

# OXFORDSHIRE PENSION FUND REPORT AND ACCOUNTS 2006/07

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*Note: All County Council Pension Fund members will be notified that this report is available for inspection, via a leaflet summarising its content.*

**FOREWORD TO THE 2006/07 PENSION FUND REPORT AND  
ACCOUNTS BY THE HEAD OF FINANCE & PROCUREMENT**

**STILL TO BE WRITTEN**

STILL TO BE WRITTEN

Sue Scane  
Head of Finance and Procurement  
August 2006

## Statement of Responsibilities for the Pension Fund

STILL TO BE WRITTEN

SUE SCANE  
Head of Finance and Procurement

## MEMBERS, MANAGERS AND ADVISERS

<i>Administering Authority</i>	Oxfordshire County Council County Hall Oxford OX1 1TH
<i>Administrator</i>	Head of Finance & Procurement
<i>Pension Fund Committee County Council Members</i>	David Harvey (Chairman) Ray Jelf (Deputy Chair) Tony Crabbe Bill Bradshaw Neville Harris Jim Moley Bill Service
<i>Representatives of District Councils</i>	Michael Howes Bob Price
<i>Beneficiary Observer</i>	Malcolm Leeding to 31 <sup>st</sup> August 2006 Sean Gibson from 1 <sup>st</sup> September 2006
<i>Investment Adviser</i>	A F Bushell
<i>Fund Managers</i>	Alliance Bernstein Baillie Gifford Legal & General UBS Global Asset Management
<i>Private Equity Advisers</i>	UBS Investment Banking Division
<i>Actuary</i>	Hewitt Bacon & Woodrow
<i>Auditor</i>	KPMG
<i>AVC Provider</i>	Prudential
<i>Corporate Governance &amp; Socially Responsible Investment Service</i>	RREV (Research, Recommendations and Electronic Voting).
<i>Custodian</i>	ABN AMRO Mellon
<i>Performance Management</i>	WM Performance Services

## HOW THE SCHEME OPERATES

### ◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit (or final salary) scheme. The operation of the Oxfordshire Local Government Pension scheme is principally governed by the Local Government Pension Scheme Regulations 1997 [as amended] (effective from April 1998). The scheme covers eligible employees of the County Council, District Councils within the county area and other bodies who are also members of the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on page 9. This defined benefit scheme provides benefits related to salary for its members and is unaffected by the investment return achieved on the Scheme's assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State and is based on the Retail Price Index (RPI).

Other legislation introduced this year has also had a significant effect on pension administration. In particular, taxation arrangements for pension schemes, their members and the administrators, changed from 6 April 2006. These fundamental changes, imposed on benefit administration and the reporting structure to Her Majesty's Customs and Revenue Office (HMRC), required procedural changes. The new process for all members retiring is now in place even though the changes will affect only a minority of the overall membership. High earners, who may be affected, have the opportunity to apply to the HMRC for special protection.

The legislation to help prevent discrimination on grounds of age has also been incorporated into the Local Government Pension Scheme rules.

### ◆ Contributions

The Scheme 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 the rate of 5% or 6% of pensionable pay depending upon their employment.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects 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 2006-07 were based on the latest completed valuation of the Scheme's financial position as at 31<sup>st</sup> March 2004 and are shown on page 9.

The next actuarial valuation is due at 31 March 2007 and any change to employer contribution rates, as a result of that valuation, will take effect from 1 April 2008. This will be concurrent with the introduction of the proposed 'New Look LGPS' where the employee contribution rates will also be changed.

The maximum rate of employee contribution for pension purposes had previously been limited to 15 percent of pay by the HMRC. This included the standard 5 or 6 percent mentioned above. From 6 April 2006 the new tax rules allowed voluntary additional member contributions to up to 100 percent of pay.

### Benefits

The benefits payable under the Scheme are laid down by the 1997 Regulations. Pension payments are guaranteed and participating employers make up any shortfall in the Pension Fund.

The Scheme is a 'final salary' scheme and provides a pension and lump sum as a proportion of final salary according to the length of service. Employees having at least 3 months membership may choose to leave their benefits as deferred benefits in the Fund, or transfer to other arrangements. Pensions paid to retired employees and deferred benefits, are subject to mandatory increases in accordance with annual pension increase legislation. Further details on benefits are summarised on pages 39 to 41.

The new tax rule changes have lifted the upper level limit to benefits; there is no longer a restriction of 40 years scheme membership at age 60, but there is a lifetime allowance. 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.

Flexibility has been introduced into the benefit structure to allow a person to convert a portion

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

Retirement too can be more flexible with the employers' approval. Regulation changes enable a person to continue with their employment with reduced pay and also receive their pension. Employers must agree to both releasing the pension and the terms of the reduced pay.

A review of the sustainability of the LGPS is currently being undertaken, and a new scheme will be introduced in April 2008. The new scheme has to reflect the additional costs in maintaining the scheme are shared and acknowledge the wider review of pensions.

#### ◆ **Internal Dispute Procedure**

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

## MEMBERSHIP

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

The table below provides the composition of the Fund's membership for the five years 2002/03 to 2006/07.

	2002-03	2003-04	2004-05	2005-06	2006-07
<b>Contributory Employees</b>					
Oxfordshire County Council	8,269	10,419	11,148	13,334	13,496
Other Scheduled Bodies	4,999	5,333	5,381	5,363	5,425
Admitted Bodies	1,034	1,030	1,086	1,074	1,086
	<b>14,302</b>	<b>16,782</b>	<b>17,615</b>	<b>19,771</b>	<b>20,007</b>
<b>Pensioners and Dependants</b>					
Oxfordshire County Council	3,954	4,116	4,274	4,524	4,813
Other Scheduled Bodies	2,821	2,906	3,014	3,148	3,248
Admitted Bodies	92	124	150	209	260
	<b>6,867</b>	<b>7,146</b>	<b>7,438</b>	<b>7,881</b>	<b>8,321</b>
<b>Deferred Pensioners</b>					
Oxfordshire County Council	3,765	3,821	4,508	4,738	6,284
Other Scheduled Bodies	2,540	2,639	2,874	3,269	3,515
Admitted Bodies	233	283	371	392	443
	<b>6,538</b>	<b>6,743</b>	<b>7,753</b>	<b>8,399</b>	<b>10,242</b>

Employees of the County and District Councils as well as Oxford Brookes University and the higher education colleges have the right to join the Scheme. Parish Councils and Town Councils pass resolutions to enable staff to join LGPS, whereas Admitted Bodies must nominate employees.

The main changes in 2006/07 were as follows: -

- The number of contributory employees increased by 236.
- The number of pensioners & dependants increased by 440
- The number of deferred pensioners increased by 1,843. In addition to these, a further 3,916 former members have left their contributions in the Fund, pending a decision on whether to opt for a refund or a transfer.

