



To: **Members of the Pension Fund Committee**

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

**Friday, 2 September 2016 at 10.00 am**

**County Hall, New Road, Oxford**

A handwritten signature in black ink that reads "Peter G. Clark".

Peter G. Clark  
County Director

August 2016

Contact Officer: **Julie Dean**  
Tel: 07393 001089; E-Mail: [julie.dean@oxfordshire.gov.uk](mailto:julie.dean@oxfordshire.gov.uk)

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**Membership**

Chairman – Councillor Stewart Lilly  
Deputy Chairman - Councillor Patrick Greene

*Councillors*

Surinder Dhesi  
Jean Fooks  
Nick Hards

Richard Langridge  
Sandy Lovatt  
Neil Owen

Les Sibley

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*Co-optees*

City Councillor James Fry  
District Councillor Bill Service

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**Notes:**

- ***A lunch will be provided***
- ***Date of next meeting: 2 December 2016***

## 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](mailto:glenn.watson@oxfordshire.gov.uk) for a hard copy of the document.

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

# AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes** (Pages 1 - 12)

To approve the public part of the Minutes of the meetings held on 10 June 2016 and the Minutes of the special meeting held on 1 July 2016 (**PF3**) and to receive information arising from them.

4. **Minutes of the meeting of the Local Pension Board** (Pages 13 - 16)

The Local Pension Board met on 15 July 2016. The public part of the Minutes of this meeting is attached, for information (**PF4**).

5. **Petitions and Public Address**
6. **Collaboration Update** (Pages 17 - 20)

**10:05**

The report (**PF6**) updates the Committee on the work of Project Brunel to develop a full business case to establish the Brunel Pension Partnership. A full briefing of members is planned for Monday 17 October 2016.

***The Committee is RECOMMENDED to note the latest position on developing the full business case, and the importance of the joint workshops to be held in October, which will update members of the Committee and Board on the key details.***

7. **Risk Register** (Pages 21 - 30)

**10:15**

The report (**PF7**) updates the Committee on the Fund's Risk Register, setting out the latest position on risks reported to the last meeting, and adding in new risks identified in the intervening period.

***The Committee is RECOMMENDED to note the current risk register.***

**8. Draft Annual Report and Accounts 2015/16 (Pages 31 - 132)**

**10:30**

The draft Annual Report and Accounts (**PF8**) are presented for comment and any final amendment.

***The Committee is RECOMMENDED to receive the draft report and accounts for 2015/16.***

**9. Budget Outturn Report for the Year Ended 31 MARCH 2016  
(Pages 133 - 136)**

**10:40**

The report (**PF9**) analyses the actual spend by the Oxfordshire County Council's Pension Fund Committee during the budgetary year and highlights the reasons for any material variances.

***The Committee is RECOMMENDED to receive the report and to note the outturn position.***

**10. Annual Review of the Performance of the Pensions  
Administration Service (Pages 137 - 144)**

**10:50**

Attached at **PF10** is the annual review on the performance of the Pensions Administration Service which includes information on key performance indicators for the service.

***The Committee is RECOMMENDED to note the report.***

**11. Administration Report (Part 1) (Pages 145 - 148)**

**11:05**

The report (**PF11**) updates members of the Committee on any current administrative issues and sets out the latest position in respect of the employers within the Oxfordshire Fund. It includes an update on the end of year employer returns and any implications for the 2016 Valuation. The report also includes a proposal for new admission agreements in respect of the successful contractors under the recent 5 Council procurement exercise undertaken by South Oxfordshire and the Vale of White Horse District Councils (amongst others). The report also includes any other new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

***The Committee is RECOMMENDED to note the report, including the write off of £1,648.66 during this period.***

## **12. Overview of Past and Current Investment Position (Pages 149 - 158)**

**11:15**

Tables 1 to 4 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 30 June 2016 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2016
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 30 June 2016
Table 4	provides details on the Pension Fund's top holdings

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

- Graph 1 Market value of the Fund over the last three years
- Graphs 2-5 Performance of the Fund Managers attending Committee for the quarter ending 30 June 2016

***The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 17, 18, 19, 20 and 21 on the agenda.***

## **13. EXEMPT ITEMS**

***The Committee is RECOMMENDED that the public be excluded for the duration of items 14, 15, 16, 18, 19, 20 and 21 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 18 and 19, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

**14. Exempt Minutes - Pension Fund Committee (Pages 159 - 160)**

**11:25**

To approve the exempt part of the Minutes of the meeting held on 10 June **(PF14)**.

*The public was excluded during this item because its discussion in public was 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 disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.*

**15. Exempt Minute - Local Pension Board (Pages 161 - 162)**

**11:25**

The exempt part of the Local Pension Board Minutes of the meeting held on 15 July 2016 is attached, for information **(PF15)**.

*The public was excluded during this item because its discussion in public was 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 disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.*

## 16. Administration Report (Part 2) (Pages 163 - 166)

11:30

The report (**PF16**) provides confidential information to the Committee on the latest position in relation to a number of admission agreements where commercial negotiations are currently on-going.

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

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

**The Committee is RECOMMENDED to agree the recommendations as set out in the exempt report PF16.**

## 17. Overview and Outlook for Investment Markets (Pages 167 - 176)

11:40

Report of the Independent Financial Adviser (**PF17**).

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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

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

**The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.**

## 18. Baillie Gifford

11:50

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 12 and 17.
- (2) The representatives (Anthony Dickson and Ian McCombie) of the Fund Manager will:
  - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2016;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2016.

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.***

## 19. Legal and General

12:30

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Legal and General drawing on the tables at Agenda Items 12 and 17.
- (2) The representatives (Chris Lyons and Tom Carr) of the Fund Manager will:
  - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2016;



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

In support of the above is their report for the period to 30 June 2016.

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.***

## **20. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 177 - 182)**

**13:10**

The Independent Financial Adviser will report orally on the officer arising from the reports from UBS and Wellington as well as update the Committee on any other issues relating to the Fund Managers not present, including issues in respect of the Private Equity portfolio.

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

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

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

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

**13:15**

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

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

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

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

## **22. Corporate Governance and Socially Responsible Investment**

**13:20**

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

## **23. Annual Pension Forum**

**13:25**

Sally Fox will report further on arrangements, if necessary.

**LUNCH**

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### **Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Wednesday 31 August 2016 at 2:00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 10 June 2016 commencing at 10.30 am and finishing at 1.15 pm

**Present:**

**Voting Members:** Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)

Councillor Surinder Dhesi

Councillor Jean Fooks

Councillor Nick Hards

Councillor Sandy Lovatt

Councillor Neil Owen

Councillor Les Sibley

Councillor Ian Hudspeth (In place of Councillor Richard Langridge)

**District Council Representatives:** District Councillors James Fry and Bill Service

**By Invitation:** Janie Slaymaker (Beneficiaries Observer)  
Peter Davies (Independent Financial Adviser)

**Officers:**

Whole of meeting J. Dean (Corporate Services); L. Baxter, S. Collins, S. Fox and G. Ley (Corporate Finance)

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

### **27/16 ELECTION OF CHAIRMAN 2016/17**

(Agenda No. 1)

Cllr Stewart Lilly was elected Chairman for the duration of the 2016/17 municipal year.

### **28/16 ELECTION OF DEPUTY CHAIRMAN 2016/17**

(Agenda No. 2)

Cllr Patrick Greene was elected Deputy Chairman for the municipal year 2016/17.

**29/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 3)

Cllr Ian Hudspeth attended in place of Cllr Richard Langridge.

**30/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 4)

Councillors Fooks, Hudspeth, Lilly, Owen, Service and Sibley each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government Act 1989.

The Chairman led a vote of thanks from the Committee to the team of officers working on the Committee for all their hard work and diligence over the past year.

**31/16 MINUTES**

(Agenda No. 5)

The Minutes of the meeting held on 11 March 2016 were approved and signed as a correct record.

**32/16 MINUTES OF MEETINGS OF THE LOCAL PENSION BOARD**

(Agenda No. 6)

The Committee noted the signed Minutes of the 18 November 2015 inaugural meeting of the Local Pension Board and the draft Minutes of the 15 April 2016 meeting.

In response to a query about whether an academy event could be held in order to raise important issues (Minute 18/16 – Employer Management), Sally Fox advised that quarterly events were held with the aim of engaging as many of the employers as possible. She also reported that she and the Communications Manager had recently attended a meeting of academy business managers.

**33/16 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 7)

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

**34/16 COLLABORATION UPDATE**

(Agenda No. 8)

The Committee received a report (PF8) which gave an update on the work of Project Brunel to develop a proposal to Government on future Pensions Investments Collaboration. A full briefing for members of the Pension Fund Committees and the Local Pension Boards of Oxfordshire and Buckinghamshire County Councils, together with their equivalent section 151 officers, had been arranged to take place at County Hall on Monday 13 June 2016.

The Committee **RESOLVED** to note the latest position on developing the July submission and also to note that the detail would be shared at a seminar to be held

on Monday 13 June 2016, together with information on the areas that required additional work before the final submission was to be submitted to a special meeting of this Committee on 1 July 2016.

### **35/16 RISK REGISTER**

(Agenda No. 9)

The Committee had before them a report (PF9) which updated the position in relation to risks reported to the last meeting; and which added in new risks to the Risk Register that had been identified in the intervening period.

**RESOLVED:** to

- (a) note the current risk register and to confirm that regular updates be given on a quarterly basis; and
- (b) enter a further possible risk regarding where the responsibility would lie for the underwriting of any deficit in funding pensions should any of the academies fail; in light of the Government's former undertaking to do so for as long as it could afford it.

### **36/16 VACATION OF UNIPART HOUSE**

(Agenda No. 10)

During consideration of the previous item, the Committee had noted that a key risk to the performance of the Fund was the forthcoming relocation of all Council staff from Unipart House, where Pension Services had been based for the past ten years. When initially moving over to Unipart House, the Team had lost over 50% of their staff. Members considered a report (PF10) which covered the options that were open to Committee in relation to the possible independent relocation of Pension Services.

**RESOLVED:** (nem con) that subject to the County Council's property services team being unable to find suitable premises to suit the particular needs of the Pension Services team, as outlined in the report, then to instruct officers to seek rented space at a location such as a business park near to current offices which could accommodate the Team and resolve most if not all of the issues identified (Option 2). It was understood that such an option would mean higher set up costs for the Pension Fund, and would potentially lead to higher overall property costs.

### **37/16 ADMINISTRATION REPORT**

(Agenda No. 11)

The Committee had before them a report (PF11) which gave an update on some current issues affecting Administration and setting out the latest position in respect of the employers within the Oxfordshire Fund. It included an update on the end of year employer returns, together with any implications for the 2016 Valuation. The report also included a proposal for new admission agreements in respect of the successful contractors under the recent 5 Council procurement exercise undertaken by South Oxfordshire and the Vale of White Horse District Councils (amongst others). Any new requests for admission to the Fund, an update on previously approved applications, and the write-off of any amounts due to the Fund were also covered in the report.

The Committee noted that the contract for Groundworks South would now start on 1 October 2016.

**RESOLVED** to:

- (a) note changes in staffing and to agree an increase to the staffing budget for the current financial year;
- (b) note the performance of scheme employers in making required returns;
- (c) agree the write off of £3.58;
- (d) note the previous applications for admission to the Fund and those applications approved by the Service Manager (PIMMS);
- (e) agree the admission of the Groundworks and Capita and Invictus in respect of contracts listed; and to note the potential admission of another provider;
- (f) note the progress made in respect of closure valuation; and
- (g) note the position regarding second generation outsourcing.

**38/16 REVIEW OF PENSION FUND POLICIES**

(Agenda No. 12)

The Committee undertook a formal review of its major policy documents, held in line with the Local Government Pension Scheme Regulations. The Committee had previously agreed to review all such documents on an annual basis, as a minimum.

The Committee's attention was directed to the further responses received to the current consultation on the Fund's Administration Strategy, as set out on the Addenda.

**RESOLVED:** to approve the revised policy documents, as set out in Annexes 1 – 8 to the report, noting the changes contained therein; and in particular to note the comments received in respect of the recent consultation on changes to the Administration Strategy (as documented within the report itself and within the Addenda).

**39/16 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION**

(Agenda No. 13)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2016.

Mr Davies reported that the overall value of the Fund at 31 March 2016 had increased by £22m, of which £16m had been via asset appreciation. Equities had fallen but gains had been made in Property and Private Equities.

Mr Collins reported a recent decision of State Street to withdraw from the provision of performance management services for all clients where it does not act in a custodial role.

**RESOLVED:** to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they related to Agenda Items 17, 18 and 19.

#### **40/16 EXEMPT ITEMS**

(Agenda No. 14)

The Committee **RESOLVED** that the public be excluded for the duration of items 15,16,17,18, 19 and 20 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 outweighed the public interest in disclosing the information.

#### **41/16 EXEMPT MINUTES**

(Agenda No. 15)

The exempt part of the Minutes of the meeting held on 11 March 2016 (PF15) were approved and signed as a correct record.

*The public was excluded during this item because its discussion in public was 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 disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.*

#### **42/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS**

(Agenda No. 16)

The Committee considered a report of the Independent Financial Adviser (PF16) 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 was 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, to receive the oral report, to consider any further action arising from them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

**43/16 INSIGHT**  
(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Insight drawing on the tables at Agenda Items 13 and 16.

The representatives, Sherilee Mace and Steve Waddington presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. 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.

**44/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING**  
(Agenda No. 18)

The Independent Financial Adviser reported on the officer meetings with UBS, Legal & General and Baillie Gifford. He also updated the Committee on other issues relating to the Fund Managers not present, including issues in respect of the Private Equity portfolio (the latter being the subject of an exempt minute).

*The public was excluded during this item because its discussion in public was 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 and from his oral report to the meeting in relation to one of the Fund Manager portfolios.

#### **45/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 19)

The Independent Financial Adviser had no further issues to summarise.

#### **46/16 ANNUAL REVIEW OF THE AVC SCHEME**

(Agenda No. 20)

The Committee considered a report (PF20) which set out the performance of the Fund's AVC provider (the Prudential). The report covered both the performance of the investment funds offered, and the administration of the Scheme.

*The public was excluded during this item because its discussion in public was 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 to confirm the continued use of Prudential as the Council's AVC provider.

#### **RE-ADMISSION OF THE PRESS AND PUBLIC**

#### **47/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT**

(Agenda No. 21)

The Committee **AGREED** to invite the Environment Agency along to a future meeting to present their proposed principles which are to be considered by a cross pool sub group of Project Brunel in relation to responsible investment.

#### **48/16 ANNUAL PENSION FORUM**

(Agenda No. 22)

The Committee noted that the venue for the Pension Fund Forum, which was scheduled to take place on Wednesday 18 January 2017 at 10am, would be County Hall.

..... in the Chair

Date of signing .....

## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 1 July 2016 commencing at 10.00 am and finishing at 11.45 am

**Present:**

**Voting Members:** Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)  
Councillor Surinder Dhesi  
Councillor Jean Fooks  
Councillor Nick Hards  
Councillor Neil Owen  
Councillor David Wilmshurst (In place of Councillor Richard Langridge)

**District Council Representatives:** Councillor Bill Service

**By Invitation:** Stephen Davis (Local Pension Board)

**Officers:**

Whole of meeting Chief Finance Officer, Sean Collins and Greg Ley (Corporate Finance); Julie Dean (Corporate Services)

*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 [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.*

### **49/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Councillor David Wilmshurst attended for Cllr Richard Langridge and apologies for absence were received from Cllrs James Fry, Sandy Lovatt and Les Sibley.

Apologies received from the Local Pension Board Members were from Graham Burrow, David Locke, Cllr Roger Cox and Cllr Bob Johnston.

### **50/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

## **51/16 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 3)

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

## **52/16 BRUNEL SUBMISSION TO GOVERNMENT**

(Agenda No. 4)

The Committee considered a report (PF4) which sought approval to the draft Project Brunel submission to the Government on future Pensions Investments Collaboration. Members of the Local Pension Board had also been invited to take part in the discussion and to give their views. The submission was being presented to all 10 founding Administering Authorities in the Brunel Pension Partnership for their approval prior to the deadline of 15 July 2016 for its final submission to Government. The submission represented an interim stage in the process to fully establish the Brunel Pension Partnership. A full business case was to be developed at the next stage of the process and this would be submitted to each of the 10 Administering Authorities at the end of 2016.

In addition to the covering report PF4, the Committee had before them, at Annex 1, the full submission to Government together with supporting annexes. Until such time as the submission had been considered and agreed by all 10 administering authorities belonging to the Brunel Pension Partnership and submitted to the Government, the documents would remain confidential. Therefore, whilst the covering report itself did not contain exempt information and was available to the public, Annex 1 was confidential in that it contained exempt information relating to potential future commercial arrangements.

*The public was therefore excluded during consideration of Annex 1 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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure could distort the proper process of each of the 10 Committee's negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document.*

Sean Collins drew the Committee and the Board's attention to the information contained on the Brunel Partnership's website which had recently been set up.

Having received satisfactory responses to a number of questions from members of the Committee and the Board in relation to:

- a concern that had been raised at the last meeting of Pension Fund Committee on 10 June 2016 (which was the subject of an exempt Minute);

- how Brunel would manage the 6 month transition period to ensure that the costs did not impact of the market negatively; and
- generally in terms of costs, how the proposed new arrangement would be set up to ensure that it would not affect the Oxfordshire Pension Fund in an adverse way

it was **RESOLVED** (on a motion by Cllr Patrick Greene, seconded by Cllr Bill Service and carried nem con) to:

***(a) agree the proposal as set out at Annex 1 as the basis of the submission to the Government; and***

***(b) delegate to the Chief Finance Officer the responsibility to agree any final amendments to the proposal, after consideration by all 10 administering authorities, following consultation with the Chairman, Deputy Chairman and Opposition Spokesperson.***

The Chairman, on behalf of the Committee and the Board, thanked Sean Collins and the other 9 lead officers from the Brunel Group for all the hard work which they had put into the project so far.

..... in the Chair

Date of signing .....

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## LOCAL PENSION BOARD

**MINUTES** of the meeting held on Friday, 15 July 2016 commencing at 10.30 am and finishing at 12.25 pm

**Present:**

**Voting Members:** Graham Burrow – in the Chair

Alistair Bastin  
District Councillor Roger Cox  
Stephen Davis  
Councillor Bob Johnston

**Officers:**

Whole of meeting Sean Collins (Corporate Finance); Julie Dean  
(Corporate Services)

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the confidential Annex 1 to the Collaboration item 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.*

**21/16 WELCOME BY CHAIRMAN**

(Agenda No. 1)

The Chairman, Graham Burrow, extended a welcome to the members of the Board present.

**22/16 APOLOGIES FOR ABSENCE**

(Agenda No. 2)

An apology was received from David Locke.

**23/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE**

(Agenda No. 3)

There were no declarations of interest submitted.

**24/16 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

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

**25/16 MINUTES**

(Agenda No. 5)

The Minutes of the last meeting were approved and signed as a correct record.

**26/16 COLLABORATION UPDATE**

(Agenda No. 6)

This item allowed Board members to consider the Brunel submission to the Government, as discussed at the 1 July 2016 Pension Fund Committee meeting, to which Board members had been invited; and determine any items they wished to focus on during the phase 3 stage to develop the full business case. Board members were reminded that the draft submission (Annex 1), which was submitted to the 1 July special meeting was confidential at the present time.

*The public were therefore excluded during consideration of Annex 1 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:*

2. *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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure could distort the proper process of each of the 10 Committee's negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document.*

The Board **AGREED** to note the report LPB6. Discussion on Annex 1 was the subject of an exempt Minute.

**27/16 REVIEW OF PENSION FUND RISK REGISTER**

(Agenda No. 7)

The Board had before them a copy of the Pension Fund Committee's Risk Register (LPB7) and covering report which had been considered by the Committee at its June meeting. Sean Collins introduced it stating that the Committee had been engaged in seeking greater clarity on risk and had agreed to welcome the new format of the risk register and to review it at each quarterly meeting.

With regard to Risk 10 – 'Insufficient resources to deliver responsibilities – LGPS and FSPS' - 'Currently recruiting new staff but this could be impacted by move from Unipart House' Mr Collins reported that the Pensions Manager had received a good response to job advertisements; and the Committee had instructed Property officers to look into possible venues for the staff when Unipart House was vacated. It was hoped then that the risk would be mitigated by the next meeting of the Committee. Steven Davis suggested that officers look into any vacant City Council property/space.



Sean Collins directed the Board's attention to Risk 17 – 'Significant change in liability profile or cash flow as a consequence of structural changes' – stating that one of the Pools which was considered smaller than the Government guidance, had indicated that they could try to bring the Pool up to the right size by including all the academies for the country. This would impact negatively on the cash flow of the Oxfordshire Fund as well as the size of the Brunel pool and if raised formally would have to be opposed.

With regard to Risk 8 – 'Inaccurate or out of date pension liability data – LGPS and FSPS' – a Board member asked if the Committee was beginning to see any mitigation as a result of an increased attention being paid to it. Sean Collins reported that it was too early to form a view, but that the position would be much clearer after the review of the information provided for the 2016 valuation. This was currently underway.

Sean Collins agreed that, in light of all the complex changes to staffing structures, the Pensions Administration Strategy now needed to be developed in order to be fit for the future. This would require more attention to be paid to training and communication. In addition, there was a need to take a fresh look at the quality of the information and data received from the big employers.

***The Board AGREED to request the officers to place an item on the Agenda for the next meeting of the Board to receive information on how the Administration Strategy was developed; how officers engaged with employers about matters such as staff projections; and asking if there were structures in place to ensure that OCC were informed of any major issues which could have an impact on the Pension Fund in the future, such as plans to outsource staff, or whether there was any new legislation on the horizon that may affect their members. The report should also address the question should OCC employ a Programme Manager to manage this.***

## **28/16 PENSION BOARD - ROLES AND RESPONSIBILITIES**

(Agenda No. 8)

Sean Collins reported that the present was a good time to reflect on how things were going and what should be the focus for the next year. This would be set out in an Annual Report. He added that an important issue, which had not yet been considered, and was also for the Annual Report, was to understand any liability resting with individual Board members and whether this was adequately covered under the Council's insurance arrangements. ***It was AGREED that that the Annual Report should also focus on Employer Management.***

Members of the Board also discussed how they might more effectively report to the Committee on their discussions/advice. Graham Burrow advised that at Gloucestershire, Board members nominated a member to report to the Committee.

**29/16 ISSUES/ITEMS TO BE REPORTED BACK TO SCHEME MEMBERS**

(Agenda No. 9)

It was **AGREED** that the Annual Report containing all the factors agreed at the previous item be reported back to Scheme Members, together with details of the Board's new website.

..... in the Chair

Date of signing .....

Division(s): N/A

## **PENSION FUND COMMITTEE – 2 SEPTEMBER 2016**

### **COLLABORATION UPDATE**

#### **Report by Chief Financial Officer**

##### **Introduction**

1. Since the special meeting of this Committee on 1 July 2016 to approve the outline business case, considerable work on developing the full business case for the Brunel Pension Partnership has been completed, though a significant amount still remains to be achieved. The full business case will be presented to the Committee at its meeting on 2 December 2016.
2. This report provides an outline of the latest position. Due to the speed and scale of developments, more details will be provided at the Committee itself. We have also arranged a further Joint Seminar to which members of both this Committee and the Oxfordshire Pension Board will be invited, alongside members of the Gloucestershire and Buckinghamshire Committees and Boards. This Seminar will take place at 10:00 on 17 October 2016.

##### **Current Position**

3. Since the submission of the Outline Business Case to the Government in July, we have received limited feedback. An email from the Department for Communities and Local Government (DCLG) was received on 17 August 2016. This stated that no new areas of concern had been identified, and the submissions from each pool were to be discussed at an evaluation panel scheduled for 8 September 2016. DCLG are seeking to set up clarification phone calls with each pool on 30/31 August 2016.
4. Officers have therefore continued to proceed with developing the full business case to be presented to each Committee/Council during November/December. This timescale has been established to fit with the Government's aim for the first assets to transition to the new pooled arrangements from April 2018.
5. The work has focussed on two main areas – the Brunel Company, and the new investment portfolios and the potential performance and fee improvements and the costs of the transition. The work is being overseen by both the Shadow Oversight Board and FLAG – the Finance and Legal Officers Assurance Group.
6. For both the main workstreams, additional support is being bought in to provide some of the specialist knowledge, and a degree of independent assurance on the work undertaken within the Project Teams.

7. In the case of the Brunel Company, specialist expertise has been procured to provide support on the process for gaining the necessary approvals from the Financial Conduct Authority (FCA). This advice includes a view on the level and type of resources required to meet FCA expectations. Separate advice is also being sought by way of QC opinion on the legal issues associated with the establishment of the Company.
8. Within the project team, work has continued on specifying the services to be provided by the Brunel Company, and the roles and responsibilities that will remain with the 10 Funds. It is clear that the costs of running the Brunel Company will not be covered by way of savings within the 10 Funds, reflecting the resources required to meet the compliance requirements of the FCA. The key savings should come from the savings in investment manager fees and improved performance through the pooling arrangements.
9. The Project Team is also developing proposals on the future location of the Brunel Company and any reserved matters which the Brunel Company will need to refer back to the 10 Funds for approval before enacting.
10. The work on developing the job descriptions for the new roles and the recruitment process for filling them is being led by PwC to ensure there is no conflict of interest with members of the project team who may see their future working within the Brunel Company.
11. On the investment portfolios, the project team has developed more detailed specifications for each of the proposed portfolios, including likely performance targets and fee levels. Independent financial advisers have been appointed to review these specifications and provide assurance on the potential performance and fee levels.
12. Each of the Funds will provide details of their current asset allocations, and their potential allocations to the new portfolios. This will allow an analysis of potential performance improvements and fee savings to be completed on an individual Fund level as well as for the Brunel Pension Partnership as a whole.
13. The Financial Advisers have also been asked to provide assurance on the appropriateness of the assumptions which underlie the transition costs, as well as reviewing the merits of the current in-house management arrangements within two Funds for the passive equity mandates.
14. All of this work will then be pulled together to form the Full Business Case to be presented to Pension Fund Committees in November/December. As the proposal includes the establishment of a new company in which each of the Administering Authorities will become shareholders, the proposals will be reported through to full Councils as appropriate.
15. Much of this work will be completed during September, and at the suggestion of FLAG, we will again be holding cross Fund workshops in October to cover the key issues arising. We will host one of these workshops in County Hall, Oxford on the morning of 17 October, which will be the main session for the

Oxfordshire, Buckinghamshire and Gloucestershire Committee and Board Members. Identical sessions will happen in Exeter on 7 October and Keynsham on 14 October for the remaining Funds, although members are free to attend whichever session is most convenient for themselves.

