

Fund Account	Notes	2019 £'000	2020 £'000
<b>Contributions and Benefits</b>			
Contributions Receivable	6	-93,726	-100,833
Transfers from Other Schemes	7	-9,949	-13,021
Other Income	8	-465	-149
<b>Income Sub Total</b>		<b>-104,140</b>	<b>-114,003</b>
Benefits Payable	9	88,195	89,257
Payments to and on Account of Leavers	10	10,655	7,330
<b>Expenditure Sub Total</b>		<b>98,850</b>	<b>96,587</b>
<b>Net (Additions)/Withdrawals From Dealings With Members</b>		<b>-5,290</b>	<b>-17,416</b>
Management Expenses	11	11,030	12,433
<b>Net (Additions)/Withdrawals From Dealings With Members Returns on Investments</b>		<b>5,740</b>	<b>-4,983</b>
Investment Income	12	-32,698	-18,378
Commission Recapture		0	0
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	-132,586	174,464
Less Taxes on Income	12	244	195
<b>Net returns on Investments</b>		<b>-165,040</b>	<b>156,281</b>
<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>-159,300</b>	<b>151,298</b>
Opening Net Assets of the Scheme		2,355,350	2,514,650
<b>Closing Net Assets of the Scheme</b>		<b>2,514,650</b>	<b>2,363,352</b>

Net Assets Statement	Notes	2019 £'000	2020 £'000
<b>Investment Assets</b>			
Bonds	16b	296,805	300,087
Equities	16b	360,807	86,211
Pooled Investments	16b	1,581,636	1,729,191
Pooled Property Investments	16b	172,306	161,843
Derivative Contracts	16c	1,111	3,092
Cash Deposits	16d	3,567	28,111
Other Investment Balances	16d	7,429	12,401
Long-Term Investment Assets	16b	840	840
<b>Investment Liabilities</b>			
Derivative Contracts	16c	-384	-6,166
Other Investment Balances	16d	-869	-13,785
<b>Total Investments</b>		<b>2,423,248</b>	<b>2,301,825</b>
<b>Assets and Liabilities</b>			
Current Assets	17	91,324	62,466
Current Liabilities	18	-4,419	-3,189
<b>Net Current Assets</b>		<b>86,905</b>	<b>59,277</b>
Long-Term Assets	19	4,497	2,250
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>2,514,650</b>	<b>2,363,352</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 26.

### Note 1 – Description of the fund

This description of the Fund is a summary only. Further details are available in the Fund's 2019/20 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. 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 2016.

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 2019	As at 31 March 2020
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	8,529	8,290
Other Scheduled Bodies	11,156	11,675
Admitted Bodies	606	532
	<b>20,291</b>	<b>20,497</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	9,095	9,279
Other Scheduled Bodies	5,710	6,008
Admitted Bodies	993	1,052
	<b>15,798</b>	<b>16,339</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	16,114	16,061
Other Scheduled Bodies	9,993	10,568
Admitted Bodies	1,340	1,299
	<b>27,447</b>	<b>27,928</b>

Unprocessed leavers are included as Deferred Pensioners.

Five Resolution Bodies and twenty Admitted Bodies joined the scheme in 2019/20, with a further forty-seven Admitted Bodies having left the scheme. One Scheduled Body joined a multi-academy trust in 2019/20 with no net impact on membership numbers. In addition, a further Scheduled Body joined a neighbouring LGPS Fund. Overall the changes did not have a significant impact on the membership of the Fund. The Admitted Body employers that joined and left the Fund were mostly small school service contracts with low membership numbers.

### 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 2020 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 2019 and determined the contribution rates to take effect from 01 April 2020. Employer contribution rates currently range from 12.2% to 28.4% 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 2019/20.

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 Pension Fund and detail the net assets of the Fund. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 26.

The accounts have been prepared on a going concern basis.

### 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 where the bid price is not available, the last listed traded price, as at 31 March 2020.
- (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 2020.
- (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 'Changes in Market Value of Investments'

### 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. In the majority of cases, 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 'Changes in Market Value of Investments'. 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 2020.

### 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.

### Cash

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited for a fixed period and as such as an investment, has been included under cash deposits.

### Listed Private Equity

9. 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

10. 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.