The table below provides details of members for the Other Scheduled Bodies.

Oxford City Council	1597	South Oxon District Council	276
Cherwell District Council	617	Oxford Brookes University	1369
Vale of White Horse District Council	352	Other	892
West Oxon District Council	322		



## PARTICIPATING EMPLOYERS

Scheduled Bodies	<i>Contributions are shown as a percentage of pensionable pay</i>	Contribution Rate % 2006/07	Scheduled Bodies (cont)	Contribution Rate % 2006/07
Abingdon Town Council		17.70	Witney Town Council	17.70
Abingdon & Witney College		15.90	Woodstock Town Council	17.70
Banbury Town Council		17.70		
Benson Parish Council		17.70	<b><u>Admitted Bodies</u></b>	
Berinsfield Parish Council		18.30	Abingdon & District Citizens Advice Bureau	13.80
Bicester Town Council		18.00	ACE Centre Advisory Trust	14.70
Carterton Town Council		18.00	Banbury Citizens Advice Bureau	13.80
Cherwell District Council		20.70	Banbury Homes	13.80
Chalgrove Parish Council		17.70	CAPITA	18.90
Chinnor Parish Council		17.70	CfBT Careers Service Ltd	16.80
Chipping Norton Town Council		17.70	Charter Community Housing	13.20
Cumnor Parish Council		17.70	Cherwell Housing Trust	14.70
Didcot Town Council		17.70	Cottsway Housing Association Ltd	15.30
Eynsham Parish Council		17.70	Elmore Community Services	13.80
Faringdon Parish Council		17.70	East of England Museums Service	12.90
Henley College		14.10	KGB Cleaning & Support Services	20.10
Henley-on-Thames Town Council		17.70	Museums, Libraries & Archives London	12.90
Kidlington Parish Council		18.00	Museums, Libraries & Archives South East	12.90
Marcham Parish Council		18.00	NORCAP	13.80
North Hinksey Parish Council		17.70	Order of St John's Care Trust	25.80
Oxford Brookes University		15.60	Oxfordshire Archaeological Unit Ltd	13.80
Oxford City Council		18.60	Oxford Community Work Agency	13.80
Oxford & Cherwell College		16.50	Oxford Institute of Legal Practice	13.80
Oxfordshire County Council		18.30	Oxford Night Shelter	13.80
Oxfordshire Valuation and Community Charge Tribunal		17.70	Oxford Women's Training Scheme	13.80
Risinghurst & Sandhills Parish Council		17.70	Oxfordshire Community Foundation	13.80
Rotherfield Greys Parish Council		17.70	Oxfordshire Co-operative Development Agency	13.80
Rotherfield Peppard Parish Council		17.70	Oxfordshire Council for Voluntary Action	13.80
South Oxfordshire District Council		15.60	Oxfordshire Mental Health Matters	13.80
Sutton Courtenay Parish Council		18.00	Oxfordshire Youth Arts Partnership	15.00
Thame Town Council		17.70	Reading Quest	12.00
Vale of White Horse District Council		17.40	SOLL Leisure	13.80
Wallingford Town Council		17.70	Swalcliffe Park School Trust	14.70
Wantage Town Council		17.70	Thames Valley Partnership	14.70
West Oxfordshire District Council		18.60	The Vale Housing Association Ltd	25.50
Wheatley Parish Council		18.30	West Oxfordshire Citizens Advice Bureau	13.80
Whitchurch Parish Council		17.70		

## INVESTMENT

### ◆ Investment Objectives

The scheme benefits are financed by contributions from employees and employers together with income from investments. Contributions are invested to provide as high a rate of return to the Fund in the long term as is commensurate with an acceptable degree of risk.

### ◆ Investment Powers

Powers to invest are contained within Local Government pension regulations, which permit a wide range of investments but within prescribed limits:

- not more than 10% of the Fund may be invested in securities which are not listed on either the United Kingdom Stock Exchange or a foreign stock exchange of international repute;
- no more than 10% of the Fund may be invested in a single holding, and no more than 25% of the Fund may be invested in unit trust schemes managed by any one person;
- no more than 10% of the Fund may be deposited with any one bank;
- loans from the Fund, including money used by the administering authority or lent to other local authorities, but not including loans to the Government, may not in total exceed 10% of the value of the Fund.

### ◆ The Regulations require the administering authority to:

- at least every three months, review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating their appointments;
- have regard to the need for **diversification** of investments and to the suitability of investments;

- have regard to **proper advice**, obtained at reasonable intervals.

### ◆ Investment Management

Responsibility for the investment arrangements is delegated by the County Council to the Pension Fund Committee. This Committee comprises County and District Council Members and is advised by the Head of Finance & Procurement and an Independent Adviser. The Committee is responsible for the appointment of external Fund Managers, to whom is delegated the day to day management of the Fund's investments, within guidelines agreed with the Committee.

The Pension Fund Committee is scheduled to meet four times a year. The investment performance and strategy of the Fund Managers is reported and reviewed at these meetings. The asset allocation of the Fund Managers i.e. what proportion of the portfolio should be invested in UK equities, overseas equities etc. is also approved. In addition, when necessary, the Head of Finance & Procurement and Independent Adviser meet with the Fund Managers and discuss matters arising between quarterly meetings.

The Pension Fund's managers and their mandates are :-

UBS Global Asset Management - Multi Assets, TAA Fund and Hedge Funds.  
Alliance Bernstein - Global Equities.  
Baillie Gifford - UK Equities  
Legal and General - UK Bonds  
Tony Bushell, IFA - Private Equity

Part of the cash balances are retained by the Council so that Fund liabilities can be paid.

## Custodian Services

Since April 2003 the Fund has used a Global Custodian, which is currently ABN AMRO Mellon. The custodian's responsibilities include the safekeeping of assets, the collection of income, the recovery of any reclaimable tax, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with the investment managers. The custodian also provides independent confirmation of the assets and their value, held by the fund.

