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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 5 June 2015 at 10.10 am

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

Peter G. Clark

Peter G. Clark
County Solicitor

May 2015

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

Membership

Councillors

Surinder Dhesi	Richard Langridge	Les Sibley
Jean Fooks	Sandy Lovatt	Stewart Lilly
Nick Hards	Neil Owen	Patrick Greene

Co-optees

District Councillor - one vacancy
District Councillor - one vacancy

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 4 September 2015***
- ***The meeting will be preceded at 9.30 by a training session looking at the work programme developed by the Shadow Scheme Advisory Board and the implications for the work of this Committee.***

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. Election of Chairman 2015/16

To elect a Chairman for the municipal year 2015/16 – to the first meeting of the next municipal year 2016/17.

2. Election of Deputy Chairman 2015/16

To elect a Deputy Chairman for the municipal year 2015/16 – to the first meeting of the 2016/17 municipal year.

3. Apologies for Absence and Temporary Appointments

4. Declarations of Interest - see guidance note

5. Minutes

To approve the minutes of the meeting held on 13 March 2015 (**PF5**) and to receive information arising from them.

6. Petitions and Public Address

7. Corporate Governance and Socially Responsible Investment

10:20

This item covers any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee. It includes a discussion on the key issues being raised in the debate about future investments in fossil fuel companies, and reviews the Committee's current approach in respect of the guidance it provides to its Fund Managers.

Members will recall that Professor Allport gave an address to the Committee in December of last year on Fossil Fuel Investment. As a result a report was commissioned from UBS and was submitted for consideration to the last meeting in March. Since then a petition was submitted to Cabinet and it was requested that it be sent to all members of this Committee. The petition's rationale is duly attached at **PF7** together with a report from the officers **(PF7).** A full copy of the petition will be available to view at the meeting.

The Committee is RECOMMENDED to note the content of the report, and endorse the current Statement of Investment Principles in respect of Corporate Governance and Socially Responsible Investment.

8. Management of Pension Fund Deficits

10:35

The report **(PF8)** discusses the Committee's approach to the management of the Fund's deficit, in light of the focus placed on this issue by the Shadow Scheme Advisory Board.

The Committee is RECOMMENDED to:

(a) note the report;

(b) ask officers to work with the Fund's Actuary, Barnett Waddingham, to provide a detailed cash flow forecast based on assumed pension liabilities, and known plans of the main employers; and

(c) provide reports to future meetings of this Committee setting out the cash flow projections, and any implications for the current investment strategy and asset allocation.

9. Employer Management

10:50

The report **(PF9)** discusses the Committee's approach to the management of employers within the Oxfordshire LGPS Fund. It builds on the employer risk report presented to the last meeting, and sets out additional indicators to assess the quality of the record keeping within the Fund and the performance of individual employers.

The Committee is RECOMMENDED to:

(a) note the report;

(b) approve the performance template as contained in Annex 1 as the basis for future reports to this Committee; and

(c) review the Administration Strategy on a regular basis to ensure it supports the developing approach to employer management.

10. Future Management Arrangements

11:05

The report **(PF10)** looks at the potential implications for the management arrangements for the administration and investment functions in light of the new agenda for the service and the transfer of financial services to the Integrated Business Centre in Hampshire.

The Committee is RECOMMENDED to note the report and endorse the proposed changes in management arrangements as outlined.

11. Annual Review of Fund Policies

11.25

The report **(PF11)** provides the annual review of the Fund policies and seeks Committee approval of any changes.

The strategy statements and policies are attached as follows:

- Annex 1 - The Funding Strategy Statement
- Annex 2 – The Statement of Investment Principles
- Annex 3 – Governance Policy and Governance Compliance Statement
- Annex 4 – Communication Policy and Annex
- Annex 5 – Early Release of Deferred Benefits Policy
- Annex 6 – Scheme of Delegation
- Annex 7 – Administration Strategy Statement

The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1 - 7 to this report, noting the main changes in the documents as discussed above.

12. Employer Update

11.45

The report **(PF12)** covers the key operational issues around individual employer membership of the Fund, including any new applications for admissions and cessations.

The Committee is RECOMMENDED to:

(a) note the position regarding the previous applications;

(b) note the position regarding new applications for admission;

(c) note the position regarding closure of scheme employers; and

(d) confirm the intention that, in the event that Abingdon and Witney College was to cease operations before the completion of the reimbursement arrangements set out following the transfer of adult learning staff, to transfer notional assets from Abingdon and Witney College to the County Council as set out in paragraph 12 above.

13. Write Offs

11.55

The report **(PF13)** 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.

14. Overview of Past and Current Investment Position

12:00

Tables 1 and 2 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 31 March 2015 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 March 2015
Table 2	shows net investments/disinvestments during the quarter
Tables 3 and 4	provide investment performance for the consolidated Pension Fund for the quarter ended 31 March 2015
Table 5	provides details on the Pension Fund's top holdings

In addition to the above tables, the market value of the Fund over the past three years has been displayed graphically in Graph 1.

The Committee is RECOMMENDED to receive the tables and graph, and that the information contained in them be borne in mind, insofar as they relate to

items 16, 17 and 18 on the agenda.

15. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 16, 17, 18, 19, and 20 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 17 and 19, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

16. Overview and Outlook for Investment Markets

12:05

The report by the Independent Financial Adviser **(PF16)** 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.

17. Insight Investment

12:10

The representatives of Insight Investment (Alex Giles, Sherilee Mace and Steve Waddington) will:

(a) present their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene;

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

In support of the above is their report for the period to 31 March 2015.

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.

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

12:50

The Independent Financial Adviser will report orally on the officer meetings with Baillie Gifford, Legal & General, Wellington and UBS in conjunction with information contained in the tables (Agenda Item 14).

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.

19. Summary by the Independent Financial Adviser

12:55

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

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

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

20. Additional Voluntary Contribution (AVC) Scheme - Annual Review

13:00

The report **(PF20)** provides the annual review of the Fund's AVC Scheme, reviewing the performance of Prudential as the scheme manager, and the individual funds available to 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.

The Committee is RECOMMENDED to note the report and to confirm the continued use of Prudential as the Council's AVC provider.

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall, in the Members' Board Room, on 3 June 2015 at 2.00 pm, for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 13 March 2015 commencing at 10.15 am and finishing at 1.05 pm

Present:

Voting Members:	Councillor Stewart Lilly – in the Chair Councillor Patrick Greene (Deputy Chairman) Councillor Surinder Dhesi Councillor Jean Fooks Councillor Richard Langridge Councillor Sandy Lovatt Councillor Neil Owen District Councillor Jerry Patterson Councillor Les Sibley (In place of Councillor Lynda Atkins) Councillor John Sanders (In place of Councillor Nick Hards)
District Council Representatives:	Councillor Jerry Patterson
By Invitation:	Paul Gerrish (Beneficiaries Observer) Peter Davies (Independent Financial Adviser) Annemarie Allen, Barnett Waddington (Agenda Item 12)
Officers:	
Whole of meeting	L. Baxter, D.Ross and J. Dean (Chief Executive's Office); S. Collins and S. Fox (Environment & Economy).
Part of meeting	S. Furlong (Fire & Rescue) (Agenda Item 16)

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

1/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Cllr John Sanders attended for Cllr Nick Hards, Cllr Les Sibley attended for Cllr Lynda Atkins and an apology was received from Cllr Hywel Davies.

The Chairman took this opportunity to thank outgoing District Councillor Hywel Davies and Paul Gerrish for all their work on the Committee over the past years.

2/15 DECLARATIONS 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.

3/15 MINUTES

(Agenda No. 3)

The Minutes of the Meeting held on 5 December 2014 were approved and signed subject to the correction of the word ‘returns’ for ‘reserves; in sentence 3, Minute 72/14 ‘Petitions and Public Address’.

There were no Matters Arising.

4/15 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no requests to submit a petition or to make an address.

5/15 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 31 December 2014.

Mr Davies noted that the overall value of the Fund had risen by approximately £60million over the last quarter.

RESOLVED: 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.

6/15 EXEMPT ITEMS

(Agenda No. 6)

The Committee **RESOLVED** that the public be excluded for the duration of items 7, 8, 9, 10, 11, 12, 13 and 14 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

7/15 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 7)

The Committee considered a report of the Independent Financial Adviser (PF7) which 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 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:

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

8/15 BAILLIE GIFFORD

(Agenda No. 8)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 7.
The representatives, Anthony Dickson and Iain McCombie reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 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.

9/15 WELLINGTON

(Agenda No. 9)

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

The representatives, Nicola Staunton and Luke Stellini 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 31 December 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.

10/15 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported on the main issues arising from the officer meetings with UBS and Legal & General in conjunction with information contained in the tables (Agenda Item 5). He also updated the Committee on other issues relating to the Fund Managers not present.

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

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

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

11/15 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER
(Agenda No. 11)

The Independent Financial Adviser reported that no summary was required.

12/15 MANAGEMENT OF EMPLOYER RISK
(Agenda No. 12)

Following the closure of several of the smaller admitted bodies in the Oxfordshire Pension Fund and mixed results in terms of whether any monies, assessed at closure valuation could be recouped; the Committee asked officers to undertake a review of the financial status of scheme employers and the impact on the Fund if they ceased to be scheme employers. The Fund's Actuary, Barnett Waddington, had been commissioned to produce the report which was attached at Annex 1 to the report PF12. The report set out information on deficit levels, and financial risks to the Fund, and looked at key ways of reducing levels of risk going forward.

Annemarie Allen from Barnett Waddington was invited to join the Committee for this item following her training session on the management of employer risk given prior to the meeting.

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

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would reveal financial and other information of scheme employers.

RESOLVED:

(a) that a total risk score of 60% or more is the standard indicator to be used;

(b) (amendment proposed by Cllr Langridge, seconded by Cllr Greene and carried nem con) that officers should review and contact scheme employers identified in the report and report back to Committee as information becomes available, but on a regular basis;

(c) a report be submitted to Committee on an annual basis, unless external factors change the risk profiles; and

(d) incorporate any necessary changes in the next review of the Funding Strategy Statement.

13/15 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER
(Agenda No. 13)

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

The Committee had before them a report (PF13) which reviewed the activities and performance over the last year of the Independent Financial Adviser, Peter Davies and which asked members to agree any feedback on the levels of service received and/or changes going forward.

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.

RESOLVED: to note the report and that Mr Davies be thanked for his clear and thorough advice which is imparted in 'user friendly' terms to accord with his audience.

14/15 REPORT ON DELEGATED DECISION TAKEN BY THE CHIEF FINANCE OFFICER

(Agenda No. 14)

The Committee had before them, for information, a report (PF14) on 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.

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.

RESOLVED: to note the report.

ITEMS FOLLOWING THE READMISSION OF THE PRESS AND PUBLIC

15/15 OXFORDSHIRE PENSION FUND BUSINESS PLAN FOR 2015/16

(Agenda No. 15)

The Committee considered the Pension Fund Annual Business Plan for the 2015/16 financial year (PF15). As well as the Business Plan it included 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.

RESOLVED: 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 the 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.

16/15 LOCAL PENSION BOARDS
(Agenda No. 16)

The Public Service Pension Act 2013 required Pension Boards to be established for all public service pension schemes. An amendment to the regulations required the Pension Boards to be established by 1 April 2015 with training being delivered by the Local Government Association in May and June 2015 for Pension Board members.

The Committee considered two reports at PF16 the first of which set out a recommendation for the establishment of a Local Pension Board for the Oxfordshire Local Government Pension Scheme and also asking approval of a draft Constitution.

Simon Furlong, Assistant Fire Officer, introduced the second report which set out, for approval, the format of the Firefighters Pension Board (the regulations for which had only just been laid down by Government). He agreed to come along to a future meeting and deliver training to members prior to the start of the meeting on the differences between the two schemes.

RESOLVED: to

(a) note the reports;

(b) approve the Constitution of the Oxfordshire Local Government Pension Board as presented at Annex 1 and agree that the Board be established with effect from 1 April 2015;

(c) in respect of the Firefighters Local Pension Scheme , to delegate the authority to the Chief Fire Officer to make decisions on the everyday administration of the Scheme;

(d) (as amended and agreed nem con) approve the format of the Firefighters Pension Board with the amendment that the three employer representatives be appointed ***following a similar process as identified in the Constitution for the Oxfordshire Local Government Pension Board*** ; and

(e) agree that the sign-off for the terms of reference of the Firefighters pension Board be delegated to the Chairman of the Oxfordshire Pension Fund Committee.

17/15 EMPLOYER UPDATE

(Agenda No. 17)

The Committee considered a report (PF17) which sought approval for any new admissions to the Fund and which gave an update on the status of any current employer which impacted on future scheme membership.

RESOLVED: 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.

18/15 CORPORATE GOVERNANCE - VOTING

(Agenda No. 18)

The Committee had before them a report (PF18) which provided information on the voting records of the fund managers in circumstances when they have voted on behalf of the Pension Fund.

RESOLVED: to note the Fund's voting activities.

19/15 PENSION FUND SCHEME OF DELEGATION

(Agenda No. 19)

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

RESOLVED: to

(a) note the report; and

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

20/15 WRITE OFFS
(Agenda No. 20)

The Committee had before them summary details of the amounts written off in the last quarter in accordance with Financial Regulations of the Fund (PF20).

RESOLVED: to note the report.

21/15 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 21)

The 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 divesting in fossil fuels. This was presented at PF21.

RESOLVED: to note the report.

.... in the Chair

Date of signing ....

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Division(s): N/A

PENSION FUND COMMITTEE – 5 JUNE 2015

CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

Report by the Chief Finance Officer

Introduction

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

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

3. There has recently been significant media interest in the issue of investments in fossil fuel companies, and this Committee received a speaker at its December meeting, and a petition at its meeting today on the subject. The speaker in December and today's petition both call on the Committee to undertake a process of divesting all fossil fuel investments. The media articles cover a broader range of issues.

4. This report covers the main issues raised, and askes the Committee to review its statement of investment principles repeated above, and to determine whether any changes are necessary.

Key Issues

5. There are a number of different ways at looking at the issue. Fossil Free Oxfordshire in their petition today, and in previous presentations and correspondence with the Committee have focused on the view that fossil fuel

investments are both morally and financially unviable. This view is based on the level of carbon emissions associated with the industry, the impact on climate change and the potential for future legislation which restricts the level of carbon emissions. There is therefore a clear risk that many of the current fossil fuel reserves will become stranded assets, and are therefore significantly over-valued.

6. The Fossil Free Oxfordshire campaign therefore calls on the Pension Fund to divest all current investments over a 5 year period and freeze all new investments. It suggests that the rapidly growing renewable sector offers many attractive alternative investment opportunities.