### **RECOMMENDATION**

16. **The Committee is RECOMMENDED to note the latest position on developing the full business case, and the importance of the joint workshops to be held in October, which will update members of the Committee and Board on the key details.**

Lorna Baxter  
Chief Finance Officer

Background Papers: None

Contact Officer: Sean Collins, Service Manager (Pensions), Mob: 07554 103465

August 2016

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Division(s): N/A

## **PENSION FUND COMMITTEE – 2 SEPTEMBER 2016**

### **RISK REGISTER**

#### **Report by Chief Financial Officer**

##### **Introduction**

1. At its meeting on 11 March 2016, the Committee received a copy of the latest risk register for the Fund, and agreed that it should form a standard item for each quarterly meeting. This report therefore sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies new risks which have arisen since the initial register was produced.
2. The register has also been updated to identify where risks impact on the Fire Service Pension Scheme as well as the Local Government Pension Scheme.

##### **Progress since Last Committee**

3. The March risk register was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. Many of the action plans were focused on long term improvements, and no significant movement has been completed in the last quarter.
4. The only risk where the risk score moved for the June report was risk 10 in respect of insufficient resources to deliver our responsibilities under the Regulations. The likelihood of the risk was amended from unlikely to possible in light of the potential impact of the vacation of Unipart House, and the consequential move for the Pension Services Team. At the June meeting, the Committee agreed to search for appropriate alternative premises for Pension Services, and a suitable site has since been identified, although any move is subject to detailed negotiations. In the meantime, it is believed that the likelihood of the risk has reduced again to unlikely.
5. In June, a new risk was also added to the risk register as risk 17. This risk covered a significant change in the liability profile or cash flow as a consequence of structural change. The risk was added initially in light of the Unitary Authority debate. Whilst that risk has reduced as the debate has moved forward, risks remain where structural changes lead to transfers out of significant staff numbers, whether to an LGPS Fund outside of Oxfordshire, or a non-LGPS fund, including Health. The key mitigation actions involve greater involvement with the employers in respect of any structural discussions.

6. A new element to this risk this quarter is in respect of the Further Education Colleges. The Department for Business, Innovation and Skills issued a consultation document on an insolvency regime for FE and 6<sup>th</sup> Form colleges in early July (N.B. Responsibility for the provision switched to the Department for Education under the Government changes announced by the new Prime Minister).
7. This consultation (along with the early area review of college provision aimed at improving the financial stability of the sector) has re-focused attention on the colleges' membership of the LGPS.
8. Both the area review and the new insolvency regime aim to protect the education provision, but both potentially involve the merger of colleges which could mean a college leaving their local LGPS, and creating an exit payment. The Government have confirmed within the exercise that there is no Government guarantee to under-write future pension deficit costs.
9. Whilst the area review of the Thames Valley colleges has not proposed any short term changes to the Oxfordshire colleges, the exercise has indicated the risk of future structural or financial change which may expose the Fund to a risk on future deficit payments. The risk of a national change to remove colleges from the LGPS is more likely to be accompanied by a nature proposal on the funding of future deficits.
10. The main mitigation to this risk involves discussions with the Actuary over the basis of the calculation of the contribution rate for the colleges, which could involve higher contributions to reduce the level of future deficits. This needs to be considered alongside the risk that any increase in contribution rates directly causes the insolvency risk to materialise.
11. Other changes to the risk register this quarter are at risks 11 and 13. In respect of risk 11, the development of a needs led training plan for Members has been delayed from an initial target of June to December 2016. This reflects the pressure of work associated with the Brunel Project.
12. On risk 13, the impact score and the likelihood have both been increased as a result of system concerns regarding the pension payroll. These concerns relate to the risk that the pension payroll file will not be compatible with the software used to transfer money to the accounts of the individual pensioners. We are currently trying to reconcile the error messages being received from the BACS systems, with the statements from our service support company which inform us that all necessary upgrades have been completed in advance of the 19 September deadline. The risk is now seen as possible with a major impact.

## **RECOMMENDATION**

13. **The Committee is RECOMMENDED to note the current risk register.**



Lorna Baxter  
Chief Finance Officer

Background Papers: None

Contact Officer: Sean Collins, Service Manager (Pensions), Mob: 07554 103465

February 2016

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## Part D: Risk Register

### Identification of Risks:

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

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

### Key to Scoring

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

Page 25

### Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)

2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Direction of Travel
							Impact	Likelihood	Score			Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2017	4	1	4	Sep 2016	→
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2017	4	1	4	Sep 2016	→
3	Investment Strategy not aligned with Pension Liability Profile	Financial	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	2	6	Develop Improved Management Reports to benchmark, and monitor opt outs, 50:50 requests etc.	March 2017	3	1	3	Sep 2016	→
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		→
5	Variation to key financial assumptions in Valuation	Financial	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		→
6	Loss of Funds	Financial	Poor Control	Long Term -	Finan	Review of	3	1	3	Administration		3	1	3		→

	through fraud or misappropriation.		Processes within Fund Managers and/or Custodian	Pension deficit not closed	cial Manager	Annual Internal Controls Report from each Fund Manager. Clear separation of duties.				audit report identified this & only action agreed is to implement separation of duties on pension payroll by September 2016						
7	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	Review the old admitted bodies where there is no guarantor or bond in place.  Meeting held with actuaries	March 2017	2	2	4	Sept 16	→
8	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	4	3	12	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance.  Actions in progress	March 2017	3	1	3	Sept 16	→
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	2	6	Develop improved management reporting to highlight data issues at an earlier point in time. Develop	March 2017	3	1	3	Sept 16	→

										escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance. In progress						
10	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	Currently recruiting new staff BUT this could be impacted by move from Unipart House – see separate report		4	1	4		↑
11	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	8	Develop Needs Based Training Programme	December 2016	4	1	4	Sept 16	→
12	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	2	6	Training programme in place for new & current staff.	March 2017	3	1	3	Sept 16	→
13	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	2	8			3	1	3		↓
14	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation	Pension Services Manager	Security Controls, passwords etc.	3	1	3			3	1	3		→
15	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		→

			authorities.													
16	Failure of Pooled Vehicle to meet local objectives	Financial	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement in Project Brunel	4	1	4			4	1	4		→
17	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with Unitary Authority project to ensure impacts fully understood	4	2	8	Work with Fund Actuary to Understand Potential Implications to feed into project and investigate potential changes to investment strategy that can be implemented within required timescales	Dec 2016	4	1	4	Sept 16	→



## OXFORDSHIRE PENSION FUND REPORT AND ACCOUNTS 2015/16

Registered Number: PS049/20

<b>CONTENTS</b>	
	<b>Page</b>
Foreword by the Chief Finance Officer	2
Statement of Responsibilities for the Pension Fund	5
Members, Managers and Advisers	6
How the Scheme Operates	7
Participating Employers and their Contribution Rates	9
Governance	13
Risk Management	16
Scheme Administration & Administration Performance	20
Financial Performance	22
Investment Review	25
Other Material	38
Pension Fund Accounts 2014-15	39
Auditor's Report	72
Actuarial Statement	73
Summary of Benefits	75
Statement of Investment Principles	78
Governance Policy Statement	84
Funding Strategy Statement	88
Communications Policy Statement	96
Communication	99
Useful Contacts and Addresses	101

## FOREWORD TO THE 2015/16 PENSION FUND REPORT AND ACCOUNTS BY THE CHIEF FINANCE OFFICER

### Introduction

The 2015/16 Report and Accounts reflect a year of consolidation, whilst undertaking the initial planning for major changes ahead. We continued to resolve challenges presented by the New Look 2014 Scheme, and at the same time Officers were heavily engaged in developing proposals to meet the Government's investment pooling requirement for all Administering Authorities within the Local Government Pension Scheme.

These changes took place in the context of greater scrutiny than in previous years, with the Pensions Regulator becoming increasingly engaged across the country, supported by the newly formed Pension Boards. In Oxfordshire, whilst a little slow off the starting blocks, the Oxfordshire Pension Board was quickly up to speed to oversee and support the work of the Pension Fund Committee.

### Key Challenges of 2015/16

Whilst the New Look Scheme had been in place from 1 April 2014, it was not until the scheme employers began to submit their end of year returns that the full challenges of administering the new scheme became clear. These were the first set of returns for employers where they had to provide information to meet the requirements of both the final salary scheme for membership prior to April 2014, and the career average scheme in place since April 2014. The fact that the Regulations had changed the definition of pensionable pay between the two schemes simply added to the challenges facing scheme employers.

Whilst a number of scheme employers did successfully get a full set of data into the Administering Authority, many did not, leading to a delay in the issuing of the annual benefit statements to all active scheme members. Whilst the delays reflected a pattern across the Country, this was still a breach of the Statutory Regulations and resulted in the Administering Authority having to report itself to the Pensions Regulator. In light of the national picture, the Regulator was happy to take no further action at this stage, but was keen to see a robust action plan in place and the avoidance of further delays in 2016/17.

On the investment side, the key challenge was laid down by the Chancellor of the Exchequer in his June 2015 Budget Statement where he asked all Administering Authorities in England and Wales to develop proposals to collaborate on pension investments. His initial aim was to improve the governance arrangements for pension investments, thereby reducing costs whilst maintaining investment performance. Later during the year, he added a further aim to increase the capacity and capability of the LGPS Funds to invest in infrastructure projects.

The Oxfordshire Fund having explored the developing proposals, opted to join in with the 8 Funds to the South West, plus Buckinghamshire to meet the Government's requirements. By February 2016, Project Brunel had submitted an initial proposal to Government on how the 10 Funds would work together. Work continued throughout the rest of 2015/16 to develop this submission into an outline business case, required by the Government by July 2016.

Also in response to Government requirements, the Oxfordshire Pension Board was established, and after initial delays in finding appropriate individuals to fill the 3 positions representing

scheme members and the 3 positions representing scheme employers, the Board finally had its initial meeting in November 2015. The Board appointed Graham Burrow, the Head of Pensions at the Gloucestershire Fund to act as their Independent Chairman, and were quick to involve themselves in the work of Project Brunel, and challenging the Committee on the strength of their risk management arrangements. The Committee have responded with a much improved risk register, and now review all risks and mitigating actions on a quarterly basis.

### The Fund

The Fund saw a further 10% growth in the number of scheme employers during 2015/16, now receiving contributions from over 150 employers. The increase reflects the changing nature of public service delivery, and in particular the growth of academy schools and the out-sourcing of services.

In terms of cash-flow, whilst the trend is downwards, the Fund remains cash positive, collecting just under £1m each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

### Investment Performance

Investment performance over the last year was disappointing, with the Fund as a whole returning a small loss of 0.4% against a benchmark of plus 0.3%. All active equity managers in the Fund made losses, ranging from -3.2% at Baillie Gifford to -5.1% at UBS. The new diversified growth fund manager, Insight Investment, also made a 6.2% loss in its first year.

Across the other asset classes though results were much better, with Private Equity returning 9.8%, UBS Property returning 12.0% and the Legal & General Fixed Income mandate returning 2.6%, all above their respective benchmarks. The Committee continues to monitor the performance of all managers, as well as challenging managers in respect of the social, economic and environmental elements of their investment decisions.

### The Future

2016/17 is a Valuation year for the Fund, with the Actuary undertaking the valuation as at 31 March 2016 to establish new employer contribution rates from 1 April 2017. This valuation will take place in the context of the data quality issues following the introduction of the scheme changes in 2014, greater scrutiny of results across all Funds by the Scheme Advisory Board and now the added uncertainty created by the referendum vote to leave the European Union.

As the trend in cash flow continues downwards, the Fund will need to work with the major scheme employers to understand any key potential changes in their workforce which will impact on the level of pensions in payment and/or contributions payable from active members. This will need to be fed into a review of the investment strategy to ensure we are still in a position to close the current deficit on the Fund, whilst retaining sufficient cash to meet the monthly pension payroll.

This in turn feeds into the work of Project Brunel. This is tasked with delivering a full business case by October 2016 to propose new pooling arrangements. The Committee will need to ensure that the proposal enables the Oxfordshire Fund to still invest in cost effective ways to meet the future pension liabilities of the Fund.

It therefore remains the case that the next year promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

Lorna Baxter  
Chief Finance Officer

July 2016

## Statement of Responsibilities for the Pension Fund

### The County Council's Responsibilities

The County Council is required to:

- ◆ make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Chief Finance Officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Pension Fund Committee has examined the Pension Fund accounts and authorised the Chairman to approve them on its behalf.

### The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code of Practice').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the Code of Practice.

The Chief Finance Officer has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

LORNA BAXTER  
Chief Finance Officer

*Administering Authority*

Oxfordshire County Council  
PO Box 12  
County Hall  
Oxford  
OX1 1TH

*Administrator*

Chief Finance Officer

***Pension Fund Committee  
County Council Members  
2015/16 Membership***

Cllr Stewart Lilly (Chairman)  
Cllr Patrick Greene (Deputy Chairman)  
Cllr Surinder Dhese  
Cllr Jean Fooks  
Cllr Nick Hards  
Cllr Richard Langridge  
Cllr Sandy Lovatt  
Cllr Neil Owen  
Cllr Les Sibley

***Representatives of District Councils***

Cllr James Fry (Oxford City)  
Cllr Bill Service (SODC)

***Beneficiary Observer***

Philip Wilde

***Independent Investment Adviser***

Peter Davies  
AllenbridgeEpic Investment Advisers Limited

***Fund Managers***

Adams Street Partners  
Baillie Gifford  
Legal & General Investment Management  
Partners Group  
UBS Global Asset Management  
Wellington Management  
Insight Investment Management

***Internally Managed Funds***

Listed Private Equity

***Actuary***

Alison Hamilton FFA  
Barnett Waddingham LLP

***Auditor***

Ernst & Young LLP

***AVC Provider***

Prudential Assurance Company Ltd

***Custodian***

BNP Paribas Securities Services

***Performance Management***

WM Performance Services

***Legal Advisers***

Oxfordshire County Council Legal Services

***Bankers***

Lloyds Bank Plc

<b>SCHEME MANAGEMENT &amp; ADVISORS</b>
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## HOW THE SCHEME OPERATES

### ◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. It is “contracted-out” of the state scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).<sup>1</sup> The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 10.

This career average revalued earnings (CARE), defined benefit scheme provides benefits related to actual salary for its members and the benefits are unaffected by the investment return achieved on the Scheme’s assets. ‘CARE’ benefits build up each year with annual revaluation while pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. Since 2011 the amount is based the Consumer Price Index (CPI).

All active LGPS members at 31 March 2014 were transferred to the new LGPS for 1 April 2014. Their final salary benefits linked to the final pay definitions of the previous regulations continue while accrual of membership stopped at 31 March 2014.

Pension Investment and Administration is governed by Her Majesty’s Customs and Revenue Office (HMRC) setting out personal maximum values of benefit and reporting structures for schemes.

### ◆ Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus

of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at rates between 5.5% and 12.5% of pay

Employers’ contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects an employer experience, the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over twenty five years.

Contribution rates for 2014 - 2015 were based on the completed valuation of the Scheme’s financial position as at 31 March 2013 and are shown on pages 8 to 10. The results of the next actuarial valuation, taking place in 2016 will be operational from April 2017.

### ◆ Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a ‘defined benefit scheme and provides a pension based on 1/49<sup>th</sup> of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 76 to 78.

### Overriding legislation

The LGPS exists within rules laid down by HMRC. These provide time limits for benefit payments and also on the member limits to the amount of pension built up within a year and within a lifetime. At retirement a member has to declare any other benefits, not just from the LGPS but all pension provision, to ensure all benefits are within this limit. A tax charge is imposed if this limit is exceeded or if the member fails to make the declaration. Members can convert a portion of

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<sup>1</sup> From 01 April 2014 new LGPS have introduced a new scheme. This is still a defined benefit scheme which is now based on Career Average Revalued Earnings (CARE)

their annual pension to provide a larger tax free lump sum at retirement.

The limits an individual can build up in a year and a lifetime are set by HMRC with additional reporting timetables for fund administration.

#### ◆ **Adjudication of Disagreements Procedure**

The first stage of a dispute is, generally, looked at by the claimants' employer. The second stage referral is to the County Council and the Appointed Person. For information please contact the Pension Services Manager.



## PARTICIPATING EMPLOYERS

Scheduled Bodies	<u>Contribution Rate</u>		Scheduled Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2015/16	2015/16		2015/16	2015/16
Abingdon Town Council	16.6	£22,000	Drayton Parish Council	16.6	-
Abingdon & Witney College	12.7	£128,000	Dominic Barberi Multi Academy Co	13.9	£112,000
Activate - Bicester College	19.9	-	Endeavour Academy	19.9	-
Activate Learning	13.0	£391,000	Europa School	14.4	£5,800
Activate - UTC	19.9	-	Eynsham Parish Council	16.6	£1,000
Aspirations Academy Trust	14.0	£73,000	Faringdon College Academy	15.9	£31,000
Banbury Town Council	16.6	£18,000	Faringdon Town Council	16.6	£6,200
Bartholomew School Academy	16.9	£25,000	Gillots School Academy	14.4	£28,000
Benson Parish Council	16.6	£1,000	GLF - William Morris	19.9	-
Berinsfield Parish Council	16.6	£700	Gosford Hill Academy School	14.4	£35,000
Bicester Learning Academy	15.8	£60,800	Hanborough Parish Council	16.6	£700
Bicester Town Council	16.6	£11,000	Hanwell Fields Academy	12.3	£33,000
Blackbird Multi Academy Trust	12.8	£97,000	Henry Box School	16.3	£36,000
Boxham Parish Council	16.6	-	Henley College	15.0	£44,000
Burford School	17.5	£59,000	Henley-on-Thames Town Council	16.6	£22,000
Carterton Town Council	16.6	£4,000	Heyford Park Free School	19.3	-
CfBT MAT	15.6	£39,500	John Mason Academy Trust	17.0	£26,040
Cherwell District Council	13.7	£1,526,000	Kidlington Parish Council	16.6	£8,200
River Learning Trust	14.1	£75,000	Ladygrove Park Primary School	14.4	£14,000
Chalgrove Parish Council	16.6	-	Langtree School Academy	14.4	£20,000
Cheney Academy School	14.0	£71,000	Lord Williams School	15.6	£70,000
Chinnor Parish Council	16.6	£3,900	Littlemore Parish Council	*	-
Chipping Norton School Academy	18.4	£34,000	Malborough CE VC School	16.8	£28,000
Chipping Norton Town Council	16.6	£2,300	Manor School Didcot Academy Trust	14.1	£17,000
Cholsey Primary School (OPEN)	14.4	£10,000	Marcham Parish Council	16.6	£600
Cumnor Parish Council	16.6	-	North Hinksey Parish Council	*	-
Didcot Academy of Schools	16.1	£65,000	Northern House School Academy Trust	14.4	£22,000
Didcot Town Council	16.6	£15,000	North Oxfordshire Academy	12.0	-

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate		Scheduled Bodies (cont)	Contribution Rate	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2015/16	2015/16		2015/16	2015/16
Old Marston Parish Council	16.6	-	West Oxford School Trust	19.9	-
Oxford Brookes University	14.1	£1,560,000	West Oxfordshire District Council	14.4	-
Oxford City Council	20.6	-	Wheatley Area Learning Trust	18.8	£27,000
Oxfordshire County Council	19.9	-	Wheatley Parish Council	16.6	£1,100
Oxford Diocesan Trust	13.8	£65,000	Whitchurch Parish Council	*	-
Propeller Academy Trust	13.4	£53,000	Willowcroft Academy Trust	14.4	£31,000
Radcliffe Academy	14.4	£48,400	Witney Town Council	16.6	-
Radley Parish Council	16.6	£700	Woodstock Town Council	16.6	-
Ramsden Parish Council	16.6	£200	<b>Admitted Bodies</b>		£500
Ridgeway & Sandhills Parish Council	*	-	A2 Dominion	15.0	£800
Rotherfield Greys Parish Council	16.6	£100	Adviza	19.9	-
Rotherfield Peppard Parish Council	16.6	£400	Allied Healthcare	19.9	-
Rush Common School Academy	14.4	£17,000	Banbury Citizens Advice Bureau	15.0	£28,000
Senning Common Parish Council	16.6	£900	Banbury Homes	15.0	-
South Oxfordshire District Council	12.3	£725,000	Banbury Museum Trust	23.1	-
St John's Academy Trust	14.4	£8,000	Barnardos	19.9	-
Sutton Courtenay Parish Council	16.6	£700	CAPITA (Vale)	15.3	-
Thame Town Council	16.6	£13,000	Capita Symonds Ltd	19.9	-
The Iffley Academy	14.4	£33,000	Cara Services Ltd	19.3	£14,000
The Oxford Academy	16.1	-	Care Outlook Ltd	19.9	-
The Pope Francis MAC	19.3	-	Carillion (AMBS) Ltd	19.9	-
Tynedale School	14.4	£2,100	Cater Link Ltd	19.7	-
Vale Academy Trust	16.0	£48,000	CfBT Career Service	19.6	-
Vale of White Horse District Council	13.1	£677,000	Charter Community Housing	15.6	-
Wallingford School Academy	14.6	£45,000	Chartwells	19.9	-
Wallingford Town Council	16.6	£10,000	Civica	19.3	-
Wantage Town Council	*	-	Community Voice	19.9	-
Warriner Multi Academy Trust	19.9	-			

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)	Payroll %	Additional Monetary Amount
	Payroll %	Additional Monetary Amount			
	2015/16	2015/16			
Cottsway Housing Association	14.5	-	Optalis Limited	19.9	-
Edwards and Ward (Banbury Dashwood Academy)	19.9	-	Order of St John's Care Trust	19.9	-
Edwards and Ward (Benson C.E. Primary School)	19.9	-	Oxford Active	12.0	-
Edwards and Ward (Bladon C.E. Primary School)	19.9	-	Oxford Archaeological Unit	15.0	£64,000
Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9	-	Oxford Citizens' Housing Association	19.9	-
Edwards and Ward (Caldecott Primary School)	19.9	-	Oxford Community Work Agency	15.0	£5,600
Edwards and Ward (Chilton Primary School)	19.9	-	Oxford Health NHS Foundation Trust	19.9	-
Edwards & Ward (Hailey Primary School)	19.9	-	Oxford Health NHS Foundation Trust (Reablement)	19.9	-
Edwards and Ward (Orchard Fields Primary School)	19.9	-	Oxford Homeless Pathways	15.0	£11,000
Edwards & Ward (Rush Common Primary School)	19.9	-	Oxford Inspires	15.4	-
Edwards and Ward (St Andrews C.E. Primary School)	19.9	-	Oxfordshire South & Vale Citizen's Advice Bureau	15.0	£680
Edwards and Ward (St Nicholas C.E. Primary School)	19.9	-	Oxfordshire Youth Arts Partnership	15.0	£1,100
Edwards & Ward (St Nicholas Oxford)	19.9	-	PAM Wellbeing Ltd	19.9	-
Edwards and Ward (Willowcroft Community School)	19.9	-	Rapid Commercial Cleaning Ltd	19.9	-
Edwards & Ward (Wolvercote Primary School)	19.9	-	Reading Quest	*	-
Fresh Start Ltd (Bloxham School Contract)	19.9	-	RM Education	12.0	-
Fresh Start Ltd (Langford Primary Contract)	19.9	-	Skanska Construction UK Ltd	14.7	-
Fresh Start Ltd (Sibford Gower School Contract)	19.9	-	SOLL Vale	16.8	-
Fusion Lifestyle	20.6	-	Sovereign Vale	19.0	-
Greenwich Leisure Limited	22.5	-	Swalcliffe Park School Trust	15.0	£30,000
Hayward Cleaning Services	19.9	-	Thames Valley Partnership	15.0	£4,300
Home Farm Trust - South & Vale 1 Contract	19.9	-	The Camden Society - City 1 Contract	19.9	-
Home Farm Trust - South & Vale 2 Contract	19.9	-	The Camden Society - City 2 Contract	19.9	-
Innovate Services Limited	10.1	-	The Camden Society - North Contract	19.9	-
Nexus Community	15.0	-	The Camden Society - West Contract	19.9	-

## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)	Payroll % 2015/16	Additional Monetary Amount 2015/16
	Payroll %	Additional Monetary Amount			
	2015/16	2015/16			
School Lunch Company (Badgemore Community Primary School)	19.9	-	The School Lunch Company (Wychwood CE Primary School)	19.9	-
The School Lunch Company (Bishop Loveday CE Primary School)	19.9	-	United Sustainable Energy Authority	12.0	-
The School Lunch Company (Brize Norton Primary School)	19.9	-	UBICO Limited	14.4	-
The School Lunch Company (Combe CE Primary School)	19.9	-	West Oxon Citizens' Advice Bureau	15.0	£3,700
The School Lunch Company (Hook Norton CE Primary School)	19.9	-			
The School Lunch Company (North Hinksey CE Primary School)	19.9	-			
The School Lunch Company (Queensway School)	19.9	-			
School Lunch Company (St Christopher's CE Primary School)	19.9	-			
School Lunch Company - St John Fisher Primary School	19.9	-			
The School Lunch Company (St John the Evangelist CE Primary School)	19.9	-			
School Lunch Company - St Josephs Catholic Primary School	19.9	-			
School Lunch Company (St Kenelm's C of E Primary School)	19.9	-			
The School Lunch Company (St Mary's CE Infant School)	19.9	-			
The School Lunch Company (Stonesfield Primary School) - catering	19.9	-			
The School Lunch Company (Stonesfield Primary School) - cleaning	19.9	-			
The School Lunch Company (The Batt CE Primary School, Witney)	19.9	-			
School Lunch Company (The John Henry Newman Academy)	19.9	-			
The School Lunch Company (Whitchurch Primary School)	19.9	-			

\* No active members at the date of the last valuation (31 March 2013). A contribution rate will be advised by the actuary at the date an active member joins the fund.