Investment Review 2006/07

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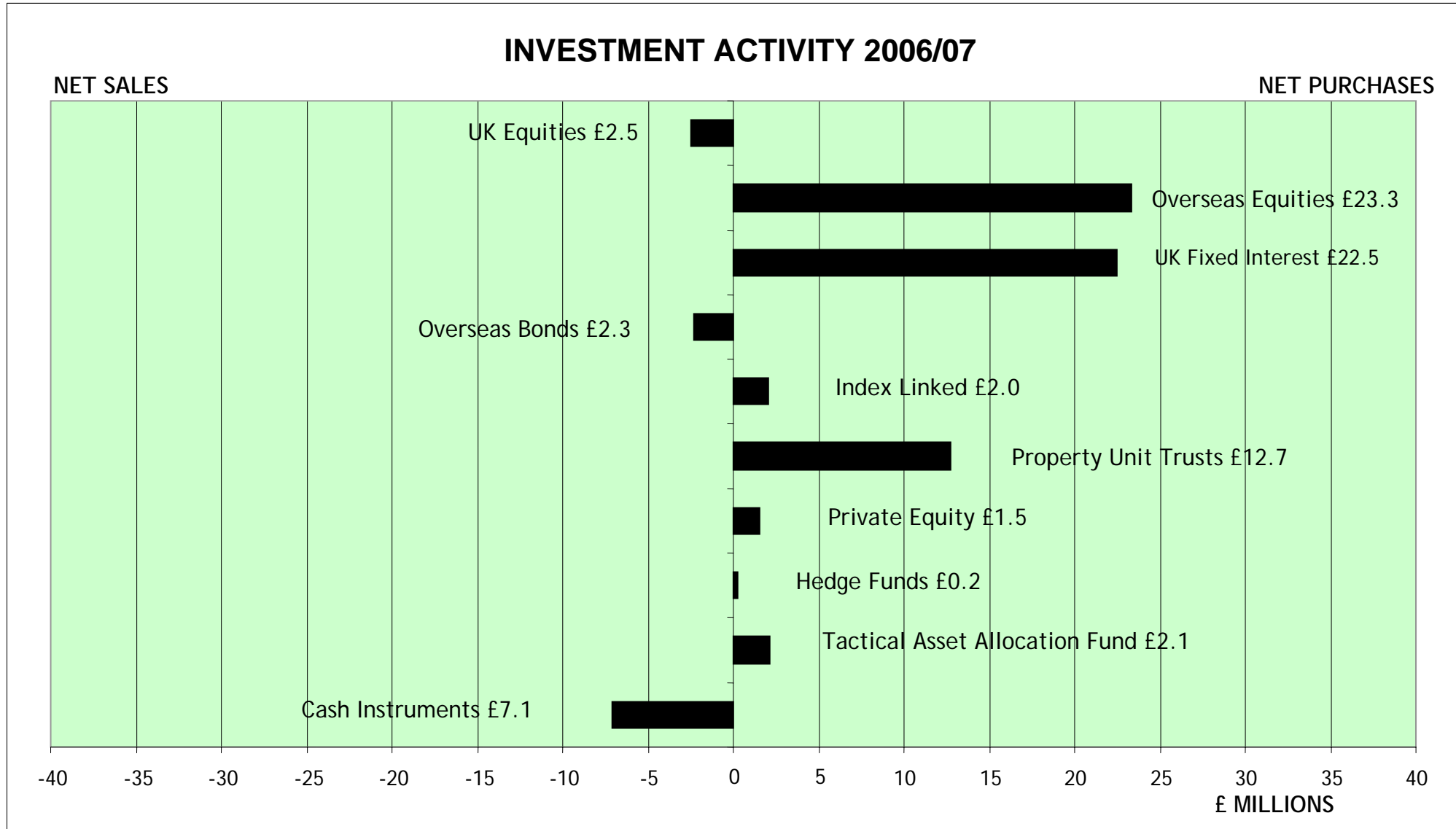
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Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2007.

SECTOR		INDEX	% Total Returns Year to 31.3.07
<b>Equities</b>	UK	FTSE Actuaries All Share	11.1
	North America	FTSE North American Developed	-0.9
	Japan	FTSE Japan Developed	-9.9
	Europe	FTSE Europe (ex UK) Developed	12.4
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	20.3
	Emerging Markets	MSCI Emerging Markets Free	7.0
<b>Bonds</b>	UK Government	FTSE Government UK Gilts All Stocks	0.5
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	2.6
	UK Corporate Bonds	IBoxx Sterling Non-Gilt All Stocks Index	1.1
	Overseas	JP Morgan Traded WXUK	-5.1
<b>Cash</b>	UK	7 DAY £ LIBID INDEX	4.9
<b>Property</b>	UK Commercial	HSBC All Balanced Funds Index	16.5

