Allot Equity Securities	Management	UK
22-May-14	Amlin	AGM	Allot Equity Securities	Management	UK
23-May-14	HSBC	AGM	Approve Directors Remuneration	Management	UK
23-May-14	HSBC	AGM	Allot Equity Securities	Management	UK
11-Jul-14	Burberry Group	AGM	Approve Directors Remuneration	Management	UK
11-Jul-14	Burberry Group Scottish & Southern	AGM	Approve Directors Remuneration Report	Management	UK
17-Jul-14	Energy Intermediate Capital	AGM	Allot Equity Securities	Management	UK
23-Jul-14	Group Intermediate Capital	AGM	Approve Remuneration Report	Management	UK
23-Jul-14	Group Intermediate Capital	AGM	Approve Directors Remuneration	Management	UK
23-Jul-14	Group	AGM	Allot Equity Securities	Management	UK
23-Jul-14	Johnson Matthey	AGM	Allot Equity Securities	Management	UK
24-Jul-14	SABMiller	AGM	Approve Remuneration Report	Management	UK
24-Jul-14	SABMiller	AGM	Approve Remuneration	Management	UK
25-Jul-14	Helical Bar	SGM	Allot Equity Securities	Management	UK
03-Sep-14	Ashtead Group	AGM	Allot Equity Securities	Management	UK
19-Sep-14	Imagination Technologies	AGM	Allot Equity Securities	Management	UK
16-Oct-14	IG Group Holdings	AGM	Allot Equity Securities	Management	UK
23-Oct-14	BHP Billiton	AGM	Elect Director	Shareholder	UK
25-Nov-14	Just Retirement Group	AGM	Allot Equity Securities	Management	UK

Wellington

Meeting Date	Company	Meeting Type	Description	Proposed By	Country
24-Apr-14	Astrazeneca plc	AGM	Authority to Set GM Notice Period at 14 Days	Management	UK
24-Apr-14	Astrazeneca plc	AGM	Elect Jean-Philippe Courtois	Management	UK
29-Apr-14	Umicore	Mix	Change-in-control clause	Management	Belgium
30-Apr-14	Anheuser-Busch InBev	Mix	Remuneration Report	Management	Belgium
01-May-14	Rolls-Royce Holdings Plc	AGM	Elect Jasmin Staiblin	Management	UK
07-May-14	Assa Abloy AB	AGM	Long-Term Incentive Plan 2014	Management	Sweden
07-May-14	Cap Gemini	Mix	Elect Phil Laskawy	Management	France
12-May-14	MGM China Holdings Ltd	AGM	Elect Patricia LAM Sze Wan	Management	China
12-May-14	MGM China Holdings Ltd	AGM	Authority to Issue Shares w/o Preemptive Rights	Management	China
12-May-14	MGM China Holdings Ltd	AGM	Authority to Issue Repurchase Shares	Management	China
15-May-14	BG Group plc	AGM	Authority to Set GM Notice Period at 14 Days	Management	UK
22-May-14	Rexel	Mix	Authority to Issue Shares w/ Preemptive Rights	Management	France
22-May-14	Rexel	Mix	Authority to Issue Shares w/o Preemptive Rights	Management	France
22-May-14	Rexel	Mix	Authority to Issue Shares and/or Convertible Securities	Management	France
27-May-14	Orange	Mix	Remuneration of Stéphane Richard, Chairman & CEO	Management	France
27-May-14	Orange	Mix	Remuneration of Gervais Pellissier, Deputy CEO	Management	France
02-Jun-14	Monster Beverage Corp	AGM	Proposal Re Majority Vote for Election of Directors	Shareholder	US
02-Jun-14	Monster Beverage Corp	AGM	Shareholder Proposal Regarding Board Diversity	Shareholder	US
05-Jun-14	Priceline Group Inc	AGM	Proposal Re Right to Act by Written Consent	Shareholder	US
18-Jun-14	Celgene Corp.	AGM	Shareholder Proposal Regarding Lobbying Report	Shareholder	US
24-Jul-14	Royal Mail Plc	AGM	Authority to Set GM Notice Period at 14 Days	Management	UK
30-Jul-14	Mckesson Corporation	AGM	Proposal Regarding Right to Act by Written Consent	Shareholder	US
30-Jul-14	Mckesson Corporation	AGM	Re Political Contributions and Expenditures Report	Shareholder	US
30-Jul-14	Mckesson Corporation	AGM	Re Compensation in the Event of a Change in Control	Shareholder	US
22-Oct-14	Parker-Hannifin Corp.	AGM	Proposal Re Majority Vote for Election of Directors	Shareholder	US
03-Dec-14	Microsoft Corporation	AGM	Proposal Regarding Proxy Access	Shareholder	US