## Governance

### Conflicts of Interest

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website.

### Pension Fund Committee

#### Committee Membership and Attendance 2015/16

<u>Councillor</u>	<u>05-Jun-15</u>	<u>04-Sep-15</u>	<u>04-Dec-15</u>	<u>29-Jan-16</u>	<u>11-M</u>
<b>County Councillors;</b>					
Councillor L Sibley (on committee since December 2014)	✓	✓	✗	✓	✓
Councillor S Dhesi (on committee since May 2013)	✓	✓	✓	✓	✓
Councillor J Fooks (on committee since September 2009)	✓	✓	✓	✓	✓
Councillor P Greene (on committee since May 2013)	✓	✓	✓	✓	✗ - Sub by C Willm
Councillor N Hards (on committee since May 2013)	✓	✓	✓	✓	✓
Councillor R Langridge (on committee since May 2008)	✓	✓	✓	✗ - Substituted by Cllr. R Rose	✓
Councillor S Lilly (on committee since September 2008)	✓	✗	✓	✓	✓
Councillor S Lovatt (on committee since June 2012)	✓	✓	✗ - Substituted by Cllr. D Willmshurst	✓	✓
Councillor N Owen (on committee since May 2013)	✓	✓	✓	✓	✓
<b>District Councillors;</b>					
Councillor J Fry (on committee since September 2015)	N/A	✗	✓	✓	✓
Councillor B Service (on committee since September 2015)	N/A	✓	✗	✓	✓
<b>Beneficiaries Observer (non-voting member);</b>					



Committee Members Training Received 2015/16

<u>Councillor</u>	<u>Date</u>	<u>Training Course</u>
<b>County Councillors;</b>		
Councillor S Dhesi	05-Jun-15 11-Mar-16	Shadow Scheme Advisory Board Pensions Administration/Investments Knowledge Assessment
Councillor J Fooks	05-Jun-15 11-Mar-16	Shadow Scheme Advisory Board Pensions Administration/Investments Knowledge Assessment
Councillor P Greene	05-Jun-15	Shadow Scheme Advisory Board
Councillor N Hards	05-Jun-15 11-Mar-16	Shadow Scheme Advisory Board Pensions Administration/Investments Knowledge Assessment
Councillor R Langridge	05-Jun-15	Shadow Scheme Advisory Board
Councillor S Lilly	05-Jun-15 11-Mar-16 25/26-	Shadow Scheme Advisory Board Pensions Administration/Investments Knowledge Assessment LGA LGPS Trustees Conference

	June-15 15- Oct/10- Nov/01- Dec-15	LGA Trustee Training Fundamentals
Councillor S Lovatt	05-Jun-15  11-Mar-16	Shadow Scheme Advisory Board  Pensions Administration/Investments Knowledge Assessment
Councillor N Owen	05-Jun-15  11-Mar-16	Shadow Scheme Advisory Board  Pensions Administration/Investments Knowledge Assessment
Councillor Les Sibley	05-Jun-15  11-Mar-16  25/26-Jun-15	Shadow Scheme Advisory Board  Pensions Administration/Investments Knowledge Assessment  LGA LGPS Trustees Conference
<b>District Councillors;</b>		
Councillor J Fry		
Councillor B Service	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>Beneficiaries Observer;</b>		

P Gerrish	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment

Members that have been on the Pension Fund Committee in previous financial years will have attended training events in those years in addition to the training undertaken in the current financial year.

## Risk Management

### Internal Risk Management

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

The Council's Internal Audit function undertook a review of the Pension Investments team in 2015/16. The overall conclusion on the system of internal control being maintained was 'G' (There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls), which is the highest rating available. There were no actions recommended as a result of the audit. The Pension Administration team was also subject to an internal audit during 2015/16. The overall conclusion was 'G'. There were two management actions resulting from the audit findings both of which are being addressed.

The Pension Fund Committee is responsible for the prudent and effective stewardship of the Oxfordshire County Council Pension Fund. As part of this duty the Committee oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves: Risk identification, risk analysis, risk control and monitoring.

A key tool for the management of risk is the risk register. The register incorporates an assessment of the impact and likelihood of identified risks to give a risk score, assigns a target risk score, as well as the actions required to achieve the target score. The risk register is kept under review by the Chief Finance Officer and is presented to the Committee on a quarterly basis.



Risks are identified and assessed using a scoring matrix. The scoring matrix assesses two elements of a risk:

- the chance of it happening
- the impact if it did happen

Risks are analysed between:

- Financial
- Administrative
- Governance

Each element is independently assessed on a scale of 1-5 (5 being the highest risk). These scores are then multiplied to give an overall score. The risk register lists the risks identified, the consequence of each risk occurring, the score assigned to each risk, the target score for each risk and the measures in place to address the risk. This process identifies the risks with the highest scores, and those furthest away from their targets, which are then closely monitored.

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for March 2016 which is on the Council's public website).

Officers are mindful of risk in carrying out their duties on a day to day basis and any significant risks identified are reviewed and managed through processes and controls accordingly. The Pensions teams have regular team meetings through which any operational risks can be discussed and dealt with appropriately.

**Key Risks identified on the Pension Fund Risk Register**

<b>Risk</b>	<b>Cause</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Risk Score</b>	<b>Actions Required</b>
<b>Financial</b>					
Investment Strategy not aligned with Pension Liability profile	Pension Liabilities and Asset Attributes not Understood and Matched	4	2	8	Develop cashflow model with Actuary. Gain greater understanding of employer changes. Review asset allocation
<b>Financial &amp; Administrative</b>					
Inaccurate or out of date pension liability data	Late or Incomplete Returns from Employers	4	3	12	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance.
<b>Governance</b>					
Insufficient Skills & Knowledge on Committee	Poor Training Programme	4	2	8	Develop needs based training programme.

## Third Party Risk Management

The Pension Fund Committee receive quarterly investment performance reports and receive regular updates from Fund Managers which provide an opportunity to ensure their strategies are in line with expectations and to discuss any risks the Committee is concerned about. Officers also have regular meetings with the Independent Financial Advisor and Fund Managers through which performance is reviewed and key issues are discussed.

The Fund's investment managers and its custodian issue annual internal control reports prepared by their auditors. For fund managers, auditors typically issue a report based on the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These documents identify internal processes and procedures, and details of the audit testing performed on them during the year. The reports are reviewed annually by the pension investments team and are used to gain assurance that the third parties' internal controls are sufficient and are operating effectively. Any concerns are discussed with the third parties to ensure corrective action is being taken where weaknesses are identified.

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Baillie Gifford	AAF 01/06 / ISAE 3402	30 April 2015	KPMG
BNP Paribas (Custodian)	ISAE 3402	31 March 2016	PricewaterhouseCoopers
Legal & General	AAF 01/06 / ISAE 3402	31 December 2015	PricewaterhouseCoopers
UBS	AICPA Attestation	31 December 2015	Ernst & Young
Wellington	SSAE16 / ISAE 3402	31 October 2015	Deloitte

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. Checks are undertaken on a monthly basis to ensure compliance of the Fund's investments with the limits set out in The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013.

The fund's Independent Financial Advisor monitors the market and the activities of investment managers and informs officers if there are any concerns, such as changes in key staff.

## Scheme Administration and Administration Performance

The Pension Services team is responsible for all scheme member benefit administration. This involves liaising with all scheme employers to receive monthly and end of year data returns, checking this information prior to loading this on to the pension system.

Once data is loaded the team can then calculate and process queries and benefit payments to scheme members.

Data assurance comes from internal checks; process review; internal and external audit reviews and CIPFA bench marking against other LGPS funds.

Scheme Communications are detailed in the Communication Strategy which details types and methods of communication used to reach all fund's stakeholders. This is underpinned by the Pension Fund pages located on the County Council's website, which contains links for following fund documents:

- Communication Strategy
- Annual Report and Accounts
- Triennial Valuation Report
- Statement of Investment Principles
- Fund Strategy Statement
- Governance Policy
- Policy about Exercise of Discretionary Functions.
- Administration Strategy MISSING??)

Complaints are dealt with in line with the Adjudication of Disagreements Procedure which is set out in Regulation. This is a three stage process:

- Stage 1 - depending upon nature of complaint the Appointed Person from either the fund or scheme employer will review and provide a written determination to the points raised.
- Stage 2 - should the member be unhappy with the decision made at stage 1 they have the right to ask for the Appointed Person at stage 2 to review their case.
- If, after this second independent review the member remains unhappy with the outcome they can then refer their case to the Pension Ombudsman.
- At all stages of this process the member can seek support and advice from The Pensions Advisory Service (TPAS).

During 2015/2016 the following complaints have been received:

	2015/16
Number of Complaints	23
Complaints as % of Workload	0.15%

Of these complaints eight were upheld, while the Pensions Ombudsman is yet to make a determination in two cases.

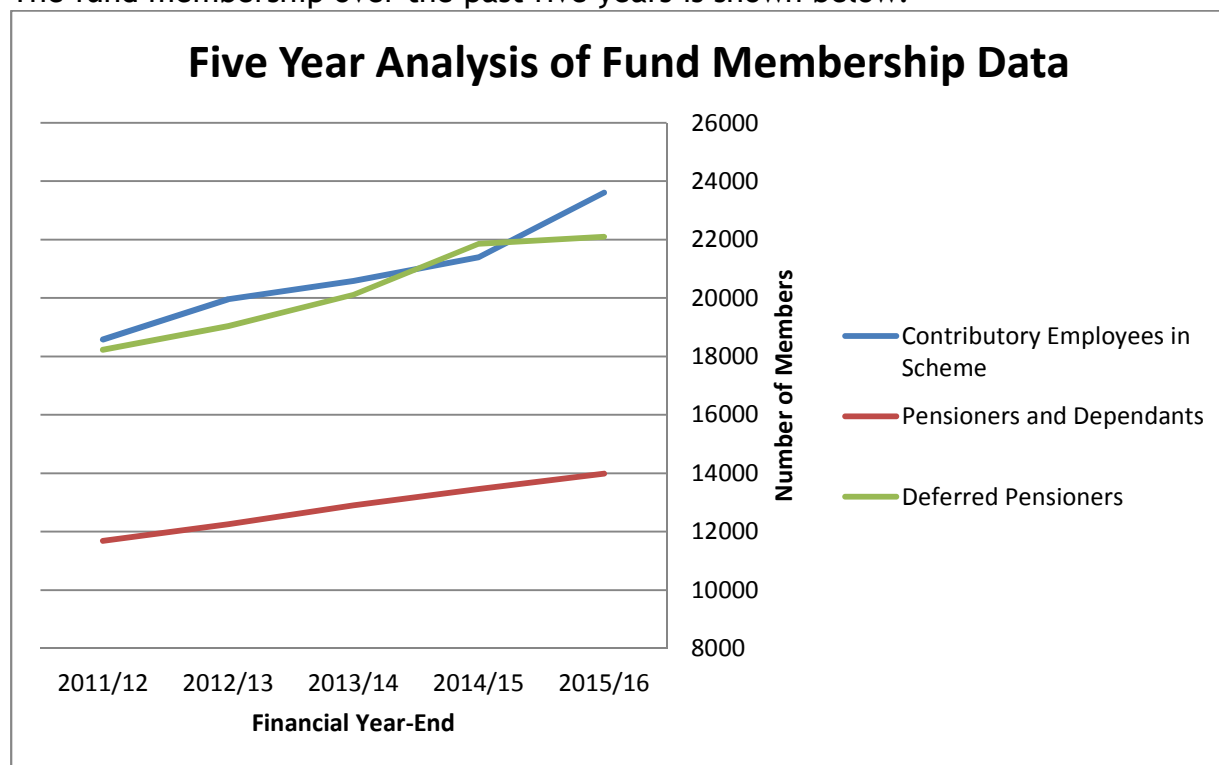
The Regulations - Under the framework of overarching pension regulations The Local Government Pension Scheme is governed by statutory regulations which are the responsibility of the Department of Communities and Local Government (DCLG).

The LGPS is applicable to staff working in the public sector, although this excludes Fire Officers, Teachers and Police Officers who have their own separate scheme. However,

it will include any staff working in those area but ineligible to join those other public sector schemes.

Members of the scheme will be employed by Oxfordshire County Council; District Councils; Town and Parish Councils as well as private sector companies providing services on their behalf.

The fund membership over the past five years is shown below:



As at 31 March 2016 the number of staff within Pension Services is 20.64 FTE overall which is a small reduction against last year. Using the CIFPA benchmarking definition of pension administration work to strip out staff working on other public sector schemes or employing authority work this is reduced to 14.48 FTE.

During this year staff have dealt with 37,000 tasks, which gives an average number per member of staff as 2,555 tasks. The top 10 tasks are shown in the table below:

Top 10 Case Types

Case Type	Completed 2015/16	Completed Within Target Time
Change of Address	1,056	97%
Complete Deferred Benefit	987	78%
General Enquiries	906	62%
Member Estimates	605	76%
Pension Quotations for Deferred Pensions	323	41%
Payment of Deferred Pensions at Normal Retirement Date	292	75%
Payment of Death Benefits	281	49%
Refund of Pension Contributions	261	91%
Transfer Out Quotation	241	59%
Action GMP Notices	209	73%

The percentage of tasks completed within the target time is significantly lower compared to the prior year for a number of case types. The reason for the falls is mainly due to issues with data received from employers linked to the new requirements following the introduction of the new CARE scheme. The CARE scheme required employers to provide new data and this impacted on their data systems and payroll software which typically required updates to provide the required data. This impacted on the time taken to complete tasks due to extra checks being required and queries having to be raised.

At the time of preparing this report CIPFA benchmarking for 2016 has not been completed. The unit cost per member for the Oxfordshire Pension Fund as at 31 March 2015 was £ 21.17 against a benchmarked average of £19.17

### **Promotion of Scheme Membership**

The fund supplies template letters for employers to incorporate within their starter / new joiner process. This information will point to the centrally provided on-line guides ([www.lgps2014.org](http://www.lgps2014.org)) concerning costs and benefits of the LGPS for members, and also to the scheme guides. Both the brief guide and the full detailed guide are hosted on the fund website pages ([www.oxfordshire.gov.uk/lgpsmembersguide](http://www.oxfordshire.gov.uk/lgpsmembersguide)). When requested the fund will comment on employer prepared automatic enrolment notices to members, which would be sent to eligible jobholders where the LGPS is the qualifying pension saving scheme.

### **Memberships**

The Fund is a member of the National Association of Pension Funds and subscribes to the CIPFA Pensions Network. Officers also attend the South East Local Authority Pensions User Group.

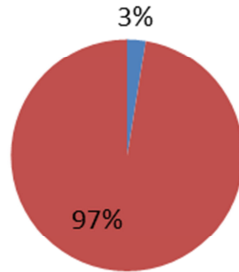
## **Financial Performance**

### **Contributions**

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2015/16.

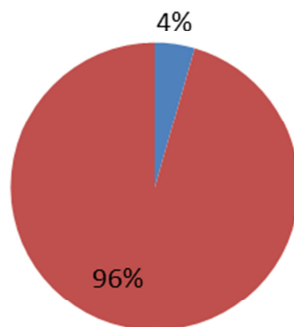
## Timeliness of Receipt of Contributions by Number of Employers 2015/16

■ Late ■ On Time



## Timeliness of Receipt of Contributions by Value 2015/16

■ Late ■ On Time



The average number of days that payments were late by during 2015/16 was 7.

## Budget

The below table shows budget for 2015/16:

	<b>Budget £'000</b>
<b>Administrative Expenses</b>	
Administrative Employee Costs	915
Support Services Including ICT	349
Printing & Stationary	40
Advisory & Consultancy Fees	115
Other	127
<b>Total Administrative Expenses</b>	<b>1,546</b>
<b>Investment Management Expenses</b>	
Management Fees	4,300
Custody Fees	100
<b>Total Investment Management Expenses</b>	<b>4,400</b>
<b>Oversight &amp; Governance</b>	
Investment Employee Costs	269
Actuarial Fees	75
External Audit Fees	25
Internal Audit Fees	14
Advisory & Consultancy Fees	175
Other	50
<b>Total Oversight &amp; Governance Expenses</b>	<b>608</b>
<b>Total Pension Fund Budget</b>	<b>6,554</b>

The budget outturn report will be presented at the September 2016 Pension Fund Committee meeting and will be available on the Council's website.

## Pension Overpayments

Financial Year	Pension Overpayments
2015/16*	78,422.63
2014/15	908.20
2013/14	629.98
2012/13*	27,920.21
2011/12	810

\* Figures are higher due to results of the National Fraud Initiative data matching exercise.



The Fund participates in the National Fraud Initiative data matching exercise which takes place every two years. This process matches data between different records to identify discrepancies that should be investigated further. The latest exercise for which results are available is from 2014/15. This exercise identified 574 matches for investigation. Detailed investigations of the matches are currently being undertaken and any identified overpayments are being investigated/recovered.

### **Interim Actuarial Valuation**

The Fund's actuary produces a quarterly funding update for the Fund. At the March 2016 funding update the estimated funding level was 89%. This compares to a level of 82% reported in the 2013 triennial valuation.

## **Investment Review 2015/16**

### **Economic Background**

Growth in the UK economy slowed to 2.3% in 2015, while US growth remained steady at 2.4%. In both Japan and the Eurozone growth showed an improvement on 2014, but China slowed from 7.4% to 6.9%. One consequence of the Chinese slowdown was a sharp reduction in their demand for copper, iron ore and coal, which all fell sharply in price during the year. Oil continued to become cheaper as the Gulf producers maintained production levels, and the price of Brent crude fell from \$55 to \$40 per barrel during the year - having reached a low point of \$28 in January 2016. The weakness in commodity prices ensured that the rate of inflation was below 1% in most countries other than China.

Greece's tortuous negotiations with its creditors were finally resolved in August when the government - having held a referendum which rejected the terms offered - agreed to the conditions of the bailout. Investors then became concerned by the extreme gyrations of the Chinese stockmarket, which had risen by 150% in eighteen months before falling by 30% in the month to mid-July. In August the Chinese central bank suddenly announced it would allow the currency to weaken slightly, having been strong for the previous two years. Although the yuan/dollar rate eased by just 4%, the change of policy was interpreted as a sign that China was worried about its deteriorating balance of trade, and this created doubts about the sustainability of China's 7% GDP growth rate. After two weeks of worldwide equity market nerves, the Chinese authorities intervened by easing interest rates and lowering bank reserve requirements, as well as banning the short-selling of shares.

The US Federal Reserve had been expected to raise interest rates in September, but the uncertainty generated by the China situation caused a delay until December when US rates were raised by ¼%. At the time the Fed indicated that they expected to make four more ¼% rises during 2016, but the subsequent global economic slowdown is likely to limit this to two (or fewer) rises during the year. Meanwhile the European Central Bank had introduced a negative rate of interest on central bank deposits - in order to encourage banks to step up their lending - and increased the volume of Quantitative Easing. The Bank of Japan similarly brought in a negative interest rate in January, and by the end of March a significant proportion of short- and medium-dated government bonds were giving a negative yield.

## Market Returns

Global Equities gave a negative return of 0.5% in sterling during the year to March; sharp declines in August/September 2015 and early 2016, caused largely by fears about China's economy, were swiftly recouped. The only region to record a gain was North America (+3.6%), while other regions suffered losses of 3-9%. Pacific Basin markets were hit hard by the Chinese currency moves, and their currencies and share markets suffered heavy falls in the second half of 2015.

While the US dollar had been strong until December, there was an unexpected development in early 2016 when the euro and the yen appreciated despite the negative interest rates in their regions. For the full year both rose by some 10% against the pound, while the dollar rose by 3.3%.

Government Bond yields continued to trade at historically low levels, and the combination of muted inflation and signs of worldwide economic slowdown in early 2016 generated small gains in price for government bonds during the year. Corporate Bonds, however, were flat on fears that falling oil and commodity prices would have a severe impact on companies in the Energy and Materials sectors.

UK Commercial Property achieved double-digit returns for the third consecutive year, albeit at a slower rate than in the two previous years. The IPD All Property Monthly Index returned 11.7%, with total returns of over 15% being achieved in the Office and Industrial sectors.

The Oxfordshire Pension Fund achieved a total return of -0.4% for the year, compared with a 0.3% return on its benchmark.

## Outlook

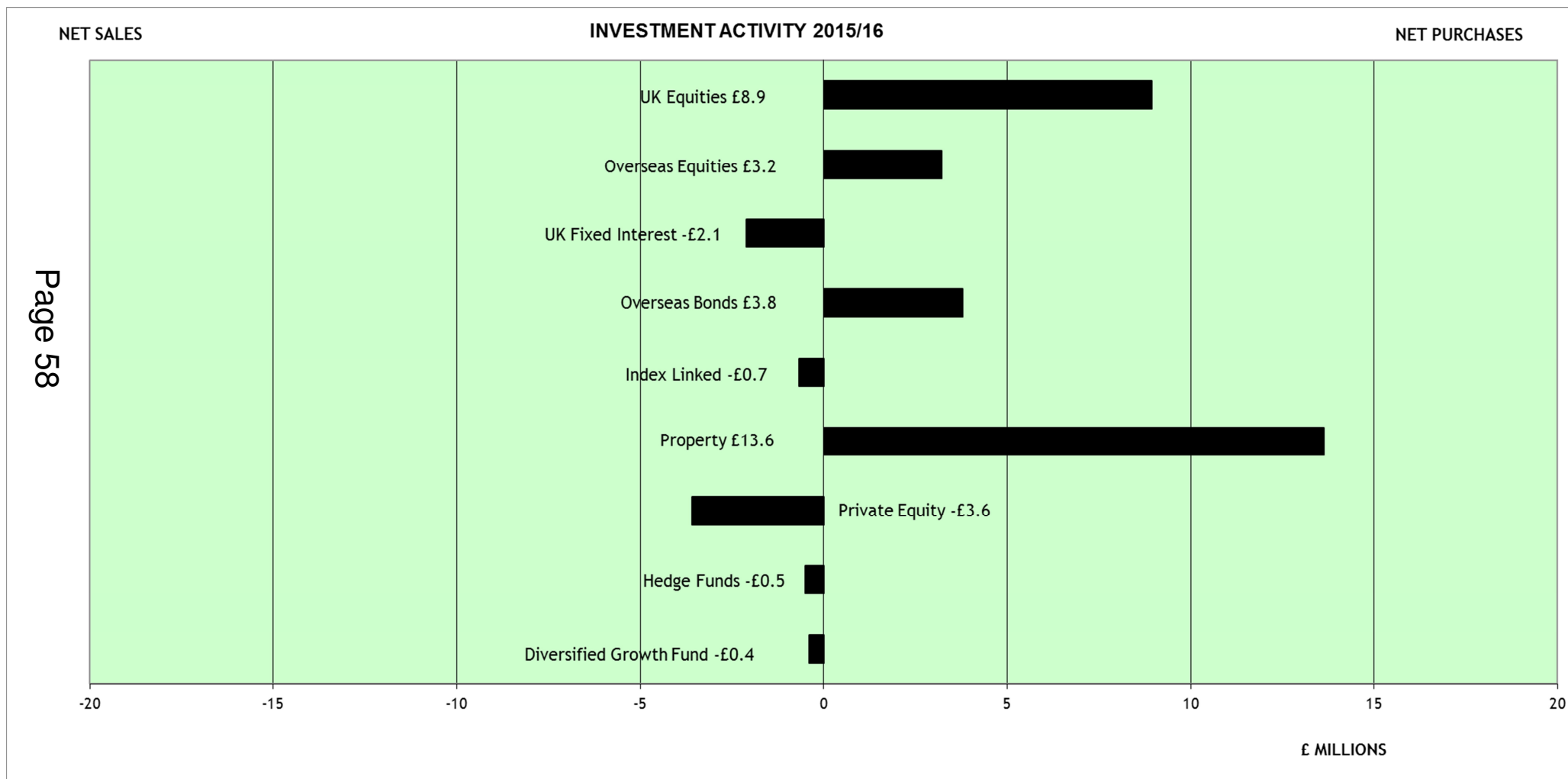
The uncertainty over the outcome of the forthcoming UK referendum on membership of the EU is clouding the outlook for sterling and for UK companies, while on a global level GDP growth in 2016 is forecast to be about 0.3% lower than in 2015. This is likely to restrict corporate profits growth, but also maintain inflation and interest rates at subdued levels. Against this background, significant gains in either equities or bonds may be hard to achieve in the coming year.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2016.