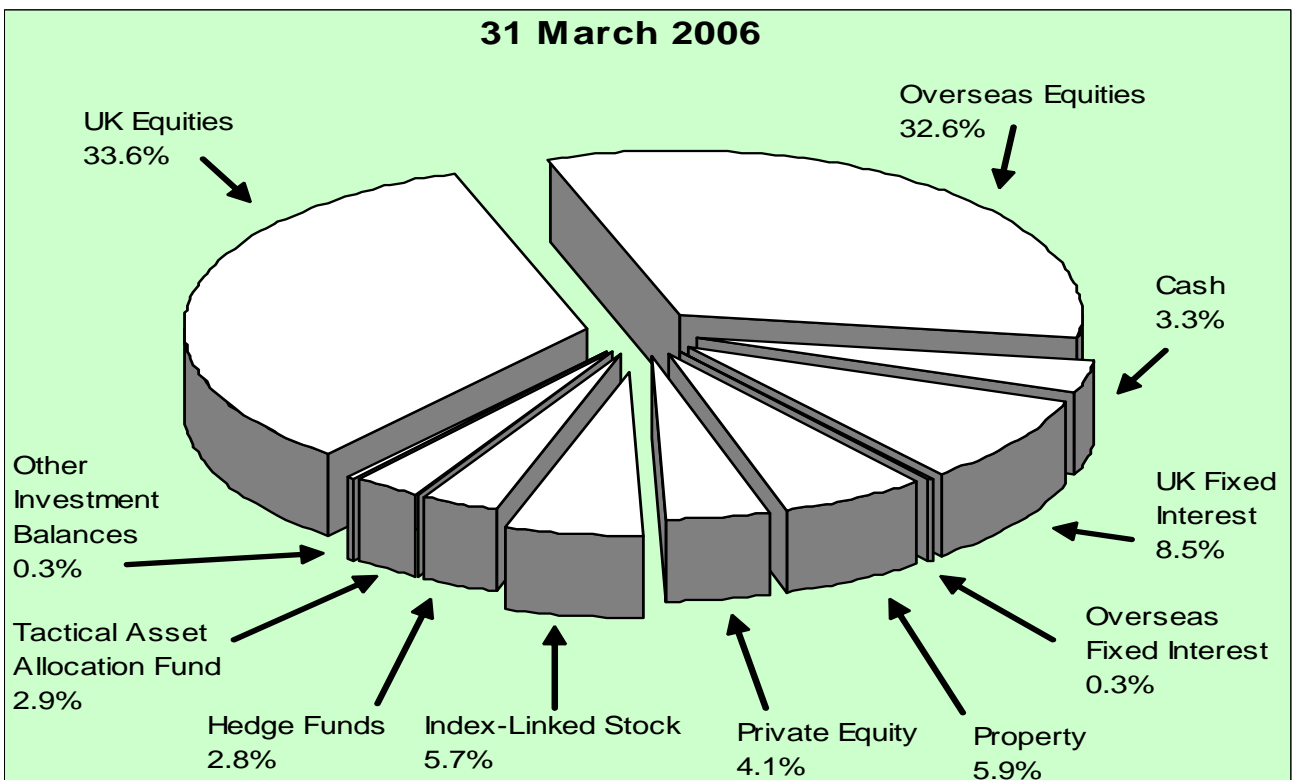
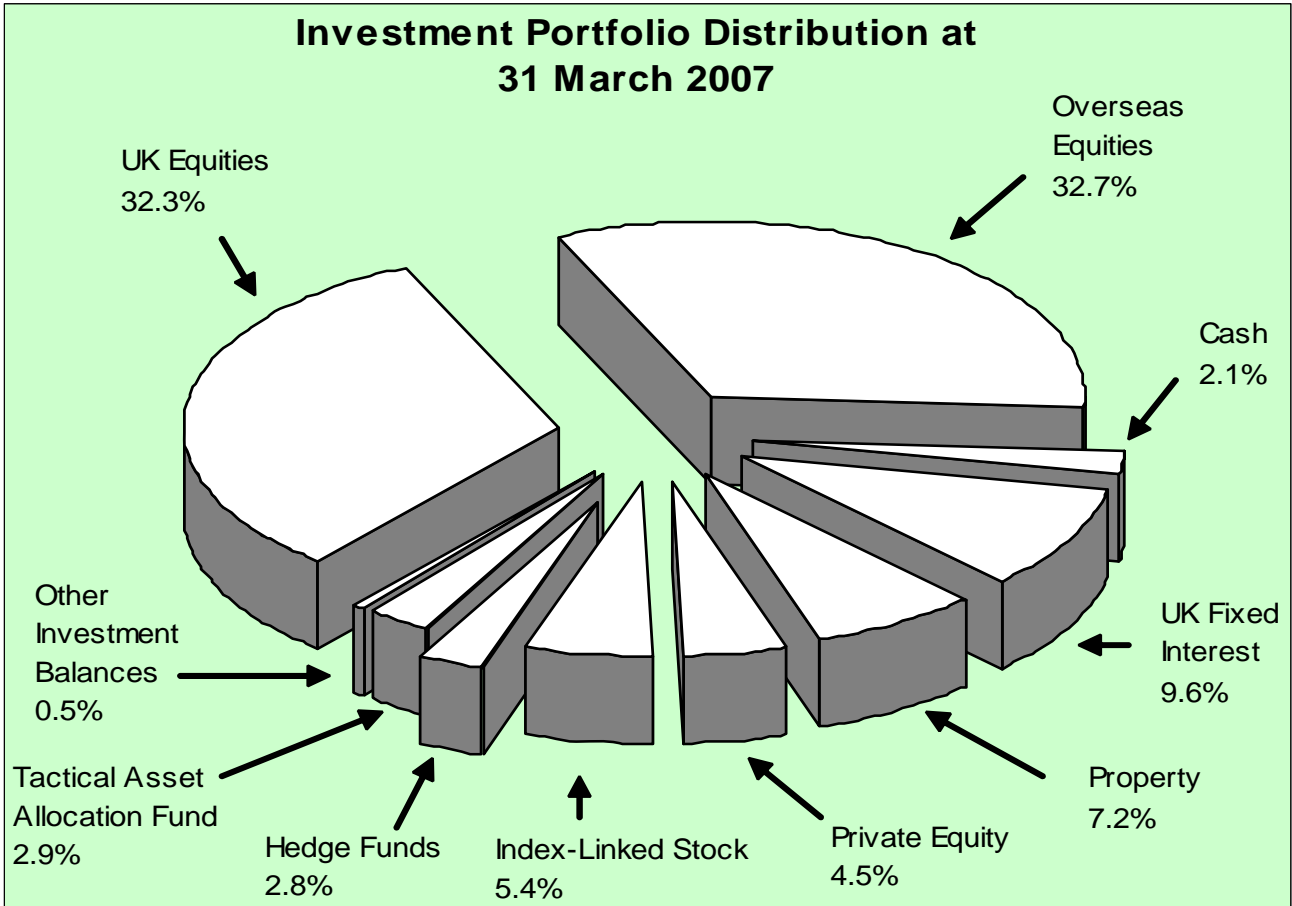
- Investment Activity

The Pension Fund invested a net £52 million during the year ended 31 March 2007. The amounts invested or disinvested in each principal category of asset are shown in the first chart on this page.



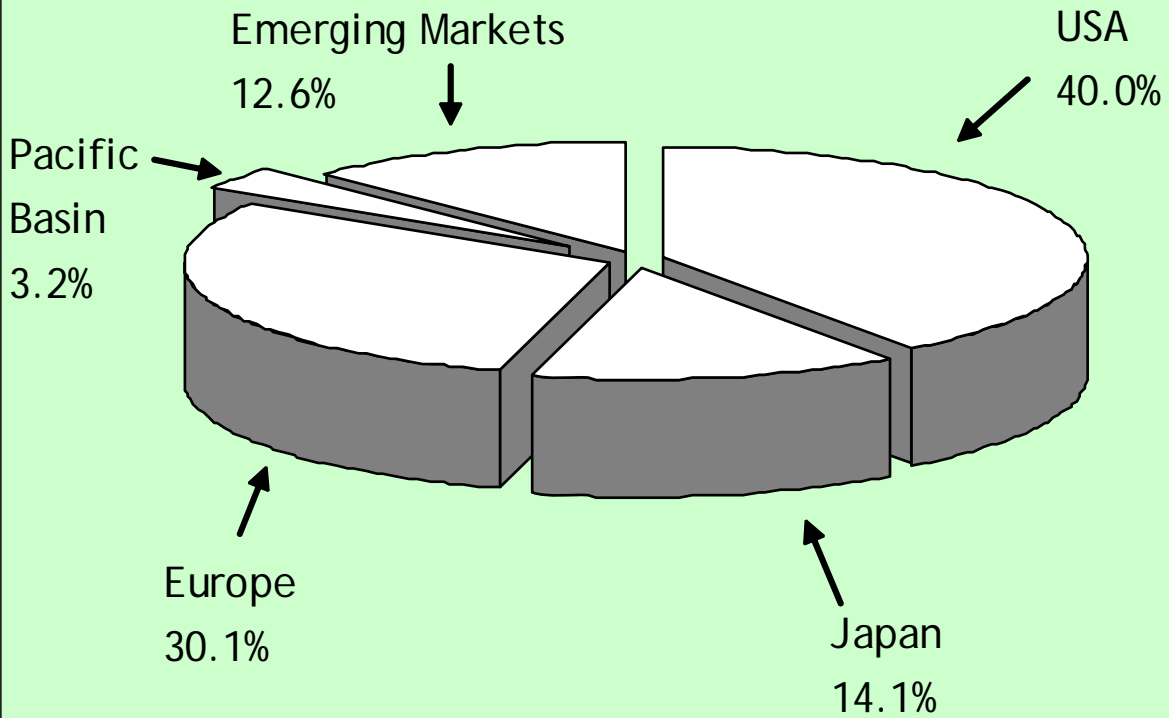
## Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2007 is shown in the chart below. A comparative chart of the position at 31 March 2006 is also shown. The two further charts show the distribution of overseas investments at 31 March 2007 and 31 March 2006. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