### 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 and infrastructure investments at 31 March 2020 was £127.080m (£93.621m at 31 March 2019).

#### Pension Fund Liability

The pension fund liability is calculated every three years by the Fund's 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.	<p>The actuarial present value of promised retirement benefits included in the financial statements is £3,519m. There is a risk that this figure is under, or overstated in Note 26 to the accounts.</p> <p>Sensitivities to the key assumptions are as follows:                      A 0.5% p.a. increase in the pension increase rate would result in an approximate 9% increase to liabilities (£316m).                      A 0.5% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 1% (£25m).                      A 0.5% decrease in the real discount rate would result in an approximate 10% increase to liabilities (£344m).                      A one-year increase in member life expectancy would approximately increase the liabilities by 3-5%.</p>
Unquoted Private Equity	Unquoted private equity and infrastructure 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 and infrastructure investments included in the financial statements total £127.080m. There is a risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the information (i.e. the assumptions that were used in each case) to produce sensitivity calculations. Further details are included in Note 27.

Note 6 – Contributions

	2018/19 £'000	2019/20 £'000
<b>Employers</b>		
Normal	-53,554	-55,799
Augmentation	0	0
Deficit Funding	-15,821	-19,389
Costs of Early Retirement	-1,320	-1,488
	<b>-70,695</b>	<b>-76,676</b>
<b>Members</b>		
Normal	-22,709	-23,924
Additional *	-322	-233
	<b>-23,031</b>	<b>-24,157</b>
<b>Total</b>	<b>-93,726</b>	<b>-100,833</b>

Deficit recovery contributions are paid by employers based on the maximum 22 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	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Oxfordshire County Council	-28,652	-30,196	-9,360	-9,782
Scheduled Bodies	-33,409	-38,475	-11,124	-11,835
Resolution Bodies	-4,868	-5,133	-1,558	-1,613
Community Admission Bodies	-2,034	-1,372	-385	-372
Transferee Admission Bodies	-1,732	-1,500	-604	-555
<b>Total</b>	<b>70,695</b>	<b>-76,676</b>	<b>-23,031</b>	<b>-24,157</b>

**Note 7 – Transfers In**

	2018/19 £'000	2019/20 £'000
Individual Transfers In from other schemes	-7,868	-13,021
Group Transfers In from other schemes	-2,081	0
<b>Total</b>	<b>-9,949</b>	<b>-13,021</b>

**Note 8 – Other Income**

Other Income for 2019/20 of £0.149m (2018/19 £0.465m) reflects 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**

	2018/19 £'000	2019/20 £'000
Pensions Payable	71,839	75,227
Lump Sums – Retirement Grants	13,132	11,475
Lump Sums – Death Grants	3,224	2,555
<b>Total</b>	<b>88,195</b>	<b>89,257</b>

	Pensions Payable		Lump Sums	
	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000
Oxfordshire County Council	35,222	36,945	6,980	5,822
Scheduled Bodies	31,745	32,883	7,128	5,884
Resolution Bodies	630	769	712	853
Community Admission Bodies	3,451	3,702	669	918
Transferee Admission Bodies	791	928	867	553

**Note 10 – Payment to and on account of leavers**

	2018/19 £'000	2019/20 £'000
Refunds of Contributions	651	387

**Note 11 – Management Expenses**

	2018/19 £'000	2019/20 £'000
Administrative Costs	2,242	2,712
Investment Management Expenses	7,334	7,865
Oversight & Governance Costs		1,856
	1,454	
<b>Total</b>	<b>11,030</b>	<b>12,433</b>

Within oversight and governance costs are fees paid to the Pension Fund's external auditors of £0.019m (2018/19 £0.030m) for the audit of the Pension Fund's Annual Report and Accounts. No other external audit fees were paid in 2019/20.

A further breakdown of Investment Management Expenses is in Note 13.