7. The law on investment policy is open to interpretation. It is clear that the Committee must act in the best interests of the Fund's beneficiaries. The Law Commission has stated though that trustees can make investment decisions on non-financial factors, as long as there is no risk of significant financial detriment. The argument from the Fossil Free Oxfordshire campaign is that there is a clear financial risk in remaining invested in fossil fuel companies, and no financial detriment to divesting.

8. There are a number of commentators in the media who support the views of expressed by Fossil Fuel Oxfordshire, and as stated in the petition, a number of organisations have begun a process of divesting.

9. There are though a number of commentators who put forward an alternative view. Many of these do not dispute many of the key facts, but do question some of the conclusions drawn and the appropriate actions required.

10. An issue covered in many of the alternative views is why the campaign is focussed on the fossil fuel companies and not the many companies who create the demand for fossil fuel companies. Recent articles in the Times and Financial Times drew attention to the conflict between those making a clear decision to divest their fossil fuel investments, whilst continuing to profit from businesses heavily dependent on fossil fuel usage (e.g. Richard Branson and Virgin Airlines in the Times).

11. The counter argument to divestment, therefore points out that whilst there remains significant demand for fossil fuel products, the markets will always ensure a steady supply. If divestment leads to the collapse of the current set of listed fossil fuel companies, then the unlisted and state producers will pick up the demand. The unintended consequence of this is therefore the potential for a reduction in the regulatory control and transparency of the fossil fuel industry, as well as increased prices for those businesses dependent on fossil fuel supply.

12. The question of alternative investments in renewable energy industries was raised in the training presentation provided by the UBS energy analyst in his training presentation prior to the December Committee. It was his clear view that the current industry is very much in its infancy, and heavily supported by state grants etc. Any significant investment at this time therefore carries a

high degree of financial risk, including the question of will the high initial investment costs ever produce the expected level of return if state aid is withdrawn, or the current consumers of fossil fuel energy are incapable of switching to an alternative energy supply.

13. A number of commentators have therefore focussed on the approach that Trustees should be taking to their fossil fuel investments without prescribing a divestment or retention policy. An example of such a paper was “The Fossil Fuel Transition Blueprint” published jointly by The Carbon Tracker Initiative and Energy Transition Advisors. This suggested a number of key questions that investors should be raising with company management based on a concern that a number of those in the industry were planning on an assumption of a continuation of business as usual, rather than a recognition of the impact of climate change, technological advances, future legislation etc.

14. Much of what is in the Blueprint paper, and in a number of the other recent articles on fossil fuel investments is well presented, and sets out the risk assessment process any investor should undergo before making a decision to invest or divest in a fossil fuel company. The same arguments apply equally to all investments, whether fossil fuel or not.

15. A number of the papers highlight that the fossil fuel industry covers a broad spectrum of companies, and it is inappropriate to blanket them all together into a single investment approach. The risks associated with a company focussed primarily on coal mining will differ to one focussed primarily on gas.

Conclusions

16. Having considered the above issues, it remains the view of Officers that the current investment principles provide the flexibility to deal with the differences within the industry and between individual companies, which any blanket policy on divestment would fail to address. Any blanket policy would carry the risk that the Committee is not acting in the best interests of the Funds beneficiaries by excluding well researched fossil fuel companies who are likely to be highly profitable in the future as a result of the management actions being taken in light of a comprehensive risk assessment completed in line with the Blueprint Checklist

17. The emphasis should therefore remain on challenging the Fund Managers to ensure that they are properly researching all investments, along the lines suggested in the Blueprint document, and that they are in a position to justify their decisions on individual investments.

18. It should be noted that over the last year whilst the discussions on divestment have continued, both Baillie Gifford and UBS have provided detailed responses to the Committee on their approach to investment in the energy sector, and fossil fuel companies in particular. Having considered the letter from Bailie Gifford at its meeting in September 2014 the Committee concluded it was happy that there approach did appropriately assess the risks of the current investments. Similarly, following the presentation at the December

2014 meeting, and the written paper at the March 2015 meeting, the committee satisfied itself that the UBS approach was also appropriately assessing risk in respect of its investments on the Funds behalf

RECOMMENDATION

19. **The Pension Fund Committee is RECOMMENDED to note the content of this report, and endorse the current Statement of Investment Principles in respect of Corporate Governance and Socially Responsible Investment.**

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sean Collins, Service Manager (01865) 797190

May 2015

Fossil Free
Oxfordshire

DIVEST OXFORDSHIRE FROM FOSSIL FUELS

TO: OXFORD CITY COUNCIL AND OXFORDSHIRE COUNTY COUNCIL

1. Immediately freeze any new investments in fossil fuels
2. Divest from direct ownership and any commingled funds that include fossil fuel public equities and corporate bonds within 5 years

Why is this important?

Our local authority has a duty to look out for the public good. Fossil fuels are in direct conflict with the public good: investing in them poses a risk both to investors and to the planet. So Oxfordshire County Council should take a moral, political and economic stand against them by taking our money away from fossil fuel companies and putting it into investments that are less at risk from climate change legislation and more compatible with our values.

Divestment from fossil fuels would make a powerful statement that the fossil fuel industry is morally and economically unviable, and that the people of Oxfordshire wish to support an alternative, sustainable energy future that will leave the planet in a shape that allows us, our children and grandchildren to live safely on it.

Financial research has called into question the valuations of fossil fuel companies due to their reliance on reserves, which may become unburnable if carbon legislation comes into effect.

Petition to Oxfordshire County Council by Fossil Free Oxfordshire, 24 February 2015

We applaud the County Council's efforts to reduce its carbon emissions, your partnership with the Low Carbon Hub, and other valuable initiatives. Our proposals offer an *additional* route the Cabinet could take to consolidate its leadership role in this area.

Our petition, with over twelve hundred signatures, calls upon Oxfordshire County Council:

1. Immediately to freeze any new investments in fossil fuels;
2. Within 5 years to divest from all direct and indirect holdings in fossil fuel companies.

Why? We offer three compelling reasons.
ONE: Investments in fossil fuels risk becoming financially stranded assets.
Proven reserves of fossil fuels already contain four times the world's remaining 'carbon budget' – that's the total amount of carbon that can ever be released into the atmosphere, if the world is to remain within safe climate limits[1]. This means the majority of these reserves can never be burned: they become stranded assets.[2] [3] To quote Professor Lord Stern and his colleagues: "The scale of this carbon budget deficit poses a major risk to investors. They need to understand that 60 – 80% of coal, oil and gas reserves of listed firms are unburnable." [4]

In spite of this, fossil fuel companies continue to gamble with their shareholders' assets by investing massively in developing *yet more* reserves. The President of the World Bank has warned institutional investors to rethink their fiduciary duties in light of this rapidly growing risk of stranded assets.[5] The Governor of the Bank of England has launched a major enquiry into this risk.[6]

TWO: We understand that trustees have a fiduciary duty to maximise returns. However, research clearly demonstrates that **fossil-fuel divestment carries no financial penalty** – if anything it brings better returns.[7] [8]
The smart money is already beginning to divest (see examples below).[9] The rapidly growing renewables sector offers some attractive alternatives – an Oxfordshire example is the Westmill Solar Farm, in which Lancashire County Council has invested significantly.[10]

THREE: We draw Council's attention to **Guidance from the Law Commission** (2014) on the fiduciary responsibilities of trustees when setting investment strategies: "Trustees are required to balance returns against risk. This is not a question of maximising returns: *risks matter just as much as returns.*" [11]

In summary: 1. there are no specific financial risks in divesting from fossil fuels. Whereas **2.** holding onto these stocks carries a rapidly growing risk of being left with financially stranded assets.

We commend this petition to Cabinet members as a fundamental issue of public responsibility, and also as consistent with Oxfordshire County Council's other laudable initiatives to tackle climate change.

***

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[2] Carbon Tracker Initiative, ***Unburnable Carbon*** *2013,* (http://carbontracker.org/wpcontent/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf)

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[3] http://www.theguardian.com/environment/**2015/**jan/07/**much-worlds-fossil-fuel-reserve-must-stay-buried-prevent-climate-change-study-says.**

[4] Carbon Tracker Initiative, ***Unburnable Carbon*** *2013,* (http://carbontracker.org/wpcontent/uploads/2014/09/Unburnable-Carbon-2-Web-Version.pdf), p. 8

[5] UN Press Release, ***Safeguarding Future Retirement Funds – Time for Investors to Move Out of High-Carbon Assets*** *Says UN's Top Climate Official*, (http://unfccc.int/files/press/press_releases_advisories/application/pdf/pr20140115_ceres_final1.pdf).

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Letter-from-Mark-Carney-on-Stranded-Assets.pdf).

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(http://www.telegraph.co.uk/finance/newsbysector/energy/oilandgas/11114591/**Rockefeller**-family-sells-outof-fossil-fuels-and-into-clean-energy.html).

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German Utility E.ON to focus on renewables (http://uk.reuters.com/article/2014/12/01/us-e-on-divestiture-idUKKCN0JE0WJ20141201)

[10]**Lancashire County Council** invests in Westmill Solar Farm. (http://www3.lancashire.gov.uk/corporate/news/press_releases/y/m/release.asp?id=201302&r=PR13/0065)

[11] Is it always about the money? Pension trustees' duties when setting an investment strategy: **Guidance from the Law Commission.** (http://lawcommission.justice.gov.uk/docs/lc350_fiduciary_duties_guidance.pdf)

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Division(s): N/A

PENSION FUND COMMITTEE – 5 JUNE 2015

MANAGEMENT OF PENSION FUND DEFICITS

Report by the Chief Finance Officer

Introduction

1. In May 2014, Brandon Lewis MP the Minister responsible for the LGPS at that time wrote to the Shadow Scheme Advisory Board asking the Board to consider and make recommendations on innovation with respect to fund deficits. Since that time, the Board has produced a number of papers on the management of pension fund deficits.

2. This paper highlights the key aspects of the Board's work and considers the implications for this Committee.

National Picture

3. The work of the Shadow scheme Advisory Board has been supported by work commissioned from PwC. Key amongst the findings is that the current picture on fund deficits is clouded by the variations in the way that fund deficits are calculated. The nationally reported deficit for the LGPS as a whole at the 2013 valuation was £47bn. This compared to a figure of £37bn at the 2010 Valuation.

4. However, PwC commented that the average discount rate applied by fund actuaries in the 2010 valuations was equivalent to CPI plus 3.2%, whereas under the impact of quantitative easing, this had dropped to CPI plus 2.5% for the 2013 Valuations. If the deficits had been calculated on a standardised basis across both Valuations (PwC took CPI plus 3% which is the standard approach taken by the Government Actuary Depart (GAD) when valuing the unfunded public schemes), then the overall deficit would in fact have fallen between 2010 and 2013 from £42bn to £24bn.

5. The PwC work also identified that he reported deficits varied depending on the individual fund actuaries, with both Aon Hewitt and Barnett Waddingham producing reports with higher discount factors and therefore smaller deficits that Hymans Robertson and Mercers.

6. A key initial recommendation from the Board is therefore for a standardised approach too be taken by all actuaries from the 2016 Valuations, to ensure all Funds report deficits calculated on a standardised basis. Fund Actuaries will be allowed to continue to tailor the financial assumptions when completing the valuation to produce employer contribution rates, but the separately reported

results on a standard basis will allow the Board, and individual funds to compare the position across funds, and direct any action to where it is most needed.

7. Other key issues identified by the Board and the work of PwC include:

- The benefit of showing all deficit payments as a cash sum
- The need to be clear on employer covenants
- The need for greater flexibility around cessation payments
- The need to ensure that the valuation, funding strategy statement, deficit recovery period and investment strategy are consistent
- The potential requirement to set a minimum employer contribution

8. Amongst these issues, the issue of setting minimum employer contribution rates is likely to prove to be the most contentious, and the Board are likely to undertake further consultation on this point before making any recommendations to the Secretary of State. Whilst there is a clear need to avoid the situation of the 1980's and 90's where deficits rose when some funds took contribution holidays, it is unclear whether there is a fair and consistent method of setting minimum rates whilst taking into account the differences in local situations.

9. The only other key point made by the Board, is that the issue of fund deficits will not be addressed by simply focussing on scheme costs. The total costs of the scheme as measured by the second Annual Report for the LGPS are in the region of £0.5bn to £0.6bn, just over 1% of the total reported fund deficit of £47bn. As such, deficits will only be addressed by improving investment returns and/or further increases in contributions.

Oxfordshire Position

10. The position in Oxfordshire is not felt to be out of line with that elsewhere, accepting the lack of standardised data makes that judgement a difficult one to confirm. The deficit at the last Valuation was £329.7m which gives a funding level of 82%.

11. Along with other Barnett Waddingham clients, the discount rate applied at the 2013 Valuation was higher than average for all funds, at 5.8%, or 3.1% above the actuaries assumed level for CPI. The PwC chart of all Funds places the Oxfordshire Fund at the average funding level for Barnett Waddingham clients, whilst using a lower discount rate than the average used by Barnett Waddingham.

12. The key issue identified by the Board is whether the investment strategy can realistically deliver the returns required to eliminate the deficit over the stipulated deficit recovery period. There is nothing in the compiled figures to suggest that this is not the case at present.

13. A key issue that this Committee needs to consider is the extent to which the investment strategy is consistent with the liability profile. At the present time

the Fund is receiving on average £1m more a month in contributions than it is paying out in pension benefits. This allows the Fund to focus the investment strategy on delivering returns to close the deficit, without having to make allowance in the strategy for sufficient cash returns to pay pensions.

14. The Committee have not though previously undertaken any in depth analysis of this cash flow position to determine when the situation will move to the cash negative position a number of funds have found themselves in. It also follows therefore that more work needs to be undertaken in considering how the current investment strategy will support the payment of liabilities over the medium term, and therefore the strength on the current deficit recovery plan.

15. It is therefore recommended that the Committee asks the officers to work with Barnett Waddingham to produce a detailed analysis of the Funds predicted future payments of pension liabilities and cash flows. This work will also involve liaison with the major fund employers to understand their future plans in so far as how they relate to future LGPS membership e.g. major out-sourcing proposals, or reductions in service provision

16. This Committee has already incorporated other aspects of the Board’s suggestions in respect of fund deficits. Almost all employers now pay their deficits by way of a cash contribution (so that it is not impacted by variations in active membership). The only exceptions are the County Council and the City Council where the deficit contributions are still set as a percentage of pensionable pay.