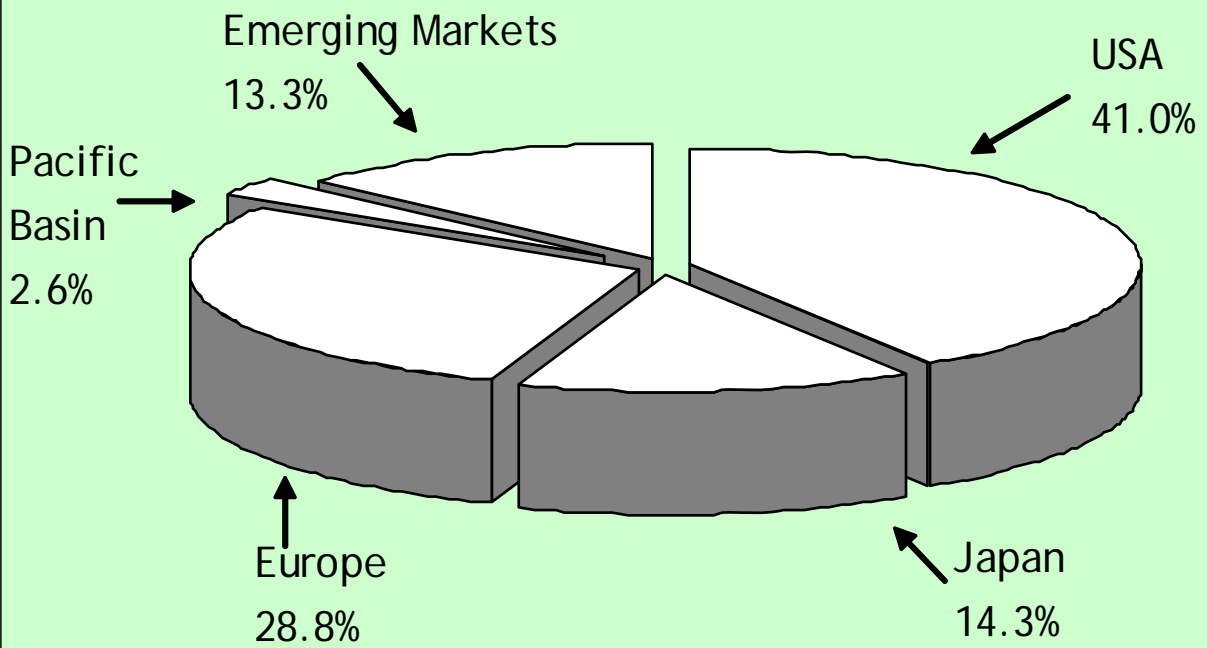




Overseas Investment Distribution as at  
31 March 2007

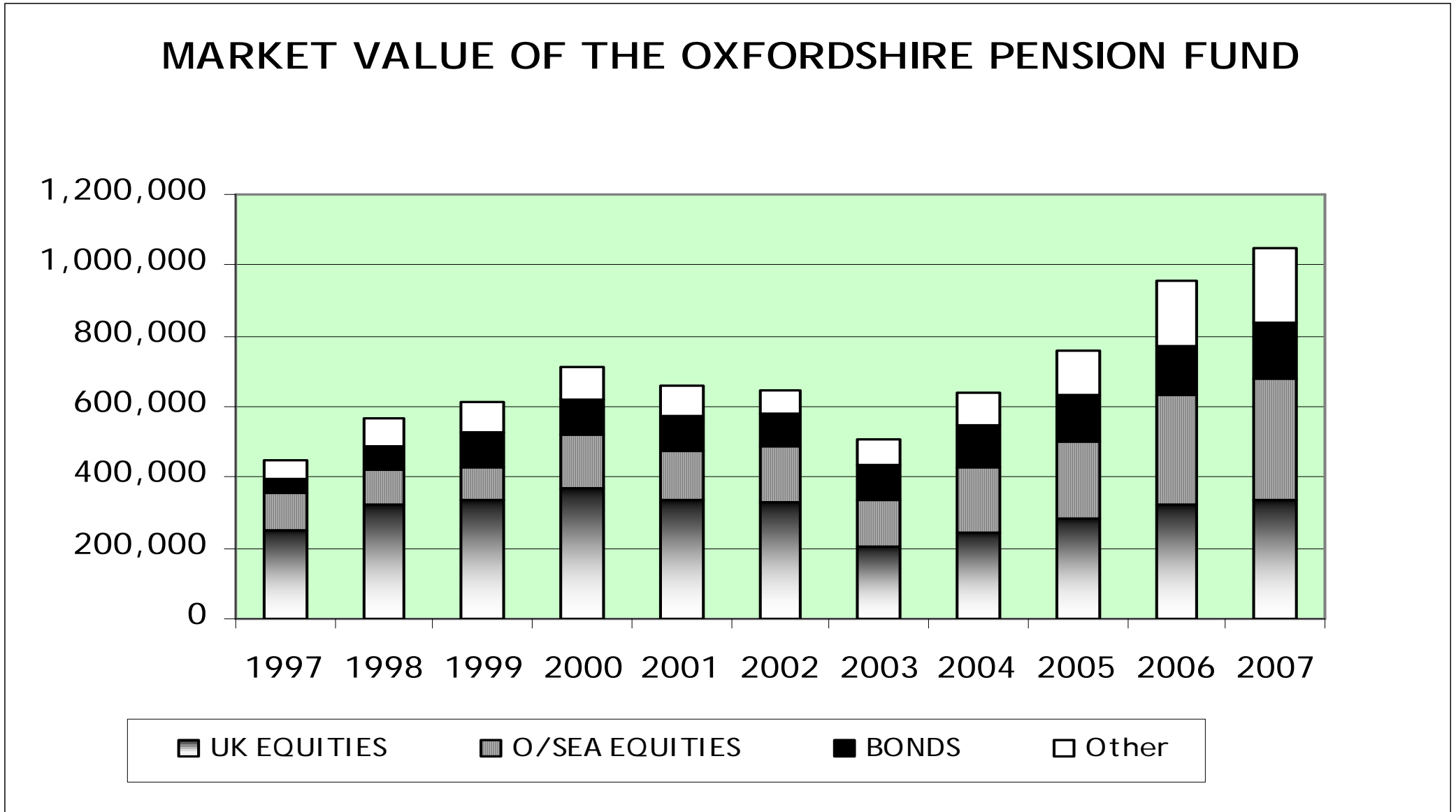


31 March 2006



### Portfolio Asset Allocation over the Ten Years to March 2007

The total assets of the Pension Fund have grown from £450 million at end of March 1997 to £1 billion at end of March 2007 (see chart below). Over the period the percentage in UK equities decreased from 56.3% to 32.3% whilst bonds increased from 8.6% to 15.0%