Private Equity

Meeting Date	Company	Meeting Type	Description	Proposed By	Country
06/10/2014	Electra Private Equity Plc	OGM	Elect Edward Bramson as a director	Shareholder	UK
06/10/2014	Electra Private Equity Plc	OGM	Elect Ian Brindle as a director	Shareholder	UK
06/10/2014	Electra Private Equity Plc	OGM	Remove Geoffrey Cullinan as a director	Shareholder	UK

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PENSION FUND COMMITTEE – 13 MARCH 2015

PENSION FUND SCHEME OF DELEGATION

Report by Chief Financial Officer

Introduction

1. The Council's Constitution sets out the general Scheme of Delegation to the Strategic Directors and a small number of other Officers. These named posts are therefore authorised by the Council to exercise the specific powers and functions of the Council.
2. At its meeting in June 2014, the Oxfordshire Pension Fund Committee reviewed and approved the scheme policies including the fund scheme of delegation. Since that meeting the management structure within the Finance department of Oxfordshire County Council has changed. The post of Deputy Chief Finance officer was removed from the establishment structure and the scheme of delegation therefore needs to be updated to reflect the change.
3. It is proposed that the 'Deputy Chief Finance Officer' references in the Pension Fund Scheme of Delegation be replaced with 'Service Manager – Pensions, Insurance and Money Management'. The amendments are shown in annex 1. The full scheme of delegation document will be included in the annual review of policies for the June Committee meeting.

Power of Attorney – Custody Accounts

4. The Pension Fund's global custodian makes arrangements for the custody of assets in relevant countries. In some countries regulators require the Pension Fund to grant a Power of Attorney (POA) to allow the sub-custodian to perform its duties, eg filing applications for registration of securities in local markets, opening trading accounts, settling trades, collecting dividends and other income in respect of securities, paying taxes etc on behalf of the Fund.
5. In March 2011, the Pension Fund Committee delegated decision-making related to POAs to officers, after consultation with the Chairman of the Committee. The current wording of the scheme of delegation states that the 'Pension Fund Committee delegated decision-making related to the custody of assets to the Chief Finance Officer and Monitoring Officer, after consultation with the Chairman of the Committee.
6. In some markets, POA's are also required to enable the Fund's agents to register votes on behalf of the Pension Fund at company meetings. Whilst proxy voting services are provided by the global custodian and their agents, it is not considered to be part of the legal duties of a custodian, rather an additional service included within the agreement with the Fund. In some markets a POA is only required for voting services and may not be needed for custody activities. Therefore, for the avoidance of doubt, it is recommended that the

wording of the scheme of delegation be amended to state 'The Pension Fund Committee has delegated the decision to authorise POA's on behalf of the Pension Fund to Officers, after consultation with the Chairman of the Committee'.

Adjudication of Disagreements

7. Under the Local Government Pension Scheme Regulations 2013, a member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates). The scheme of delegation sets out the responsibilities in relation to each stage of the 'Internal Disputes Resolutions Procedure (IDRP)'
8. The LGPS 2014 regulations refer to the procedure for dealing with complaints as 'Adjudication of Disagreements'. The scheme of delegation reference to the Internal Disputes Resolutions Procedure has been replaced by the term 'Adjudication of Disagreements'.

RECOMMENDATIONS

9. The Committee is **RECOMMENDED** to:
 - a) note the report; and
 - b) approve amendments to the Scheme of Delegation as shown at Annex 1.