SECTOR		INDEX	% Total Returns Year to 31.3.16
<b>Equities</b>	Global	FTSE All World	-0.5
	UK	FTSE Actuaries All Share	-3.9
	North America	FTSE North American Developed	-3.6
	Japan	FTSE Japan Developed	-3.3
	Europe	FTSE Europe (ex UK) Developed	-4.2
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	-5.4
	Emerging Markets	FTSE Emerging Markets	-3.6
<b>Bonds</b>	UK Government	FTSE Government UK Gilts All Stocks	3.2
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	1.8
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	0.5
	Overseas	JP Morgan Traded WXUK	9.8
<b>Cash</b>	UK	7 DAY £ LIBID INDEX	0.3
<b>Property</b>	UK Commercial	IPD (HSBC) All Balanced Funds Index	10.6

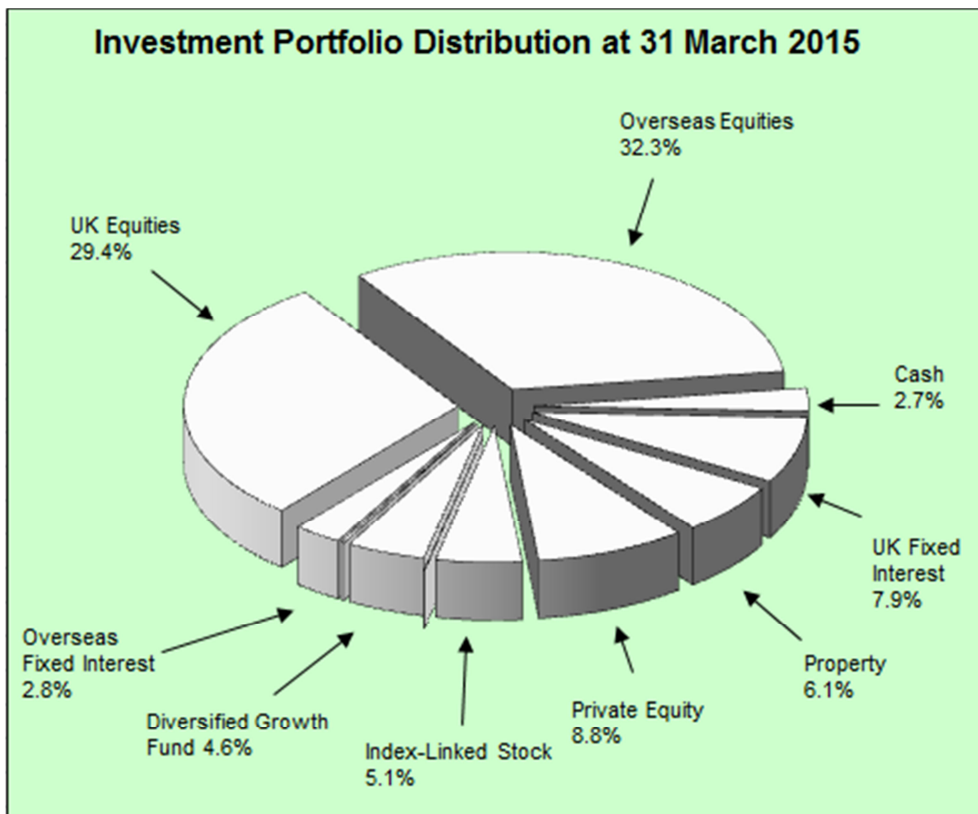
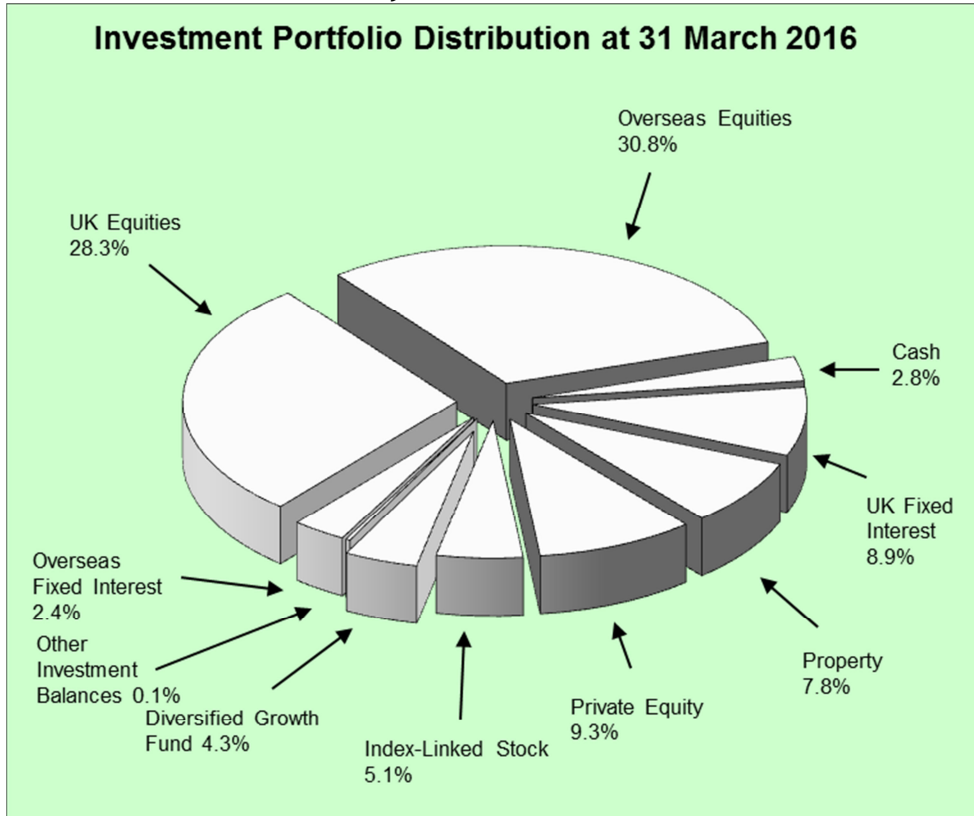
- **Investment Activity**

The Pension Fund invested a net £22 million during the year ended 31 March 2016. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.

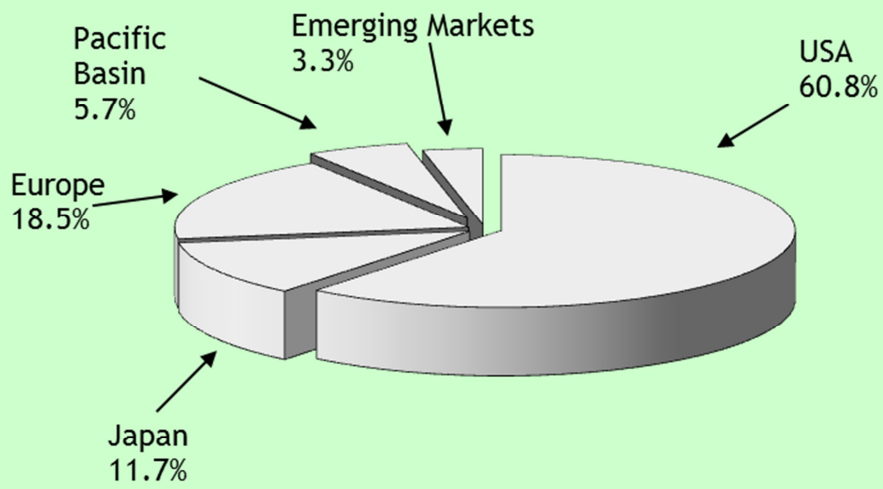


## Portfolio Distribution

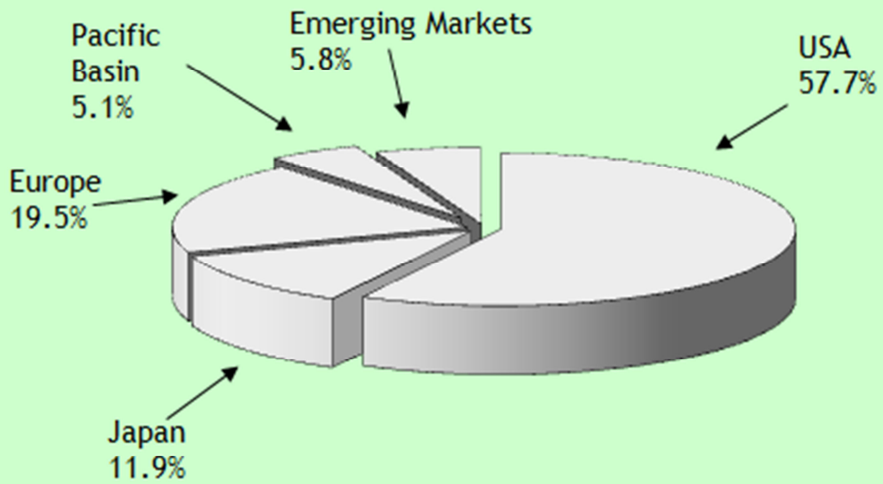
The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2016 is shown in the chart below. A comparative chart of the position at 31 March 2015 is also shown. The two further charts show the distribution of overseas investments at 31 March 2016 and 31 March 2015. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.



**Overseas Investment Distribution at 31 March 2016**



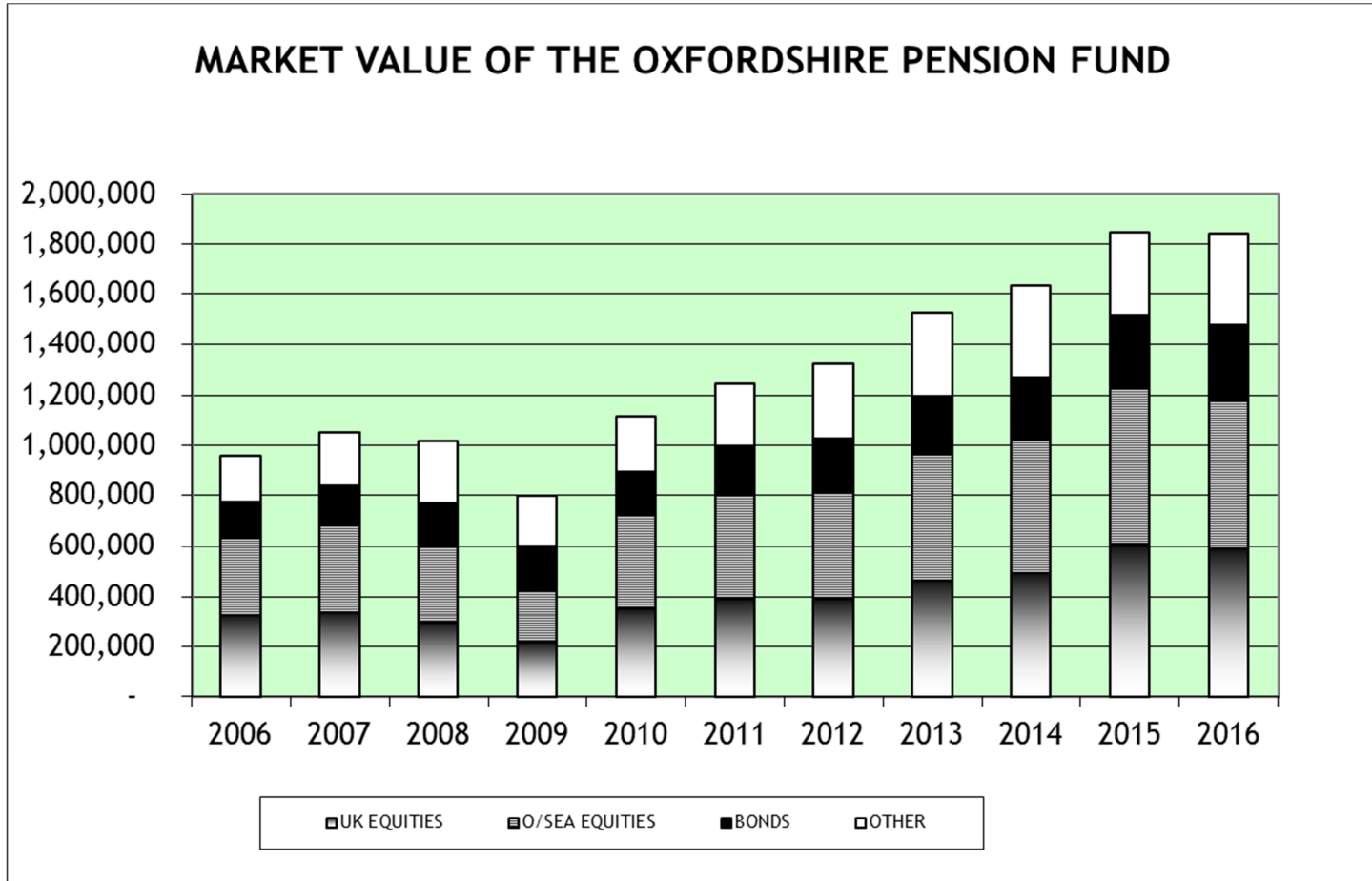
**Overseas Investment Distribution at 31 March 2015**



### Portfolio Asset Allocation over the Ten Years to March 2016

The total assets (including accruals) of the Pension Fund have grown from £958 million at end of March 2006 to £1,842 million at end of March 2016 (see chart below).

Over the period the percentage in UK equities decreased from 33.6% to 32.1% and bonds increased from 14.5% to 16.2%.



Note: In 2008 the basis of valuation changed from mid-price to bid-price

## ◆ Investment Benchmark and Performance

The Fund uses WM Performance Services to independently measure investment performance. Returns for all of the Fund's managers and at the total fund level are reported quarterly to the Pension Fund Committee. A representative from the WM Company also gives an annual presentation to the Committee each September. The table below provides details of the Pension Fund's one, three and five year investment returns, on an annualised basis, for each asset class.

The tables indicate that performance in 2015/16 was 0.7% below benchmark with an overall return of -0.4%. The table shows the range of returns for 2015/16 across the different asset classes, ranging from 13.1% on Property to -6.2% on the Diversified Growth Fund.



Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2016		Three Years Ended 31 March 2016		Five Years Ended 31 March 2016	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	27.4	-3.9	-4.0	3.7	4.0	5.7	7.0
Overseas Equities	7.9	-0.2	0.4	8.6	9.1	8.4	7.6
* Global Equities	25.6	-1.2	-5.1	7.5	5.2	7.5	6.3
UK Gilts	3.0	3.2	3.6	4.6	5.3	6.6	6.8
Index Linked Gilts	5.0	1.8	2.0	5.6	5.7	9.8	10.1
Overseas Bonds	2.0	9.8	-4.4	2.6	1.4	3.5	2.9
Corporate Bonds	6.0	0.4	2.4	4.9	5.0	7.0	7.3
Property	8.0	10.6	13.1	13.0	13.2	9.0	9.3
Private Equity	10.0	1.6	9.8	8.8	11.3	10.0	11.4
Diversified Growth Fund	5.0	3.5	-6.2	-	-	-	-
† Cash	0.0	-	3.2	-	1.7	-	1.5
<b>Total Fund</b>	<b>100</b>	<b>0.3</b>	<b>-0.4</b>	<b>6.6</b>	<b>6.2</b>	<b>7.6</b>	<b>7.3</b>

\* The Global Equity benchmarks have assumed a 10% allocation to UK Equities. In practice the actual allocation will continuously fluctuate.

† Cash includes cash held by Fund Managers

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a rolling three year period.

Fund Manager	Target %	One Year Ended 31 March 2016		Three Years Ended 31 March 2016		Five Years Ended 31 March 2016	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.25	-3.9	-3.2	3.7	4.7	5.7	7.9
Wellington Global Equities	2.0	-1.2	-4.4	7.5	6.3	-	-
UBS Global Equities	3.0*	-1.2	-5.1	7.4	5.2	7.1	5.3
Legal & General UK Equities - Passive	n/a	-5.3	-5.3	2.4	2.4	4.7	4.7
Legal & General Ex UK Equities - Pas- sive	n/a	0.4	0.4	9.0	9.0	-	-
Legal & General Fixed Income	0.6	1.8	2.6	5.0	5.1	7.6	7.7
Diversified Growth Fund	3-5	3.5	-6.2	-	-	-	-
UBS Property	1.0	10.6	12.0	13.0	13.4	9.0	9.2
Partners Group Property	Excess	10.6	17.4	13.0	7.7	9.0	9.0
Private equity	1.0	1.6	9.8	8.8	11.3	10.0	11.4
Cash	n/a	0.3	0.4	0.3	0.4	0.4	0.7
<b>Total Fund</b>		<b>0.3</b>	<b>-0.4</b>	<b>6.6</b>	<b>6.2</b>	<b>7.6</b>	<b>7.3</b>

\* - Being phased in. Target was 1% above benchmark until June 2014.

Cash held by Fund Managers is included within total Fund Manager performance.

Further investment performance details comparing the Oxfordshire Pension Fund with other local authority funds and indices are shown in the table below.

<b>% Returns per annum for the financial year ended 31 March 2016</b>				
<b>Actual Returns</b>	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	-0.4	6.2	7.3	5.0
<b>Average Returns and other Comparators</b>				
WM Local Authority Average Return	0.2	6.4	7.1	5.6
Oxfordshire Benchmark	0.3	6.6	7.6	5.9
Retail Price Index	1.6	1.6	2.3	3.0
Average Earnings	2.0	2.8	1.8	2.3

\* The five and ten year benchmark figures are a composite of the current customised benchmark and the previously used peer group benchmark.

## Asset Allocation

Asset Class	Actual % 31-Mar-16	Target % 31-Mar-16	Variation	Actual % 01-Apr-15	Target % 01-Apr-15	Variation
UK Equities	28.0%	29.0%	-1.0%	29.1%	29.0%	0.1%
Overseas Equities	31.1%	30.0%	1.1%	32.6%	30.0%	2.6%
UK Gilts	5.0%	3.0%	2.0%	5.0%	3.0%	2.0%
Corporate Bonds	3.8%	6.0%	-2.2%	2.6%	6.0%	-3.4%
Overseas Bonds	2.5%	2.0%	0.5%	2.8%	2.0%	0.8%
Index-Linked	5.1%	5.0%	0.1%	5.1%	5.0%	0.1%
<b>Total Bonds</b>	<b>16.4%</b>	<b>16.0%</b>	<b>0.4%</b>	<b>15.5%</b>	<b>16.0%</b>	<b>-0.5%</b>
Property	7.8%	8.0%	-0.2%	6.1%	8.0%	-1.9%
Private Equity	9.3%	9.0%	0.3%	9.1%	9.0%	0.1%
Multi-Asset DGF	4.3%	5.0%	-0.7%	4.6%	5.0%	-0.4%
Infrastructure	0.0%	3.0%	-3.0%	0.0%	3.0%	-3.0%
<b>Total Alternative Investments</b>	<b>21.4%</b>	<b>25.0%</b>	<b>-3.6%</b>	<b>19.8%</b>	<b>25.0%</b>	<b>-5.2%</b>
Cash	3.1%	0.0%	3.1%	3.0%	0.0%	3.0%
	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

## Responsible Investment

Fund managers produce reports outlining their engagement and ESG related activity. All of the Fund's investment managers are signatories to the United Nations Principles for Responsible Investment Initiative. Fund managers and officers monitor ESG related developments and ad-hoc reports are produced for the Committee on topical ESG issues relevant to the Fund.

## Annual Voting Report

### Introduction

The UK Stewardship Code was introduced by the Financial Reporting Council in 2010, and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code.

Principle 6 of the Code states that Institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.

The Oxfordshire County Council Pension Fund's voting policy is set out in its Statement of Investment Principles (SIP), which states that voting decisions are fully delegated to the Fund Managers to exercise voting rights in respect of the Pension Fund's holdings. Officers monitor this activity and raise any concerns with the Fund Managers. An annual voting report is produced and presented to the Pension Fund Committee. The report for 2015/16 will be presented at the September 2016 Committee meeting. Papers will be available on the Council's website once published (<http://mycouncil.oxfordshire.gov.uk/ieListMeetings.aspx?CId=140&Year=0>).

## Other Material

### Employer Discretions

Pension Services can supply employers with related pension costs which would result following an employer's action on a discretionary policy. The employer's written decisions are required before pension services will take action in any circumstance which could incur additional cost, unless it is clear from an employer's current written policy statement that the decision is in accordance with that statement. For example, some employers will allow late transfers without further consideration while others need to make individual decisions.

### Specific Requirements

The following tables have been prepared to assist the LGPS scheme advisory board in the production of an annual report for the LGPS as a whole.

#### Employer Bodies Summary as at 31 March 2016

	Active	Ceased	Total
Scheduled Body	87	0	87
Admitted Body	97	3	100
<b>Total</b>	<b>184</b>	<b>3</b>	<b>187</b>

#### Analysis of Fund Assets as at 31 March 2016

	UK £m	Non-UK £m	Global £m	Total £m
Equities	591.009	346.245	241.008	1,178,262
Bonds	142.173	43.710	113.220	299.103
Property (Direct Holdings)	0	0	0	0
Alternatives	110.760	12.050	167.833	290.643
Cash and Cash Equivalents	44.613	6.113	0	50.726
Other	0	0	0	0
<b>Total</b>	<b>888.555</b>	<b>408.118</b>	<b>522.061</b>	<b>1,818.734</b>

#### Analysis of Investment Income Accrued During 2015/16

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	14,696	5,647	0	20,343
Bonds	2,239	1,240	0	3,479
Property (Direct Holdings)	0	0	0	0
Alternatives	2,390	466	0	2,856
Cash and Cash Equivalents	178	13	0	191
Other	0	0	0	0
<b>Total</b>	<b>19,503</b>	<b>7,366</b>	<b>0</b>	<b>26,869</b>

Income from holdings in pooled funds accrues within the pooled fund and is reflected within the unit price so is not included within investment income.

<b>Fund Account for the Year Ended 31 March 2016</b>			
	Notes	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Contributions and Benefits</b>			
Contributions Receivable	6	(87,895)	(86,556)
Transfers from Other Schemes	7	(4,325)	(3,113)
Other Income	8	(390)	(423)
<b>Income Sub Total</b>		<b>(92,610)</b>	<b>(90,092)</b>
Benefits Payable	9	77,044	72,230
Payments to and on Account of Leavers	10	4,947	4,011
Management Expenses	11	8,751	5,434
Other Expenses		0	337
<b>Expenditure Sub Total</b>		<b>90,742</b>	<b>82,012</b>
<b>Net Additions from dealings with members</b>		<b>(1,868)</b>	<b>(8,080)</b>
<b>Returns on Investments</b>			
Investment Income	12	(26,869)	(23,564)
Commission Recapture		(2)	(2)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	31,791	(182,703)
Less Taxes on Income	12	138	81
<b>Net returns on Investments</b>		<b>5,058</b>	<b>(206,188)</b>
<b>Net Increase in the Net Assets Available for Benefits During the Year</b>		<b>3,190</b>	<b>(214,268)</b>
Opening Net Assets of the Scheme		1,845,479	1,631,211
Closing Net Assets of the Scheme		1,842,289	1,845,479

<b>Net Assets as at 31 March 2016</b>			
	Notes	2016 £'000	2015 £'000
<b>Investment Assets</b>			
Fixed Interest Securities	16b	93,220	87,748
Index Linked Securities	16b	92,662	92,133
Equities	16b	621,770	643,335
Pooled Investments	16b	818,097	839,010
Pooled Property Investments	16b	142,259	111,462
Derivative Contracts	16c	758	1,598
Cash Deposits	16d	6,113	7,332
Other Investment Balances	16d	8,760	7,008
<b>Investment Liabilities</b>			
Derivative Contracts	16c	(1,295)	(393)
Other Investment Balances	16d	(3,467)	(4,249)
<b>Total Investments</b>		<b>1,778,877</b>	<b>1,784,984</b>
<b>Assets and Liabilities</b>			
Current Assets	17	55,706	50,191
Current Liabilities	18	(3,021)	(2,005)
<b>Net Current Assets</b>		<b>52,685</b>	<b>48,186</b>
Long-Term Assets	19	10,727	12,309
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>1,842,289</b>	<b>1,845,479</b>



## **Note 1 - Description of the fund**

This description of the fund is a summary only. Further details are available in the Fund's 2015/16 Annual Report and in the underlying statutes.

### **General**

The Oxfordshire County Council Pension Fund is part of the Local Government Pension Scheme which is a statutory, funded, defined benefit pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependants, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

### **Membership**

The majority of fund employers are required to automatically enrol eligible jobholders into the LGPS under the government's auto-enrolment legislation, employees may then choose to opt-out of the scheme. Some employers will have the option of whether to auto-enrol eligible jobholders into the LGPS or another qualifying scheme.

Members are made up of three main groups. Firstly, the contributors - those who are still working and paying money into the Fund. Secondly, the pensioners - those who are in receipt of a pension and thirdly, by those who have left their employment with an entitlement to a deferred benefit on reaching pensionable age.

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies - Local authorities and similar bodies, such as academies, whose staff are automatically entitled to become members of the fund.
- Admitted Bodies - Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
  - Community Admission Bodies - these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.

- Transferee Admission Bodies - these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

Full definitions are contained in The Local Government Pension Scheme (Administration) Regulations 2008.

The table below details the composition of the Fund's membership:

	As at 31 March 2016	As at 31 March 2015
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	11,674	10,801
Other Scheduled Bodies	10,885	9,527
Admitted Bodies	1,047	1,061
	<b>23,606</b>	<b>21,389</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	8,214	7,874
Other Scheduled Bodies	4,949	4,833
Admitted Bodies	819	758
	<b>13,982</b>	<b>13,465</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	14,161	14,002
Other Scheduled Bodies	7,002	6,914
Admitted Bodies	928	942
	<b>22,091</b>	<b>21,858</b>

Six Scheduled Bodies, of which five are Academies, plus thirty seven Admitted Bodies, joined the scheme in 2015/16. In addition four admitted bodies left the scheme in 2015/16. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer or were small.

### Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2016 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014. Employer contribution rates currently range from 12.0% to 24.6% of pensionable pay.

## Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

	Service Pre 1 April 2008	Service Post 31 March 2008
Pension	Each full-time year worked is worth $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of  $1/49^{\text{th}}$ . Accrued pension is indexed annually in line with the Consumer Prices Index. The normal retirement age is linked to each individual member's State Pension Age.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Scheme members are now also able to opt to pay 50% of the standard contributions in return for 50% of the pension benefit.

### Note 2 - Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 23.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 73.