## ◆ Investment Benchmark and Performance

Following a strategic asset allocation review the Pension Fund Committee agreed a new customised benchmark in August 2005. The strategic asset allocation is reviewed annually but to date no changes have been made. The current structure is shown in the table below and also set out in the Statement of Investment Principles on page 42. Within each asset class or region the Fund's performance is measured against an appropriate index. The main reason for adopting a customised benchmark is to provide a better match of the assets with the liability profile and solvency level of the Fund. Previously the Fund's benchmark was determined by the median asset allocation of other pension funds. This was known as a peer group benchmark.

The Fund uses WM Performance Services to independently measure investment performance. The table below provides details of the Pension Fund's one and three year investment performance returns, on an annualised basis, for each asset class.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended		Three Years Ended	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	33	11.1	9.9	18.0	17.8
Overseas Equities	34	4.7	3.0	15.7	16.9
UK Government Bonds	4	0.5	0.8	4.3	4.5
UK Corporate Bonds	6	1.1	1.5	5.0	5.2
UK Index Linked Gilts	6	2.6	2.6	5.7	5.6
Private Equity	6	15.1	17.3	16.6	25.6
Hedge Funds	3	8.2	8.5	8.0	8.3
Property Assets	8	16.5	15.9	19.2	19.9
<b>Total Fund</b>	<b>100</b>	<b>7.2</b>	<b>7.2</b>	<b>14.6</b>	<b>14.9</b>
Tactical Asset Allocation Fund		5.0	3.4		

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

**FINAL FIGURES STILL TO BE CONFIRMED**

% Returns per annum for the financial year ended 31 March 2007				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return				
<b>Average Returns and other Comparators</b>				
WM Local Authority Average Return				
Oxfordshire Benchmark				
Retail Price Index				
Average Earnings				

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

**FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007 £000	2006 £000
<b>Contributions and Benefits</b>			
Contributions Receivable:	2	(64,923)	(61,535)
Transfers from Other Schemes	3	(7,694)	(8,961)
<b>Income Sub Total</b>		<b>(72,617)</b>	<b>(70,496)</b>
Benefits Payable:	4	39,661	36,250
Payments to and on account of leavers	5	7,770	13,913
Administrative expenses borne by the Scheme	7	803	788
<b>Expenditure Sub Total</b>		<b>48,234</b>	<b>50,951</b>
<b>Net Additions from dealing with members</b>		<b>(24,383)</b>	<b>(19,545)</b>
<b>Returns on Investments</b>			
Net Investment Income	6	(27,988)	(21,485)
Commission Recapture		(4)	(25)
Change in Market Value of Investments		(41,568)	(164,528)
Less Investment Management Expenses	7	3,077	2,446
<b>Net returns on investments</b>		<b>(66,483)</b>	<b>(183,592)</b>
<b>Net increase in fund during the year</b>		<b>(90,866)</b>	<b>(203,137)</b>
Opening Net Assets of the Scheme		958,085	754,948
<b>Closing Net Assets of the Scheme</b>		<b>1,048,951</b>	<b>958,085</b>

NET ASSETS AS AT 31 MARCH 2007			
	Notes	2007 £000	2006 £000
<b>Investment Assets</b>	10		
Fixed Interest Securities		83,083	68,254
Equities		545,159	503,547
Index Linked Securities		56,535	54,646
Property Unit Trusts		75,318	56,035
Pooled Investment Vehicles		215,525	200,335
Private Equity		45,561	39,112
Other Investment Balances		5,171	2,779
Cash		21,901	31,535
<b>Total Investments</b>		<b>1,048,253</b>	<b>956,243</b>
<b>Current Assets and Current Liabilities</b>			
Debtors	11	3,456	4,094
Creditors	12	(2,758)	(2,252)
Net current assets		698	1,842
<b>Net Assets</b>		<b>1,048,951</b>	<b>958,085</b>

## STATEMENT OF ACCOUNTS 2005/06 Note 1 - Accounting Policies

### Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Local Government Pension Scheme Regulations 1997 (as amended) and with the guidelines set out in the Financial Reports of Pension Schemes - a Statement of Recommended Practice (the Pensions SORP) which is produced by the Pension Research Accountants Group (PRAG), except for Additional Voluntary Contributions and investment related debtors and creditors. The accounts will be fully compliant in 2006/07.

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 16.

### Investments

Investments are shown in the accounts at market value, which has been determined as follows:

- (a) Listed securities are shown by reference to mid-market prices at the close of business on 31 March 2007;
- (b) Unlisted securities are valued having regard to latest dealings, professional valuations, asset

values and other appropriate financial information;

- (c) Unit trust investments are stated at the mid-point of the latest prices quoted prior to 31 March 2007;
- (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 2007.
- (e) Fixed interest stocks are valued on a 'clean' basis (ie. the value of interest accruing from the previous interest payment date to the valuation date has been included within the debtor for accrued income).
- (f) Futures have been included in the net assets statement at market value. The market value represents the total value receivable or payable, were the contract to be closed out on the accounting date. An entry is required at the accounting date to adjust the value of cash balances. For 'long positions', this will result in the cash committed being disclosed as a deduction and for 'short positions', it will result in an increase in cash balances with both shown as 'cash backing open futures positions'.

### Contributions

Contributions represent those amounts received from the various employing authorities in respect of their own contributions and those of their pensionable employees, and have been accounted for on an accrual basis. The Actuary at his triennial valuations of the Fund's assets and liabilities

determines the employers' rate for contributions. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

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

Benefits payable and refunds of contributions have been brought into the accounts on the basis of valid claims approved during the year. The accounts do not take account of liabilities to pay pensions and other benefits after the scheme year-end. 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.

#### **Investment Income**

Dividends and interest have been accounted for on the accruals basis. 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 2007.

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

A proportion of relevant County Council officers' salaries, including salary oncosts, have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of the Fund's investment managers have been accounted for on the basis contained within their respective management agreements.