**Note 12 – Investment Income**

	2018/19 £'000	2019/20 £'000
Bonds	-3,750	-3,647
Equity Dividends	-25,002	-9,620
Pooled Property Investments	-3,331	-4,058
Pooled Investments – Unit Trusts & Other Managed Funds	-9	-302
Interest on cash deposits	-553	-702
Other – securities lending	-53	-49
	<b>-32,698</b>	<b>-18,378</b>
Irrecoverable withholding tax - equities	244	195
<b>Total</b>	<b>-32,454</b>	<b>-18,183</b>



**Note 13 – Investment Management Expenses**

	2018/19 £'000	2019/20 £'000
Management Fees	7,332	7,827
Custody Fees	2	38
<b>Total</b>	<b>7,334</b>	<b>7,865</b>

Investment Management & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed. See Note 3 for details of the accounting treatment of management fees.

**Note 14 – Securities Lending**

The Fund operated a securities lending programme with its custodian State Street Bank and Trust Company for the duration of the financial year. Collateralised lending generated income of £0.049m in 2019/20 (2018/19 £0.053m). This is included within investment income in the Pension Fund Accounts. At 31 March 2020 £8.892m (31 March 2019 £5.344m) of stock was on loan, for which the fund held £10.028m (31 March 2019 £6.006m) 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) are the key management personnel involved with the Pension Fund. During 2019/20, 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 £0.113m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2018/19 £'000	2019/20 £'000
Short Term Benefits*	95	98
Long Term/Post Retirement Benefits	16	16
<b>Total</b>	<b>111</b>	<b>114</b>

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 administrating the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2020, employer contributions to the Pension Fund from the County Council were £30.196m (2018/19 £28.652m). At 31 March 2020 there were receivables in respect of contributions due from the County Council of £3.466m (2018/19 £3.344m) and payables due to the County Council of £0.760m (2018/19 £0.025m) for support services.

The County Council was reimbursed £1.445m (2018/19 £1.441m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

**Brunel Pension Partnership Ltd (Company Number 10429110)**

Brunel Pension Partnership Ltd (BPP Ltd) was formed on the 14 October 2016 and oversees the investment of pension fund assets for the following LGPS

funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Each of the nine Administering Authorities, including Oxfordshire County Council, and the Environment Agency own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	2018/19 £'000	2019/20 £'000
Income	0	0
Expenditure	685	1,164
Receivables	263	237
Payables	0	0

### Note 16 – Investments

	Value at 31 March 2019 £'000	Value at 31 March 2020 £'000
<b>Investment Assets</b>		
Bonds	296,805	300,087
Equities	360,807	86,211
Pooled Investments	1,581,636	1,729,191
Pooled Property Investments	172,306	161,843
Derivatives:		
- Forward Currency Contracts	1,111	3,092
Cash Deposits	3,567	28,111
Long-Term Investments	840	840
Investment Income Due	3,966	2,805
Amounts Receivable for Sales	3,463	9,596
<b>Total Investment Assets</b>	<b>2,424,501</b>	<b>2,321,776</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	-384	-6,166
Management Expenses Due	-869	-13,785
Amounts Payable for Purchases	0	0
<b>Total Investment Liabilities</b>	<b>-1,253</b>	<b>-19,951</b>
<b>Net Investment Assets</b>	<b>2,423,248</b>	<b>2,301,825</b>

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

	Value at 1 April 2019	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	296,805		-685,059	21,949			300,087
		666,392					
Equities			-352,573	11,730			86,211
	360,807	66,247					
Pooled Investments	1,581,636	416,347	-65,953	-202,839			1,729,191
Pooled Property Investments	172,306	11,338	-19,827	-			161,843
				1,974			
Long-Term Investments	840						840
<u>Derivative Contracts</u>							
FX	727	10,863	-10,955	-3,709			-3,074
Other Investment Balances							
Cash Deposits	3,567	241,897	-228,813	339	11,121		28,111
Amounts Receivable for							
Sales of Investments	3,463					6,133	9,596
Investment Income Due	3,966			40		-1,201	2,805
Amounts Payable for							
Purchases of Investments & Management Expenses	-869					-12,916	-13,785

Included within the above purchases and sales figures are transaction costs of £0.068m. 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.

Purchases and sales relating to derivative contracts consist of forward foreign exchange contracts that are used for the purpose of currency hedging. Further details are contained in note 16c.