### **Note 3 - Summary of Significant Accounting Policies**

#### **Investments**

1. Investments are shown in the accounts at market value, which has been determined as follows:
  - (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2016.
  - (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information;
  - (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
  - (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2016.
  - (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).
  - (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
  - (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
  - (h) All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

#### **Foreign Currencies**

2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

#### **Contributions**

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

The Actuary determines the contribution rate for each employer during the triennial valuations of the Fund's assets and liabilities. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

#### **Benefits, Refunds of Contributions and Transfer Values**

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

In the case of inter-fund adjustments provision has only been made where the amount payable or receivable was known at the year-end. Group transfers are accounted for in accordance with the terms of the transfer agreement.

#### **Investment Income**

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2016.

#### **Investment Management and Scheme Administration**

6. A proportion of relevant County Council officers' salaries, including salary on-costs, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

## **Expenses**

7. Expenses are accounted for on an accruals basis.

## **Listed Private Equity**

8. The fund holds a number of investments in listed private equity companies. These are included under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. This is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

## **Management Fees**

9. Management fees have been accounted for based on the latest guidance from the Chartered Institute of Public Finance & Accountancy. Fees have been accounted for where the pension fund has a direct contractual obligation to pay them. This means where fees are deducted in a pooled fund they have been accounted for, but in a fund of funds the fees for the underlying funds are not included only those the pension fund pays to the fund of funds manager. This is a change from how management fees were previously accounted for where only fees that were invoiced to the fund were included.

## **Note 4 - Critical Judgements in Applying Accounting Policies**

### **Unquoted Private Equity Investments**

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2016 was £69.374m (£64.433m at 31 March 2015). All of the unquoted private equity investments at 31 March 2016 are included within the pooled investments category in the net assets statement.

### **Pension Fund Liability**

The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 26. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

## **Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,863m. There is a risk that this figure is under, or overstated in note 26 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £69.374m. There is a risk these investments are under, or overstated in the accounts.

## Note 6 - Contributions

	2015/16 £'000	2014/15 £'000
<b>Employers</b>		
Normal	(46,230)	(45,611)
Augmentation		0
Deficit Funding	(18,254)	(19,446)
Costs of Early Retirement	(2,047)	(451)
	(66,531)	(65,508)
<b>Members</b>		
Normal	(21,010)	(20,692)
Additional *	(354)	(356)
	(21,364)	(21,048)
<b>Total</b>	<b>(87,895)</b>	<b>(86,556)</b>

Deficit recovery contributions are paid by employers based on the maximum 25 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

\*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

	Employer Contributions		Members Contributions	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(30,260)	(30,817)	(9,441)	(9,837)
Scheduled Bodies	(32,520)	(30,859)	(10,659)	(9,909)
Resolution Bodies	(745)	(756)	(225)	(231)
Community Admission Bodies	(1,639)	(1,752)	(583)	(635)
Transferee Admission Bodies	(1,367)	(1,324)	(456)	(436)
<b>Total</b>	<b>(66,531)</b>	<b>(65,508)</b>	<b>(21,364)</b>	<b>(21,048)</b>

#### Note 7 - Transfers In

	2015/16 £'000	2014/15 £'000
Individual Transfers In from other schemes	(4,325)	(3,113)
<b>Total</b>	<b>(4,325)</b>	<b>(3,113)</b>

#### Note 8 - Other Income and Expenses

Other Income for 2015/16 of £0.390m includes £0.368m reflecting the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

#### Note 9 - Benefits

	2015/16 £'000	2014/15 £'000
Pensions Payable	62,029	59,484
Lump Sums - Retirement Grants	13,715	11,088
Lump Sums - Death Grants	1,300	1,658
<b>Total</b>	<b>77,044</b>	<b>72,230</b>

	Pensions Payable		Lump Sums	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Oxfordshire County Council	31,084	29,578	7,848	6,247
Scheduled Bodies	27,155	26,342	5,807	5,441
Resolution Bodies	504	488	222	50
Community Admission Bodies	2,909	2,736	924	797
Transferee Admission Bodies	377	340	214	211
<b>Total</b>	<b>62,029</b>	<b>59,484</b>	<b>15,015</b>	<b>12,746</b>



#### Note 10 - Payments to and on account of leavers

	2015/16 £'000	2014/15 £'000
Refunds of Contributions	160	117
Payments for members joining state scheme	(18)	0
Group Transfers Out to other schemes	153	0
Individual Transfers Out to other schemes	4,652	3,894
<b>Total</b>	<b>4,947</b>	<b>4,011</b>

#### Note 11 - Management Expenses

	2015/16 £'000	2014/15 £'000
Administrative Costs	1,293	1,292
Investment Management Expenses	7,069	3,744
Oversight & Governance Costs	389	398
<b>Total</b>	<b>8,751</b>	<b>5,434</b>

A further breakdown of investment management expenses is provided in Note 13.

#### Note 12 - Investment Income

	2015/16 £'000	2014/15 £'000
Fixed Interest Securities	(2,750)	(2,371)
Index Linked Securities	(648)	(782)
Equity Dividends	(19,959)	(16,859)
Pooled Property Investments	(2,855)	(3,162)
Pooled Investments - Unit Trusts & Other Managed Funds	(385)	(113)
Interest on Cash Deposits	(191)	(254)
Other - Securities Lending	(81)	(23)
	<b>(26,869)</b>	<b>(23,564)</b>
Irrecoverable Withholding Tax - Equities	138	81
<b>Total</b>	<b>(26,731)</b>	<b>(23,483)</b>

#### Note 13 - Investment Management Expenses

	2015/16 £'000	2014/15 £'000
Management Fees	7,007	3,675
Custody Fees	62	69
<b>Total</b>	<b>7,069</b>	<b>3,744</b>

Investment Manager & Custody Fees are generally calculated on a fixed sliding

scale basis and are applied to the market value of the assets managed. See note 3 for details of the accounting treatment of management fees for 2015/16.

#### Note 14 - Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.081m in 2015/16 (2014/15 £0.023m). This is included within investment income in the Pension Fund Accounts. At 31 March 2016 £32.737m of stock was on loan, for which the fund held £33.411m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

#### Note 15 - Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and bodies or individuals that have the potential to control or influence the Pension Fund, or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. During 2015/16, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.057m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2015/16 £'000	2014/15 £'000
Short Term Benefits	49	51*
Long Term/Post Retirement Benefits	8	9
<b>Total</b>	<b>57</b>	<b>60</b>

\*Includes allowances paid to the Chairman of the Pension Fund Committee

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2016, employer contributions to the Pension Fund from the County Council were £30.260m (2014/15 £30.817m). At 31 March 2016 there were receivables in respect of contributions due from the County Council of £3.168m (2014/15 £3.282m) and payables due to the County Council of £0.069m (2014/15 £0.066m) for support services.

The County Council was reimbursed £1.018m (2014/15 £1.042m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

#### Note 16 - Investments

During 2015/16 the fund sold the majority of its investments in hedge funds and used the resulting funds to make a new investment in a diversified growth fund. The decision to disinvest from hedge funds and move in to a diversified growth fund was made as part the fundamental review looking at the fund's asset allocation which was considered by the Pension Fund Committee in March 2014.

	Value at 31.3.2016 £'000	Value at 31.3.2015 £'000
<b>Investment Assets</b>		
Fixed Interest Securities	93,220	87,748
Index Linked Securities	92,662	92,133
Equities	621,770	643,335
Pooled Investments	818,097	839,010
Pooled Property Investments	142,259	111,462
Derivatives:		
- Forward Currency Contracts	758	1,598
Cash Deposits	6,113	7,332
Investment Income Due	4,702	3,918
Amounts Receivable for Sales	4,058	3,090
<b>Total Investment Assets</b>	<b>1,783,639</b>	<b>1,789,626</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	(1,295)	(393)
Investment Expenses Due	(976)	(930)
Amounts Payable for Purchases	(2,491)	(3,319)
<b>Total Investment Liabilities</b>	<b>(4,762)</b>	<b>(4,642)</b>
<b>Net Investment Assets</b>	<b>1,778,877</b>	<b>1,784,984</b>

## Note 16a - Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2015 £'000	Purchases at Cost & Deriva- tive Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Move- ment £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2016 £'000
Fixed Interest Securities	87,748	310,987	(309,871)	4,356			93,220
Index Linked Securities	92,133	18,846	(19,527)	1,210			92,662
Equities	643,335	120,766	(106,010)	(36,321)			621,770
Pooled Investments	839,010	7,869	(14,399)	(14,383)			818,097
Pooled Property In- vestments	111,462	23,387	(9,748)	17,158			142,259
<u>Derivative Contracts</u>							-537
FX	1,205	1,112,306	(1,110,020)	(4,028)			
<u>Other Investment Balances</u>							
Cash Deposits	7,332	15,096	(14,719)	217	(1,813)		6,113
Amounts Receivable for Sales of Investments	3,090					968	4,058
Investment Income Due	3,918					784	4,702
Amounts Payable for Purchases of Invest- ments	(4,249)					782	(3,467)
	<b>1,784,984</b>	<b>1,609,257</b>	<b>(1,584,294)</b>	<b>(31,791)</b>	<b>(1,813)</b>	<b>2,534</b>	<b>1,778,877</b>

Included within the above purchases and sales figures are transaction costs of £0.081m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

	Value at 1.4.2014 £'000	Purchases at Cost & Deriva- tive Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2015 £'000
Fixed Interest Securities	74,957	98,661	(91,655)	5,785			87,748
Index Linked Securities	80,201	41,394	(45,526)	16,064			92,133

Equities	590,179	101,381	(101,388)	53,163			643,335
Pooled Investments	703,652	112,976	(73,526)	95,908			839,010
Pooled Property Investments	97,287	11,229	(5,789)	8,735			111,462
<u>Derivative Contracts</u>							
FX	(11)	202,470	(204,263)	3,009			1,205
<u>Other Investment Balances</u>							
Cash Deposits	10,285	64,501	(68,822)	39	1,329		7,332
Amounts Receivable for Sales of Investments	2,360					730	3,090
Investment Income Due	3,233					685	3,918
Amounts Payable for Purchases of Investments	(2,288)					(1,961)	(4,249)
	<b>1,559,855</b>	<b>632,612</b>	<b>(590,969)</b>	<b>182,703</b>	<b>1,329</b>	<b>(546)</b>	<b>1,784,984</b>

**Note 16b - Analysis of Investments (Excluding Derivative Contracts)**

**Fixed Interest Securities**

	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
UK Public Sector	49,510	46,394
UK Other	0	4,420
Overseas Public Sector	43,710	36,934
	<b>93,220</b>	<b>87,748</b>

### Index Linked Securities

	2015/16 £'000	2014/15 £'000
UK Public Sector Index Linked	92,662	92,133
	<b>92,662</b>	<b>92,133</b>

### Equity Investments

	2015/16 £'000	2014/15 £'000
UK listed equities	430,437	436,277
Overseas Listed Equities:		
North America	132,225	126,281
Japan	17,777	23,702
Europe	36,670	43,193
Pacific Basin	0	749
Emerging Markets	4,661	13,133
	<b>621,770</b>	<b>643,335</b>

### Pooled Investment Vehicles

	2015/16 £'000	2014/15 £'000
UK Registered Managed Funds - Property	26,019	23,207
Non UK Registered Managed Funds - Property	19,449	14,742
UK Registered Managed Funds - Other	428,705	433,063
Non UK Registered Managed Funds - Other	148,384	149,158
UK Registered Property Unit Trusts	84,741	64,070
Non UK Registered Property Unit Trusts	12,050	9,443
Non UK Registered Unit Linked Insurance Fund	241,008	256,789
	<b>960,356</b>	<b>950,472</b>

### Total Investments (excluding derivative contracts)

	2015/16 £'000	2014/15 £'000
	<b>1,768,008</b>	<b>1,773,688</b>

### Note 16c - Derivative Contracts

#### Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by some of their Investment Managers as part of the investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Forward Foreign Exchange - in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

#### Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	1 month	5,688 GBP	11,100 AUD		(252)	
Forward OTC	1 month	368 GBP	693 CAD		(5)	

Forward OTC	1 month	16,387 GBP	21,000 EUR		(265)	
Forward OTC	1 month	6,131 GBP	963,000 JPY	170		
Forward OTC	1 month	16,076 GBP	22,400 USD	491		
Forward OTC	1 month	77 GBP	923 SEK		(2)	
Forward OTC	1 month	4,570 USD	3,266 GBP		(87)	
Forward OTC	1 month	2,977 GBP	5,630 CAD		(51)	
Forward OTC	1 month	67 GBP	86 EUR		(1)	
Forward OTC	1 month	1,801 USD	1,280 GBP		(27)	
Forward OTC	1 month	842 USD	1,130 CAD		(22)	
Forward OTC	5 months	11,714 GBP	15,035 EUR		(263)	
Forward OTC	1 month	733 GBP	937 EUR		(10)	
Forward OTC	1 month	6,290 USD	4,458 GBP		(82)	
Forward OTC	1 month	4,827 GBP	9,140 AUD		(64)	
Forward OTC	1 month	336 GBP	54,033 JPY	1		
Forward OTC	1 month	4,388 USD	3,890 EUR	29	(61)	
Forward OTC	1 month	1,544 GBP	2,930 AUD		(23)	
Forward OTC	1 month	2,060 USD	1,444 GBP		(11)	
Forward OTC	1 month	286 USD	32,543 JPY		(2)	
Forward OTC	1 month	153 USD	17,172 JPY	1	(1)	
Forward OTC	1 month	1,391 USD	156,307 JPY	5	(5)	
Forward OTC	1 month	25,913 EUR	20,515 GBP	33		
Forward OTC	1 month	1,017,033 JPY	6,290 GBP	7		
Forward OTC	1 month	2,450 USD	1,703 GBP	2		
Forward OTC	1 month	20,523 GBP	25,900 EUR		(33)	
Forward OTC	1 month	6,313 GBP	1,020,000 JPY		(8)	
Forward OTC	1 month	1,703 GBP	2,450 USD		(2)	
Forward OTC	1 month	23,170 AUD	12,385 GBP	14		
Forward OTC	1 month	7,453 CAD	4,004 GBP	5		
Forward OTC	1 month	12,381 GBP	23200 AUD		(13)	
Forward OTC	1 month	4,002 GBP	7,450 CAD		(5)	
Forward Currency Contracts at 31 March 2016				<b>758</b>	<b>(1,295)</b>	<b>(537)</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2015				<b>1,598</b>	<b>(393)</b>	<b>1,205</b>

#### Note 16d - Other Investment Balances

	2015/16 £'000	2014/15 £'000



<b><u>Receivables</u></b>		
Sale of Investments	4,058	3,090
Dividend & Interest Accrued	4,662	3,895
Inland Revenue	34	19
Other	6	4
	<b>8,760</b>	<b>7,008</b>
<b><u>Payables</u></b>		
Purchase of Investments	(2,491)	(3,318)
Management Fees	(963)	(921)
Custodian Fees	(13)	(10)
	<b>(3,467)</b>	<b>(4,249)</b>
<b>Total</b>	<b>5,293</b>	<b>2,759</b>

### Cash Deposits

	2015/16 £'000	2014/15 £'000
Non-Sterling Cash Deposits	6,113	7,332
	<b>6,113</b>	<b>7,332</b>

The following investments represent more than 5% of the net assets of the scheme

	2015/16 £'000	% of To- tal Fund	2014/15 £'000	% of To- tal Fund
UBS Life Global Equities All Countries Fund	241,008	13.08	256,789	13.91
L&G UK FTSE100 Equity Index	154,912	8.41	154,479	8.37
L&G World (ex-UK) Equity Index	146,384	7.95	154,278	8.36
L&G Core Plus Bond Fund	113,220	6.15	109,953	5.96

### Note 17 - Current Assets

	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading	Other	Total
2015/16						

	£'000	£'000	£'000	Funds £'000	£'000	£'000
Receivables:						
Employer Contributions	2,884	3,438	16	0	977	7,315
Employee Contributions	243	1,097	5	0	361	1,706
Rechargeable Benefits	104	101	0	0	16	221
Transferred Benefits	0	150	0	0	16	166
Costs of Early Retirement	42	216	0	0	230	488
Inland Revenue	117	0	0	0	0	117
Other	30	954	0	0	96	1,080
Cash Balances					44,613	44,613
<b>Total</b>	<b>3,420</b>	<b>5,956</b>	<b>21</b>	<b>0</b>	<b>46,309</b>	<b>55,706</b>

2014/15	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,798	3,585	19	0	934	7,336
Employee Contributions	211	1,166	6	0	348	1,731
Rechargeable Benefits	60	942	0	3	17	1,022
Transferred Benefits	0	0	29	0	438	467
Costs of Early Retirement	19	260	0	0	162	441
Inland Revenue	63	0	0	0	0	63
Other	0	0	0	0	100	100
Cash Balances					39,031	39,031
<b>Total</b>	<b>3,151</b>	<b>5,953</b>	<b>54</b>	<b>3</b>	<b>41,030</b>	<b>50,191</b>

**Note 18 - Current Liabilities**

2015/16	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	(80)	0	0	(525)	(605)
Benefits Payable	(22)	0	0	(937)	(959)
Inland Revenue	(885)	0	0	0	(885)

Costs of Early Retirement	(391)	0	0	0	(391)
Staff Costs	0	(67)	0	(2)	(69)
Consultancy	0	(13)	0	(22)	(35)
Other	(4)	(24)	(9)	(40)	(77)
<b>Total</b>	<b>(1,382)</b>	<b>(104)</b>	<b>(9)</b>	<b>(1,526)</b>	<b>(3,021)</b>

2014/15	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	0	0	0	(193)	(193)
Benefits Payable	0	0	0	(348)	(348)
Inland Revenue	(849)	0	0	0	(849)
Costs of Early Retirement	(390)	0	0	0	(390)
Staff Costs	0	(59)	0	0	(59)
Consultancy	0	0	(4)	0	(4)
Other	0	(11)	0	(151)	(162)
<b>Total</b>	<b>(1,239)</b>	<b>(70)</b>	<b>(4)</b>	<b>(692)</b>	<b>(2,005)</b>

#### Note 19 - Long-Term Assets

2015/16	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	9,977		0	0	24	10,001
Costs of Early Retirement	67	427	0	0	232	726
<b>Total</b>	<b>10,044</b>	<b>427</b>	<b>0</b>	<b>0</b>	<b>256</b>	<b>10,727</b>

2014/15	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
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Employer Contributions	11,795	0	0	0	27	11,822
Costs of Early Retirement	42	278	0	0	167	487
<b>Total</b>	<b>11,837</b>	<b>278</b>	<b>0</b>	<b>0</b>	<b>194</b>	<b>12,309</b>

Long-Term assets for 2015/16 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

#### Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £1,677.950m as at 31 March 2016. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2016		31/03/2015	
	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	338,290	20.16	349,700	20.59
Legal & General	602,360	35.90	602,093	35.46
UBS	356,440	21.24	359,077	21.15
Wellington	216,560	12.91	226,635	13.35
Insight	79,010	4.71	84,221	4.96
Adams Street Partners	34,376	2.05	30,918	1.82
Partners Group	50,914	3.03	45,331	2.67
	<b>1,677,950</b>	<b>100.00</b>	<b>1,697,975</b>	<b>100.00</b>

#### Note 21 - Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2016	£'000	% of Fund
Electra Investment Trust	37,869	2.06
HG Capital Trust	22,454	1.22
British American Tobacco	19,783	1.07
Royal Dutch Shell	18,782	1.02
Bunzl	13,120	0.71

#### Note 22 - Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

### Note 23 - Additional Voluntary Contributions

	Market Value 31 March 2016 £'000	Market Value 31 March 2015 £'000
Prudential	13,881	14,387

AVC contributions of £1.392m were paid directly to Prudential during the year (2014/15 - £1.460m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year.

### Note 24 - Contingent Liabilities

There are two contingencies to note:

- 1) The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
- 2) In 2013/14 the Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next eight years, though the maximum payment has been calculated as approximately £0.160m plus pensions increase.

As at 31 March 2016 the fund had outstanding capital commitments (investments) totalling £39.511m (31 March 2015 - £46.511m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

### Note 25 - Statement of Investment Principles

Oxfordshire County Council Pension Fund has a statement of investment principles (SIP). This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's internet.

### Note 26 - Actuarial Present Value of Promised Retirement Benefits

	2016 £'000	2015 £'000
Present Value of Funded Obligation	2,863,405	2,940,743

Present Value of Funded Obligation consists of £2,784.675m (2015 - £2,848.943m) in respect of Vested Obligation and £78.730m (2015 - £91.800m) in respect of Non-Vested Obligation. The movement from March 2015 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £134.859m (2015 - £121.930m).

There has been a reduction in the present value of the Funded Obligation of £212.197m (2015 - £340.124m increase) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase from 2.4% to 2.3% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.2% to 4.1% (net effect a reduction in Present Value of Funded Obligation)
- An increase in the discount factor from 3.3% to 3.6% (net effect a decrease in Present Value of Funded Obligation).

## **Note 27 - Financial Instruments**

### **Note 27a - Classification of Financial Instruments**

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	2015/16			2014/15		
	Fair Value Through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
<b>Financial Assets</b>						
Fixed Interest Securities	93,220			87,748		
Index Linked Securities	92,662			92,133		
Equities	621,770			643,335		
Pooled Investments	818,097			839,010		
Pooled Property Investments	142,259			111,462		
Derivatives	758			1,598		
Cash		50,726			46,363	
Other Investment Balances	8,727			6,990		
Receivables		137			90	
	<b>1,777,493</b>	<b>50,863</b>	<b>0</b>	<b>1,782,276</b>	<b>46,453</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	(1,295)			(393)		
Other Investment Balances	(3,468)			(4,249)		
Payables			(156)			(219)
	<b>(4,763)</b>	<b>0</b>	<b>(156)</b>	<b>(4,642)</b>	<b>0</b>	<b>(219)</b>
<b>Total</b>	<b>1,772,730</b>	<b>50,863</b>	<b>(156)</b>	<b>1,777,634</b>	<b>46,453</b>	<b>(219)</b>

Note 27b - Net Gains and Losses on Financial Instruments

	31 March 2016 £'000	31 March 2015 £'000
Financial Assets		

Fair Value through Profit and Loss	(27,980)	179,655
Loans and Receivables	217	39
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	(4,028)	3,009
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>(31,791)</b>	<b>182,703</b>

#### Note 27d - Valuation of Financial Instruments Carried at Fair Value

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

##### Level 1

Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

##### Level 2

Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

##### Level 3

Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund's financial assets and liabilities within the fair value hierarchy.

Value at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	766,847	909,725	100,921	1,777,493
Loans and Receivables	50,863	0	0	50,863
<b>Total Financial Assets</b>	<b>817,710</b>	<b>909,725</b>	<b>100,921</b>	<b>1,828,356</b>
<b>Financial Liabilities</b>				



Financial Liabilities at Fair Value through Profit and Loss	(3,468)	(1,295)	0	(4,763)
Financial Liabilities at Amortised Cost	(156)	0	0	(156)
<b>Total Financial Liabilities</b>	<b>(3,624)</b>	<b>(1,295)</b>	<b>0</b>	<b>(4,919)</b>
<b>Net Financial Assets</b>	<b>814,086</b>	<b>908,430</b>	<b>100,921</b>	<b>1,823,437</b>

Value at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	775,272	918,622	88,382	1,782,276
Loans and Receivables	46,453	0	0	46,453
<b>Total Financial Assets</b>	<b>821,725</b>	<b>918,622</b>	<b>88,382</b>	<b>1,828,729</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	(4,249)	(393)	0	(4,642)
Financial Liabilities at Amortised Cost	(219)	0	0	(219)
<b>Total Financial Liabilities</b>	<b>(4,468)</b>	<b>(393)</b>	<b>0</b>	<b>(4,861)</b>
<b>Net Financial Assets</b>	<b>817,257</b>	<b>918,229</b>	<b>88,382</b>	<b>1,823,868</b>

## Note 28 - Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2013 Valuation estimated that the current Funding Level is only 82%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles.
- The regular review of the performance of all Fund Managers.

Key elements of the approach to managing the investment risk as set out in the Statement of Investment Principles include:

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high propor-

tion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.

- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary when completing the 2013 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 82% down to 76% or up to 90%. A change in the CPI assumption of 0.5% per annum would lead to a reduction in the funding level to 76% or an increase to 89%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

- Credit risk - the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund.
- Liquidity Risk - the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due.
- Market Risk - the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates.

### **Credit Risk**

The Pension Fund's credit risk is largely associated with the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term loans, where there is a risk that the other parties may fail to meet the interest or dividend payments due, or fail to return the Fund's investment at the end of the investment period.

At 31 March 2016 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2016	31 March 2015
	£'000	£'000
UK Government Gilts	49,510	46,394
UK Corporate Bonds	113,220	114,373
UK Index Linked Gilts	92,662	92,133
Overseas Government Bonds	43,710	36,934
Non-Sterling Cash Deposits	6,113	7,332
Cash Balances	44,613	39,031
<b>Total</b>	<b>349,828</b>	<b>336,197</b>

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2016 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2016	Rating	Balance as at 31 March 2015
		£'000		£'000
<b>Money Market Funds</b>				
Ignis Asset Management	AAA	7,187	AAA	5,504
<b>Bank Deposit Accounts</b>				
Royal Bank of Scotland Plc				0
Santander UK Plc				0
<b>Bank Current Accounts</b>				
Lloyds TSB Plc	A+	7,213	A	5,126
BNP Paribas	A	36,326	A+	28,401
<b>Total</b>		<b>50,726</b>		<b>39,031</b>

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

### Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the Liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 2015/16 the Pension Fund received/acrued income related to dealings with members of £92.6m (2014/15 - £90.1m) and incurred expenditure related to dealings with members of £87.9m (2014/15 - £82.0m). There were further receipts/accruals of £26.9m (2014/15 - £23.6m) in respect of investment income, against which need to be set taxes of £0.1m (2014/15 - £0.1m). The net inflow was therefore £31.5m (2014/15 - £31.6m).