17. The Committee has also implemented a review of the financial covenant of the employers within the Fund, and received the first report at its March meeting. It is important to recall that 83% of the total fund deficit fell to the County, City and District Councils, with a further 14.7% falling to Brookes University, the colleges and the academies, and 2.2% falling to the transferee admission bodies which are in turn under-written by one of the scheduled bodies.

18. At the present time therefore, the available information suggests that the fund deficit is in line with those elsewhere, and can be eliminated over the deficit recovery period through maintaining the current investment strategy. The vast majority of the deficit is allocated against the major scheduled employers, such that the repayment is under-written by the tax payer, or the Department for Education.

19. It is though clear that the Committee would benefit from greater transparency over its future cash flow projections, which would provide an improved basis for monitoring the deficit repayment plan as well as a basis for the review of the current investment strategy and asset allocation to ensure these remain appropriate in light of the expected liability profile.

RECOMMENDATION

20. **The Committee is RECOMMENDED to:**

(a) note the report;

(b) ask officers to work with the Fund's Actuary, Barnett Waddingham, to provide a detailed cash flow forecast based on assumed pension liabilities, and known plans of the main employers; and

(c) provide reports to future meetings of this Committee setting out the cash flow projections, and any implications for the current investment strategy and asset allocation.

Lorna Baxter
Chief Finance Officer

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

May 2015

Division(s): N/A

PENSION FUND COMMITTEE – 5 JUNE 2015

EMPLOYER MANAGEMENT

Report by the Chief Finance Officer

Introduction

1. At their March 2015 meeting, the Committee received a report on managing employer risk, which included a financial risk report prepared by the Fund's Actuary, Barnett Waddingham. That report considered the size of employer deficits in relation to the assessed financial strength of the organisation and any covenants in place which would secure future pension payments.

2. As we stated in the meeting, we need a wider assessment of the strengths of the individual employers within the Fund. In particular, it is felt that we should ensure that there is greater transparency at this Committee in respect of the record keeping in respect of each employer, and the timeliness and accuracy of their payments of pension contributions.

3. Poor record keeping and late or inaccurate payments may well mask underlying problems within the management of the employer. It should also be noted that these problems also impact directly on the quality of service that can be offered to scheme members, and can eventually lead to delays in the payment of pensions. This issue is now more under the spotlight with the Pensions Regulator in place with powers to review our performance.

4. This report therefore looks at a new approach to employer management in the Fund, and proposes a new template for a regular monitoring report to be presented to this Committee.

Employer Responsibilities

5. Under the relevant LGPS Regulations, all employers within the Fund have a number of responsibilities. Key amongst these are:
   - to maintain a full set of policies to cover employer discretionary powers under the Regulations,
   - each month to deduct pension contributions from scheme members in line with the Regulations and their discretionary policies and pay these over to the Administering Authority along with the employer contributions by the 19th day of the following month,
   - to provide monthly and annual returns to the Administering Authority in the format prescribed by the Authority to set out the supporting information on each scheme members employment and pension contributions deducted in that period,

- to provide the Administering Authority with timely information in the required format on all starters and leavers from the Fund.

6. The timely and accurate fulfilment of these responsibilities is key to the effective and efficient administration of the Fund. Previously though, this Committee has not had any oversight of how employers have performed either individual or in total. As such, there is a risk that the Committee is not in a position to ensure the effective governance of the Fund.

Performance Template

7. Annex 1 therefore sets out a draft template for the future monitoring of employers performance, to enable this Committee to form a view on the overall standard of performance of the Fund, and to develop action plans to address issues of concern. This would sit alongside the financial risk assessment discussed in the March meeting, with particular attention paid to those employers flagged as high risk under both measures

8. The annex will set out for each employer:
    - The number of late contribution payments over the last 12 months,
    - The number of late returns over the last 12 months,
    - The number of annual benefit statements (both as a number and as a percentage of all annual benefit statements for the employer) which have been sent out,
    - The level of outstanding work associated with each employer
    - An overall assessment for each employer, based on the above indicators, and feedback from the Pension Services Team

9. For each indicator, the score has been colour coded to provide a quick view of the current performance levels for each employer.

10. If the draft annex is agreed, future reports will contain data for all employers within the scheme, separated out between established employers and new employers, so that some allowance can be made for new employers picking up their new responsibilities for the first time.

Developing Action Plans

11. It should always be the case, that at the point that the performance of any employer becomes an issue for this Committee, that the employer will have received additional training/support from the Pension Services Team (although see report on structure resources below). The issue will also have been escalated to senior management within the employer, and any fines applicable under the Administration Strategy raised.

12. Where the employer has failed to respond despite the additional support and training, and any subsequent escalation, there are only a limited number of options open to the Committee, depending on the nature of the employing body. A critical point here though is the impact these options have on the scheme members.

13. For transferee admission bodies, the next contact will need to be with the ceding scheme employer, who holds the contractual relationship with the admission body. It is the ceding employer who has the legal responsibility to the staff to protect their pension rights on outsourcing. The ceding employer will need to consider their options under their contract to improve performance, or consider ending the contract.

14. For community admission bodies, the Administering Authority will have the option of ceasing the admission agreement on grounds on consistent non-compliance with the terms of the agreement. As noted above, this will directly impact on the scheme member, and therefore such a decision should not be made lightly.

15. The widening of the role of the Pension Regulator provides an additional option for the Pension Fund Committee in terms of developing action plans where performance is not at an appropriate level. For scheduled and designating employers, this is arguably the only option. However, this should only be used as a last resort, as evidence from elsewhere has highlighted that as well as imposing fines on the scheme employer, the Regulator will look at the performance of the Administering Authority and can impose fines on the Authority itself if he finds that more should have been done to avoid the issue.

16. Going forward, the Committee will therefore need to develop its policies in respect of persistent poor performance from individual employers. As part of this, it will need to ensure that the Administration Strategy contains sufficient remedies to support the action plan to deliver performance improvements at the earliest opportunities, and avoid the more extreme measures outlined in paragraphs 12 – 14 above.

RECOMMENDATION

17. **The Committee is RECOMMENDED to**

(a) note the report;

(b) approve the performance template as contained in Annex 1 as the basis for future reports to this Committee, and

(c) review the Administration Strategy on a regular basis to ensure it supports the developing approach to employer management.

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sean Collins, Service Manage, Pensions, Insurance & Money Management (01865) 797190

May 2015

Altair Code	Employer Name	Type of Employer	Active Members @ 31.03.15	Number of Late Payments - 2 payments per month	% of Late Payments	Number of Late Contribution Returns	% of Late Contribution Returns - 2 returns per month	Number of Late MARS Returns.	% of Late Returns	Number of Outstanding MARS Returns	% of Outstanding Returns	End of Year Return Received @ 31.04.2015	No of 2014 ABS Issued	% of ABS Issued	Outstanding Work @31.03.15	Overall Assessment
1	OXFORDSHIRE COUNTY COUNCIL	Scheduled	10,289		0.00		0.00	1	8.33	1	8.33	Yes	7,715	74.98	TBC	TBC
2	WEST OXFORDSHIRE DISTRICT COUNCIL	Scheduled	206	1	4.17		0.00	2	16.67	1	8.33	Yes	178	86.41	TBC	TBC
3	SOUTH OXFORDSHIRE DISTRICT COUNCIL	Scheduled	222		0.00	3	12.50	2	16.67		0.00	Yes	217	97.75	TBC	TBC
4	CHERWELL DISTRICT COUNCIL	Scheduled	379		0.00		0.00	2	16.67	1	8.33	Yes	338	89.18	TBC	TBC
5	VALE OF WHITE HORSE D C	Scheduled	146		0.00	2	8.33	3	25.00	1	8.33	Yes	134	91.78	TBC	TBC
6	OXFORD CITY COUNCIL	Scheduled	1,121		0.00		0.00		0.00		0.00	No	977	87.15	TBC	TBC
22	OXFORD ARCHAEOLOGICAL UNIT LTD	Admitted	77		0.00	4	16.67	4	33.33	0	0.00	Yes	62	80.52	TBC	TBC
50	CFBT THAMES CAREERS GUIDANCE	Admitted	1	2	8.33	2	8.33	4	33.33	3	25.00	No	1	100.00	TBC	TBC
82	OXFORD HOMELESS PATHWAYS (previously Oxford Night Shelter)	Admitted	10		0.00	1	4.17	4	33.33	0	0.00	No	9	90.00	TBC	TBC
85	ACTIVATE LEARNING (OXFORD AND CHERWELL COLLEGE)	Scheduled	474	0	0.00	15	62.50	9	75.00	2	16.67	No	340	71.73	TBC	TBC

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Division(s):

ITEM

PENSION FUND COMMITTEE – 5 JUNE 2015

FUTURE MANAGEMENT ARRANGEMENTS

Report by the Chief Finance Officer

Introduction

1. The current management arrangements for the Pensions Investment and Administration Teams have remain largely unchanged since the establishment of what was then Shared Services in 2007. The change in the focus for the pension services and this Committee, plus the transfer of a significant element of the financial and HR services to the Integrated Business Centre at Hampshire, make this an ideal time to re-look at the future management arrangements to ensure the service remains fit for purpose.

2. This report therefore looks at proposed changed to the structure of the Pension services teams and seeks the committee's endorsement to the outline proposals.

Pensions Administration

3. The Pensions Administration Team is currently structured with a pensions payroll/technical team, two teams responsible for the administration of individual member records, and a communications officer. The majority of the work with employers falls to the Pension Services Manager.

4. The key pressure points in the current arrangements have come around are work with employers. The establishment of Academy schools, and an increase in out-sourcing has led to a significant growth in the number of employers within the Fund. At the time of the 2010 Valuation, there were 68 employers with 17,916 active members. By the time of the 2013 Valuation, the number of active members had fallen slightly to 17,811, but the number of employers had risen by almost 50% to 100. Since, then we have added in excess of another 30 employers, taking the growth since the 2010 Valuation to close to 100%.

5. Not only has the workload increased with the additional numbers of employers, but many of these employers are small, with small of part time HR sections, and so find it very difficult to meet their responsibilities under the LGPS Regulations (although it should be noted that we also face significant issues with a number of the bigger employers within the Fund).

6. It is therefore proposed to re-structure the Pensions Administration team to introduce an Employers Team. This team would have responsibility for

dealing with all new employers, helping them through the process of completing their application for admission, providing training and support to ensure the new employer was fully aware of their responsibilities under the Regulation, and was able to produce the necessary policy documents and returns to the Administering Authority.

7. It would be expected that the demands placed on the Employers Team by a new employer would reduce over the initial few months following admission, and the work would then focus on individual member pension records, which would be the responsibility of the single Members Benefits Team. This team would be responsible to maintaining the records of individual members, dealing with queries from scheme members, and providing individual benefit estimates.

8. The Payroll/Technical Team would remain responsible for processing the monthly pensions payroll, maintaining the pensions system, and overseeing the practices and processes in the service to ensure the system is used to achieve maximum efficiency and effectiveness.

9. The Communications Officer would remain responsible for working with the national LGPS organisations to ensure we continue to provide communications to all scheme employers and members as appropriate, as well as providing support on all changes to the Scheme Regulations.

10. At the present time, we are looking to re-structure the team as outlined above within existing resources. Once the new teams and ways of working have been established, we will need to review the resource levels in light of the KPI performance for the service as a whole, and the issues being identified by the monitoring of employer performance.

Pensions Investments

11. As a consequence of the major changes to the delivery of financial services under the transfer of services to the Integrated Business Centre at Hampshire, we are currently reviewing the structure of all corporate financial services teams.

12. Subject to a formal consultation exercise, it is intended to split the current Pensions Investments and Treasury Management team, though the teams would remain co-located and continue to work very closely together. A key aspect of this change is the requirement for the Treasury Management Team to pick up the work in respect of the Council's banking arrangements, which will see a number of changes following the transfer of services to Hampshire.

13. As discussed at the last meeting of this Committee, it is the intention to establish a full time Head of Pensions Position to oversee the work of both the Pensions Investment and Administration Teams. Currently the Service Manager picks up this work alongside their management of the Council's procure to pay transactional services. This change, which was reflected in the budget, will allow the Head of Pensions to provide greater support to the new

Pensions Investment Team. As with the Pensions Administration changes, the new arrangements would be allowed to bed down before any review of the appropriate level of resources was undertaken

RECOMMENDATION

14. **The Pension Fund Committee is RECOMMENDED to note this report, and endorse the proposed changes in management arrangements as outlined.**

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sean Collins, Service Manager (01865) 797190
May 2015

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Division(s): N/A

PENSION FUND COMMITTEE – 5 JUNE 2015

REVIEW OF PENSION FUND POLICIES

Report by the Chief Financial Officer

Introduction

1. Under the Local Government Pension Scheme Regulations, the Pension Fund Committee, acting as the Administering Authority of the Oxfordshire Pension Scheme, is required to produce and maintain a number of key policy documents. These policies are subject to an annual review, which is scheduled for the June meeting of the Committee cycle. This report presents the latest version of these policies for them to be formally endorsed by the Committee.

2. Whilst not a formally required policy under the LGPS Regulations, this report also presents a formal Scheme of Delegation to be endorsed by the Committee. This Scheme of Delegation brings together those areas previously agreed by this Committee where decisions have been delegated to officers of the Council.

Policies for Endorsement

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

Annex 1 – The Funding Strategy Statement.

4. The Funding Strategy Statement sets out the Fund's approach to managing the solvency of the Fund, and is the framework which guides the work of the Fund Actuary in completing the Triennial Valuation of the Pension Fund.

5. The initial Funding Strategy Statement was prepared in 2005 with considerable support from the Fund's then Actuary. The Committee carried out a consultation exercise as part of a fundamental review of the Statement in 2009/10 and agreed a number of changes to the Statement to increase flexibility around recovery periods, stepping arrangements and the treatment of admitted bodies. In March 2013 the Committee determined changes in respect of the pooling arrangement for academy schools.

6. There have been no significant changes to the Funding Strategy Statement as part of this current review.

Annex 2 – The Statement of Investment Principles

7. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's resources.

8. The Statement has been updated since last year to reflect the transition to the new asset allocation agreed in March 2014, and the subsequent appointment of Insight Investment to manage the Diversified Growth Fund.

9. A further change has been proposed in respect of the Investment Limits. Under the Investment Regulations, a Fund can allocate up to 5% of the total to investments in Partnerships. The regulations allow this limit to be raised up to 30%. At present, the Fund has allocated 4.3% to partnerships, consisting of the private equity allocations to Adams Street, the Partners Group, Oxfordshire Technology and Longwall, and the new property allocation to Bridges Ventures. With provision to make further allocations to property, it is now viewed as appropriate to amend the Fund's limit on allocation to partnerships from the current 5% to the higher figure of 30% allowed under the Regulations.