	Value at 1 April 2018	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	279,802	273,511	-267,925	11,417			296,805
Equities	713,313	162,046	-517,135	2,583			360,807
Pooled Investments	1,069,635	867,562	-467,669	112,108			1,581,636
Pooled Property Investments	161,441	13,687	-8,571	5,749			172,306
Long-Term Investments	840						840
<u>Derivative Contracts</u>							
FX	-272	849,609	-849,108	498			727
Other Investment Balances							
Cash Deposits	9,698	83,301	-90,322	231	659		3,567
Amounts Receivable for							
Sales of Investments	8,153					-4,690	3,463
Investment Income Due	5,076					-1,110	3,966
Amounts Payable for							
Purchases of Investments & Management Expenses	-5,821					4,952	-869
<b>Total</b>	<b>2,241,865</b>	<b>2,249,716</b>	<b>-2,200,730</b>	<b>132,586</b>	<b>659</b>	<b>-848</b>	<b>2,423,248</b>

**Note 16b – Analysis of Investments (excluding Derivative Contracts, Cash Deposits and Other Investment Balances)**

<b>Long-Term Investment Assets</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Brunel Pension Partnership Ltd	840	840
<b>Total</b>	<b>840</b>	<b>840</b>

<b>Bonds</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
UK Public Sector	90,463	88,160
UK Other	-	611
Overseas Public Sector	56,335	42,602
UK Public Sector Index Linked	150,007	162,526
Overseas Public Sector index Linked		6,188
<b>Total</b>	<b>296,805</b>	<b>300,087</b>

<b>Equity Investments</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
UK Equities	112,286	81,488
Overseas Listed Equities:		
North America	166,787	4,168
Japan	9,947	
Europe	49,621	555
Pacific Basin	0	0
Emerging Markets	22,166	
<b>Total</b>	<b>360,807</b>	<b>86,211</b>

<b>Pooled Investment Vehicles</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
UK Registered Managed Funds – Property	36,649	31,152

<b>Total Investments (excluding Derivative Contract, Cash Deposits and Other Investment Balances)</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
	<b>2,412,394</b>	<b>2,278,172</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	3 months	62,531 GBP	71,004 EUR	760	-1,118	
Forward OTC	1 month	32,800 USD	25,960 GBP	860	-378	
Forward OTC	1 month	1,800 CAD	1,051 GBP		-31	
Forward OTC	1 month	2,384,000 JPY	17,068 GBP	750		
Forward OTC	1 month	19,700 EUR	17,127 GBP	481	-170	
Forward OTC	1 month	1,386 EUR	1,500 USD	89	-71	
Forward OTC	1 month	28,674 GBP	4,113,400 JPY		-2,071	
Forward OTC	1 month	47,423 GBP	61,692 USD		-2,310	
Forward OTC	1 month	931 GBP	1,750 AUD	67		
Forward OTC	1 month	2,233 GBP	3,792 CAD	85		
Forward OTC	1 month	9,781 GBP	120,373 SEK		-17	
Forward Currency Contracts at 31 March 2020				3,092	-6,166	-3,074
Prior Year Comparative						
Forward Currency contracts at 31 March 2019				1,111	-384	727

Note 16d – Other Investment Balances

	2018/19 £'000	2019/20 £'000
<b>Receivables</b>		
Sale of Investments	3,463	9,596
Dividend & Interest Accrued	3,742	2,492
Inland Revenue	224	313
Other	0	0
	<b>7,429</b>	<b>12,401</b>
<b>Payables</b>		
Purchase of Investments	0	-12,879
Management Fees	-850	-906
Custodian Fees	-19	0
	<b>-869</b>	<b>-13,785</b>
<b>Total</b>	<b>6,560</b>	<b>-1,384</b>

Cash Deposits

	2018/19 £'000	2019/20 £'000
Non-Sterling Cash Deposits	3,567	28,111
<b>Total</b>	<b>3,567</b>	<b>28,111</b>

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

	2018/19 £'000	% of Total Fund	2019/20 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	318,980	12.68	246,806	10.44
Brunel HG ALP GLB EQ	0	0.00	234,652	9.93
L&G World Developed Equity Index Fund	252,406	10.04	238,828	10.11
L&G UK FTSE All-Share Equity Index	179,064	7.12	145,866	6.17
L&G Core Plus Bond Fund	183,473	7.30	181,708	7.69
Brunel UK Equity Fund	438,172	17.42	351,250	14.86
Insight Broad Opportunities Fund	115,919	4.61	136,692	5.78