These figures indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

The Fund would need to experience a significant change in either the levels of contributions received, and/or the levels of benefits payable, as well as the loss of all current investment income, before it might be required to liquidate assets at financial loss.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the resulting impact on active scheme membership. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received or benefits payable in the region of 35%. Movements of this scale are deemed highly unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

### **Market Risk**

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long term basis. Subject to the liquidity risk above, it is likely to be many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, with all short term movements smoothed to reflect the long term trends.

### **Interest Rate Risk**

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

Asset Type	Carrying Amount as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	6,113	61	(61)
Cash Balances	44,613	446	(446)
Fixed Interest Securities	299,102	2,991	(2,991)
<b>Total Change in Assets Available</b>	<b>349,828</b>	<b>3,498</b>	<b>(3,498)</b>

Asset Type	Carrying Amount as at 31 March 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	7,332	73	(73)
Cash Balances	39,031	390	(390)
Fixed Interest Securities	289,834	2,898	(2,898)
<b>Total Change in Assets Available</b>	<b>336,197</b>	<b>3,361</b>	<b>(3,361)</b>

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

### Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 16c).

Based on the Fund's exposure to various currencies at 31 March 2016 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 12.9%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 12.9% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	Asset Values as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+10.8%	-10.8%
	£'000	£'000	£'000
Overseas Equities	191,333	24,634	(24,634)
Pooled Overseas Equities	395,920	50,975	(50,975)
Pooled Private Equity (LLPs)	65,841	8,477	(8,477)
Pooled Property	31,499	4,055	(4,055)
Cash	6,113	787	(787)
<b>Total Change in Assets Available</b>	<b>690,706</b>	<b>88,928</b>	<b>(88,928)</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+10.8%	-10.8%
	£'000	£'000	£'000
Overseas Equities	207,058	22,321	(22,321)
Pooled Overseas Equities	411,066	44,313	(44,313)
Pooled Private Equity (LLPs)	61,508	6,631	(6,631)
Pooled Property	24,185	2,607	(2,607)
Cash	7,332	790	(790)
<b>Total Change in Assets Available</b>	<b>711,149</b>	<b>76,662</b>	<b>(76,662)</b>

### Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

Based on an analysis of historical data, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a one year period. These are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	Value as at 31 March 2016	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000

UK Equities	555,048	18.4	657,288	452,808
Pooled UK Equities (Small Cap)	14,188	9.8	15,577	12,799
Global Equities	213,106	13.7	242,259	183,953
Diversified Growth Fund	79,010	4.2	82,321	75,700
Pooled Global Equities	241,008	15.8	279,022	202,994
Pooled Overseas Equities	154,912	13.3	175,500	134,324
UK Bonds	49,511	7.8	53,362	45,659
Overseas Bonds	43,710	8.2	47,285	40,134
UK Index Linked Bonds	92,662	13.1	104,838	80,486
Pooled Corporate Bonds	113,221	5.6	119,512	106,929
Pooled Private Equity (LLPs)	69,374	9.8	76,166	62,583
Pooled Property	142,259	1.9	145,031	139,487
Cash	50,726	0.0	50,726	50,726
<b>Total Assets Available to Pay Benefits</b>	<b>1,818,735</b>	<b>12.7</b>	<b>2,048,887</b>	<b>1,588,582</b>

Asset Type	Value as at 31 March 2015	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	570,090	11.9	637,928	502,249
Pooled UK Equities (Small Cap)	14,353	7.4	15,410	13,297
Global Equities	227,725	9.5	249,336	206,114
Diversified Growth Fund	84,221	3.5	87,161	81,282
Pooled Global Equities	256,789	10.9	284,687	228,891
Pooled Overseas Equities	154,278	9.1	168,256	140,301
UK Bonds	50,814	5.4	53,579	48,050
Overseas Bonds	36,934	6.2	39,209	34,659
UK Index Linked Bonds	92,133	8.9	100,360	83,905
Pooled Corporate Bonds	109,953	4.3	114,682	105,224
Pooled Hedge Funds	503	3.5	521	485
Pooled Private Equity (LLPs)	64,433	7.4	69,201	59,665
Pooled Property	111,462	1.6	113,221	109,703
Cash	46,366	0.0	46,375	46,357
<b>Total Assets Available to Pay Benefits</b>	<b>1,820,054</b>	<b>8.8</b>	<b>1,979,926</b>	<b>1,660,182</b>

**INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF OXFORDSHIRE  
COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS**



**Oxfordshire County Council Pension Fund**

**Actuary's Statement as at 31 March 2016**

## Introduction

The most recent full actuarial valuation of the Oxfordshire County Council Pension Fund was at 31 March 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014. This statement gives an update on the funding position as at 31 March 2016 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2016 is just based on market movements since 31 March 2013 rather than being a full valuation with updated member data.

## 2013 Valuation

The results for the Fund at 31 March 2013 were as follows

- The Fund as a whole had a funding level of 82% i.e. the assets were 82% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £330m.
- To cover the cost of new benefits and to also pay off the deficit over a period of 25 years, a total contribution rate of 19.3% of pensionable salaries was required.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit reflecting the employer's experience within the Fund.

## Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2016 are summarised below:

Assumption	31 March 2013	31 March 2016
Discount rate	5.8% p.a.	5.9% p.a.
Pension increases	2.7% p.a.	2.4% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	4.2% p.a.
Mortality	95% of the S1PA tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum.	
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced	
Commutation	Members will convert 50% of the maximum possible amount of pension into cash	

## Updated position

The estimated funding position at 31 March 2016 is a funding level of 89% which is an improvement on the position at 31 March 2013 of 82% and the estimate at 31 March 2015 of 88%.

Investment returns since 31 March 2013 have been on average 5.6% p.a. which is slightly less than assumed at the 2013 actuarial valuation. However, the value of the liabilities is lower than previously projected, primarily because of a lower future inflation assumption. This means that, along with the payment of deficit contributions, the funding level has improved.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017. We will continue to monitor the financial position of the Fund on a regular basis.

**Mark Norquay FFA**  
Associate, Barnett Waddingham LLP

## SUMMARY OF BENEFITS AT MARCH 2016

### Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2014. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website.

[www.oxfordshire.gov.uk/lgpsmembersguide](http://www.oxfordshire.gov.uk/lgpsmembersguide)

- **Employers' Discretion**

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.

The specific areas include how employers will exercise discretionary powers to, award additional pension for a member, agreement to flexible retirement on request of the member, setting up a shared cost AVC scheme, and waiving the reduction to a pension which is being paid early.

- **Retirement**

The 2014 scheme reintroduced the 2 year vesting period to qualify for any benefit other than that following a death in service. The scheme retirement age is linked to State Pension Age (SPA) for men and women, membership of the scheme continues when employment continues after SPA. All pensions contributions must cease before the 75th birthday.

Scheme benefits can be taken voluntarily after leaving employment from age 55, but the benefit payable will be reduced. Alternatively when retirement is deferred until after SPA, the benefit will be increased.

The regulations confirm 'normal retirement age' to be the personal state retirement age but not before age 65, but

protection is offered to those members who previously had the entitlement for earlier retirement with an unreduced benefit. The protections offered are limited according to the age of the member and may not apply on the whole of their membership.

The earliest age for payment of pensions is age 55 and from April 2014 employer's approval is no longer required.

Flexible retirement options, from age 55 were introduced from April 2006. A person could reduce their hours or grade and request a payment of pension while continuing in employment. Employers have to agree to the whole arrangement.

Ill health retirement - the Regulations provide 3 tiers of benefit depending upon the likelihood of the member being able to obtain gainful employment in the future. An employer's assessment for ill health pension is based upon capability to carry out duties of the member's current job and must be supported by appropriate independent medical certification.

From age 55, unreduced benefits are payable immediately when an employer terminates employment due to a redundancy or efficiency dismissal.

- **Benefits**

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is 2 years. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80

of final year's pensionable pay for each year of membership. From 1 April 2008 to 31 March 2014 the standard calculation is 1/60 of final years' pensionable pay for each year of membership. From April 2014 the standard calculation is pay x 1/49 for the year with annual pension revaluation. NB Where members choose to pay into the 50/50 section of the scheme their accrual for that period will be pay x 1/98 and not 1/49 as shown.

**Example - retirement in 2016**

25 years membership to 31 March 2014 and then 2 years in the 'new scheme', 'final pay' £15,000 for period to 31 March 2014

**Annual Pension**

20 years x 1/80 x £15,000 = **£3,750**

5 years x 1/60 x £15,000 = **£1,250**

£15,000 x 2/49 = £306.12

**Retirement Grant**

20 years x 3/80 x £15,000 = **£11,250**

Members can choose at retirement to exchange pension for a larger retirement grant lump sum. AVC funds can also be used to provide a larger tax free lump sum. This combined lump sum can be up to 25 percent of the member's individual total pension fund value.

There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant. Elected members can only remain in the LGPS for their current period of office, and is not available for newly elected councillors.

**• Liability to pay future benefits**

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be

excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

**• Increasing Benefits**

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential.

Additional Regular contributions (ARC's) to the LGPS to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.

Additional Pension Contributions (APC) gives members the opportunity to buy additional pension of up to £6,675. Payment can be made by a one off, or regular monthly payments.

Prudential AVCs. A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership

Members may also make their own arrangements using a stakeholder pension or an FSAVC.

**• Death**

Following a death in service a death grant of up to three times pensionable pay is payable. There are no minimum service requirements to qualify, but there are limits to the total of death grant payable if the member also has pensions on payment or in deferment. Scheme members are recommended to keep their 'expression of wish' nominations current.

• Pensions are due to the eligible survivors: partners and /or children. The pension due to survivors reflects the changing regulations and the partnership status. Whilst the regulations no longer require prior nomination of co-habitees, eligibility must be determined before

making payment. Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension  
The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership to 31 March 2014 with enhancements assessed under the CARE scheme from 1 April 2014 until the members state retirement age.

For a widow or widower married before the member left employment all of membership can be used.

For civil partners and cohabiting partners only membership from 6 April 1988 is allowable for pension calculations.

## ◆ 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

### **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:

that the possibility of undershooting the performance target is kept within acceptable limits. The managers report on portfolio risk each quarter.

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

#### **4 Management of the Assets**

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2014.

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

Asset Class	Investment Manager	Benchmark	Annual Target
UK Equities	Baillie Gifford	FTSE Actuaries All-Share	+1.25%
	Legal & General	FTSE 100	Passive
Global Equities	UBS Global Asset Management	MSCI All Countries World Index (ACWI)	+3.0%
	Wellington	MSCI All Countries World Index (ACWI)	+2.0%
Overseas Equities	Legal & General	FTSE All World (ex-UK)	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	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. 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 on a quarterly by Independent Financial Adviser and the Officers of the fund, and all issues of concern reported directly to the Committee. Quarterly reports from all Managers are made available to the Committee, who can raise any issues they wish to follow up. All Managers formally report to the Committee once a year, spread over the four quarterly meetings, with the Committee retaining the right to request more frequent attendance if they have matters of concern. The investment management performance of the Fund as a whole is reviewed annually by the Committee, supported by a presentation by State Street Global 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, the diversified growth 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 confirma-

tion 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.

# 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 and effective 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.

All members are required to follow the member code of conduct. This includes the following requirements relating to potential conflicts of interest:

19. You must, within 28 days of taking office as a member or co-opted member, notify the council's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

20. You must disclose the interest at any meeting of the council at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a "sensitive interest"[2].

21. Following any disclosure of an interest not on the council's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

22. Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.

### **Conflicts of Interest**

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website.

# 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 19th 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 mem-

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

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

19. In cases of exceptional financial hardship, and where the fall in funding level is

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

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

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

22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. 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 will worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.

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

#### Identification of Risks and Counter-Measures

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

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

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

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

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

39. The main governance risks arise through unexpected structural changes in the Fund membership through large scale out-sourcings, redundancy programmes or closure of admission agreements. The main measures to counter such risks are reg-

ular 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.

# COMMUNICATIONS 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 the 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.

### Communications Policy Annex - Local Communications

	<b>Available to:</b>	<b>Method of Distribution</b>	<b>Frequency</b>
Communication Policy	Employers Members - active, deferred and pensioner Prospective scheme members Employee representatives	Website	Annual review, or earlier where there is a material change
Pensions Increase Notification	Pensioner members	Website Post	Annually - in February
Annual Benefit Statements	Active members Deferred members	By post to individuals, either to home address or via employers	Annually - by August
Employers Forum	Employers in the Oxfordshire Pension Fund	Meeting	Annually - December
Newsletter - Reporting Pensions (With one Newsletter Including Summary of Accounts for Pensioners)	Active scheme members	Paper distribution with assistance from employers Website	Quarterly

Beneficiaries Report from the Pension Fund Committee Beneficiary's Advisor	Active members Employee representatives	Email distribution to employers for notice boards and intranets Post Website	Quarterly
Pensions User Group	Employer human resource and payroll contacts	Meeting Email distribution of agenda and action notes	Quarterly
LGPS Summary Information Guide	Prospective scheme members Employers for new starters, job application packs	Paper copies Download from County website	All Year
Membership Forms	Active members Employers	Email Staff meetings Part of pre-retirement courses	Ad hoc as required
Provide Presentations and Talks on LGPS Matters		Induction meetings for new joiners Active members group meetings	Timings as agreed with the Prudential and individual employer area
Facilitate Pensions Seminars for Prudential 'Basic LGPS scheme and AVC Talks'			
Development of Electronic Information Systems, External County Council Website and Intranet Pages	All targeted audiences should be able to access information, especially from the external site		Regular reviews to keep up to date

Notes:

Website - [www.oxfordshire.gov.uk/pensions](http://www.oxfordshire.gov.uk/pensions)

## COMMUNICATION

The Pension Fund Committee approved a Communication Strategy, which sets out the fund's communication policy with all employing bodies, contributors and pensioners. The following initiatives are currently in place: -

- **Annual Report and Accounts** - The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** - The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund information with their annual newsletter.
- **Annual Pension Fund Forum** - An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.
- **Pensions Employer/User Group** - This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** - presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Brief Guide to the LGPS** - a reduced version of the scheme guide, with main points available for all from the website. We encourage all employers to link their starting information for new employees to this guide.
- **Reports by Beneficiaries Representative** - The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** - a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.
- **Website** - Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have

dedicated sections, with links to newsletters, guides, and national websites.

- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions** - This is an informal monthly newsheet for all employers in the Oxfordshire Fund

distributed to all Human Resources and Payroll contacts.

- **Annual Benefit Statements** - Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles** - we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

## USEFUL CONTACTS AND ADDRESSES

### BENEFIT ADMINISTRATION

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

Telephone:  
01865 797133 or 01865 797125  
email:  
pension.services@oxfordshire.gov.uk

### SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE

Disputes to be sent to:-

Pensions Services Manager  
Oxfordshire County Council  
Unipart House  
Garsington Road  
Oxford, OX4 2GQ

Telephone: 01865 797111  
Email: sally.fox@oxfordshire.gov.uk

### ACCOUNTS AND INVESTMENTS

Financial Manager - Pension Fund In-  
vestments  
Corporate Services  
Oxfordshire County Council  
County Hall  
Oxford, OX1 1ND

email:  
pension.investments@oxfordshire.gov.uk

### The Pensions Regulator

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW 0845 600 0707  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

### The Pension Tracing Service

The Pension Service  
Mail Handling Site A  
Wolverhampton  
WV98 1LU 0845 6002 527  
[www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

### The Pensions Advisory Service (TPAS)

11 Belgrave Road  
London  
SW1V 1RB 0300 123 1047  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### BENEFICIARIES REPRESENTATIVE

c/o Pension Services  
Oxfordshire County Council  
Unipart House  
Garsington Road  
Oxford  
OX4 2GQ

### Pensions Ombudsman

11 Belgrave Road  
London  
SW1V 1RB 0207 630 2200  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

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Division(s): N/A

## PENSION FUND COMMITTEE – 2 SEPTEMBER 2016

### PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2016.

#### Report by Chief Finance Officer

#### Introduction

1. In March 2015 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2015/16 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme.
2. Annex 1 compares the outturn figures against the budget and shows the variations for each budget line. The overall outturn position was an underspend of £950,000. The reasons for any material variations are explained below.

#### Scheme Administration Expenses

3. **Administrative Employee Costs** were underspent by a total of £164,000. This was due to several vacancies within the team. Overall it has taken several attempts to fill each vacancy but where successful the calibre of candidates has been high. The training budget has been used to provide some group training for specific subjects rather than overall qualifications this year, which has been a much cheaper alternative.
4. The budget for **Support Services Including ICT** was underspent by £86,000 with various implementation projects being put on hold. Members are already aware of the pressures on the team to get employer data ahead of the valuation submission so this is where resources have been targeted.
5. **Other Costs** were overspent by £140,000. The major part of this related to the cost to the fund in respect of an early retirement previously agreed to be funded by this Committee. The provision for Pension Board meetings and training is also underspent.

## Investment Management Expenses

6. **Fund Management Fees.** Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2015/16 was £430,000 below the budget forecast. The underspend was spread across the fund's portfolios so did not relate to lower than forecast performance on any particular portfolio. The underspend was also partly due to lower fees being implemented on some portfolios.
7. It should be noted that for the 2015/16 accounts and 2016/17 budget CIPFA guidance has been adopted in calculating management fees and on this basis management fees for 2015/16 were £7.007m. This higher figure represents the fees paid on pooled funds, which traditionally have been netted off at source by the Fund Manager. The increase in fees is matched by an equal increase in investment returns, so there is no impact on net performance.
8. The **Global Custody Fee** is dependent upon the market value of assets held, the type of investments and the number and type of trades arranged by the fund managers. It is therefore not possible to accurately predict the total fee for the year. The Global Custody Fee budget was underspent by £38,000 during 2015/16. As with management fees this was due to lower than forecast balances across the portfolios.

## Oversight & Governance Expenses

9. **Investment Employee Costs** were underspent by £81,000 due to the carrying of a vacancy within the team and changes to the team during the year which meant there were periods where staffing levels were lower.
10. **Advisory & Consultancy Fees** were underspent by £162,000. This was primarily due to the £100,000 being included in the budget for project BOB work which was not required. There was a small amount of spend in the year on project Brunel but the majority of the consultancy and advisory fees on this project are expected to be incurred in future years. There was also an element of the budget allocated for investment changes from the fundamental review where the fund was considering new investments in infrastructure. However this budget did not need to be used, as no suitable infrastructure investment opportunities were identified.

## RECOMMENDATIONS

11. **The Committee is RECOMMENDED to receive the report and note the outturn position.**



Lorna Baxter  
Chief Finance Officer

Background Papers: None

Contact Officers: Gregory Ley, Financial Manager – Pension Fund  
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Sally Fox, Pensions Services Manager,  
01865 323854

August 2016

**Pension Fund Budget Outturn for the Financial Year ended 31 March 2016**

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Administrative Expenses</b>			
Administrative Employee Costs	915	751	-164
Support Services Including ICT	343	257	-86
Printing & Stationary	40	48	8
Advisory & Consultancy Fees	30	0	-30
Other	39	179	140
<b>Total Administrative Expenses</b>	<b>1,367</b>	<b>1,235</b>	<b>-132</b>
<b>Investment Management Expenses</b>			
Management Fees	4,290	3,860	-430
Custody Fees	100	62	-38
Other	50	26	-24
<b>Total Investment Management Expenses</b>	<b>4,440</b>	<b>3,948</b>	<b>-492</b>
<b>Oversight &amp; Governance</b>			
Investment Employee Costs	260	179	-81
Support Services Including ICT	50	7	-43
Actuarial Fees	75	42	-33
External Audit Fees	25	18	-7
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	275	113	-162
Other	48	48	0
<b>Total Oversight &amp; Governance Expenses</b>	<b>747</b>	<b>421</b>	<b>-326</b>
<b>Total Pension Fund Budget</b>	<b>6,554</b>	<b>5,604</b>	<b>-950</b>

Division(s): N/A

**PENSION FUND COMMITTEE – 2 SEPTEMBER 2016**

**PENSIONS ADMINISTRATION – SERVICE PERFORMANCE**

**Report by the Chief Financial Officer**

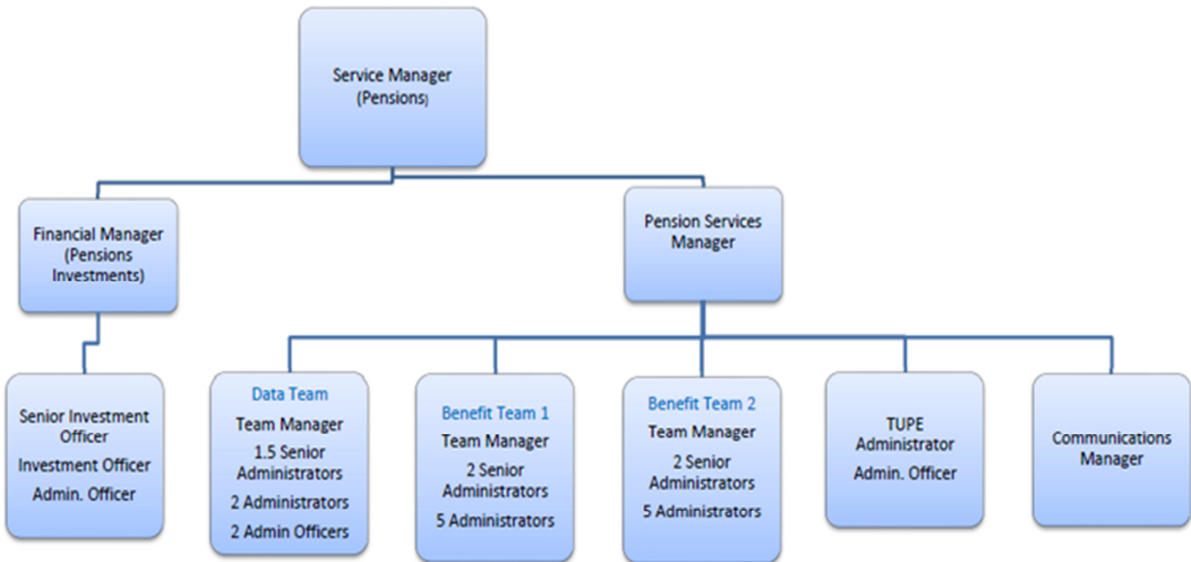
**Introduction**

- 1. This is the annual report to update members on the service performance of the administration team during the year to March 2016.

**Team Structure & Staffing**

- 2. In December 2015 this Committee agreed a revised structure for Pension Services to meet the challenges of increased complexity of the scheme regulations along with an increasing number, and size, of scheme employers all of which were significantly impacting on the volume and quality of data being received.

The proposed structure was:



- 3. Internal changes, promotions and moves means that recruitment has been in progress since this report was approved. The current situation is:

	Data Team	Benefit Team 1	Benefit Team 2	TUPE	Communications	Assistant
<b>Manager</b>	1.00	1.00	1.00		1.00	
Actual FTE	1.00	1.00	0.74		1.26	
Difference +/-	0.00	0.00	-0.26		0.26	
<b>Senior Administrator</b>	1.50	2.00	2.00			
Actual FTE	1.63	1.65	1.70			
Difference +/-	0.13	-0.35	-0.30			
<b>Administrator</b>	2.00	5.00	5.00	1.00		
Actual FTE	3.04	2.63	4.01	0.76		
Difference +/-	1.04	-2.37	-0.99	-0.24		
<b>Administration Assistant</b>	2.00					1.00
Actual FTE	0.00					1.00
Difference +/-	-2.00					0.00

4. Recruitment is ongoing and it is hoped that the benefit team administration will be shortly be at, or very near to strength. The additional administrator in the Data Team is being funded by non-recruitment of two administration assistant posts.
5. Overall vacancies have been carried throughout the year due to issues with recruitment and maternity leave. Added to this is the internal movement / promotion of staff resulting in continual balancing of incoming work against skills and training.
6. The end of the year the FTE was 20.50, which was slightly down on the previous year of 21.2.

#### Data Returns

7. Members will be aware from reports during the year of the issues with scheme employers either not providing data, or providing incorrect data. Unfortunately this affected many of the larger scheme employers, and so a high proportion of the active scheme membership.
8. In terms of the monthly data returns the biggest issues was that of data for the County Council provided by the Integrated Business Centre (IBC) at Hampshire which either was not forthcoming or incorrect when received. The necessary returns were not received until March 2016 (from July 2015) which then put huge pressure on the team to validate and load this information to Altair.

9. There were also issues with monthly data returns from Oxford City; Academy Schools who outsourced payroll to Kier; Oxford Diocesan Schools Trust and Carillion.
10. On the plus side Activate Learning worked consistently with our team to resolve outstanding data queries.
11. From a team perspective, the increasing number of employers and returns, along with the juggling to cover staff vacancies has made this extremely difficult to manage.
12. End of Year returns – there was an improvement in the number of returns received by deadline but employers often did not carry out basic checks ahead of submitting data which meant these had to be sent back. Again, some of the larger scheme employers had issues with making these returns, which not only has put them to the back of the queue for production of annual benefit statements, but in some cases impacted on other linked scheme employers.
13. An update of the number of annual benefit statements issued by 31 August 2016 will be given at the Committee meeting.

### **Service Performance**

14. Members will note from the statistics in the table below that performance has decreased in all areas and it does not meet our internal targets of between 95% - 97%.
15. The impact of the 2014 scheme introduction is still a major contributing factor since during the year work has had to be stockpiled for clarification of regulations or waiting for the changes to the factors used in calculations. Obviously this also affected our software suppliers meaning that there had to be a much higher number of manual calculations and increased checking procedures to test software.
16. There is a continuing learning curve for team members as many tasks mean working across three sets of regulations due to the protections in place. All of which slows down the task completion rate.
17. All of which is impacted by data quality and delays.