10. The total allocation made to the private equity and property partnerships is controlled through the overall asset allocation and it will be through this mechanism that the appropriate level of diversification within the fund is maintained.

11. The position should be reviewed every three years in light of the Fundamental Asset Allocation Review, and as such it is proposed that the increase is initially in place until June 2017.

Annex 3 - Governance Policy and Governance Compliance Statement

12. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Governance Compliance Statement sets out the extent that this policy complies with best practice.

13. The Governance Policy has been amended this year to reflect the introduction of the new Local Pension Board and the role this will play in assisting this Committee in the overall governance of the Fund.

14. The Compliance Statement identifies the areas where we remain only partially complaint with best practice. The committee has been happy to accept the position in the past, and no changes are proposed at this time.

Annex 4 – Communication Policy

15. The Communication Policy sets out the Fund's key communication messages and channels. Only minor changes have been made to the policy since last year.

Annex 5 – Early Release of Benefits Policy

16. The Early Release of Pension Benefits Policy covers the Administering Authorities approach to dealing with cases for early release of pension benefits where the last employer of the scheme member is no longer in existence. This Policy was initially approved by the Pension Fund Committee at its meeting in December 2012. There are no significant changes as part of this annual review.

Annex 6 - Scheme of Delegation

17. The Scheme of Delegation was introduced in June 2012 to bring together all areas where the Pension Fund Committee has previously delegated decisions to Officers of the Council.

18. The Scheme has been updated to reflect the various decisions of this Committee at its March meeting. No further changes have been proposed in this latest version.

Annex 7 – Administration Strategy

19. The Fund is required to produce an Administration Strategy to set out the various responsibilities of the Administering Authorities, and the Scheme employers, and to establish a charging policy to allow the Administering Authority to recover costs of additional work where scheme employers fail to meet their responsibilities in an accurate and timely manner.

20. The Administration Strategy presented at Annex 7 was agreed earlier this year after a full consultation exercise with the scheme employers. As noted in the Employer Management report elsewhere on this Agenda, this will be the key policy document in reviewing any measures open to this Committee is seeking to encourage improvements in administration performance from the scheme employers.

RECOMMENDATION

21. **The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1 - 7 to this report, noting the main changes in the documents as discussed above.**

LORNA BAXTER
Chief Financial Officer

Background papers: None

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

May 2015

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Oxfordshire Pension Fund

Funding Strategy Statement

Introduction

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 58 of the Local Government Pension Scheme Regulations 2013, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004.

2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 6 June 2014. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meetings on 19 March 2010 and 8 March 2013 following a full consultation exercise with the scheme employers.

3. The Funding Strategy Statement will be subject to further review to allow for the impact of the forthcoming proposals for changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund and the growing maturity of the Fund. Any change will only be made after full consultation with all scheme employers.

Purpose of the Funding Strategy Statement

4. The three main purposes of this Funding Strategy Statement are to:

   - Establish a clear and transparent strategy, specific to the Fund, which will identify how employer pension liabilities are best met going forward.
   - Support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
   - Take a prudent longer-term view of the funding of the Fund's liabilities.

Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are to:
   - Enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the tax-payer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance

needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.

- Ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensuring sufficient liquid resources to meet regular pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first instance from incoming employer and employee contributions to avoid the expense of dis-investing assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.
- Manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.
- Maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments solely on social or ethical grounds. The Fund's principal concern is to invest in the best financial interests of its employing bodies and beneficiaries. Investment Managers should monitor and assess the social, environmental and ethical considerations which may impact on the reputation of a particular company, as well as the company's sensitivities to its various stakeholders. Investment Managers should engage with companies on these issues where appropriate. Such a policy should ensure the sustainability of a company's earnings, and hence its merits as an investment.

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

Responsibilities of Key Parties

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.

8. The key responsibilities of the Administering Authority are to:

- Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19^{th} of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.
- Invest all surplus monies within the Fund in accordance with the relevant Regulations, and the Fund's Statement of Investment Principles.
- Ensure there is sufficient cash available to meet all liabilities as they fall due.
- Maintain adequate records for each individual scheme member.
- Pay all benefits and transfer payments in accordance with the Regulations.
- Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.
- Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.
- Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.

9. The key responsibilities of individual employers are to:
    - Correctly deduct contributions from employee pay.
    - Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.
    - Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.
    - Provide adequate membership records to the Administering Authority as required.
    - Notify the Administering Authority of all changes in membership details.
    - Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.

10. The key responsibilities of the Fund Actuary are to:
    - Prepare triennial valuations including setting employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.

- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Solvency and Target Funding Levels

11. The Fund must determine the level at which the Fund will be deemed solvent, and should then aim for a target funding level whereby the assets of the Fund, and anticipated future income streams (by way of investment income and contributions) meet this solvency level in respect of the anticipated liabilities of the Fund.

12. The Funding Strategy Statement must set out how solvency and target funding issues will be addressed across different classes of scheme employer, and the timescales against which any deficit recovery plan must be delivered.

13. Solvency Level – The Pension Fund Committee has determined that the solvency level should be set such that the value of current assets, and anticipated income streams is equal to 100% of the anticipated value of future liabilities. Any lower figure cannot be sustained in the longer term, and therefore would introduce an unacceptable level of risk into the management of the Fund and the delivery of the Funds aims.

14. Funding Level – The funding level is the percentage the current assets and future income streams form of the anticipated liabilities at any given time. The Actuary will calculate the current funding level based on a series of financial assumptions to be agreed with the Administering Authority. In particular the Actuary will seek to smooth short term variations in asset values rather than taking the strict market value at the point of valuation.

15. In discounting the value of the liabilities back to the point of the valuation, the Actuary will in general allow for an assumed premium investment return from equity and other higher risk assets held in the Fund. Where the future participation within the Fund is not assured, or at the point a cessation valuation is required, the Administering Authority retains the right to instruct the Actuary to complete a valuation on a low risk basis, such that the future liabilities are discounted by reference to current gilt yields, with no allowance for the premium investment return from higher risk assets. Where an employer is pooled, or where another scheme employer is prepared to underwrite the financial risks, valuations can still be undertaken on an on-going/higher risk basis, even where there is a question about the long term participation of an employer within the Fund.

16. The funding level of individual employers will in general be based on a shared investment experience (i.e. it is assumed that the total assets allocated to each employer have an identical proportion of each asset class), but the individual membership experience of each employer's individual scheme members (i.e. liabilities will reflect the individual retirement decisions of scheme employers/members, patterns of ill-health retirements etc, so that no one employer is required to subsidise the decisions of another – although see pooling arrangements below).

17. <u>Deficit Recovery Plans</u> – Where the triennial valuation identifies the funding level of any given employer has fallen below the target funding level a deficit recovery plan must be agreed. The Committee has agreed that in normal circumstances any deficit recovery plan must aim to restore the funding level to the 100% target within a maximum of 25 years. This was set as the standard <u>Recovery Period</u> in the 2007 Valuation.

18. The Administering Authority retains the right to require a shorter recovery period where it has concerns about the financial standing of the employer, or where it has concerns regarding the level of an employer's participation in the Fund going forward (e.g. significant decline in membership numbers, admission is linked to a short term service contract etc). Individual employers have the right to negotiate a lower recovery period than the standard period if they so wish.

19. In cases of exceptional financial hardship, and where the fall in funding level is seen to have been heavily influenced by short term factors which will not remain in the longer term, the Administering Authority does have the discretion to agree a longer recovery period than the standard 25 years, to maintain a more stable employer contribution rate. It should be noted that this discretion will not be exercised where the Administering Authority believes the nature of the pressure on the funding level is long term in nature, and the extension of the recovery period is simply going to shift the increase in contribution rates to a later period.

20. The Actuary, in consultation with the Administering Authority may choose to vary the recovery period downwards for any individual employer in order to maintain as near stable contribution rate as possible.

21. The Administering Authority also has the discretion to agree <u>stepping arrangements</u> with individual employers, to enable them to manage an increase in their contribution rate over a number of years. The standard stepping period will be a period of 3 years, but in exceptional circumstances the Administering Authority has the discretion to increase this to 6 years. This again should be seen as a mechanism for maintaining as near stable contribution rates as possible, rather than a means for delaying an inevitable increase in contribution rates.

22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. Since the 2010 Valuation, the Administering Authority agreed that the deficit payments for all smaller employers must be made by way of a cash amount, whilst allowing the larger employers to determine between a cash amount and a percentage of pensionable pay.

23. Pooling – Whilst in general the funding level of each individual employer will be based on its own membership experience, it is recognised that this can create high volatility in an employer's contribution rate, and therefore their financial standing and/or their continued participation in the Fund.

24. Some of the most vulnerable employers within the Fund are the small transferee admission bodies, who have been admitted to the Fund following the successful bid for an outsourcing contract from one of the scheduled scheme employers. Not only are such employers exposed to the risks associated with their size, but because of the fixed term nature of their participation in the Fund (in line with the length of their service contract) they are less able to benefit from the discretions available in managing any subsequent deficit recovery plan.

25. The Administering Authority therefore has the discretion, following consultation with the sponsoring scheme employer, to allow such transferee admission bodies to be pooled with their sponsoring employer. As transferee admission agreements require the sponsoring employer to under-write any future pension costs associated with the transferee admission body, such pooling arrangements involve no greater risk whilst maintaining more stable contribution rates in regards to the delivery of the outsourced service. At the end of any such admission agreement, any cessation valuation can be under-taken on the standard high risk basis, or the assets and liabilities can be retained within the pool and the deficit carried forward and allocated as part of the re-tendering of the service.

26. The Fund has also pooled together the smaller scheduled/designated employers, and separately the remaining smaller admitted bodies. Each employer within the pool shares the same membership experience, so for example the costs of a single expensive ill-health retirement are shared across all employers in the pool rather than falling to the employer who employed the scheme member at the point of their retirement.

27. Following a consultation exercise at the beginning of 2013, the Administering Authority determined that all Academy Schools with 50 or less LGPS members should be required to pool as a standalone group. A small Academy School can seek the approval of the Administering Authority to permanently opt out of the pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities underwritten by the Academy Trust. Any Academy School with over 50 LGPS members has the right to opt to join the pool on a permanent basis.

28. The Administering Authority will also consider applications from individual academy schools under a single Umbrella Trust to operate a single pool for all academies within the Umbrella Trust. (The Administering Authority will treat a Multi-Academy Trust as a single employer and therefore with its own individual employer contribution which applies to all schools within the Trust – subject to total members exceeding 50).

29. If an employer ceases to be a member of the Fund (whether through choice, the ending of a service contract, or the departure of their last active member), the Administering Authority will instruct the Actuary to carry out a cessation valuation, unless the deficit is held as part of a pooling arrangement for a transferee admission body. As noted above, the cessation valuation will be undertaken on a low risk basis, unless another scheme employer has under-written the financial risk, or the employer is a member of a pool. The Administering Authority will explore payment plan proposals to meet the cessation cost over an agreed period of time, to reduce the risk of non-payment and ensure the Fund maximises the receipt of money due.

30. Where a scheme employer fails to meet the cessation valuation, the cost will fall to the sponsoring employer in the case of a transferee admission body, the other members of the pool for a pooled body, and the Fund as a whole in all other cases. Similarly, where liabilities accrue in respect of scheme members where their former employer is no longer a scheme employer (orphan liabilities), these liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

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

31. This Funding Strategy Statement has been prepared in light of the Fund's Statement of Investment Principles (SIP). This document sets out the strategic allocation of the Fund's investments, the restrictions on investment, and the benchmarks against which Fund Management performance will be measured. A target outperformance of 1.0% above these benchmarks has been set for the Fund as a whole.

32. As noted above, the Actuary takes note of the actual investment allocation and the split between high and low risk assets in determining the discount factor to be applied to scheme liabilities. This allocation is in turn determined by the Statement of Investment Principles. As the Fund becomes more mature (i.e. the ratio of pensioners/deferred members to active members increases), the investment approach as set out in the Statement of Investment Principles will move to reduce the overall level of risk. This in turn may worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.

33. The Fund has previously consulted on changing the Funding Strategy Statement to allow multiple investment approaches to reflect the different levels of maturity of individual scheme employers. The consultation identified no real appetite for such a change, nor a current need, and as such, the Fund maintains a single investment strategy for the whole Fund.

Identification of Risks and Counter-Measures

34. The Administering Authority recognises a number of risk areas in the establishment of its funding strategy. These risks fall broadly under the headings of financial, demographic, regulatory and governance.

35. The key financial risks are around the variations to the main financial assumptions used by the actuary in completing their valuation. This includes the financial markets not achieving the expected rate of return, and/or individual Fund Managers failing to meet their performance targets. The main approach to counter this risk is to ensure diversification of the investment portfolio, and the employment of specialist Fund Managers. The Pension Fund Committee with advice from their officers, and their Independent Financial Advisor monitor performance on a quarterly basis.

36. In completing their valuation, the Actuary does provide a sensitivity analysis around the key financial assumptions, including future inflation forecasts. The Actuary also produces a quarterly monitoring report to consider movements in the Funding Level since the last valuation.

37. The demographic risks largely relate to changing retirement patterns and longevity. The Actuary reviews past patterns at each Valuation and adjusts their future forecasts accordingly. Where possible, employers are charged with the cost of retirement decisions made outside the valuation assumptions and in particular, are required to meet the hidden costs of early retirements.

38. The regulatory risks are in respect of changes to the LGPS Regulations themselves, as well as the impact of changes in taxation and national insurance rules, and national pension issues (e.g. the current auto-enrolment changes). The Administering Authority monitors all consultation documents which impact on the Fund, and responds directly to the Government where appropriate. The Administering Authority will seek advice from the Actuary on the potential impact of regulatory changes.

39. The main governance risks arise through unexpected structural changes in the Fund membership through large scale out-sourcings, redundancy programmes or closure of admission agreements. The main measures to counter such risks are regular communications between the Administering Authority and scheme employers, as well as monitoring of the monthly contribution returns to indicate changing trends in membership.

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

Monitoring and Review

41. The Administering Authority has undertaken to review this Funding Strategy Statement at least once every three years, in advance of the formal valuation of the Fund.

42. The Administering Authority will also monitor key events and consider an interim review of the Funding Strategy Statement where deemed necessary. Such key events include:

- a significant change in market conditions,
- a significant change in Fund membership,
- a significant change in Scheme benefits, and
- a significant change to the circumstances of one or more scheme employers.

June 2015

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♦ STATEMENT OF INVESTMENT PRINCIPLES

1 Introduction

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

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

2 Overall Responsibility

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

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

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

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.0% per annum over a rolling three-year period.