## Note 2 - Contributions

	2006/07 £000	2005/06 £000
<b>Employers</b>		
Normal	(47,137)	(43,393)
Special*	(500)	(1,500)
Costs of Early Retirement	(1,216)	(1,555)
	<b>(48,853)</b>	<b>(46,448)</b>
<b>Members</b>		
Normal	(15,732)	(14,801)
Additional**	(338)	(286)
	<b>(16,070)</b>	<b>(15,087)</b>
<b>Total</b>	<b>(64,923)</b>	<b>(61,535)</b>

\*The Pension Fund received additional employer contributions of £1,500,000 in 2005/06 and £500,000 in 2006/07 from Vale Housing Association Ltd.

\*\*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 16.

	Employer Contributions		Members Contributions	
	2006/07	2005/06	2006/07	2005/06
	£000	£000	£000	£000
Oxfordshire County Council	(26,652)	(24,839)	(8,803)	(8,159)
Scheduled Bodies	(18,320)	(16,907)	(6,110)	(5,799)
Admitted Bodies	(3,881)	(4,702)	(1,157)	(1,129)
<b>Total</b>	<b>(48,853)</b>	<b>(46,448)</b>	<b>(16,070)</b>	<b>(15,087)</b>

## Note 3 - Transfers In

	2006/07 £000	2005/06 £000
Group Transfers in from other schemes	0	0
Individual Transfers in from other schemes	(7,694)	(8,961)
<b>Total</b>	<b>(7,694)</b>	<b>(8,961)</b>

Note 4 - Benefits

	2006/07	2005/06
	£000	£000
Pensions Payable	31,868	30,039
Lump Sums (including retirement & death grants)	7,793	6,211
<b>Total</b>	<b>39,661</b>	<b>36,250</b>

	Pensions Payable		Lump Sums	
	2006/07	2005/06	2006/07	2005/06
	£000	£000	£000	£000
Oxfordshire County Council	15,866	14,865	4,054	3,148
Scheduled Bodies	15,194	14,528	2,857	2,488
Admitted Bodies	808	646	882	575
<b>Total</b>	<b>31,868</b>	<b>30,039</b>	<b>7,793</b>	<b>6,211</b>

Note 5 - Payments to and on account of leavers

	2006/07	2005/06
	£000	£000
Refunds of Contributions	12	107
Group Transfers to other schemes	0	5,186
Individual Transfers to other schemes	7,758	8,620
<b>Total</b>	<b>7,770</b>	<b>13,913</b>

\* During 2005/06 group transfers were made to the Thames Valley Probation Services (£4,753,820) and the Civil Service Superannuation Scheme (£432,028). There were no group transfers in 2006/07.

Note 6 - Investment Income

	2006/07 £000	2005/06 £000
UK Government Stock and Other Fixed Interest	(3,842)	(2,796)
UK Index Linked Bonds	(1,481)	(1,276)
UK Equities and Convertibles	(12,545)	(9,720)
Overseas Equities	(4,369)	(3,040)
Overseas Bonds	(18)	(334)
Overseas Index Linked Bonds	(235)	(21)
Property Unit Trusts	(3,314)	(1,514)
Pooled Investment Vehicles	(173)	(163)
Cash	(1,417)	(2,091)
Private Equity	(513)	(487)
Securities Lending	(81)	(43)
<b>Net Investment Income</b>	<b>(27,988)</b>	<b>(21,485)</b>

Note 7 - Administration & Investment Management Expenses

	2006/07 £000	2005/06 £000
<u>Administrative Expenses</u>		
Administration Costs recharged by OCC	612	592
Actuarial Fees	30	16
Audit Fees	13	19
Other	148	161
	<b>803</b>	<b>788</b>
<u>Investment Management Expenses</u>		
Administration Costs recharged by OCC	163	166
Investment Management & Custody Fees	2,804	2,200
Other	110	80
	<b>3,077</b>	<b>2,446</b>

Investment Manager & Custody Fees are mostly calculated on a fixed sliding scale basis and are applied to the market value of the assets managed.

## **Note 8 - Securities Lending**

In April 2004 the Fund introduced an arrangement with its custodian ABN AMRO Mellon to lend eligible securities from within its portfolio of stocks 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 £80,964 for 2006/07 (2005/06 £42,981). This is included within investment income in the Pension Fund Account. At 31 March 2007 £89,089,370 worth of stock (8% of the Fund) was on loan, for which the Fund was in receipt of £92,862,431 worth of collateral.

## **Note 9 - Related Party Transactions**

The Pension Fund is required to disclose material transactions with related parties - 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.

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 2007, the County Council made employer contribution payments to the Pension Fund of £26,651,722 (2005/06 £24,839,584).

For the 12 months ended 31 March 2007, the Pension Fund had an average cash balance on deposit with the County Council of £8.4 million (2005/06 - £22.2m). The interest paid on this cash balance by the County Council - on the basis of the average rate achieved on the County Council's own lending- totalled £440,896 (2005/06 £1,260,454), net of management fees.

The County Council was reimbursed £775,232 (2005/06 £757,898) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

## Note 10 - Investments

	Value at 1.4.2006	Purchases at Cost	Sales Proceeds	Change in Market Value	Cash Movement	Increase in Debtors / (Creditors)	Value at 31.3.2007
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	68,254	99,478	(81,285)	(3,364)			83,083
Equities	503,547	139,328	(119,423)	21,707			545,159
Index Linked Securities	54,646	54,314	(52,267)	(158)			56,535
Property Unit Trusts	56,035	15,102	(2,370)	6,551			75,318
Pooled							
Investment Vehicles	200,335	29,116	(21,791)	7,865			215,525
Private Equity	39,112	6,569	(7,110)	6,990			45,561
Other							
Investment Balances	2,779					2,392	5,171
Cash (Including Derivatives)	31,535	181,910	(188,988)	1,977	(4,533)		21,901
	956,243	525,817	(473,234)	41,568	(4,533)	2,392	1,048,253

### Fixed Interest Securities

	2006/07 £000	2005/06 £000
UK Public Sector	49,413	33,852
UK Other	33,670	31,861
Overseas Public Sector	0	2,541
	83,083	68,254

### Equity Investments

	2006/07 £000	2005/06 £000
UK Listed Equities	319,987	307,850
UK Stock Index Futures Contracts	1,898	0
Japanese Stock Index futures contracts	1,779	0
US Stock Index Futures Contracts	0	1,127
Overseas Listed Equities:		
USA	106,436	99,639
Japan	30,825	26,685
Europe	66,937	58,498
Pacific Basin	4,714	3,558
Emerging Markets	12,583	6,190
	545,159	503,547

## Index Linked Securities

	2006/07 £000	2005/06 £000
UK Index Linked Bonds	51,687	53,906
Overseas Index Linked Bonds	4,848	740
	56,535	54,646