Lorna Baxter
Chief Finance Officer

Background Papers: Nil

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

February 2015

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

Sole signatories for Pension Fund Goods and Services

Up to £500,000 for Goods and Services:

- Chief Executive
- Chief Finance Officer
- Director for Environment & Economy

Up to £200,000 for Goods and Services

- ~~Deputy Chief Finance Officer~~
- Service Manager – Pensions, Insurance and Money Management
- Principal Financial Manager – Treasury Management & Pension Fund Investments
- Pension Services Manager

Up to £25,000

- Team Leader – Pensions Administration
- Team Leader – Pensions Administration

Joint signatories for Pension Fund Goods and Services

~~Up to £500,000,~~

- ~~Deputy Chief Finance Officer~~
- ~~Service Manager – Pensions, Insurance and Money Management~~

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

- Chief Finance Officer
- ~~Deputy Chief Finance Officer~~ **Service Manager – Pensions, Insurance and Money Management**

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

- Director for Environment and Economy

Income (Debt) Write Offs

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee. The authorisation of debt write offs up to and including £10,000 is delegated to:- ~~the Service Manager – Pensions, Insurance and Money Management in conjunction with: The Chief Finance Officer for amounts between £7,500 and £10,000 and with the Deputy Chief Finance Officer for amounts below £7,500.~~

Debts below £500 - The Pension Services Manager

Debts up to £7,500 – The Service Manager – Pensions, Insurance and Money Management

Debts between £7,500 and £10,000 – The Service Manager – Pensions, Insurance and Money Management, in conjunction with The Chief Finance Officer.

Power of Attorney – Custody Accounts

~~The Pension Fund's Global Custodian makes arrangements for the custody of assets in relevant countries. Where they do not have a presence in a particular country, a sub-custodian may be appointed. In some countries regulators require the Pension Fund to grant a Power of Attorney to allow the sub-custodian open an account on behalf of the Fund.~~

~~In March 2011, the Pension Fund Committee delegated decision-making related to the custody of assets to the Chief Finance Officer and Monitoring Officer, after consultation with the Chairman of the Committee.~~

The Pension Fund Committee has delegated the decision to authorise POA's on behalf of the Pension Fund to Officers, after consultation with the Chairman of the Committee'

Adjudication of Disagreements ~~Internal Disputes Resolutions Procedure~~

Under the Local Government Pension Scheme Regulations 2013, a member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates).

The complaints procedure has 3 stages. Stage 1 will be determined by the relevant scheme employer or the Administering Authority depending on the nature of the complaint. Stage 2 is an independent review of the complaint by a person with delegated authority from the Administering Authority. Stage 3 is determined by the Pensions Ombudsman.

At their meeting in December 2012, the Pension Fund Committee delegated authority to the Pensions Services Manager to determine cases on behalf of the Administering Authority at Stage 1, and the Service Manager (Pensions, Insurance & Money Management) to determine all cases at stage 2. In both cases, the Committee determined that the relevant officer can agree an award of compensation up to £5,000 subject to a report back to the next meeting of the Pension Fund Committee. Any award of compensation above £5,000 must be determined by the full Pension Fund Committee

The Local Government Pension Scheme Regulations 2013 state that if a scheme member dies before his 75th birthday, the administering authority at their absolute discretion may make payment, in respect of the death grant to or for the benefit of the member's nominee or personal representatives or any person appearing to the authority to have been his relative or dependant at any time.

In accordance with the Council's Constitution and Scheme of Delegated Powers, death grant decisions can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee.

At their meeting in June 2012, the Pension Fund Committee delegated authority to the Team Leaders in the Pension Services Team to determine all non-contentious cases. (N.B. Delegation was made to this level to avoid potential conflict in the case of complaint which would be heard by the Pension Services Manager at Stage 1 – see complaints delegation above).

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Division(s):N/A

PENSION FUND COMMITTEE – 13 MARCH 2015

WRITE OFF's

Report by the 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 £500 and £7,500 approval is required by the Service Manager (Pensions) and The Deputy Chief Finance Officer. For debts between £7,500 and £10,000 chargeable to the Pension Fund, approval would need to be sought from the 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 £12.58 chargeable to the pension fund in respect of four cases, where the member has died.

Cumulative Data

5. At the September meeting members asked to be provided with cumulative write off data for the past 12 months.
6. In the period June 2014 to March 2015 £477.00 has been written off, in respect of 19 cases where the member has died. In 17 cases the amounts ranged between £0.38 and £48.17. However, in 2 cases where Legal had advised it was uneconomic to pursue recovery the amounts written off were £130.00 and £166.00.