Note 17 – Current Assets

	2018/19 £'000	2019/20 £'000
<b>Receivables:</b>		
Employer Contributions	7,922	7,857
Employee Contributions	1,930	1,910
<b>Total</b>	<b>9,852</b>	<b>9,767</b>
<b>Payables:</b>		
Transferred Benefits	-1,251	5,290
Costs of Early Retirement	-1,700	1,405
Inland Revenue	507	534
Cash Bad Debts	77,130	49,172
<b>Total</b>	<b>91,324</b>	<b>62,468</b>
Staff Costs	-2	-109
Consultancy	-94	-66
Other	-77	-61
<b>Total</b>	<b>-4,419</b>	<b>-3,189</b>

Note 18 – Current Liabilities

**Note 19 – Long-Term Assets**

	2018/19 £'000	2019/20 £'000
Employer Contributions	4,189	2,130
Costs of Early Retirement	308	120
<b>Total</b>	<b>4,497</b>	<b>2,250</b>

Long-Term assets for 2019/20 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 £2,221.493m as at 31 March 2020. The table below gives a breakdown of this sum and shows the market value of assets under management with each external managed.

**Note 21 – Top 5 Holdings**

Value of the Fund's Top Five Holdings at 31 March 2020	£'000	% of Fund
HG Capital Trust Plc	42,935	1.81
BMO Private Equity Trust Plc	11,898	0.50
UK Index linked Gilt 0.125 2044	11,503	0.49
Standard Life European Private Equity Trust	11,414	0.48
3i Group Plc	9,072	0.38

**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 Fund 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 2019 £'000	Market Value 31 March 2020 £'000
Prudential	13,575	13,196

AVC contributions of £1.316m were paid directly to Prudential during the year. (2018/19 - £1.639m).

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. The Administering Authority does not handle these monies. Instead, if employees decide to pay AVCs their employer (the member body) sends them to Prudential.

**Note 24 – Contingent Liabilities and Capital Commitments**

As at 31 March 2020 the fund had outstanding capital commitments (investments) totalling £172.000m (31 March 2019 - £92.894m). 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 – Investment Strategy Statement**

Oxfordshire County Council Pension Fund has an Investment Strategy Statement. 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 webpage.

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

	2019 £m	2020 £m
Present Value of Funded Obligation	4,134	3,519

The movement from March 2019 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains a decrease in the present value of the Funded Obligation of £204m (2019 - £153m increase).

There has been a decrease in the present value of the Funded Obligation of £411m (2019 - £305m increase) reflecting changes in the financial assumptions used by the actuary 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, to 1.9% from 2.5% (net effect a decrease in Present Value of Funded Obligation)
- A decrease in the assumed level of salary increases to 1.9% from 3.7% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the discount rate to 2.3% from 2.4% (net effect an increase in Present Value of Funded Obligation).

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an ‘underpin’ which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government

requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Oxfordshire County Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.5% higher as at 31 March 2020, an increase of approximately £6m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

**Note 27 - Financial Instruments**

**Note 27a – Classification of Financial Instruments**

The following table analyses the carrying amounts of financial assets and liabilities reclassified during the accounting period.

	Fair Value through Profit & Loss £'000	2018/19 Loans & Receivables £'000	Financial Assets Am
<b>Financial Assets</b>			
Bonds	296,805		
Equities	360,807		
Pooled Investments	1,581,636		
Pooled Property Investments	172,306		
Derivatives	1,111		

**Note 27b – Net Gains and Losses on Financial Instruments**

**Financial Assets**

Fair Value through Profit and Loss	132,355	-174,803
Loans and Receivables	0	0
Financial Assets at Amortised Cost	231	339

**Financial Liabilities**

Fair Value through Profit and Loss	0	0
Financial Liabilities Measured at Amortised Cost	0	0

<b>Total</b>	<b>132,586</b>	<b>174,464</b>
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**Note 27c – 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.