### **Performance Data**

18. The key performance indicators, set in our service level agreements, are monitored and reported monthly, with any variations from specification being investigated. The performance in comparison with industry standard targets is shown below:

Industry Standard PI's	OPF Target Days	OPF Achieved	Against LGPC Target
Letter detailing transfer in quote	10	61.20%	61.20%
Letter detailing transfer out quoted	10	73.20%	73.20%
Process and pay refund*	10	78.00%	41.00%
Letter notifying estimate of retirement benefits	10	56.80%	56.80%
Letter notifying actual retirement benefits.*	10	66.50%	39.10%
Process and pay lump sum retirement grant*	10	82.20%	43.30%
Initial letter acknowledging death of active / deferred / pensioner member	5	94.20%	94.20%
Letter notifying amount of dependant's benefits*	10	91.80%	86.60%
Calculate and notify deferred benefits*	40	46.90%	27.80%
Note: Lines marked with an * indicated LGPC target of 5 days – final column shows performance against that standard. On final line LGPC target is 10 days.			

## Formal Complaints

19. If a scheme member wishes to complain about a decision regarding their pension they are encouraged to contact Pension Services to discuss the matter since many complaints arise as a result of misunderstanding or incorrect information.
20. However, if a complaint cannot be resolved informally the regulations set out a formal procedure, The Adjudication of Disagreements Procedure (AoD). During the calendar year 2015 (the last full year recorded) a total of 18 complaints were received. These are summarised below:

Employer	Referred To	Summary	Decision
OCC	AoD.1 - Scheme Employer	Deferred member requested payment of pension on grounds of ill-health in October 2013, this was subsequently approved in November 2014. Member is unhappy with length of time to make decision and lack of detail in the report.	Not Upheld
VWHDC	AoD.1 – Scheme Manager And AoD.2 - Ombudsman	Member completed early choice form for pension benefits to be paid from October 2014. However, member left	Not Upheld – stage 1  Not

		employment in September 2014 and believed payment should be made from the date employment ceased. Member not happy with this decision and so referred complaint to stage 2. Member has now referred case to Pension Ombudsman	Upheld – stage 2
WODC	Internal	Member left employment on 31.08.14 but information re deferred benefits not provided until 03.02.15. Member unhappy with lack of response to queries. Have provided DB & written to member.	Upheld
Sovereign Vale	Internal	DB since 1995 - no ABS issued - member has been contacting PS for a year without result. File was not scanned, so had to be located & record updated. ABS now provided.	Upheld
Oxford City	AoD.2	Member after first complaint was awarded tier 3 ill-health which was subsequently uprated to tier 2. He believed that ill-health retirement at tier 1 should have been granted at time of leaving employment. Not found.	Not Upheld
OCC	AoD.1	Projected death benefits given to member reduced due to changes in regulations - spouse has queried this. Amending regulations received which revised calculation to pre 2014 levels	Upheld
OBU	AoD.1	Member applied to former scheme employer for early release of deferred benefits. Employer policy does not allow for this where there is a cost to the employer.	Not Upheld
Swalcliffe School	Internal	Member left employment & was contacting team about a refund of contributions. However, found scheme employer had not provided starter / pay information. We contacted	Not Upheld

		scheme employer to obtain data and a refund was made on 03 July 2015.	
SODC	Internal	Member 'phoned to query SB ABS - said person who answered 'phone made light of her query & so she felt that her questions / concerns were being dismissed. On investigation understood that whilst member had been unhappy with first telephone response, she had 'phoned back & all had been put right - a written response, to this effect, was sent. Member then 'phoned to say there had been some confusion since she had not made a second telephone call. We discussed the matter fully & member was happy with response and proposed action.	Upheld
Oxford City	AoD.1	Member with regulation 10 protections - quotation for benefits incorrectly calculated - lengthy correspondence - member now seeking compensation for distress caused. Stage 2 confirms that payments are now being correctly made in line with regulations. However, distress acknowledged & a payment of £250.00 proposed. Awaiting response from member. 25.09.15 - Member confirmed acceptance of payment - passed for processing.	Upheld
OCC	AoD.2	Requesting further consideration of application for ill-health retirement benefits. Stage 2 has referred matter back to scheme employer to ensure that the correct questions have been asked / answered by IRMP	Partly Upheld
WODC	Internal	Member unhappy at the delay in	Partly Upheld



		providing information on deferred benefits & options available. Once information was provided member then said they had left employment on grounds of ill-health - information provided about process & member referred back to scheme employer.	
OCC	AoD.1	Deferred member requesting payment of pension on grounds of ill-health. Employer has turned down request - member unhappy with process & wishes to challenge decision / process. Employer has review process & is arranging for a new review of all medical information.	Upheld
Oxford City	AoD.1 – scheme employer and AoD.2 – scheme manager	Member signed early choice form on 26.01.15 requesting payments to be brought in to payment on 11.04.15. Letter sent confirming earliest date was 27.04.15....now in payment member is disputing the date & asking to be reimbursed for period 11.04.15 - 26.04.15.	Not Upheld – stage 1  Not Upheld – stage 2
OCC	AoD.2 – Scheme manager – previously reviewed by Pension Ombudsman	Member seeking release of benefits on grounds of ill-health. PO determination was for scheme employer to review their process / decision. This has been done & member has been told that they do not qualify for ill-health benefits. However, still not happy with process - having consulted with office of PO this has now been accepted under stage 2.	Upheld.

21. Overall this has been a tough year for the team on top of which there is the uncertainty around the office move. However, they remain professional and committed to offering an excellent service to employers and scheme members

despite these challenges. As such, they are a credit to the Oxfordshire Pension Fund.

## **RECOMMENDATION**

**22. The Committee is RECOMMENDED to note the report.**

Lorna Baxter  
Chief Finance Officer

August 2016

Contact Officer: Sally Fox, Pensions Services Manager, Tel: (01865) 323854

Division(s): N/A

## **PENSION FUND COMMITTEE – 2 SEPTEMBER 2016**

### **ADMINISTRATION REPORT**

#### **Report by the Chief Finance Officer**

##### **Introduction**

1. This report updates members on current issues within the Pension Services team from both management and operational perspectives. It also sets out the latest position in respect of the employers within the Oxfordshire Fund. The report also includes new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

##### **Staffing**

2. External recruitment overall has been patchy in that some jobs have had to be advertised several times either because of no applications, or the applicants have pulled out ahead of interview. However, where process has worked. the successful candidates have been of a high calibre.
3. Both the Communication Manager and the Employer Liaison Officer roles have been filled internally which has created another administrator vacancy that is being held at present since recruitment is ongoing for the previously advertised posts.
4. One administrative assistant post has been filled and the second is now being recruited.
5. Team Leaders are making some changes to the team structure to accommodate the higher proportion of new staff to ensure that training and mentoring is provided alongside maintaining workflow.

##### **Performance Data / Data Quality**

6. The focus over the past weeks has been on end of year returns to get the valuation data to our actuaries by 31 July. Overall there has been an improved response from scheme employers with 78% providing end of year returns. Whilst the non-return rate of 22% looks high, this is mainly from a couple of the smaller employers with multiple contracts each of which is recorded as a separate scheme employer, so overall, not a huge number of scheme members are affected by these non-returns.
7. It was disappointing that so few employers checked their data before making their return causing the team to send back a high number of these returns simply because a basic check hadn't been made. However, some employers have had much more significant issues to resolve ahead of their data submission which meant that returns

did come in very late – up to 3 days ahead of submitting the data to our actuaries. These employers are now at the back of the queue in terms of processing for ABS.

8. In addition to the data, information has been sent to the Actuary about each scheme employer highlighting any issues which will affect the submission made.
9. Focus now turns to the production of Annual Benefit Statements (ABS) for active scheme members. The number of statements issued as at 31 August will be reported at the meeting.
10. MARS returns and CARE data submitted will be reviewed in September to identify employers making arbitrary changes, or failing to complete the spreadsheet thus preventing uploading of data.

### **Payment of Contributions**

11. There is no issue with contribution payments.

### **Assessment of Employer Covenant**

12. Once the valuation has been completed our Actuaries will be repeating the exercise to assess all scheme employer covenants.

### **Write Offs**

13. In June 2015, the Committee reviewed the scheme of financial delegation and agreed the following:
  - Write off of outstanding debts to the Local Government Pension Scheme above £10,000 needs 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. 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 Pensions Services Manager
  - All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.
14. In the current period, the Pension Services Manager has approved the write off of £28.37 chargeable to the Pension Fund in respect of six cases where the member has died.
15. In the period December 2015 to September 2016 a total of £371.07 has been written off, in respect of 26 cases where the member has died.
16. The Service Manager (Pensions) has also written off a single debt totalling £1,620.29 during this period. This debt related to the overpayment of a pension where the

previous employer (Oxfordshire County Council) initially advised us of the wrong date for the start of the pension payment.

17. The case was in respect of a scheme member who had worked in one of the Council's maintained schools, until such time as they suffered from ill-health. Their initial request for ill-health retirement was refused, and the scheme member remained on sick leave without pay for a significant period. A second request for ill-health was accepted and back dated.
18. Initially the Council backdated the request to the individual's last day at work, and the pension was brought into payment from that date. Subsequently though the Council amended the retirement date by 6 months to allow for the period that the scheme member had been in receipt of sick pay.
19. Given the delays associated with this case, and the poor health of the scheme member, the Council requested that we did not seek to recover the overpaid pension. The cost will be met by the Council through future Valuation results.

### **Update on Previous Applications for Admission**

20. Admission agreements need to be finalised in respect of:
  - The outsourcing from William Fletcher School to Carillion on 01 April 2016.
  - Optalis Ltd, second generation contract following on from Leonard Cheshire Disability, which was effective from 15 February.
  - The admission agreement between Age UK and Oxfordshire County Council is outstanding.
  - Civicare Oxford, a second generation contract following on from Allied Healthcare, effective 14 March 2016
  - The long outstanding admission agreement between Carillion and Oxfordshire County Council for the second transfer of staff has not yet been resolved despite reminders and meetings with Carillion.
  - The application by Groundworks South is progressing with a revised transfer date of 01 October 2016.

### **RECOMMENDATION**

21. **The Committee is RECOMMENDED to note the report, including the write off of £1,648.66 during this period.**

Lorna Baxter  
Chief Finance Officer  
August 2016

Background papers: None

Contact Officer: Sally Fox, Pensions Services Manager, Tel: (01865) 323854

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TABLE 1

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**  
**OVERALL VALUATION OF FUND AS AT 30th JUNE 2016**

Investment	COMBINED PORTFOLIO 01.04.16	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 30.06.16		Target %
	Value £' 000	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	
<b>EQUITIES</b>																
<b>UK Equities</b>	510,482	324,103	95.1%	24,789	10.5%	155,960	48.0%	0	0.0%	23,957	6.4%	0	0.0%	528,809	27.6%	29.0%
<u>Overseas Equities</u>																
North American Equities	129,983	0	0.0%	143,041	60.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	143,041	7.5%	
European & Middle Eastern Equities	35,548	0	0.0%	37,677	16.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	37,677	2.0%	
Japanese Equities	17,777	0	0.0%	15,912	6.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	15,912	0.8%	
Pacific Basin Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	4,661	0	0.0%	8,829	3.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	8,829	0.5%	
UBS Global Pooled Fund	224,113	0	0.0%	0	0.0%	0	0.0%	0	0.0%	233,089	62.5%	0	0.0%	233,089	12.2%	
L&G World (ex UK) Equity Fund	154,912	0	0.0%	0	0.0%	168,696	52.0%	0	0.0%	0	0.0%	0	0.0%	168,696	8.8%	
<b>Total Overseas Equities</b>	<b>566,994</b>	<b>0</b>	<b>0.0%</b>	<b>205,459</b>	<b>87.3%</b>	<b>168,696</b>	<b>52.0%</b>	<b>0</b>	<b>0.0%</b>	<b>233,089</b>	<b>62.5%</b>	<b>0</b>	<b>0.0%</b>	<b>607,244</b>	<b>31.8%</b>	<b>30.0%</b>
<b>BONDS</b>																
UK Gilts	90,427	0	0.0%	0	0.0%	0	0.0%	95,954	29.9%	0	0.0%	0	0.0%	95,954	5.0%	3.0%
Corporate Bonds	69,370	0	0.0%	0	0.0%	0	0.0%	69,591	21.7%	0	0.0%	0	0.0%	69,591	3.6%	6.0%
Overseas Bonds	45,704	0	0.0%	0	0.0%	0	0.0%	50,196	15.6%	0	0.0%	0	0.0%	50,196	2.6%	2.0%
Index-Linked	92,662	0	0.0%	0	0.0%	0	0.0%	104,771	32.6%	0	0.0%	0	0.0%	104,771	5.5%	5.0%
<b>Total Bonds</b>	<b>298,163</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>320,512</b>	<b>99.8%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>320,512</b>	<b>16.7%</b>	<b>16.0%</b>
<b>ALTERNATIVE INVESTMENTS</b>																
Property	141,678	0	0.0%	0	0.0%	0	0.0%	0	0.0%	113,273	30.4%	28,117	8.8%	141,390	7.4%	8.0%
Private Equity	170,268	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	171,345	53.6%	171,345	8.9%	9.0%
Hedge Funds	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Multi Asset - DGF	79,010	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	80,524	25.2%	80,524	4.2%	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%
<b>Total Alternative Investments</b>	<b>390,956</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>113,273</b>	<b>30.4%</b>	<b>279,986</b>	<b>87.6%</b>	<b>393,259</b>	<b>20.5%</b>	<b>25.0%</b>
<b>CASH</b>	<b>57,102</b>	<b>16,804</b>	<b>4.9%</b>	<b>5,208</b>	<b>2.2%</b>	<b>0</b>	<b>0.0%</b>	<b>719</b>	<b>0.2%</b>	<b>2,785</b>	<b>0.7%</b>	<b>39,707</b>	<b>12.4%</b>	<b>65,223</b>	<b>3.4%</b>	<b>0.0%</b>
<b>TOTAL ASSETS</b>	<b>1,823,697</b>	<b>340,907</b>	<b>100.0%</b>	<b>235,456</b>	<b>100.0%</b>	<b>324,656</b>	<b>100.0%</b>	<b>321,231</b>	<b>100.0%</b>	<b>373,104</b>	<b>100.0%</b>	<b>319,693</b>	<b>100.0%</b>	<b>1,915,047</b>	<b>100.0%</b>	<b>100.0%</b>

% of total Fund

17.80%

12.30%

16.95%

16.77%

19.48%

16.70%

100.00%

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

Asset	Market Value 01.04.16	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.06.16	%
			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	
<b>EQUITIES</b>														
UK Equities	510,482	28	0	(472)		963	0	7,062	(855)	9,576	2,053	0	528,809	28
US Equities	129,983	7	0	0	0	1,315	0	0	0	0	11,743	0	143,041	8
European & Middle Eastern Equities	35,548	2	0	0	0	2,550	0	0	0	0	(421)	0	37,677	2
Japanese Equities	17,777	1	0	0	0	(3,167)	0	0	0	0	1,302	0	15,912	1
Pacific Basin Equities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Emerging Market Equities	4,661	0	0	0	0	2,546	0	0	0	0	1,622	0	8,829	0
Global Pooled Funds	379,025	21	0	0	0	0	0	8,976	0	13,784	0	0	401,785	21
Total Overseas Equities	566,994	31	0	0	0	3,244	0	8,976	0	13,784	14,246	0	607,244	32
<b>BONDS</b>														
UK Gilts	90,427	5	0	0	311	0	0	0	0	5,216	0	0	95,954	5
Corporate Bonds	69,370	4	0	0	0	0	0	0	0	221	0	0	69,591	4
Overseas Bonds	45,704	3	0	0	(2,164)	0	0	0	0	6,656	0	0	50,196	3
Index-Linked Bonds	92,662	5	0	0	1,789	0	0	0	0	10,320	0	0	104,771	5
<b>ALTERNATIVE INVESTMENTS</b>														
Property	141,678	8	(655)	0	0	0	(3)	208	0	0	0	162	141,390	7
Private Equity	170,268	9	0	0	0	0	(2,359)	0	0	0	0	3,436	171,345	9
Hedge Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi Asset - DGF	79,010	4	0	0	0	0	536	0	0	0	0	978	80,524	4
SUB TOTAL	1,766,595	97	(655)	(472)	(64)	4,207	(1,826)	16,246	(855)	45,773	16,299	4,576	1,849,824	97
CASH *	57,102	3	1,073	3,944	(2,182)	(1,610)	6,896	0	0	0	0	0	65,223	3
<b>GRAND TOTAL</b>	<b>1,823,697</b>	<b>100</b>	<b>418</b>	<b>3,472</b>	<b>(2,246)</b>	<b>2,597</b>	<b>5,070</b>	<b>16,246</b>	<b>(855)</b>	<b>45,773</b>	<b>16,299</b>	<b>4,576</b>	<b>1,915,047</b>	<b>100</b>

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



OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 3

PERFORMANCE TO 30th JUNE 2016

COMBINED PORTFOLIO ( BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2016	QUARTER ENDED	12 MONTHS ENDED	THREE YEARS ENDED	FIVE YEARS ENDED	TEN YEARS ENDED
		30th June 2016	30th June 2016	30th June 2016	30th June 2016	30th June 2016
		RETURN	RETURN	RETURN	RETURN	RETURN
		%	%	%	%	%
<b>BAILLIE GIFFORD UK EQUITIES</b>	17.8%	1.0	-2.1	5.6	7.6	6.8
BENCHMARK		4.7	2.2	5.9	6.3	5.4
VARITAION		-3.7	-4.3	-0.3	1.3	1.4
<b>WELLINGTON GLOBAL EQUITIES</b>	12.3%	8.8	9.5	8.8		
BENCHMARK		8.6	13.3	10.6		
VARITAION		0.2	-3.8	-1.8		
<b>L&amp;G UK EQUITIES - PASSIVE</b>	8.1%	6.6	3.8	5.3	5.7	
BENCHMARK		6.6	3.8	5.3	5.7	
VARITAION		0.0	0.0	0.0	0.0	
<b>L&amp;G GLOBAL EX UK EQUITIES - PASSIVE</b>	8.8%	8.9	15.5	12.0	10.7	
BENCHMARK		8.9	15.5	12.0	10.7	
VARITAION		0.0	0.0	0.0	0.0	
<b>L&amp;G FIXED INCOME</b>	16.8%	6.7	13.2	9.1	8.4	7.5
BENCHMARK		6.6	12.4	8.9	8.4	7.1
VARITAION		0.1	0.8	0.2	0.0	0.4
<b>IN-HOUSE PROPERTY</b>	1.5%	0.2	14.4	6.4	8.3	
BENCHMARK		0.1	7.2	12.5	8.7	
VARITAION		0.1	7.2	-6.1	-0.4	
<b>PRIVATE EQUITY</b>	9.0%	3.5	13.5	12.5	11.0	7.9
BENCHMARK		-4.4	-5.3	6.8	8.4	3.5
VARITAION		7.9	18.8	5.7	2.6	4.4
<b>UBS GLOBAL EQUITIES</b>	13.4%	6.7	5.0	7.5	6.9	6.8
BENCHMARK		8.8	13.5	10.6	8.8	7.8
VARITAION		-2.1	-8.5	-3.1	-1.9	-1.0
<b>UBS PROPERTY</b>	6.0%	0.6	8.6	13.1	9.0	3.9
BENCHMARK		0.1	7.2	12.5	8.7	3.0
VARITAION		0.5	1.4	0.6	0.3	0.9
<b>INSIGHT DIVERSIFIED GROWTH FUND</b>	4.2%	2.0	-1.9			
BENCHMARK		0.9	3.5			
VARITAION		1.1	-5.4			
<b>IN-HOUSE CASH</b>	2.1%	0.1	0.4	0.5	0.7	1.8
BENCHMARK		0.1	0.4	0.4	0.4	1.6
VARITAION		0.0	0.0	0.1	0.3	0.2
<b>TOTAL FUND</b>	<b>100.0%</b>	<b>5.0</b>	<b>7.0</b>	<b>8.2</b>	<b>8.0</b>	<b>5.8</b>

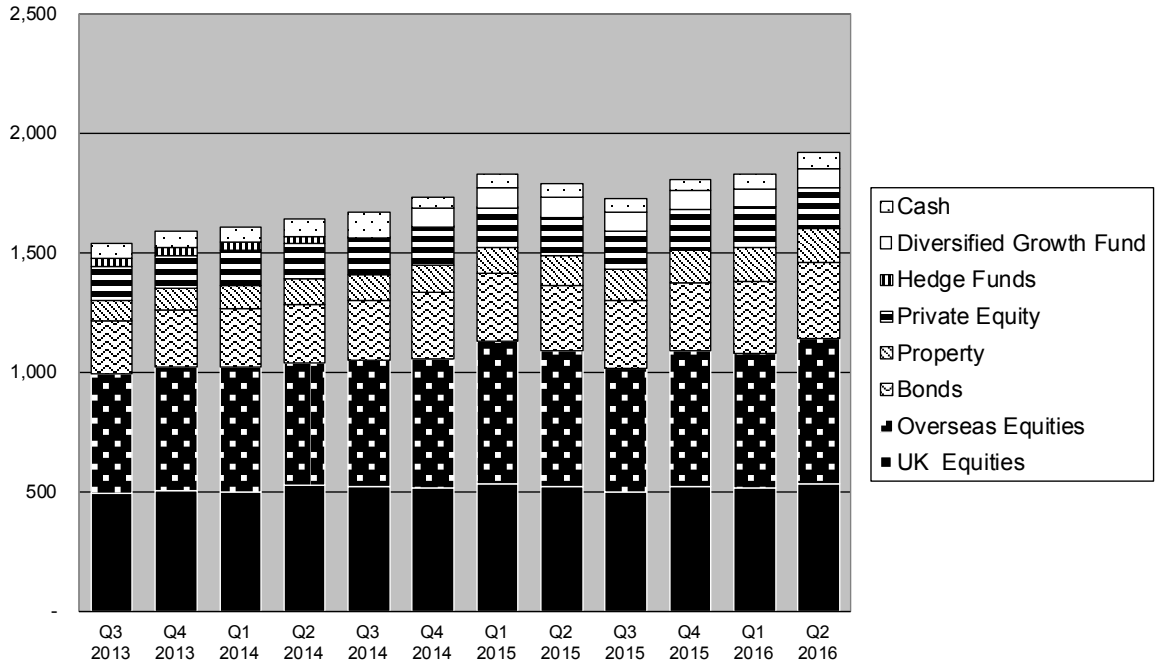
**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****TOP 20 HOLDINGS AT 30/06/2016**

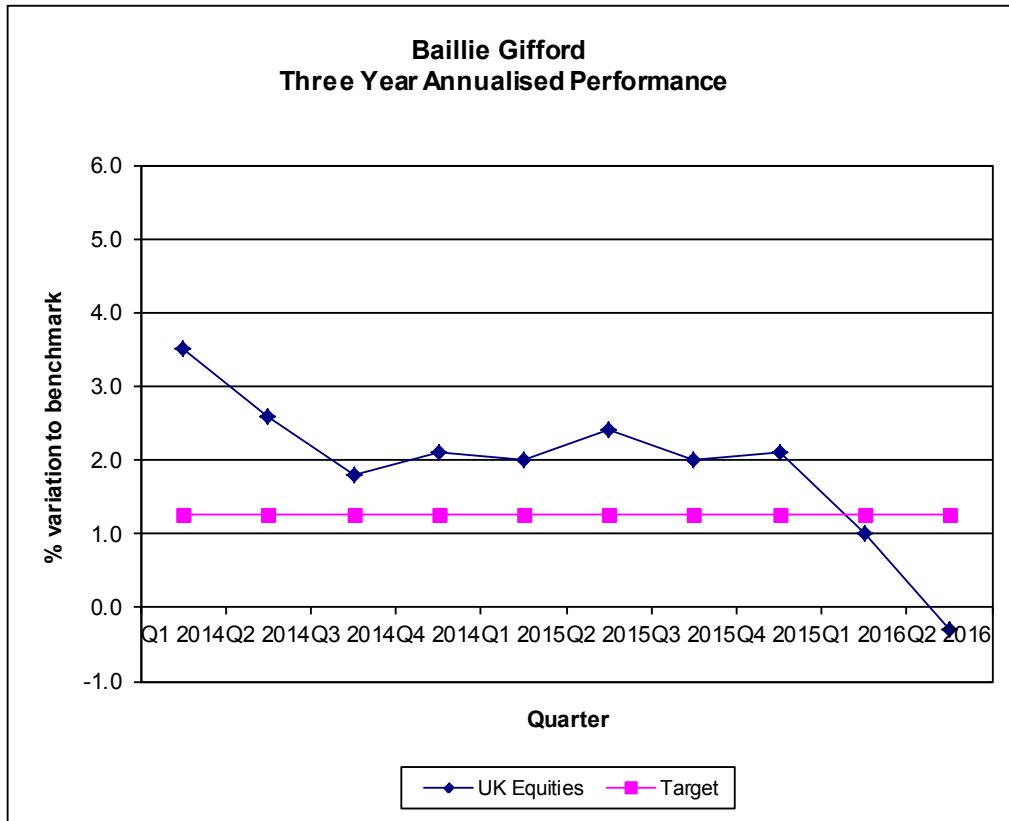
ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<b><u>DIRECT HOLDINGS</u></b>		
1 ELECTRA PRIVATE EQUITY PLC	39,880,176	2.08
2 BRITISH AMERICAN TOBACCO PLC	23,425,010	1.22
3 HG CAPITAL TRUST PLC	23,111,300	1.21
4 ROYAL DUTCH SHELL B SHS EUR0.07	22,781,553	1.19
5 BUNZL PLC	14,929,368	0.78
6 ASHTEAD GROUP PLC	13,624,499	0.71
7 PRUDENTIAL PLC	12,291,185	0.64
8 ST JAMESS PLACE PLC	11,130,923	0.58
9 STANDARD LIFE EURO PR EQ ORD	10,482,039	0.55
10 F&C PRIVATE EQUITY TRUST-B	9,984,000	0.52
11 ARM HLDGS PLC	9,606,375	0.50
12 UNILEVER PLC	9,550,347	0.50
13 REED ELSEVIER PLC	9,156,138	0.48
14 LEGAL & GENERAL GROUP PLC	8,379,358	0.44
15 UK TREASURY 3.75% 07/09/19 GBP	7,492,800	0.39
16 HSBC HOLDINGS PLC	7,458,127	0.39
17 UBM PLC	6,940,985	0.36
18 UK TREASURY 0.125% 22/03/44 INDX LKD 3MO GBP	6,938,234	0.36
19 CAPITA GRP PLC	6,844,466	0.36
20 CARNIVAL PLC	6,835,150	0.36
<b>TOP 20 HOLDINGS MARKET VALUE *</b>	<b>260,842,033</b>	<b>13.62</b>
* Excludes investments held within Pooled Funds		
<b><u>POOLED FUNDS AT 30/06/2016</u></b>		
1 UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	257,046,236	13.42
2 L&G WORLD (EX UK) EQUITY INDEX	168,695,879	8.81
3 L&G HP UK FTSE 100 EQUITY INDEX	155,959,921	8.14
4 LEGAL AND GENERAL TD CORE PLUS	118,398,990	6.18
5 INSIGHT BROAD OPPORTUNITIES FUND	80,524,017	4.20
<b>TOTAL POOLED FUNDS MARKET VALUE</b>	<b>780,625,043</b>	<b>40.75</b>
<b>TOTAL FUND MARKET VALUE</b>	<b>1,915,047,017</b>	