RECOMMENDATION

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

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sally Fox, Pension Services Manager, [Tel:\(01865\) 797111](tel:01865797111)

February 2015

Investment Implications of a “Carbon Bubble”

This paper is a response to a position paper presented at the Oxfordshire County Council Pension Fund Committee meeting of Friday December 5th, 2014, suggesting that the council and other local authorities divest from conventional energy producers and focus their energy investments on renewables. It was proposed that such an approach should be considered due to the risks of a "carbon bubble" which results in these companies not being allowed to produce their resources and suffering large losses as a result of changes in carbon policy.

This response will assess the economic implications of a global cap on carbon emissions upon the economics of energy companies. While there will be a lot of political compromises involved should a carbon limitation be enacted, the economic implications of a comprehensive carbon emission limitation are more nuanced than the picture painted by those advocating a carbon bubble with the result that the investment guidance provided could have very poor results for those funds that follow their recommendations.

For the purposes of this paper we will assume as fact, 3 major premises of carbon bubble advocates.

The first is that global warming is caused by human emissions of greenhouse gases primarily CO₂ and methane (CH₄). The second is that scientists are able to accurately calibrate this process and that the IPCC estimates on the amount of carbon that can be burned to hold global warming at less than 2 degrees are correct, and the third is that this implies that something like 2/3 of existing and forecast hydrocarbon reserves must be left in the ground to keep the earth from warming unsustainably.

To these premises, we will add some basic science, some economics and some unpleasant truths. We will start with the inconvenient truths. The truths are the following:

1) Global food production is highly dependent on the use of hydrocarbons both as fuel for planting and harvesting and as fertilizer. Prior to the development of hydrocarbons, agriculture was never able to generate enough food to support a human population above 2 billion people and did so using the direct labour of a large portion of the population. As late as the early 1900's, 25-30% of a much smaller global population lived on farms or worked in the agricultural sector and that was even with coal being extensively used to transport agricultural products by rail. The development of hydrocarbons enabled a step change in agricultural productivity via mechanized agricultural and extensive usage of artificial fertilizers which allowed global population to rise even as the proportion of the population involved in agriculture fell dramatically. This implies that we may have to keep using fossil fuels in this area if we want to maintain our current societal arrangements

2) Fossil fuels, particularly oil, appear to be quasi irreplaceable for some functions. Oil particularly is unique among energy sources due to its high energy density, storability and easy usage. This makes it very hard to replace in some uses such as aircraft and ground transport. While society is working on substitutes, we would venture to say that none of us would feel comfortable boarding a battery powered aircraft right now. Likewise, the military always puts a reliable diesel engine on its nuclear

submarines even as it spends billions on the nuclear propulsion unit due to the dependability of oil based engines.

3) Global society has built a massive capital stock that uses hydrocarbons. When you include roads, bridges etc. one can argue that the majority of the global economy's capital stock was built to use hydrocarbons with the investment in oil related capital stock (vehicles, ships, airplanes, roads, ports, cities, airports etc.) being most important. This is not an investment that we can easily abandon without drastic economic losses. In order to maintain a high standard of living, societies are going to need to get as much use out of this investment as possible while we transition into new energy technologies.

Now for some basic science on carbon emissions. The basic science is the following: According to many sources including the UN Intergovernmental Panel on Climate Change, natural gas emits approximately 45% the total carbon emissions per unit of power generated compared with coal, with oil generating about 75% of what coal would emit for the same quantity of energy or work. Thus natural gas is far more carbon efficient than coal, and even oil is moderately more carbon efficient than coal. The importance of this will be discussed below.

Once you combine the inconvenient truths with the science of carbon emissions using current technologies, the economics of carbon reductions become fairly obvious. Energy using capital stock is built based on extremely long useful lives ranging from 10 -30 years for vehicles, 40 years or more for ships and aircraft and 40 years + for power plants, which means that new technologies will have little impact over the intermediate term and implies that society is going to have to adjust near term and intermediate term carbon usage with the technologies we have today. This makes the economics of reducing carbon emissions very clear: any solution to reduce CO2 emissions will require the curtailment of overall energy usage and the near total elimination of coal as a fuel source with its replacement by natural gas. It will also involve renewables as much as possible but with current technologies, renewables cannot reduce carbon emissions as much as eliminating coal. It may also involve a major expansion of nuclear power if its other environmental and economic challenges can be overcome or if society makes a decision that the significant environmental hazards of nuclear power are acceptable in order to prevent global warming.