Level 2 includes pooled funds where the valuation is based on the bid price, where bid and offer prices are published, or the net asset value provided by the issuing fund. Within Level 2 there are also listed private equity investments where the market for the security is not deemed active; for

these investments the valuation is based on the most recently available bid price 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 underlying fund investments. The valuations are obtained from the audited financial statements of the issuing funds and are normally adjusted for cashflows where data does not cover the full financial year for the Pension Fund. Between December 2019 and March 2020 there were significant market movements, primarily resulting from the impact of the COVID-19 pandemic. As such the Fund’s normal approach of taking 31 December valuations and adjusting for cashflows is unlikely to be an appropriate approximation of valuations for these funds for 2019/20. Where finalised 31 March 2020 valuations were not yet available the Fund has sought estimated valuations from fund managers.

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. These listed private equity investments are valued using the most recently available bid price in the market.

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.

## The Local Government Pension Fund Accounts

Value at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit & Loss	325,414	1,677,025	290,913	2,293,352
Financial Assets at Amortised Cost	77,719	0	0	77,719
<b>Total Financial Assets</b>	<b>403,133</b>	<b>1,677,025</b>	<b>290,913</b>	<b>2,371,071</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit & Loss	-13,786	-6,166	0	-19,952
Financial Liabilities at Amortised Cost	-390	0	0	-390
<b>Total Financial Liabilities</b>	<b>-14,176</b>	<b>-6,166</b>	<b>0</b>	<b>-20,342</b>
<b>Net Financial Assets</b>	<b>388,957</b>	<b>1,670,859</b>	<b>290,913</b>	<b>2,350,729</b>

Value at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit & Loss	582,547	1,708,127	130,036	2,420,710
Financial Assets at Amortised Cost	81,247	0	0	81,247
<b>Total Financial Assets</b>	<b>663,794</b>	<b>1,708,127</b>	<b>130,036</b>	<b>2,501,957</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit & Loss	-869	-384	0	-1,253
Financial Liabilities at Amortised Cost	-109	0	0	-109
<b>Total Financial Liabilities</b>	<b>-978</b>	<b>-384</b>	<b>0</b>	<b>-1,362</b>
<b>Net Financial Assets</b>	<b>662,816</b>	<b>1,707,743</b>	<b>130,036</b>	<b>2,500,595</b>

### Reconciliation of Movement in Level 3 Financial Instruments

	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000	Pooled Infrastructure Funds £'000	Long-Term Investments £'000
<b>Market Value 31 March 2019</b>	<b>1,458</b>	<b>80,563</b>	<b>34,117</b>	<b>13,058</b>	<b>840</b>
Transfers In	0	0	132,678	0	0
Transfers Out	0	0	0	0	0
Purchases	0	24,216	540	19,223	0
Sales	0	-10,346	-7,483	-1,821	0
Unrealised Gains/(Losses)	-401	-3,612	1,296	838	0
Realised Gains/(Losses)	93	4,961	695	0	0
<b>Market Value 31 March 2020</b>	<b>1,150</b>	<b>95,782</b>	<b>161,843</b>	<b>31,298</b>	<b>840</b>

	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000	Pooled Infrastructure Funds £'000	Long-Term Investments £'000
<b>Market Value 31 March 2018</b>	<b>1,804</b>	<b>71,797</b>	<b>32,377</b>	<b>3,646</b>	<b>840</b>
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Purchases	0	11,693	4,933	9,363	0
Sales	-523	-12,946	-5,525	0	0
Unrealised Gains/(Losses)	-16	3,692	2,316	49	0
Realised Gains/(Losses)	193	6,327	16	0	0
<b>Market Value 31 March 2019</b>	<b>1,458</b>	<b>80,563</b>	<b>34,117</b>	<b>13,058</b>	<b>840</b>

Transfers in are included at the 31 March 2020 market value. For 2019/20 the Pension Fund has included all pooled property funds that were held in Level 2 as at 31 March 2019 in level 3. The decision was made as all of the property funds had a material uncertainty clause included in their valuations. The clause was included as a result of the significantly reduced property market activity stemming from the COVID-19 pandemic.

### Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2020 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	1,150	1,265	1,035
Pooled Private Equity Funds	10%	95,782	105,360	86,203
Pooled Property Funds	3%	161,843	166,698	156,988
Pooled Infrastructure Funds	5%	31,298	32,863	29,733
Long-Term Investments	0%	840	840	840

Level 3 Investments	Valuation Range +/-	Value at 31 March 2019 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	1,458	1,604	1,312
Pooled Private Equity Funds	10%	80,563	88,619	72,507
Pooled Property Funds	3%	34,117	35,141	33,093
Pooled Infrastructure Funds	5%	13,058	13,711	12,405
Long-Term Investments	0%	840	840	840

### 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 triennial Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2019 Valuation estimated that the current Funding Level is 99%.
- The Investment Strategy Statement which sets out the Fund's approach to the investment of funds, and sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset Allocation to ensure it is appropriately aligned to the Fund's liability profile and to ensure compliance with the Investment Strategy Statement.
- 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 Investment Strategy Statement include:

- Maintaining an element of the asset allocation in assets such as fixed income securities, the behaviour of which closely mirrors that of the Fund's liabilities. The allocation to liability matching assets is regularly reviewed with the intention that the allocation will increase as the maturity of the fund increases, as was the case following the 2016 valuation. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades and remains cashflow positive, the Fund can afford to seek the higher investment returns associated with the more volatile and illiquid asset classes.

- Maintaining an element of the asset allocation in passive equity funds which removes 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.
- The Fund's policy on ensuring Environmental Social & Governance factors are taken into account in investment decisions. During 2019/20 the Fund has developed a Climate Change Policy dealing with how it will manage climate change related risks and opportunities. The policy was developed as the Fund sees climate change as single most significant risk to long-term investment performance given its systemic nature.

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. Changes to the scheme were made in 2014 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 2019 Valuation, undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.1% per annum in the discount rate would move the calculated funding level from 99% down to 98% or up to 100%. A change in the CPI assumption of 0.1% per annum would lead to a reduction in the funding level to 98% or an increase to 100%. A change to

the rate of mortality improvement of 0.25% would move the funding level down to 98% or up to 100%.

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 2020 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2019 £'000	31 March 2020 £'000
UK Government Gilts	90,463	88,160
UK Corporate Bonds	183,473	181,708
UK Index Linked Gilts	150,007	163,137
Overseas Government Bonds	56,335	48,789
Non-Sterling Cash Deposits	3,567	28,111
Cash Balances	77,159	49,122
<b>Total</b>	<b>561,004</b>	<b>559,027</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 2020 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance at 31 March 2019 £'000	Rating	Balance at 31 March 2020 £'000
<b>Money Market Funds</b>				
Aberdeen Standard	AAA	21,000	AAA	20,000
State Street Global Advisors	AAA	57,644	AAA	45,162
<b>Bank Current Accounts</b>				
Lloyds Bank Plc	A+	1,950	A+	1,547
State Street Bank & Trust Co	AA+	132	AA+	10,524
<b>Total</b>		<b>80,726</b>		<b>77,233</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 2019/20 the Pension Fund received/accrued income related to dealings with members of £114.0m (2018/19 £104.1m) and incurred expenditure related to dealings with members of £109.0m (2018/19 £109.9m). There were further receipts/accruals of £18.4m (2018/19 £32.7m) in respect of investment income, against which need to be set

taxes of £0.2m (2018/19 £0.2m). The net inflow was therefore £23.2m (2018/19 £26.6m).

The figures show that the Fund is still cashflow positive at the whole fund level. 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 £40m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from fund managers, and other payments due from the Fund. The Fund has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future. The Fund has already taken some steps in this regard including allocating to the Secured Income portfolio offered by Brunel Pension Partnership.

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 continuing 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. There are changes to the Scheme being consulted on that could impact on scheme membership levels although these changes would be expected to impact gradually over time. In addition, some employers are adopting models that have the potential to reduce scheme membership.

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 need to be of a scale deemed 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 2020 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £'000	-1% £'000
Cash and Cash Equivalents	28,111	281	-281
Cash Balances	49,122	491	-491
Bonds	474,996	4,750	-4,750
<b>Total Change in Assets Available</b>	<b>552,229</b>	<b>5,522</b>	<b>-5,522</b>

Asset Type	Carrying Amount as at 31 March 2019 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £'000	-1% £'000
Cash and Cash Equivalents	3,567	36	-36
Cash Balances	77,159	772	-772
Bonds	480,278	4,803	-4,803
<b>Total Change in Assets Available</b>	<b>561,004</b>	<b>5,611</b>	<b>-5,611</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).