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**MARKET VALUE OF TOTAL FUND**

TOTAL FUND MARKET VALUE BY ASSET CLASS



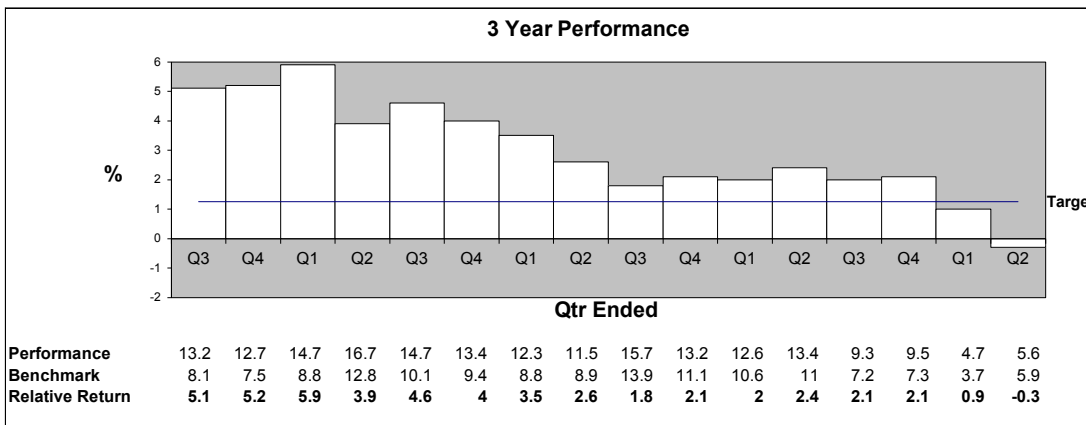
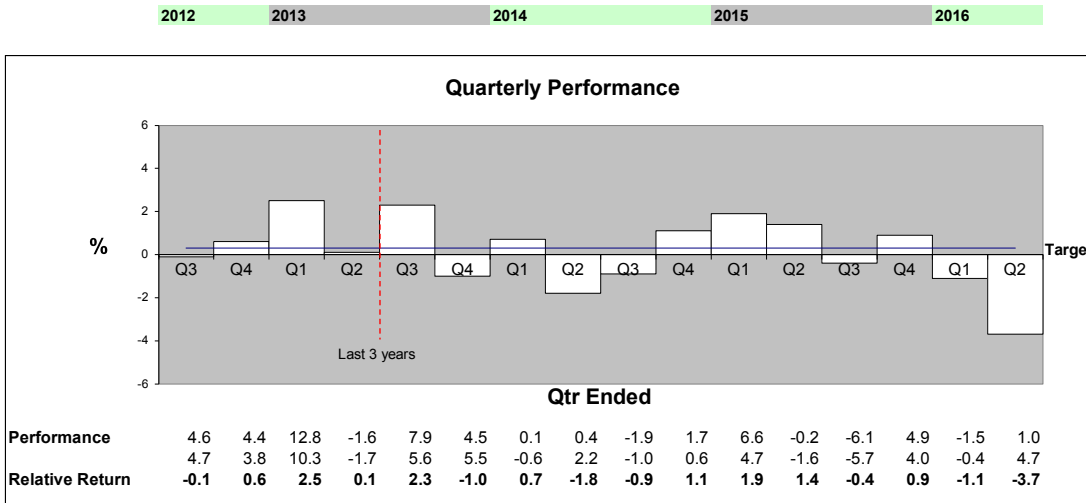


**Baillie Gifford Three Year Annualised Performance**

	UK Equities	Target
Q1 2014	3.5	1.25
Q2 2014	2.6	1.25
Q3 2014	1.8	1.25
Q4 2014	2.1	1.25
Q1 2015	2.0	1.25
Q2 2015	2.4	1.25
Q3 2015	2.0	1.25
Q4 2015	2.1	1.25
Q1 2016	1.0	1.25
Q2 2016	-0.3	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3



**Target Returns**

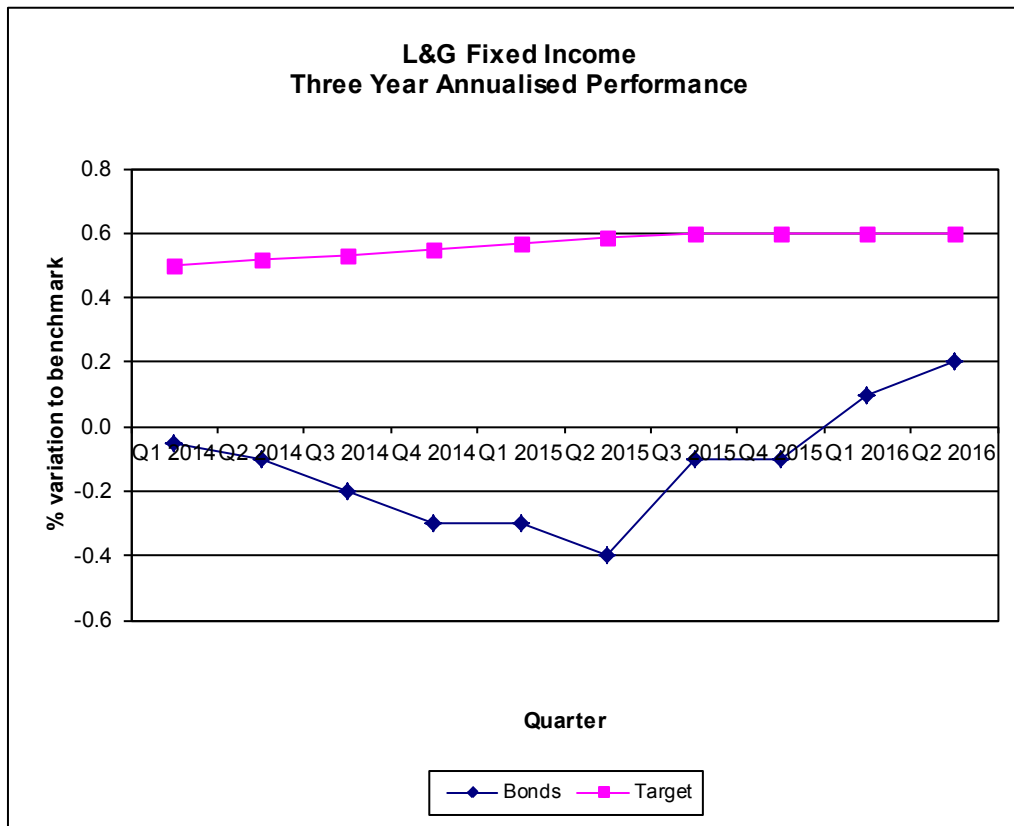
Rolling annual target of 1.25% above benchmark

**Top 10 holdings at 30/06/2016**

Rank	Holding	Value £	% of portfolio
1	BRITISH AMERICAN TOBACCO PLC	18,548,960	5.44
2	ROYAL DUTCH SHELL B SHS	17,999,858	5.28
3	BUNZL PLC	14,929,368	4.38
4	ASHTED GROUP PLC	13,624,499	4.00
5	PRUDENTIAL PLC	12,291,185	3.60
6	ST JAMES'S PLACE PLC	11,130,923	3.26
7	ARM HOLDINGS PLC	9,606,375	2.82
8	UNILEVER	9,550,347	2.80
9	RELX GROUP	9,156,138	2.69
10	LEGAL & GENERAL GROUP PLC	8,379,358	2.46
<b>Top 10 Holdings Market Value</b>		<b>125,217,011</b>	<b>36.73</b>
<b>Total Baillie Gifford Market Value</b>		<b>340,907,000</b>	

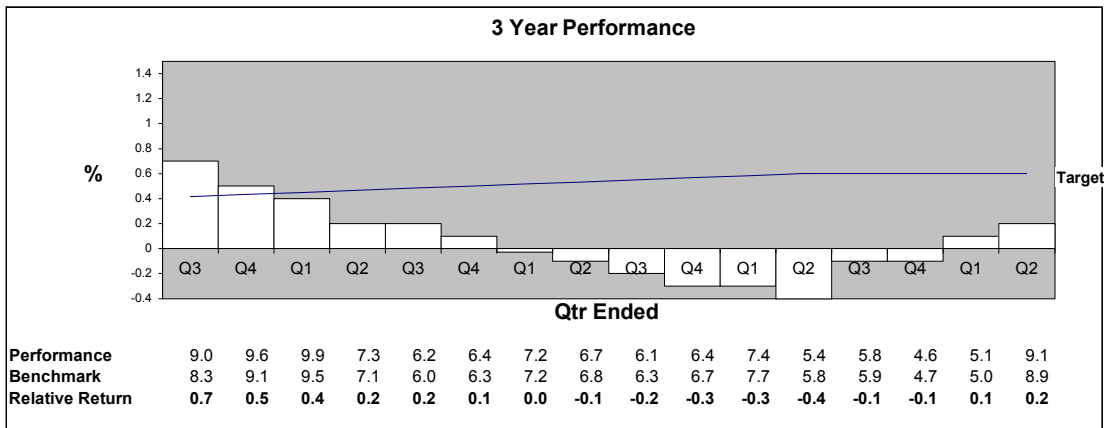
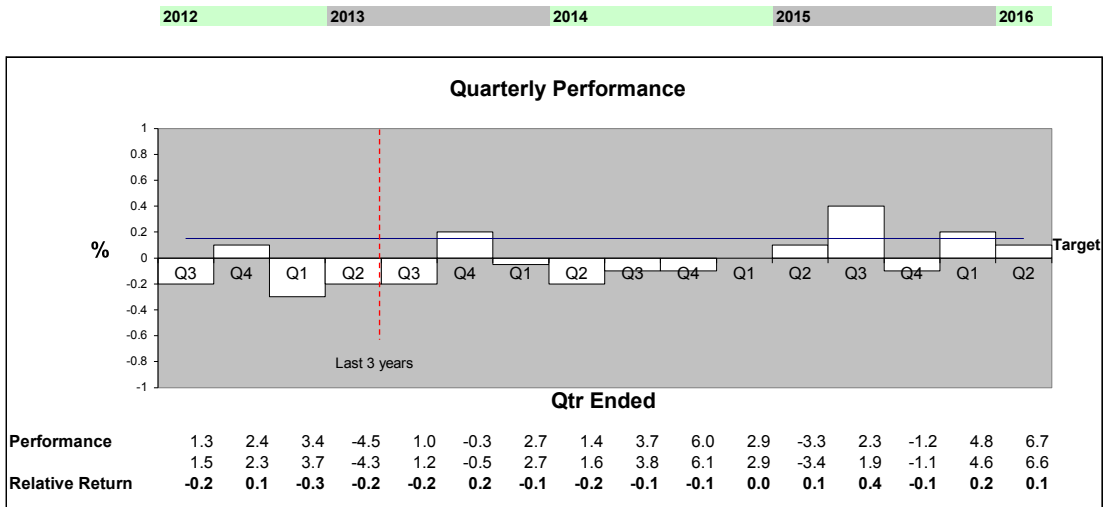
**Baillie Gifford**

Top 10 holdings excludes investments held within pooled funds.



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

	Bonds	Target
Q1 2014	-0.1	0.5
Q2 2014	-0.1	0.5
Q3 2014	-0.2	0.5
Q4 2014	-0.3	0.6
Q1 2015	-0.3	0.6
Q2 2015	-0.4	0.6
Q3 2015	-0.1	0.6
Q4 2015	-0.1	0.6
Q1 2016	0.1	0.6
Q2 2016	0.2	0.6



**Target Returns**

Rolling annual target of 0.60% above benchmark

**Top 10 holdings at 30/06/2016**

Holding	Value £	% of portfolio
1 UK TREASURY 3.75% 07/09/19 GBP	7,492,800	2.33
2 UK TREASURY 0.125% 22/03/44 INDX LKD 3MO GBP	6,938,234	2.16
3 UK TREASURY 1.25% 22/11/55 INDX LKD 3MO GBP	6,665,688	2.08
4 UK TREASURY 1.125% 22/11/37 INDX LKD 3MO GBP	6,097,940	1.90
5 UK TREASURY 0.625% 22/03/40 INDX LKD 3MO GBP	5,944,007	1.85
6 UK TREASURY 0.125% 22/03/68 INDX LKD 3MO GBP	5,912,048	1.84
7 UK TREASURY 0.375% 22/03/62 INDX LKD 3MO GBP	5,589,850	1.74
8 UK TREASURY 2% 26/01/35 INDX LKD GBP	5,375,694	1.67
9 UK TREASURY 0.625% 22/11/42 INDX LKD 3MO GBP	5,362,477	1.67
10 UK TREASURY 0.75% 22/11/47 INDX LKD 3MO GBP	5,317,916	1.66
<b>Total Top 10 Holdings Market Value</b>	<b>60,696,654</b>	<b>18.90</b>
<b>Total Legal &amp; General Market Value</b>	<b>321,231,000</b>	

**Legal & General**

Top 10 holdings excludes investments held within pooled funds.

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QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q2 2016

8<sup>th</sup> August 2016

**Peter Davies**

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## PENSION FUND COMMITTEE – 2 SEPTEMBER 2016

### OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

#### Report by the Independent Financial Adviser

#### Economy

1. Although US GDP quarterly growth in Q2 was below expectations at +1.2% annualised, strong employment numbers in June and July have increased the possibility of a rise in the Fed Funds rate being announced in September. Forecasts for UK growth were being reduced by the Bank of England and the OECD in advance of the EU referendum.

(In the table below, bracketed figures show the forecasts made in April)

Consensus real growth (%)						Consumer prices latest (%)
	2013	2014	2015	2016E	2017E	
<b>UK</b>	+1.7	+2.8	+2.3	<b>+1.6 (+2.0)</b>	<b>+0.5</b>	+0.5(CPI)
<b>USA</b>	+1.9	+2.4	+2.4	+1.7 (+2.0)	+2.0	+1.0
<b>Eurozone</b>	-0.4	+0.8	+1.5	+1.5 (+1.4)	+1.1	+0.2
<b>Japan</b>	+1.7	+0.3	+0.6	+0.5 (+0.6)	+0.9	+0.5
<b>China</b>	+7.7	+7.4	+6.9	+6.5 (+6.5)	+6.3	+1.9

[Source of estimates: The Economist, August 6<sup>th</sup>, 2016]

2. The surprise result of the UK's referendum on EU membership on June 23<sup>rd</sup> was a win for the Leave campaign by a margin of almost 4%. The consequences were immediate and far-reaching:
  - David Cameron announced he would step down as Prime Minister. After a tumultuous selection process, Theresa May was installed as Prime Minister on July 13<sup>th</sup>.
  - George Osborne was replaced as Chancellor of the Exchequer by Philip Hammond – having already abandoned the target of producing a fiscal surplus in 2019/20. Theresa May mentioned the possible issuance of infrastructure bonds. The Chancellor will set out government policy in the Autumn Statement.
  - Sterling fell sharply, from almost \$1.50 late on June 23<sup>rd</sup> to \$1.32 the next day. After dipping below \$1.30, it has since traded in the 1.30-1.33 range.
  - The UK stockmarket indices had fallen by some 6% by June 27<sup>th</sup>, but then recovered strongly in the following weeks as the new government emerged.



- Most of the Labour Party front bench resigned their posts, and a vote of no confidence in Jeremy Corbyn was passed by a 4:1 majority among Labour MP's. Corbyn is being opposed by Owen Smith in a leadership contest to be decided in September.
3. On August 4<sup>th</sup>, the Bank of England cut the UK base rate from 0.5% to 0.25%, the first change in over seven years. They also announced a resumption of Quantitative Easing, with a plan to buy £60bn of UK gilts and £10bn of investment-grade bonds during the next six months. The Governor also announced a new £100bn Term Funding Scheme for banks, aimed at helping them to lend to households and businesses at low rates of interest. The Bank has reduced its GDP growth forecasts for the UK by a cumulative 2.5% over the next two years, and estimates that 250,000 jobs may be lost as a result of the post-referendum slowdown.

## Markets

### Equities

4. Equity markets moved steadily upwards during the quarter as interest rates remained low. The £-returns for overseas markets shown in the table below are enhanced by the weakness of sterling after the referendum.

	<b>Capital return (in £, %) to 30.6.16</b>		
<b>Weight %</b>	Region	<b>3 months</b>	<b>12 months</b>
<b>100.0</b>	FTSE All-World Index	<b>+7.8</b>	<b>+11.0</b>
55.9	FTSE All-World North America	+9.7	+18.2
8.3	FTSE All-World Japan	+8.6	+5.5
11.4	FTSE All-World Asia Pacific ex Japan	+7.1	+3.3
15.2	FTSE All-World Europe (ex-UK)	+2.1	+2.8
6.6	FTSE All-World UK	+5.0	-0.4
8.8	FTSE All-World Emerging Markets	+8.1	+0.6

[Source: FTSE All-World Review, June 2016]

5. All industrial sectors rose – in sterling terms – during the quarter, with Oil & Gas showing notable gains as the price of oil recovered.

<b>Capital return (in £, %) to 30.6.16</b>		
<b>Industry Group</b>	<b>3 months</b>	<b>12 months</b>
Utilities	+11.1	+27.8
Consumer Goods	+ 8.0	+19.6
Technology	+ 4.4	+17.7
Telecommunications	+ 8.8	+16.0
Consumer Services	+ 5.4	+15.4
Industrials	+ 7.8	+13.9
Health Care	+13.5	+12.1
<b>FTSE All-World</b>	<b>+ 7.8</b>	<b>+11.0</b>
Oil & Gas	+16.4	+7.2
Financials	+ 4.5	- 0.9
Basic Materials	+ 8.3	-1.3

[Source: FTSE All-World Review, June 2016]

6. Following the referendum, large-cap stocks recouped their initial falls within a few days, as the majority of their revenue is derived from overseas; mid-cap stocks, however, remained weak as they are more reliant on the domestic economy. Sectors such as housebuilding and financials were particularly weak.

<b>(Capital only %, to 30.6.16)</b>	<b>3 months</b>	<b>12 months</b>
<b>FTSE 100</b>	<b>+ 5.3</b>	<b>-0.3</b>
<b>FTSE 250</b>	<b>-3.9</b>	<b>-7.2</b>
<b>FTSE Small Cap</b>	<b>-1.6</b>	<b>-4.4</b>
<b>FTSE All-Share</b>	<b>+3.5</b>	<b>-1.5</b>

[Source: Financial Times]

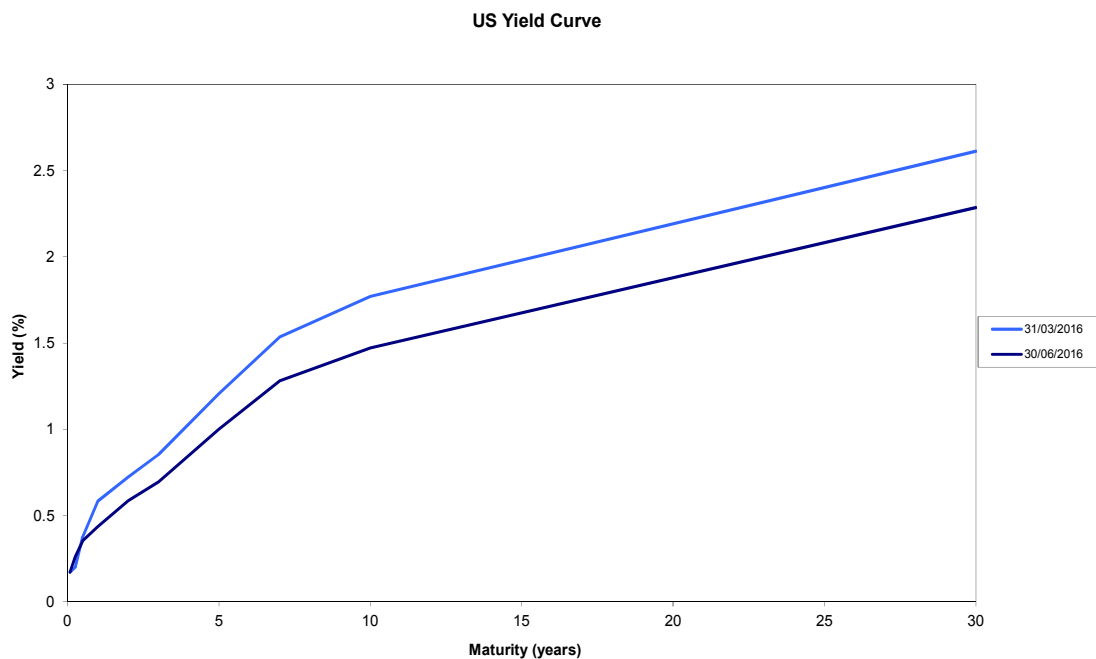
## Bonds

7. Government bond yields continued to fall sharply, with German bunds going into negative territory.

10-year government bond yields (%)					
	Dec 13	Dec 2014	Dec 2015	Mar 2016	June 2016
US	3.03	2.17	2.27	1.81	1.46
UK	3.04	1.76	1.96	1.54	1.00
Germany	1.94	0.54	0.63	0.15	-0.13
Japan	0.74	0.33	0.27	-0.05	-0.23

[Source: Financial Times]

US Treasuries strengthened further at all durations on the deferral of an interest rate rise by the Federal Reserve.



## Currencies

8. Prior to the referendum sterling had fluctuated between \$1.38 and \$1.50, depending on the outcome being forecast by the latest opinion polls. After the result, sterling fell by some 13% against the dollar. Its weakness against the yen has been even more pronounced.

				£ move (%)	
				3m	12m
	<b>30.6.15</b>	<b>31.3.16</b>	<b>30.6.16</b>		
\$ per £	1.573	1.437	1.337	- 7.0	-15.0
€ per £	1.412	1.261	1.203	- 4.6	-14.8
¥ per £	192.4	161.5	137.1	-15.1	-28.7

[Source: Financial Times]



GBP vs JPY



## Commodities

9. The oil price stayed above \$40 during the quarter, and ended the period at \$50, before falling back in July. Gold gained 7%, to reach its highest level in over two years.

Oil



**Gold**



**Property**

10. While the official second-quarter figures for UK property returns showed a continuation of the slowing growth seen in the first quarter, attention was focused on the actions of the largest open-ended property funds. After experiencing gradual withdrawals by retail investors prior to the Referendum, they then faced an accelerating pace of redemption requests after the result was announced. Most of the open-ended funds reduced their prices by 5% or more, using a ‘fair value adjustment’, but then seven of the largest funds froze withdrawals in order to allow themselves time to sell sufficient assets to meet the redemption requests. This overhang of properties, together with expectations of a less buoyant office letting market post-Brexit, will depress property valuations in the coming months.

	<b>3-month</b>	<b>12-month</b>
<b>All Property</b>	<b>+ 1.3%</b>	<b>+ 9.2%</b>
<b>Retail</b>	<b>+ 1.0%</b>	<b>+ 6.4%</b>
<b>Office</b>	<b>+ 1.1%</b>	<b>+10.8%</b>
<b>Industrial</b>	<b>+ 1.8%</b>	<b>+12.2%</b>

**[IPD Monthly Index of total returns, June 2016]**

## **Outlook**

11. The decision by the UK to leave the EU has altered the short-term outlook for the UK economy. The Bank of England has felt the need to take measures to stimulate the economy, and while the immediate reaction has been a 2% rise in UK equities and a 15bps fall in the 10-year gilt yield, the negative effects of Brexit have yet to come through to corporate profits. The likely slowdown in consumer spending, together with the higher cost of imported goods and services, will impact many UK companies with a domestic focus. For companies with predominantly overseas revenues, the weakness of sterling has given an initial boost, but the effects of the UK's revised trading arrangements have yet to be felt.
12. There has been no lessening in geo-political tension, with the resumption of the Syrian conflict, the abortive coup by the Turkish military, and terrorist acts being perpetrated in Nice, Rouen and in several sites in Germany.
13. The US Presidential Election in November will see Donald Trump, for the Republicans, opposing Democrat Hillary Clinton. In a campaign which has already confounded most pundits, it would be unwise to make any firm predictions of the result, but markets would be more comfortable with a Democrat victory.
14. Equity markets have strengthened as interest rates have fallen, but as the latter are a response to slowing economic growth I believe that equity markets look fully valued at current levels. Meanwhile, UK Property looks set to give back some of the exceptional gains made in the past three years.

**Peter Davies**

**Senior Adviser – AllenbridgeEpic Investment Advisers**

**August 8<sup>th</sup>, 2016**

[All graphs supplied by Legal & General Investment Management]

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