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

Risk

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

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

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of poor performance by investment managers;
- diversification of investments, including investing in alternative assets with a low degree of correlation;

- use of a number of different investment managers to spread the risk of poor performance.
- diversification of investment styles, e.g. growth and value

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

Strategic asset allocation

In March 2014, the Pension Fund Committee reviewed the benchmark for the strategic allocation of assets, following the results of the 2013 Valuation. The revised benchmark is set out in the table below:

Asset Class	Asset Allocation %	Range %
UK Equities		
- passively managed	9	
- actively managed	20	
Total UK Equities	29	27 – 31
Overseas Equities		
- passively managed	7	
- actively managed	23	
Total Overseas Equities	30	28 - 32
Total Equities	**59**	**55 - 63**
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
Total Bonds & Index Linked	**16**	**14 - 18**
Property	8	5 - 9
Private Equity	9	6 - 11
Diversified Growth Fund	5	4 - 6
Infrastructure	3	2 - 4
Cash	0	0 - 5
Total Other Assets	**25**	
Total All Assets	**100**	

4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the

Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2014.

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

Asset Class	**Investment Manager**	**Benchmark**	**Annual Target**
UK Equities	Baillie Gifford Legal & General	FTSE Actuaries All-Share FTSE 100	+1.25% Passive
Global Equities	UBS Global Asset Management	MSCI All Countries World Index (ACWI)	+1.0%
Global Equities	Wellington Legal & General	MSCI ACWI FTSE All World	+ 2.0% Passive
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.6%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	Assistant Chief Executive & Chief Finance Officer Adams Street Partners Group	FTSE smaller companies (including investment trusts)	+ 1.0%
Diversified Growth Funds	Insight Investment	3 month Libid	+3.0% to +5.0%
Cash	Internal	3 month Libor	-

\# Target performance is based on rolling 3-year periods

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. UBS Global Asset Management have been given control ranges for overseas equities relating to investment in their Global Pooled Fund and emerging markets. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

Restrictions on Investment

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

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

- not more than 10% (15%) of the Fund may be invested in unlisted securities of companies;
- not more than 10% of the Fund may be held in any single holding;
- not more than 10% of the Fund may be held as a deposit in any single bank, institution or person;
- not more than 2% (5%) of the Fund may be contributed to a single partnership
- not more than 5% (30%) of the Fund may be contributed to partnerships in total.
- not more than 10% of the Fund may be deposited or loaned to local authorities
- not more than 25% (35%) of the Fund may be invested in open ended investment companies where the collective investment schemes constituted by the companies are managed by one body.
- Not more than 25% (35%) in any single insurance contract.

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 22.8%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 25%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- It is proposed that the increase should be retained for the three year period up to the implementation of any asset allocation review following the 2016 Valuation. The increase will be reviewed as part of the 2017 Fundamental Asset Allocation Review and expires no later than 30 June 2017.

- To increase the limit on the total of the Fund to be allocated to partnerships to 30%.
- This increase reflects the decision of the Committee to allocate £20m for ad hoc property investments. £10m has been allocated to a property partnership, bringing the total allocated to partnerships to 4.3%. To ensure the Fund retains the flexibility required to make investments in private equity and property partnerships as opportunities arise, the limit needs to be raised in line with the higher limit set by the Regulations.
- As the actual allocations will remain within the bands set by the fundamental asset review, the Fund will remain fully diversified.
- The increase should be reviewed as part of the 2017 Fundamental Asset allocation Review and as such will be in place until June 2017.
- The decision to increase both limits has been made in line with the requirements of the Regulations.

Realisation of Investments

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

Monitoring and review

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

5 Social, Environmental & Ethically Responsible Investment

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

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

6 Exercise of Rights attached to Investments

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

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, subject to an annual review by the Pension Fund Committee.

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

7 Custody & Stock Lending

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

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

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

8 Compliance

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

The Pension Fund Committee has assessed itself against the updated Principles of Pension Fund Investment in June 2010 and is broadly compliant. This statement also complies with the guidance given by the Secretary of State.

9 Review of this Statement

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

Oxfordshire Pension Fund

Governance Policy Statement

Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 55 of the Local Government Pension Scheme Regulations 2013.

2. As required by the Regulations, the Statement covers:

   - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
   - The frequency of any committee/sub-committee meetings;
   - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
   - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.

4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:

    - The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
    - The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.

6. A more detailed interpretation of these terms of reference includes the following:

    a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
    b) regularly review and approve the asset allocation for the pension fund's investment
    c) approve and maintain the fund's Statement of Investment Principles
    d) approve and maintain the fund's Funding Strategy Statement
    e) approve and maintain the fund's Governance Policy Statement
    f) approve and maintain the fund's Communications Policy Statement
    g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager
    h) review the performance of the fund, and its fund managers
    i) appoint an actuary, independent financial advisor(s), and custodians for the fund
    j) approve an annual report and statement of accounts for the fund
    k) approve an annual budget and business plan for the investment and administration of the fund
    l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
    m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

7. The Committee's members shall be appointed by full Council and shall comprise

- 9 County Councillors
- 2 Representatives of the City and District Councils of Oxfordshire.

These 11 members of the Committee shall have full voting rights. The County Councillors will be appointed such that the majority party on the Council has a majority of seats on the Committee before taking into account the political party of the City/District representatives.

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

Operational Procedures

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.

10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.

11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.

12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.

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

Local Pension Board

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient an defective governance and administration of the scheme.

15. The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.

16. The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund's website.

Informal Governance Arrangements

17. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.

18. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

June 2015

Oxfordshire Pension Fund

Governance Compliance Statement

Principle A – Structure

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

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: Oxfordshire County Council acting as Administering Authority has determined to delegate all functions relating to the management of the Pension Fund to the Pension Fund Committee.

Principle B – Representation

a.	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • Employing authorities (including non-scheme employers e.g. admitted bodies) • Scheme members (including deferred and pensioner scheme members) • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis)	Partly compliant
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant

Please use this space to explain reasons for non-compliance

The Pension Fund Committee contains representatives of the County Council (9 Members) and the 5 City and District Councils (2 Members). The Committee is also attended by a Beneficiaries Observer, appointed by the Unions to represent all scheme members (including deferred and pensioners). The Committee though does not include any representation from other key stakeholders, including Brookes University, the colleges, the Housing Associations, the small scheduled bodies and small admitted bodies, and the Academy schools. It has been determined that given the decision to manage all functions through a single Committee, increasing representation to cover these other key stakeholder groups would make the Committee unworkable. These stakeholders are afforded the opportunity to contribute to significant decisions through consultation exercises, and the annual Forum for all employers.

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

Principle C – Selection and Role of Lay Members

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

Please use this space to explain reasons for non-compliance A briefing is provided to all new members of the Committee members clearly setting out their role and responsibilities on the Pension Fund Committee. However this briefing is not given where substitute members attend the Committee.

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

Principle D – Voting

a.	The policy on individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: Voting rights have been extended to the two District Council representatives on the Pension Fund Committee. As current employees of the County Council cannot have voting rights on a Council Committee, and as this group forms the largest single stakeholder group within the Fund, it has been determined that the Beneficiaries Observer does not have voting rights, to avoid any perverse incentive to appointing a current employee of the County Council to the position. This decision is clearly stated in the Fund's Governance Policy.

Principle E – Training/Facility Time/Expenses

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

Please use this space to explain reasons for non-compliance

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

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

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

Principle F – Meetings (frequency/quorum)

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

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: In addition to the quarterly meetings of the main Pension Fund Committee, the Fund holds an annual Pension Fund Forum, attended by Committee Members, to which all employers are invited.

Principle G – Access

a.	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: All information on which decisions at the main Committee are based is equally available to all Members. Under the Council's Constitution, the Chairman, Deputy Chairman and Opposition Spokesperson are invited to a briefing meeting in advance of each Committee meeting, and as such receive a briefing not available to other members, including representatives of the third political party.

Principle H – Scope

a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues.

Principle I – Publicity

a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant

Please use this space to explain reasons for non-compliance

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

OXFORDSHIRE PENSION FUND

COMMUNICATION POLICY STATEMENT

Introduction

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund, established within the 1995 Regulations and now prepared under Regulation 61 of the Local Government Pension Scheme Regulations 2013.

Purpose

2. This policy sets out the Oxfordshire Pension Fund's strategy for its communications with members, members' representatives and employing authorities.

3. The strategy also covers the promotion of the scheme to prospective members.

4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:

   - Active members
   - Deferred members, and
   - Pensioner members

5. Employing authorities, as defined within the regulations : -

   - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
   - Designating Bodies being the Town and Parish Councils
   - Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that all individual employers and scheme members, as defined above, have access to scheme information, their benefits, and proposed and actual changes.

7. To enable the Scheme Manager / Administering Authority to discharge efficiently their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes (Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

Communication Policy

8. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. All Oxfordshire County Council Pension Fund communications do, and will continue to, make reference to these central resources.

9. Local communication will focus on specific administration for employers and members of the Oxfordshire County Council Pension Fund. The key local communications, publication media and frequency are detailed in the annex to this policy.

10. This emphasis does not materially alter this policy but will affect he content of local communications. The continuing encouragement to use the national websites will avoid duplication of development.

Review of This Policy

11. The Regulations require the policy statement is prepared, written and published, and for these purposes publish means being accessible on the publically available pensions website.

Communication Issue	Target audience	Method	Frequency
Communication Policy	• Employers • Members – active, deferred and pensioner • Prospective scheme members • Employee representatives	www.oxfordshire.gov.uk/pensions	Annual review, or where there is a material change
Pensions Increase Notification	• Pensioner members	www.oxfordshire.gov.uk/pensions By post	Annually – in February
Annual Benefit statements	• Active • Deferred members	By post to individuals, either to home addresses via employers	Annually - by August
Employers Forum	• Employers in the Oxfordshire Pension Fund	• Meeting	Annually - December
Newsletter – Reporting Pensions .	• Active Scheme members • With one newsletter including summary of accounts for pensioners	• Paper distribution with assistance from employers. www.oxfordshire.gov.uk/pensions	Quarterly
Beneficiaries Report from the Pension Fund Committee beneficiary's advisor.	• Active members • Employee representatives	• E mail distribution to Employers for notice boards and intra nets • By post www.oxfordshire.gov.uk/pensions	Quarterly
Pensions User Group	• Employer Human Resource and Payroll contacts	• Meeting • Email distribution of agenda and action notes.	Quarterly

Communication Issue	Target audience	Method	Frequency
LGPS Summary information guide Membership forms	• Prospective scheme members • Employers for new starters, job application packs	• Paper copies • Download from County web site • Email	All year.
Provide presentations and talks on LGPS matters Facilaite pensions seminars for Prudential 'Basic LGPS scheme and AVC talks'	• Active members • Employers	• Staff meetings • Part of pre retirement courses • Induction meetings for new joiners • Active members group meetings	Ad hoc as required Timings as agreed with the Prudential and individual employer area
Development of electronic information systems, external County Council web site and intranet pages.	All targeted audiences should be able to access information, especially from the external site.		Regular reviews to keep up to date

Oxfordshire County Council Pension Fund

Early Release of Benefits Policy Statement

Introduction

1. This Early Release of Benefits Policy Statement of the Oxfordshire County Council Local Government Pension Scheme Pension Fund is published under Regulation 38(2) of the Local Government Pension Scheme Regulations 2013. SI 2013 No. 2356 (as last amended by SI 2014 No. 44)

2. The Local Government Pension Scheme Regulations 2013 refers only to members with a deferred benefit due under the LGPS Regulations 2013. However, to ensure consistency the Oxfordshire County Council Pension Fund will also apply this policy to deferred and pensioner members to whom the 1995, 1997 and 2007 Regulations apply.

Purpose

3. This policy sets out the Oxfordshire County Council Pension Fund's strategy to deal with request for the early release of member benefits in cases where the former employer no longer exists, and there is no successor body, within the Oxfordshire County Council Pension Fund.

4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations to include:

- Deferred members
- Pensioner members with deferred benefits
- Credit members

5. Employing authorities, as defined within the regulations: -

- Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
- Designating Bodies being the Town and Parish Councils
- Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that any scheme member, leaving after 01 April 2014, whose former employer is no longer an active scheme employer, has access to a procedure to request early payment of their benefits on grounds of ill-health; release of deferred benefit, or waiving of the 85 year rule reduction.

7. To ensure that all scheme members, who left before 01 April 2014, whose former employer is no longer an active scheme employer, have access to a procedure to request early payment of their benefits, in the following circumstances: -

a. Where a scheme member applies for early payment of benefits on, or after age 55 but prior to age 60, which requires the consent of their former employer for payment to be made.

b. Where a scheme member applies for early payment of benefits on the grounds of ill-health.

Last Reviewed June 2015

8. Note: Where a scheme member has deferred benefits under the 1995, 1997 or 2007 regulations, the provision of those regulations will apply to any application

Decision Making

9. In making any decision the Oxfordshire County Council Pension Fund will take account of:

Employing authorities' policy statements relating to the exercise of discretion, where available.

The cost of making any such decision (if these costs are not justifiable Oxfordshire County Council Pension Fund can refuse the request for early release of benefits)

How the costs will be met, doubtless by all current fund employers.

Waiving, on compassionate grounds, of any actuarial reduction to be applied on the payment of deferred benefits before Normal Retirement Age under the LGPS Regulations 1997, or

The early release of (unreduced) deferred benefits on compassionate grounds under the LGPS Regulations 1995.

Review of this Policy

10. This policy will be reviewed if there is a material change as a result of changes to the Regulations.

Last Reviewed June 2015

Oxfordshire County Council Pension Fund

Scheme of Delegation

Introduction

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.

It is not possible for such a small number of people to take all the necessary decisions and authorise expenditure, and therefore further delegation of these powers is allowed. The Scheme of Delegation is the formal record of that authorisation.

The Scheme of Financial Delegation is made by Joanna Simons, Chief Executive, in accordance with the Contract Procedure Rules (part 8.3) of the Council's Constitution, to enable delegation of her authority to sign contracts and other financial authorisations. The levels of delegation applicable to pension fund authorisations and financial transactions are shown within the Chief Executive's Office Scheme of Delegation and the Oxfordshire Customer Services Scheme of Delegation. Appendix (a) shows the main extracts of the schemes of delegation which were relevant to usual pension fund administration and investment activities, at the date of the report.

Schemes of Financial Delegation are reviewed and amended throughout the year. Amendments are signed off by relevant service directors, the section 151 officer and the county solicitor.

In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

Adjudication of Disagreements

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

Death Grants

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).

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 some markets, power of attorneys are also required to enable the Fund’s agents to register votes on behalf of the Fund at company meetings.