The table below shows the impact a 10.0% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits.

This analysis assumes that all other variables remain constant.

Currency Exposure - Asset Type	Asset Values as at 31 March 2020	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	4,723	472	-472
Pooled Global Equities	786,596	78,660	-78,660
Pooled Private Equity (LLPs)	81,755	8,176	-8,176
Pooled Property	42,092	4,209	-4,209
Infrastructure	19,915	1,991	-1,991
Cash	28,111	2,811	-2,811
<b>Total Change in Assets Available</b>	<b>963,192</b>	<b>96,319</b>	<b>-96,319</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2019	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	248,521	24,852	-24,852
Pooled Global Equities	571,387	57,139	-57,139
Pooled Private Equity (LLPs)	69,957	6,996	-6,996
Pooled Property	44,940	4,494	-4,494
Infrastructure	13,058	1,306	-1,306
Cash	3,567	357	-357
<b>Total Change in Assets Available</b>	<b>951,430</b>	<b>95,144</b>	<b>-95,144</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.

The effect of various movements in market price are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

## The Local Government Pension Fund Accounts

Asset Type	Value as at 31 March 2020 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	81,489	10.0	89,638	73,340
Pooled UK Equities	497,115	10.0	546,827	447,404
Global Equities	4,723	10.0	5,195	4,251
Diversified Growth Fund	136,692	3.0	140,792	132,591
Pooled Global Equities	786,596	10.0	865,256	707,937
UK Bonds	88,160	5.0	92,568	83,752
Overseas Bonds	48,789	5.0	51,229	46,350
UK Index Linked Bonds	163,137	5.0	171,294	154,980
Pooled Corporate Bonds	181,708	5.0	190,794	172,623
Infrastructure	31,298	5.0	32,863	29,733
Pooled Private Equity (LLPs)	95,782	10.0	105,360	86,204
Pooled Property	161,843	3.0	166,699	156,988
Long-Term Investments	840	0.0	840	840
Cash	77,233	0.0	77,233	77,233
<b>Total Assets Available to Pay Benefits</b>	<b>2,355,405</b>		<b>2,536,588</b>	<b>2,174,226</b>

Asset Type	Value as at 31 March 2019 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	112,286	10.0	123,514	101,057
Pooled UK Equities	617,237	10.0	678,960	555,513
Global Equities	248,521	10.0	273,373	223,669
Diversified Growth Fund	115,920	3.0	119,397	112,442
Pooled Global Equities	571,387	10.0	628,526	514,248
UK Bonds	90,463	5.0	94,986	85,940
Overseas Bonds	56,335	5.0	59,152	53,518
UK Index Linked Bonds	150,007	5.0	157,508	142,507
Pooled Corporate Bonds	183,473	5.0	192,646	174,299
Infrastructure	13,057	5.0	13,711	12,405
Pooled Private Equity (LLPs)	80,562	10.0	88,619	72,507
Pooled Property	172,306	3.0	177,475	167,136
Long-Term Investments	840	0.0	840	840
Cash	80,726	0.0	80,726	80,726
<b>Total Assets Available to Pay Benefits</b>	<b>2,493,120</b>		<b>2,689,433</b>	<b>2,296,807</b>

**Note 29 - Actuarial Valuation**

The contribution rates within the 2019/20 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2016.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2020 was 19.9% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	12.9	812
West Oxfordshire District Council	15.8	-
Cherwell District Council	14.9	-
Oxford City Council	20.6	-
Vale of White Horse District Council	13.2	716
Oxford Brookes University	14.4	606

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,842m. The smoothed market value (the six month average of the market value straddling the valuation date) of the Fund's assets at the valuation date was

£1,825m representing 90% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2017, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 22 years.

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

Assumptions for the 2016 Valuation	Annual Rate %
Pension Increases	2.4
Short-Term Pay Increases*	2.4
Long-Term Pay Increases	3.9
Discount Rate	5.4

\*Short-term pay increases are for the period to 31 March 2020.

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.