The investment implications of this are far more nuanced than the case presented by carbon bubble advocates who appear to be advocating that pension funds sell conventional energy companies to make renewables investments that don't really exist among listed equities and which have a very poor track record as investments.

In a world where remaining fossil reserves are 1) limited due to carbon constraints and 2) desperately needed to feed 7 billion people and to make the best possible use of the world's already existent oil dependent capital stock, what is likely to actually happen is complicated, but it seems likely that end user prices for fossil fuels will rise dramatically. Who gains from these price rises will depend on political compromises but it seems likely that reserves that can be used without exceeding the overall carbon limit, particularly gas, will actually rise in value while it is likely that reserves that can't be used, such as coal assets, will lose all value although even this is not clear since there may be some compensation paid to holders of these assets. Existing renewables assets

may gain higher prices for their output, however most of these assets are regulated so their returns are capped by law resulting in little gain for their owners. Companies which can build new renewables assets could see greatly expanded business opportunities and more value, however this is a business where few companies have much competitive advantage so these gains are likely to be competed away resulting in limited investment gains. Historically the renewables sector has been incredibly volatile and very treacherous for investors even with heavy government incentives and there is no reason to believe that this will change just because the sector gains further policy favour.

In terms of the oil companies cited specifically by carbon bubble advocates, these companies are actually likely to be modest winners in a carbon constrained world. As oil companies these firms don't produce coal and they have actually moved dramatically towards producing natural gas in recent years due to their inability to find oil at affordable prices. Since these companies already have relatively short reserve lives and a large portion of their reserves are gas, they are likely to have few if any assets rendered unviable and will gain scarcity value for what they retain. Furthermore, the stock market already views these companies sceptically, and only values them on a discount to their proved reserves and not on the larger resource numbers cited by carbon bubble advocates.

In the energy sector, the biggest losers in a carbon restriction accord will be holders of coal reserves (mostly China, USA and Russia), coal companies, and Venezuela whose vast tar reserves will probably never be able to be developed in such a scenario. China and Chinese coal companies are actually the biggest losers as China's economy relies heavily on coal and will be severely impacted by a comprehensive carbon limitation accord. India and Australia will also suffer significantly as coal is very important to their economies. Russia and OPEC nations may suffer as well as the carbon restriction may imply that they are not able to fully produce all of the oil reserves that drive their economies. For a variety of reasons related to short reserve life and an inability to find oil in recent years, the relatively insignificant (in global terms) independent Western oil sector that is quoted on global stock markets is actually likely to escape most of the negative implications of carbon restrictions and may actually benefit as the restrictions hit the world's large hydrocarbon holders (primarily China, Russia and OPEC). While the Western majors seem to epitomize "big oil" in the minds of the public they are actually quite small in the big scheme of things and are likely to escape most negative impacts due to their very limited reserve holdings.

To give a case study of why we see this counter intuitive result, let us look at the biggest integrated oil major, Exxon. Exxon holds 20 billion barrels equivalent of reserves, predominantly gas, which are mostly slated to be produced over the 20 years and which would probably face few if any problems under a carbon restriction regime. Venezuela on the other hand, may have as much as 700 billion barrels of oil reserves slated to be produced over the next 100 years. As such they are a large holder of dirtier oil reserves they are likely to face some restriction particularly on the reserves that could be produced 50 years from now.

Investment implications are actually more dramatic and negative for industries outside of the energy sector. In a world where fossil fuel prices rise dramatically due to long term constraints, consumers will be the biggest losers as energy intensive goods and services will be more expensive. Industries that lose large amounts of energy as inputs are likely to dramatically downsize and will face many bankruptcies. For example it is almost impossible to foresee airline and travel sectors as large as

those we see today in a world where carbon usage is sharply curtailed. In a world where carbon emissions are sharply curtailed and focused on feeding people adequately, it is going to be hard to justify jetting off to Thailand for the holidays. Energy intensive goods will be much more expensive and some business models like Walmart's (produce energy intensive goods in China and sell them in the West) just won't work anymore as their full energy cost will be felt by consumers.

In summary, even if we take the premises of carbon bubble advocates as 100% true, we strongly disagree with their conclusions. The view of the world that they are advocating is overly simplified and it appears that they have done very limited economic analysis. We believe that following their investment recommendations could be very dangerous to pension fund holders and recommend that fund fiduciaries analyse the situation very carefully before making broad decisions on how to allocate their pension assets.