In March 2015, the Pension Fund Committee delegated the decision to authorise a Power of Attorney to Officers, after consultation with the Chairman of the Committee.

Pension Fund Cash Management Strategy

The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash balances held by the administering authority are managed by the Council’s Treasury Management and Pension Fund Investment team. The Pension Fund Committee have delegated authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy.

To avoid cash flow deficits or the excessive build-up of cash over the strategic asset allocation, the level of cash balances is reviewed as part of a quarterly asset allocation by the Independent Financial Adviser and the Pension Fund Investments officers.

Strategic Asset Allocation

The Pension Fund strategic asset allocation is approved by the Pension Fund Committee and is periodically reviewed by the Independent Financial Adviser. Due to market volatility and the varying performance levels of fund managers, the actual asset allocation fluctuates on a daily basis.

The Independent Financial Adviser and officers review the actual asset allocation on a quarterly basis and make arrangements to transfer assets or cash to fund managers, to rebalance the fund.

Decisions to rebalance the fund within approved strategic asset allocation ranges are delegated to officers. Arrangements to rebalance the fund outside the strategic asset allocation ranges, are taken after consultation with the Chairman of the Pension Fund Committee, and reported to the next Committee.

Voting rights

Investment Managers are delegated authority to exercise voting rights in respect of the Pension Fund's holdings. At their meeting in March 2013, the Committee removed the requirement to refer all voting decisions where the decision was to vote against RREV recommendations to the Service Manager (Pensions, Insurance & Money Management) to determine under delegated powers.

Private Equity & Property

In February 2011, the Pension Fund Committee resolved to transfer the responsibility for private equity fund management decisions to the lead officer for Pensions Investment. The Fund's Independent Financial Adviser is responsible for advising officers on the management of the private equity portfolio. Officers consider the advice and decide whether or not to act on the recommendations. In practice, private equity decisions are delegated to the Service Manager, Pensions Insurance and Money Management, or in his absence the Principal Financial Manager, Treasury Management and Pension Fund Investments.

In September 2014, the Pension Fund Committee amended the scheme of delegation in relation to the internally managed property allocation. 'Internal property fund decisions are delegated to the lead officer for Pension Fund investments or in their absence to the Principal Financial Manager, Treasury Management and Pension Fund Investments. Responsibility for placing internally managed property trades is delegated to the Pension Fund Investments team.'

Early Release of Benefits

At its meeting in June 2014, the Pension Fund Committee delegated decision making to the Chief Finance Officer to determine cases under the Early Release of Benefits Policy where the scheme member's previous employer no longer existed.

Admission of new Admitted Bodies

Last Reviewed June 2015

At its meeting in June 2014, the Committee delegated the authority to agree admission of new admitted bodies to the Oxfordshire County Council Pension Fund to the Service Manager (Pensions).

Payment of Benefits to an Authorised Person

At its meeting in September 2012, the Pension Fund Committee delegated to the Chief Finance Officer, following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson, the authority to determine payments to an authorised person in instances where the scheme member is incapable of managing their own affairs.

Reports back to the Committee

In all cases where decision has been delegated to Officers, decisions made will be reported back to the Committee at the next meeting for information only.

Scheme of Financial Delegation - Extracts Appendix (a)

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

Sole signatories for Pension Fund Goods and Services

Up to £500,000 for Goods and Services:
- Chief Executive
- Chief Finance Officer
- Director for Environment & Economy

Up to £200,000 for Goods and Services
- 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

With the Chief Executive for Goods and Services over £500,000.
- 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. For debts between £7,500 and £10,000 authorisation is in conjunction with the Chief Finance Officer.
For Debts below £500, authorisation of debt write off is delegated to the Pension Services Manager.

Cash Management

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, state that the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund and formulate an investment policy to govern how the authority invests any Pension Fund cash.
Management of the Oxfordshire Pension Fund cash balances is delegated to the Treasury Management team. The Treasury Management team responsible officers list is authorised by the Section 151, or Deputy Section 151 Officer
Last Reviewed June 2015

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

Fund Management and Custody Agreements – 2 signatories required
Service Manager – Pensions, Insurance and Money Management
Principal Financial Manager – Treasury Management and Pension Fund Investments
Authorisers listed in the approved Treasury Management Responsible Officers List.

Oxfordshire County Council Pension Fund
Administration Strategy Statement

Introduction

Oxfordshire County Council as the administering authority for the Oxfordshire County Council Pension Fund (the "Administering Authority") has prepared this administration strategy in line with Regulation 59 and Regulation 70 of the Local Government Pension Scheme Regulations 2013 (the "Regulations").

All scheme employers and admission bodies (together the "Employers") are being asked to sign up to the administration strategy by 31 December 2014 and to comply with the standards set out in the service level agreement. It should be noted that under the Regulations the terms of this strategy will apply to all Employers whether they have signed up, or not. However, we would much rather work with Employers to provide a service in which scheme members can have confidence.

Purpose

This policy sets out the role and responsibilities of the Administering Authority and the role and responsibilities of all Employers to ensure effective administration of the Local Government Pension Scheme.

Aim

The Regulations more clearly set out what information Employers are required to submit for the administration of LGPS 2014 and what records Employers are required to maintain, in line with the definitions of the 2008 scheme regulations, thereby ensuring that both the Administering Authority and the Employers meet the statutory requirements of the Regulations.

Documents Making Up the Strategy

Service Level Agreement, setting out the roles and responsibilities of the Administering Authority and the Employer; detailing the KPIs which will be used in reporting performance.

Oxfordshire County Council Pension Fund's Communication Strategy

Scale of Charges – setting out what charges will be made in certain circumstances

The Agreement – setting out trigger points, the extent and manner in which Employer contribution rates will be varied under this strategy.

Review of Strategy

This strategy will be reviewed annually or earlier if there are material changes.

Service Level Agreement

The following tasks are the responsibility of the Administering Authority in administering the scheme. The timescale shown is from receipt of *all* information: -

Task	Timescale Working days	Target	Notes
New Entrants	20	95%	
Transfers in	10	90%	
Estimates (member)	10	90%	Limited to one request per annum
General Enquiry (member)	10	90%	
Transfers out	10	95%	
Retirement	10	95%	
Deferred Benefits	40	90%	
Refund of Benefits – Payment	10	95%	
Death	10	95%	
Divorce - PSO	10	95%	
Estimates (employer)	10	90%	
General Enquiry (employer)	10	90%	
APCs	10	90%	
Re-employments	40	90%	
Changes e.g. address; name	10	90%	
Pension Adjustments – PI; MOD; GMP	Payroll Deadline	90%	
Annual Allowance	10	90%	
Maternity / Unpaid	20	90%	

Employer responsibilities:-

Data retention and submission	• Keep final pay details in line with 2008 definition of final pay • Keep pay information to comply with any Regulation 10 decisions • Submit monthly data return (MARS) to pension.services@oxfordshire.gov.uk by 19th of the month following payroll
Data queries	Oxfordshire County Council Pension Fund is not responsible for verifying the accuracy of the data provided. • Any queries arising will be referred back to the scheme employer. • Scheme employers will be responsible for recovering any overpayments arising from provision of incorrect information.
Pay over monies due	• Monthly contributions to be paid correctly and on time. Payment to clear OCC Pension Fund bank account by 19th of the month following payroll. Should the 19th fall on a weekend or bank holiday the deadline date changes to the immediately preceding working day. • Deficit contributions • Rechargeable benefits • Retirement strain costs All payments to be made to the Oxfordshire County Council Pension Fund A/C. All paperwork supporting payments to be submitted when payment is processed to : pension.contributions@oxfordshire.gov.uk
End of Year Returns	You *must* submit your end of year return by 30th April, after the end of each financial year. This return must include a figure for pensionable remuneration that reflects the full time equivalent pay (plus any other pensionable salary additions) for the period 01 April to 31 March of each tax year, in line with the 2008 definition of pay.
End of Year Errors	From April 2015 Oxfordshire County Council Pension Fund

	will be limited in the checks it is able to carry out on the data submitted. • Any queries arising will be referred back to the Employer • Employers will be responsible for recovering any overpayments arising from provision of incorrect information.
Discretionary Policies	Discretionary Policies must be • Made within three months of a material change • Published • Reviewed
Pension Contacts	Notify Pension Services of any new contact within one month of the change – form on website - https://www.oxfordshire.gov.uk/cms/content/pension-scheme-forms-employers
Outsourcing of Services	Employers have a responsibility through either Fair Deal or Best Value Directions Orders to ensure that staffs pension rights are protected on transfer of scheme eligible staff to another employer, even if not currently in the pension scheme. Please contact Pension Services if you are considering outsourcing.

Communication and Liaison

Employers are required to provide contact details of any nominated staff dealing with pension issues. The Employer is required to notify the Administering Authority of any changes as soon as they occur.

In line with the Oxfordshire County Council Pension Fund Communication Policy, the Administering Authority will:

- Send a monthly newsletter – Talking Pensions – to all nominated contacts.
- Hold quarterly Employer meetings to discuss current pension issues.
- Hold quarterly administration training sessions for new Employers.
- Provide ad-hoc training / information sessions as requested.
- Maintain the pension website at www.oxfordshire.gov.uk/pensions for Employers, including links to national websites.

Payments & Charges

Payment of all contributions, with the exception of AVCs, deducted each month should be paid to the Oxfordshire County Council Pension Fund bank account. Payment and the return detailing the contributions deducted must be received and cleared through the account by the Pension Investment Team by 19th month following deduction.

AVC contributions should be paid directly to the scheme's AVC provider – The Prudential Assurance Company.

Employers will be sent a separate invoice for any early strain costs arising from redundancy, early or flexible retirement, or the waiving of any actuarial percentage reductions along with a proposed payment schedule. Early strain costs arising from ill-health retirements will not be charged directly, but assessed as part of the triennial valuation exercise.

Interest on late payments will be charged at 1% above base rate and compounded with three-monthly rests in line with Regulation 71.

The schedule of charges is:

Making payment to Oxfordshire County Council bank account rather than Oxfordshire County Council Pension Fund bank account	£50
Late receipt of contributions	Interest at 1% above bank rate as per regulation 71*
Failure to provide contribution return by 19th month following deduction	£50 + £25 each time information is chased
Failure to provide MARS return by 19th month	£50 + £25 each time information is chased
Failure to provide End of Year return by 30 April	£50 per working day
Failure to provide information requested within 10 working days.	£50 per working day

*The Local Government Pension Scheme Regulations 2013

Dated (Please write date)

(1) THE OXFORDSHIRE COUNTY COUNCIL PENSION FUND

And

(2) (EMPLOYER – Please write name of organisation)

The Agreement
In relation to the Oxfordshire County Council Pension Fund
County Hall
New Road
Oxford
OX1 1TH

Pensions Administration Strategy (PAS)

This Agreement is made the day of 2014

Between:

(1) **THE OXFORDSHIRE COUNTY COUNCIL PENSION FUND** of County Hall, New Road, Oxford OX1 1TH (the **"Administering Authority"**); and

(2) **EMPLOYER** of employers address (the "Employer")

Whereas

(A) The Administering Authority is an administering authority for the purposes of the Local Government Pension Scheme Regulations 2013 (the "Regulations"). It administers and maintains the Oxfordshire County Council Pension Fund (the "Fund") in accordance with the Regulations.

(B) The Employer is a body listed in Schedule 2 of the Regulations and, in the case of a body listed in Part 3 of Schedule 2 of the Regulations, has entered into one or more admission agreements with the Administering Authority.

(C) In accordance with Regulation 59 of the Regulations, the Administering Authority has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.

(D) In preparing the Pension Administration Strategy Statement, the Administering Authority consulted the employing authorities in the Fund (including the Employer) [and such other persons it considered appropriate]. The Administering Authority published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Employer) and to the Secretary of State for Communities and Local Government.

(E) The Administering Authority will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.

(F) The Administering Authority and the Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

1. Interpretation

Terms not otherwise defined herein shall bear the meaning ascribed to them in the Regulations.

2. The Service Level Agreement

2.1 With effect from the date of this Agreement, the Administering Authority and the Employer agree to use their reasonable endeavours to comply with and be bound by the terms of the Service Level Agreement.

2.2 In consideration of this Agreement the Administering Authority will charge the Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.

2.3 If in the opinion of the Administering Authority the Employer has not complied with the terms of the Service Level Agreement the Administering Authority may charge the Employer a higher contribution towards the cost of the administration of the Fund.

2.4 When considering whether to charge the Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Administering Authority shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.

2.5 Clause 2.3 shall not affect the Administering Authority's ability under Regulation 70 of the Regulations to give written notice to the Employer where it has incurred additional costs which should be recovered from the Employer because of the Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.

2.6 The Employer acknowledges that the Service Level Agreement may be revised from time to time by the Administering Authority in accordance with Regulation 59 of the Regulations and that the Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges

3.1 The Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.

3.2 Where the Employer requests that the Administering Authority provides services beyond these functions the Administering Authority reserves the right to charge the Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time between the Administering Authority and the Employer.

4. Notices

4.1 Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, facsimile or by hand or leaving the same at the headquarter address of the Employer or the headquarter address of the Administering Authority.

5. Waiver

Failure or neglect by the Administering Authority to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Administering Authority's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Administering Authority's rights to take subsequent action.

6. More than one Counterpart
This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

7. Laws
7.1 This Agreement will be governed by and interpreted in accordance with the laws of England and subject to the exclusive jurisdiction of the English courts.
7.2 Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

AS WITNESS the hands of the parties hereto have been set the day and year first before written.

…………………………………………………………..
SIGNED FOR AND ON BEHALF OF
THE OXFORDSHIRE COUNTY COUNCIL

For and on behalf of the [Name of Employer]:

SIGNED by [*name*]

Signature

Position

(and duly authorised signatory)

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Division(s): N/A

PENSION FUND COMMITTEE – 5 JUNE 2015

EMPLOYER UPDATE

Report by the Chief Finance Officer

Introduction

1. This report is to update members on recent applications for admission and closures of scheme employers

Update on Previous Applications for Admission

2. Admission agreements have been completed for:

   - UBICO
   - Oxford Active Ltd

3. Following a meeting with Edwards & Ward progress has been made on outstanding admission agreements.

New Requests for Admission

4. There is currently a backlog of work in this area; therefore a temporary post is being recruited to address this. The requests received are all on basis of a pass through arrangement and so at minimal risk t the Fund. As such, and in line with current delegations, these can be approved by the Service Manager (PIMMS).

5. A report to update members will be submitted at the next meeting

Closure Valuations

6. Closure valuations have now been completed in respect of:

- SOLL Vale
- Nexus
- Sovereign Vale
- Oxford Inspires

Variation to Standard Valuation Calculation

7. As part of the major changes to the delivery of services currently undertaken within the County Council's Customer Services Division, the County Council will no longer provide an adult education service, and instead, the service will be provided by Abingdon & Witney College under a direct arrangement with

the Funding Council. The current staff employed by the Council will transfer under TUPE to the college.

8. As both the County Council and the College are existing scheme employers, for LGPS purposes, the transfer of staff involves the transfer of the pension liabilities of the active staff to the college, along with the notional transfer of assets from the Council.

9. In a standard transfer, the transfer of assets would be set to ensure that the new employer i.e. the college receives total assets in line with the transferred liabilities, calculated by the Actuary on an on-going basis.

10. However, in this case the College approached the Council for an amended approach, to ensure that the value of assets transferred was sufficient to show the college fully funded in respect of the transferred staff on a FRS17 basis, which is the accounting basis they are required to follow when showing the pension position in their formal accounts. This was seen as key to the college accepting the transfer, and being in a position to show its funders that the transfer was financially neutral.

11. Given that the proposal requires a greater transfer of assets than under a standard valuation, it also leads to the college having a lower contribution rate. As the Council has nominally transferred more assets than expected, it also means an increase in the required contribution rates of the Council (though the figure may be too small relative to the overall Council position to require an amendment to the published rate). The college has therefore come to a separate agreement with the Council to re-imburse the Council in line with the difference between the actual employer contribution rate, and that which would have been calculated if the value of assets transferred had been in line with a normal transfer. This arrangement will continue until such time as the two contribution rates are aligned.

12. The arrangement has no impact on the net contributions paid to the Fund, and raises no new risks to the Fund. There is though a new risk to the Council as the transferring employer in so far as the college were to cease operations before all re-imbursements to the Council had been made. To mitigate this risk, the Committee could determine now its intention that if such an event was to occur in the future, they would transfer the notional assets back from the college to the Council such that both bodies are placed in the position they would have been in if the transfer had been completed under normal arrangements.

RECOMMENDATIONS

13. **The Committee is RECOMMENDED to:**

(a) note the position regarding the previous applications;

(b) note the position regarding new applications for admission;

(c) note the position regarding closure of scheme employers; and

(d) confirm the intention that, in the event that Abingdon and Witney College was to cease operations before the completion of the reimbursement arrangements set out following the transfer of adult learning staff, to transfer notional assets from Abingdon and Witney College to the County Council as set out in paragraph 12 above.

Lorna Baxter
Chief Finance Officer

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

May 2015

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Division(s): N/A

PENSION FUND COMMITTEE – 5 JUNE 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 £7.10 chargeable to the pension fund in respect of two cases, where the member has died.

Cumulative Data

5. In the period September 2014 to June 2015 a total of £294.61 has been written off, in respect of 15 cases where the member has died. The amounts written off ranged between £0.38 and £166.00 which was not recovered in line with legal advice.

RECOMMENDATION

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

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sally Fox
May 2015

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OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st MARCH 2015

	COMBINED PORTFOLIO 1.01.15	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 31.03.15		OCC Customised Benchmark
Investment	**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**	**Target %**
EQUITIES																
UK Equities	**515,077**	**338,383**	**96.8%**	**20,667**	**9.1%**	**154,479**	**50.0%**	**0**	**0.0%**	**18,746**	**5.2%**	**0**	**0.0%**	**532,275**	**29.1%**	**29.0%**
Overseas Equities																
North American Equities	114,366	0	0.0%	122,901	54.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	122,901	6.7%	
European & Middle Eastern Equities	35,488	0	0.0%	41,748	18.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	41,748	2.3%	
Japanese Equities	19,757	0	0.0%	23,702	10.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	23,702	1.3%	
Pacific Basin Equities	1,074	0	0.0%	749	0.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	749	0.1%	
Emerging Markets Equities	14,555	0	0.0%	13,133	5.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,133	0.7%	
UBS Global Pooled Fund	212,377	0	0.0%	0	0.0%	0	0.0%	0	0.0%	238,043	66.4%	0	0.0%	238,043	13.0%	
L&G World (ex UK) Equity Fund	143,154	0	0.0%	0	0.0%	154,278	50.0%	0	0.0%	0	0.0%	0	0.0%	154,278	8.5%	
Total Overseas Equities	**540,771**	**0**	**0.0%**	**202,233**	**89.3%**	**154,278**	**50.0%**	**0**	**0.0%**	**238,043**	**66.4%**	**0**	**0.0%**	**594,554**	**32.6%**	**30.0%**
BONDS																
UK Gilts	89,412	0	0.0%	0	0.0%	0	**0.0%**	91,578	31.2%	0	0.0%	0	0.0%	91,578	5.0%	3.0%
Corporate Bonds	47,200	0	0.0%	0	0.0%	0	**0.0%**	47,364	16.2%	0	0.0%	0	0.0%	47,364	2.6%	6.0%
Overseas Bonds	50,424	0	0.0%	0	0.0%	0	**0.0%**	51,682	17.6%	0	0.0%	0	0.0%	51,682	2.8%	2.0%
Index-Linked	89,976	0	0.0%	0	0.0%	0	**0.0%**	92,133	31.4%	0	0.0%	0	0.0%	92,133	5.1%	5.0%
Total Bonds	**277,012**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**282,757**	**96.4%**	**0**	**0.0%**	**0**	**0.0%**	**282,757**	**15.5%**	**16.0%**
ALTERNATIVE INVESTMENTS																
Property	110,116	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	96,720	27.0%	14,742	5.1%	111,462	6.1%	8.0%
Private Equity	159,754	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	165,258	57.1%	165,258	9.0%	9.0%
Hedge Funds	510	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	503	0.2%	503	0.0%	0.0%
Multi Asset - DGF	80,675	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	84,221	29.1%	84,221	4.6%	5.0%
Infrastructure	-	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	**351,055**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**96,720**	**27.0%**	**264,724**	**91.5%**	**361,444**	**19.8%**	**25.0%**
CASH	**45,415**	**11,317**	**3.2%**	**3,735**	**1.6%**	**0**	**0.0%**	**10,579**	**3.6%**	**5,065**	**1.4%**	**24,507**	**8.5%**	**55,203**	**3.0%**	**0.0%**
TOTAL ASSETS	**1,729,330**	**349,700**	**100.0%**	**226,635**	**100.0%**	**308,757**	**100.0%**	**293,336**	**100.0%**	**358,574**	**100.0%**	**289,231**	**100.0%**	**1,826,233**	**100.0%**	**100.0%**
% of total Fund		19.15%		12.41%		16.91%		16.06%		19.63%		15.84%		100.00%		

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOTAL PORTFOLIO PROGRESS REPORT - 1 JANUARY 2015 to 31 MARCH 2015

Asset	Market Value 1.01.15	%	Net Purchases and Sales					Changes in Market Value					Market Value 31.03.15	%
			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	515,077	30	0	(1,401)		1,863	0	(7,933)	18,904	6,371	(606)	0	532,275	29
US Equities	114,366	7	0	0	0	1,754	0	0	0	0	6,781	0	122,901	7
European & Middle Eastern Equities	35,488	2	0	0	0	3,226	0	0	0	0	3,034	0	41,748	2
Japanese Equities	19,757	1	0	0	0	(793)	0	0	0	0	4,738	0	23,702	1
Pacific Basin Equities	1,074	0	0	0	0	0	0	0	0	0	(325)	0	749	0
Emerging Market Equities	14,555	1	0	0	0	(1,547)	0	0	0	0	125	0	13,133	1
Global Pooled Funds	355,531	21	0	0			0	25,666	0	11,124	0	0	392,321	21
Total Overseas Equities	540,771	31	0	0	0	2,640	0	25,666	0	11,124	14,353	0	594,554	32
BONDS														
UK Gilts	89,412	5	0	0	(1,415)		0	0	0	3,581	0	0	91,578	5
Corporate Bonds	47,200	3	0	0	527		0	0	0	(363)	0	0	47,364	3
Overseas Bonds	50,424	3	0	0	(2,144)		0	0	0	3,402	0	0	51,682	3
Index-Linked Bonds	89,976	5	0	0	(812)		0	0	0	2,969	0	0	92,133	5
ALTERNATIVE INVESTMENTS														
Property	110,116	6	(30)	0	0		1,346	485	0	0	0	(455)	111,462	6
Private Equity	159,754	9	0	0	0		(2,554)	0	0	0	0	8,058	165,258	9
Hedge Funds	510	1	0	0	0		(8)	0	0	0	0	1	503	0
Multi Asset - DGF	80,675	5	0	0	0			0	0	0	0	3,546	84,221	5
SUB TOTAL	1,683,915	97	(30)	(1,401)	(3,844)	4,503	(1,216)	18,218	18,904	27,084	13,747	11,150	1,771,030	97
CASH *	45,415	3	1,600	4,416	2,631	(2,691)	3,832	0	0	0	0	0	55,203	3
GRAND TOTAL	**1,729,330**	**100**	**1,570**	**3,015**	**(1,213)**	**1,812**	**2,616**	**18,218**	**18,904**	**27,084**	**13,747**	**11,150**	**1,826,233**	**100**

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

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st MARCH 2015

COMBINED PORTFOLIO (BY ASSET CLASS)

ASSET	% weighting of fund as at 31st March 2015	QUARTER ENDED 31st March 2015 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	12 MONTHS ENDED 31st March 2015 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	THREE YEARS ENDED 31st March 2015 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	FIVE YEARS ENDED 31st March 2015 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	11.1%	7.5	7.0	**-0.5**	18.7	18.4	**-0.3**	14.0	13.5	**-0.5**	9.9	8.9	**-1.0**
UK EQUITIES	29.2%	4.7	6.0	**1.3**	6.6	6.7	**0.1**	10.6	11.8	**1.2**	8.3	10.8	**2.5**
OVERSEAS EQUITIES	21.5%	7.9	6.8	**-1.1**	20.2	16.1	**-4.1**	14.6	12.6	**-2.0**	10.2	7.9	**-2.3**
UK GOVERNMENT BONDS	5.0%	2.2	2.6	**0.4**	13.9	15.5	**1.6**	5.3	5.8	**0.5**	7.0	7.0	**0.0**
UK CORPORATE BONDS	2.6%	3.2	3.0	**-0.2**	13.1	12.6	**-0.5**	8.7	8.1	**-0.6**	8.0	8.1	**0.1**
OVERSEAS BONDS*	2.8%	3.2	2.2	**-1.0**	7.6	7.1	**-0.5**	0.7	4.3	**3.6**	2.3	4.5	**2.2**
UK INDEX LINKED GILTS	5.0%	3.3	3.4	**0.1**	21.0	21.2	**0.2**	8.9	8.9	**0.0**	10.8	11.3	**0.5**
TOTAL PRIVATE EQUITY	9.1%	5.9	5.2	**-0.7**	5.4	16.7	**11.3**	16.5	15.6	**-0.9**	12.6	14.1	**1.5**
HEDGE FUNDS**	0.0%	-	0.0		-	-7.1		-	1.3		-	1.7	
DIVERSIFIED GROWTH FUND***	4.6%	0.8	4.8	**4.0**		N/A			N/A			N/A	
PROPERTY ASSETS	6.1%	2.8	2.7	**-0.1**	16.6	15.6	**-1.0**	9.6	9.2	**-0.4**	8.7	8.7	**0.0**
TOTAL CASH	3.0%	-	2.9	**-**	-	4.0	**-**	-	2.1	**-**	-	1.5	**-**
TOTAL FUND	100%	**5.2**	**5.4**	**0.2**	**12.5**	**12.8**	**0.3**	**11.6**	**11.3**	**-0.3**	**9.4**	**9.3**	**-0.1**

*** 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**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st MARCH 2015

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 31st March 2015	QUARTER ENDED 31st March 2015			12 MONTHS ENDED 31st March 2015			THREE YEARS ENDED 31st March 2015			FIVE YEARS ENDED 31st March 2015		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
BAILLIE GIFFORD UK EQUITIES	19.2%	4.7	6.6	1.9	6.6	6.7	0.1	10.6	12.6	2.0	8.3	12.3	4.0
WELLINGTON GLOBAL EQUITIES	12.4%	7.5	7.4	-0.1	18.4	19.0	0.6	-	-	-	-	-	-
L&G UK EQUITIES - PASSIVE	8.5%	4.2	4.3	0.1	6.3	6.4	0.1	9.4	9.4	0.0	7.3	7.4	0.1
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.4%	7.7	7.7	0.0	19.9	19.9	0.0	14.9	14.9	0.0	-	-	-
L&G FIXED INCOME	16.1%	2.9	2.9	0.0	15.1	14.8	-0.3	7.7	7.4	-0.3	8.4	8.4	0.0
PARTNERS GROUP PROPERTY	0.8%	2.8	-3.1	-5.9	16.6	5.3	-11.3	9.6	4.2	-5.4	8.7	7.0	-1.7
PRIVATE EQUITY	9.0%	5.9	5.3	-0.6	5.4	16.7	11.3	16.5	15.6	-0.9	12.6	14.1	1.5
UBS GLOBAL EQUITIES	14.1%	9.6	6.2	-3.4	17.4	14.0	-3.4	13.4	12.0	-1.4	8.8	7.6	-1.2
UBS PROPERTY	5.6%	2.8	3.6	0.8	16.6	17.2	0.6	9.6	10.1	0.5	8.7	9.2	0.5
UBS HEDGE FUNDS	0.0%	0.9	0.0	-0.9	3.6	-7.1	-10.7	3.6	1.3	-2.3	3.7	1.7	-2.0
INSIGHT DIVERSIFIED GROWTH FUND	4.6%	0.8	4.8	4.0	-	-		-	-	-	-	-	
IN-HOUSE CASH	1.3%	0.1	0.1	0.0	0.3	0.4	0.1	0.4	0.8	0.4	0.4	1.0	0.6
TOTAL FUND	**100.0%**	**5.2**	**5.4**	**0.2**	**12.5**	**12.8**	**0.3**	**11.6**	**11.3**	**-0.3**	**9.4**	**9.3**	**-0.1**

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

TABLE 5

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 31/03/2015

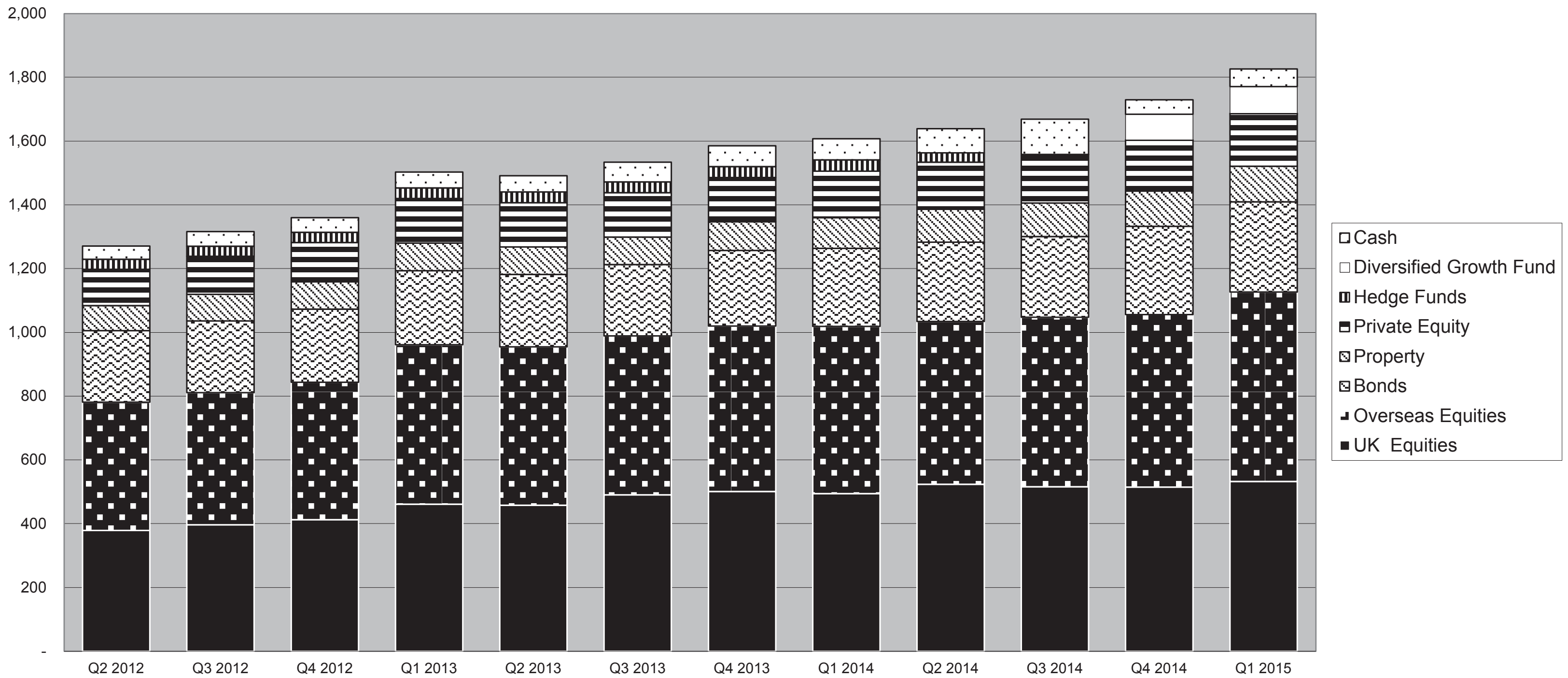
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	ELECTRA PRIVATE EQUITY PLC	30,057,256	1.65
2	HGCAPITAL TRUST PLC	21,892,880	1.20
3	BRITISH AMERICAN TOBACCO PLC	16,283,725	0.89
4	ASHTEAD GROUP PLC	13,880,598	0.76
5	PRUDENTIAL PLC	12,904,429	0.71
6	LEGAL & GENERAL GROUP PLC	12,241,684	0.67
7	ST JAMESS PLACE PLC	12,220,055	0.67
8	BUNZL PLC	11,874,749	0.65
9	HSBC HOLDINGS PLC	10,925,240	0.60
10	BG GROUP PLC	10,904,334	0.60
11	ROYAL DUTCH SHELL PLC-B SHS	10,499,660	0.57
12	STANDARD LIFE EURO PR EQ ORD	9,844,475	0.54
13	F&C PRIVATE EQUITY TRUST-B	9,505,600	0.52
14	SABMILLER PLC	8,563,260	0.47
15	MEGGITT PLC	8,347,813	0.46
16	REED ELSEVIER PLC	7,712,183	0.42
17	UNILEVER PLC	7,511,659	0.41
18	SVG CAP ORD	7,027,496	0.38
19	PEARSON	6,873,387	0.38
20	CARNIVAL	6,806,240	0.37
	TOP 20 HOLDINGS MARKET VALUE *	**235,876,723**	12.92
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 31/03/2015		
1	LIFE GLOBAL EQUITY ALL COUNTRY FUND A	256,788,985	14.06
2	HP UK FTSE 100 EQUITY INDEX	154,478,881	8.46
3	L&G WORLD (EX UK) EQUITY INDEX	154,278,432	8.45
4	LEGAL AND GENERAL TD CORE PLUS	109,952,794	6.02
5	INSIGHT BROAD OPPORTUNITIES FUND	84,221,252	4.61
	TOTAL POOLED FUNDS MARKET VALUE	**759,720,344**	41.60
	TOTAL FUND MARKET VALUE	**1,826,233,252**	

GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



AllenbridgeEpic
investment advisers

QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q1 2015

14 May 2015

Peter Davies
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

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OXFORDSHIRE PENSION FUND COMMITTEE – JUNE 2015

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. The slowdown in the US economy continued in Q1, when the rate of growth was only 0.2% *annualised.* Combined with slowing jobs data, this appeared likely to delay the timing of the first rise in US interest rates. The UK reported just 0.3% growth in Q1, compared with +0.6% in the previous quarter. The Eurozone is showing signs of a slow recovery, while China's official growth rate of 7% p.a. is looking to be at odds with other measures of activity within the economy. The fall in the oil price has (temporarily) reduced inflation to zero in the UK and North America, thereby joining the Eurozone - where weak consumer demand has been the major factor.

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

Consensus real growth (%)						**Consumer prices latest (%)**
	2012	**2013**	**2014**	**2015E**	**2016E**	
UK	-0.1	+1.7	+2.8	+2.5 (+2.6)	+2.4	+0.0 (CPI)
USA	+2.2	+1.9	+2.4	+2.6 (+3.3)	+2.5	-0.1
Eurozone	-0.5	-0.4	+0.8	+1.5 (+1.2)	+1.9	+0.0
Japan	+1.9	+1.7	+0.3	+0.8 (+1.1)	+1.5	+2.3
China	+7.8	+7.7	+7.4	+6.9 (+7.1)	+6.8	+1.4

[Source of estimates: The Economist, May 9th, 2015]

2. In the UK Budget on March 18th, George Osborne relaxed some of the austerity measures for 2019 which he had announced in the Autumn Statement. The longer-term spending forecasts were also helped by estimated interest savings of £41bn over the next five years due to the lower costs of servicing government debt. Measures to help savers included the waiver of tax on the first £1,000 of interest income, above-inflation rises in the income tax thresholds, and matching finance for those saving via ISAs for a

deposit on their first home. The Budget as a whole was seen as paving the way for the impending General Election.

3. The European Central Bank embarked on its programme of Quantitative Easing in March, intending to purchase €60bn of government and private sector bonds per month until September 2016. This has led to the weakening of the Euro, which has in turn boosted the outlook for European companies which export outside the Eurozone.

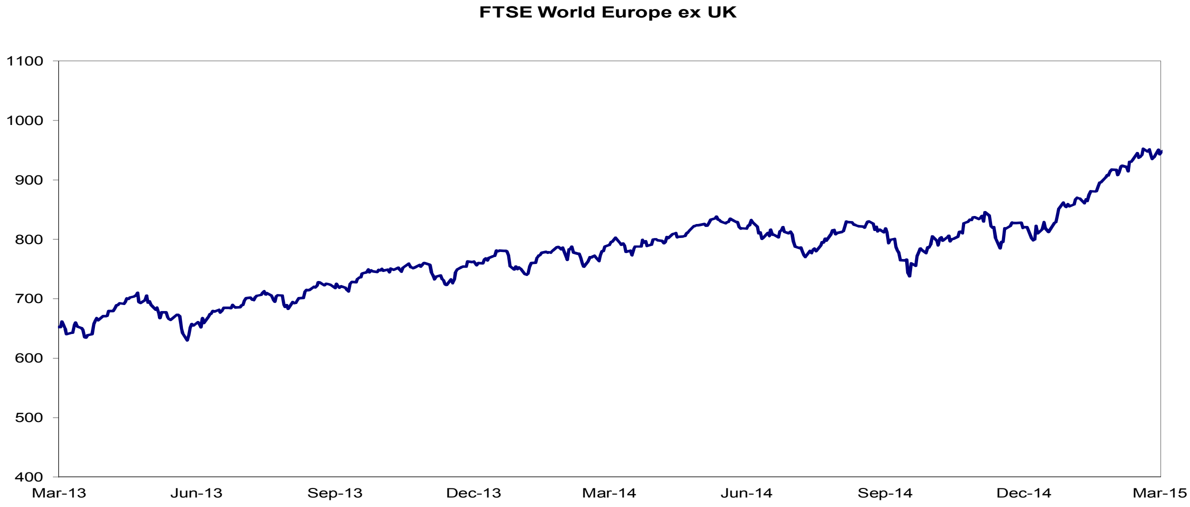
4. In February the new Greek government was granted a four-month extension to its bailout on the condition that it agreed suitable economic reform measures. These have not yet been forthcoming to the satisfaction of the European lending institutions, and although the combative Greek Minister of Finance has been sidelined from the negotiations, it is still not clear how Greek will be able to meet its immediate repayment schedule.

Markets

5. **Equity** markets rose steadily through the quarter, although there were large regional differences. The UK continued to lag other markets, while Japan and Pacific Basin stocks were particularly strong. Continental European equities gained 10% in sterling terms, spurred on by the weaker Euro and the start of Quantitative Easing by the ECB.

	Capital return (in £, %) to 31.3.15		
Weight %	Region	**3 months**	**12 months**
100.0	FTSE All-World Index	**+7.0**	**+16.2**
53.7	FTSE All-World North America	+5.4	+22.6
8.4	FTSE All-World Japan	+15.4	+24.7
11.9	FTSE All-World Asia Pacific ex Japan	+9.0	+16.5
16.2	FTSE All-World Europe (ex-UK)	+10.2	+3.5
7.0	FTSE All-World UK	+3.4	+2.8
9.1	FTSE All-World Emerging Markets	+6.7	+12.9

[Source: FTSE All-World Review, March 2015]



6. Health Care stocks were again buoyant on takeover activity in the sector; Oil & Gas was still depressed by the weaker oil price, but Basic Materials regained some of the ground lost during 2014.

Capital return (in £, %) to 31.3.15		
Industry Group	**3 months**	**12 months**
Health Care	+12.6	+33.3
Technology	+6.6	+28.7
Consumer Services	+10.0	+26.1
Consumer Goods	+8.9	+18.5
FTSE All-World	**+7.0**	**+16.2**
Industrials	+7.7	+14.8
Financials	+5.2	+14.6
Telecommunications	+6.4	+11.1
Utilities	-0.6	+8.6
Basic Materials	+6.0	+1.8
Oil & Gas	+1.1	-9.5

[Source: FTSE All-World Review, March 2015]

7. Within the **UK equity** market, the mid- and small-cap sectors were relatively strong. The FTSE 100 Index crossed the 7,000 level for the first time, thereby surpassing the peak previously reached at the end of 1999.

(Capital only %, to 31.3.15)	3 months	12 months
FTSE 100	+3.2	+2.6
FTSE 250	+6.2	+5.0
FTSE Small Cap	+5.3	+2.8
FTSE All-Share	+3.7	+3.0

[Source: Financial Times]

8. **Government bond** yields in Europe and North America fell yet further during the quarter, as the table of 10-year yields below shows. At shorter durations, many bonds in Germany, Switzerland and elsewhere were actually offering *negative* yields to maturity. The ECB's QE programme and falling levels of inflation were the main contributory factors.

10-year government bond yields (%)					
	Dec 12	Dec 13	Sept 2014	Dec 2014	Mar 2015
US	1.76	3.03	2.49	2.17	1.94
UK	1.85	3.04	2.43	1.76	1.70
Germany	1.32	1.94	0.95	0.54	0.18
Japan	0.79	0.74	0.53	0.33	0.41

[Source: Financial Times]

Currencies

9. Expectations of an early rise in US interest rates pushed the dollar higher against all other currencies, although it has given back some of these gains during April as the Fed has indicated the first interest rate rise could be delayed somewhat. The Euro was extremely weak against sterling also, as fears of a Greek crisis resurfaced.

	31.3.14	31.12.14	31.3.15	£ move 3m	£ move 12m
$ per £	1.667	1.559	1.485	- 4.7%	- 10.9%
€ per £	1.210	1.289	1.382	+7.2%	+14.2%
Y per £	171.7	186.9	178.0	- 4.8%	+ 3.7%

Commodities

10. During January, crude oil prices continued their downward path, with Brent Crude falling as low as $47 per barrel, but by the end of March it had regained its end-December level of $55, and in April it advanced further to $65. Copper followed a similar course to oil, recovering strongly from its January lows.

Property

11. The **UK property** market again recorded strong growth in the quarter, but with Retail still lagging well behind Office and Industrial properties.

	3-month	12-month
All Property	**+ 3.0%**	**+18.3%**
Retail	**+ 1.9%**	**+13.3%**
Office	**+ 4.0%**	**+22.9%**
Industrial	**+ 3.6%**	**+22.7%**

[Source: IPD Monthly Index of total returns, March 2015]

Outlook

12. In April and the early days of May, the price of oil has risen sharply, to stand almost 50% above its mid-January low. This in turn has caused government bond yields to rise from the extraordinarily low levels they had reached in March, and caused nervousness in equity markets. This may mark the start of the long-awaited 'normalisation' process in equity and bond markets.

13. Meanwhile, the intransigence of the Greek government in its negotiations over loan terms could come to a head shortly, and set off renewed fears of a break-up of the eurobloc.

14. The surprise overall majority achieved by the Conservative party in the UK General Election has removed the policy uncertainties which a coalition might have created, and the initial reaction of UK Equities was a 2.5% rise on the following day. Looking ahead, the Conservatives' pledge to hold an 'in-out' referendum on the UK's continuing membership of the EU is likely to create renewed uncertainty as 2017 approaches.

15. The pace of the rise in equity markets since the start of 2015 continues to be at odds with the extremely low level of sovereign bond yields – the former implying healthy growth in corporate profits, while the latter is more consistent with economic slowdown and muted inflation. At current levels, equity markets continue to look fully-valued.

Peter Davies

Senior Adviser – AllenbridgeEpic Investment Advisers

May 14th, 2015

[All graphs supplied by Legal & General Investment Management]

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

Agenda Item 20

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