## Other Pooled Investment Vehicles

	2006/07 £000	2005/06 £000
Managed Funds	103,414	99,386
Unit Linked Insurance Fund	112,111	100,949
	215,525	200,335

## Private Equity

	2006/07 £000	2005/06 £000
Listed Investments	45,515	39,024
Unlisted Investments	46	88
	45,561	39,112

## Other Investment Balances

	2006/07 £'000	2005/06 £'000
<u>Debtors</u>		
Sale of Investments	2,747	6,136
Dividend & Interest Accrued	5,239	4,529
Inland Revenue	39	183
Other	7	16
	8,032	10,864
<u>Creditors</u>		
Purchase of Investments	(1,928)	(7,253)
Management Fees	(907)	(809)
Custodian Fees	(26)	(23)
	(2,861)	(8,085)
<b>Total</b>	<b>5,171</b>	<b>2,779</b>

## Cash

	2006/07 £000	2005/06 £000
Sterling Interest Earning Deposits	25,578	32,662
Cash Backing open stock index futures	(3,677)	(1,127)
	21,901	31,535

## Note 11 - Other Debtors

	2006/07 £000	2005/06 £000
Contributions	2,478	2,246
Transferred Benefits	639	1,439
Costs of Early Retirement	120	120
Pension System Licence Prepayment	0	74
Other	219	215
	3,456	4,094

Contributions owed by Employers at 31<sup>st</sup> March 2007 have subsequently been received.

## Note 12 - Other Creditors

	2006/07 £000	2005/06 £000
Transferred Benefits	(2,244)	(1,686)
Inland Revenue	(490)	(493)
Other	(24)	(73)
	(2,758)	(2,252)

## Note 13 - Assets under External Management

The market value of assets under external fund management amounted to £994 million as at 31 March 2007. The table below gives a breakdown of this sum:

	2006/07		2005/06	
	Market Value £000	%	Market Value £000	%
Schroders	2	0.00%	13	0.00%
Alliance Bernstein	281,526	28.33%	265,980	29.24%
Baillie Gifford	208,763	21.01%	193,552	21.28%
Legal & General	120,018	12.08%	104,402	11.48%
UBS	382,092	38.46%	345,500	37.98%
Private Equity Cash Float	1,219	0.12%	190	0.02%
	993,620	100.00%	909,637	100.00%



## Note 14 - Taxation

1. **UK Capital Gains and Income Tax** - The Fund is an exempt approved fund under the Finance Act 1970 and is not liable to capital gains tax and up until 2 July 1997 was not liable to U.K. income tax on interest and dividends. On 2 July 1997 the Chancellor of the Exchequer in his budget abolished tax credits on advanced corporation tax for pension funds.
2. **Value Added Tax** - As Oxfordshire County Council is the administering authority for the Fund, VAT Input Tax is recoverable on all Fund activities.
3. **US Withholding Tax** - Income earned from investments in stocks and securities in the United States is exempt from US Tax.
4. **Other Withholding Tax** - Double Taxation Relief agreements exist between Britain and certain EC and other European countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. Where tax is reclaimed it is treated in the accounts as investment income. The proportion reclaimable and the timescale involved varies from country to country.

## Note 15 - Additional Voluntary Contributions

	2006/07 £'000	2005/06 £'000
<u>Value of AVC Fund at beginning of year</u>	13,010	12,030
Employee contributions	1,588	1,351
Investment income and change in market value	623	530
Benefits paid and transfers out	(1,357)	(901)
Management Fees	(2)	0
<b>Value of AVC Fund at end of year</b>	<b>13,862</b>	<b>13,010</b>

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secure 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 Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the Prudential. A summary of the information provided by the Prudential is shown in the table above.

## **Note 16 - Contingent Liabilities and Assets**

There are two contingencies to note:

1. Westminster College. An estimated bulk transfer payment of £0.6m is due to Oxfordshire County Council Pension Fund. The date for settling this balance has yet to be agreed.
2. Magistrates Court Staff transferred to Department of Constitutional Affairs (DCA) on 01 April 2005. Actuaries are currently working on the calculations of the payment to be made.

## **Note 17 - Long Term Liabilities**

The accounts do not take account of the liabilities to pay future benefits. They should therefore be read in conjunction with the Report of the Actuary which takes liabilities into account.

**TOP TEN HOLDINGS AS AT 31 MARCH 2007**

<b>Value of the Fund's Top Ten Holdings</b>	<b>£'000</b>	<b>% of Fund</b>
Royal Bank of Scotland	25,403	2.42%
GlaxoSmithKline	20,702	1.97%
Barclays	15,470	1.47%
Vodafone	14,484	1.38%
BP	14,146	1.35%
HSBC	11,950	1.14%
Royal Dutch Shell	11,590	1.10%
2.5% Treasury Index-Linked 2016	11,266	1.07%
2.5% Treasury Index-Linked 2020	11,238	1.07%
5.0% Treasury Index-Linked 2025	11,131	1.06%

AUDIT OF THE OXFORDSHIRE COUNTY COUNCIL PENSION FUND

THE AUDIT CERTIFICATE IS NOT AVAILABLE AT THE MOMENT  
BUT WILL BE CIRCULATED TO FUND EMPLOYERS AS SOON AS IT BECOMES  
AVAILABLE.

SUE SCANE

Head of Finance & Procurement

## Oxfordshire County Council Pension Fund

### Statement of the Actuary for the year ended 31 March 2007

#### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Oxfordshire County Council Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997, was completed as at 31 March 2004.

#### Actuarial Position

1. Rates of contributions paid by the participating Employers during 2006/07 were based on the actuarial valuation carried out as at 31 March 2004.
2. The valuation as at 31 March 2004 showed that the financial position of the Fund had deteriorated since the previous valuation with the market value of the Fund's assets of £638.3m, after application of a smoothing adjustment, covering 65% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.
3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2005 was as set out below:
  - 230% of members' contributions to meet the liabilities arising in respect of service after the valuation date.

#### *Plus*

- 140% of members' contributions to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years.

#### *Less*

- 75% of members' contributions in respect of higher assumed investment income over the short term.

These figures are based on the Regulations in force at the time of signing the valuation report, and in particular allowed for changes to the Fund benefits effective from 1 April 2005.

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

If the assumptions are borne out in practice, the rate of contribution for each Employer would increase at the end of 3 years, due to the cessation of the short term additional investment income. It would then continue at the resultant level for the balance of the relevant recovery period before reverting to the relevant long term rate. In practice, contribution rates will be reviewed at the next valuation which is being carried out with an effective date of 31 March 2007, and consideration may be given to making further assumptions concerning short term investment returns.

5. The rates of contributions payable by each participating Employer over the period 1 April 2005 to 31 March 2008 are set out in a certificate dated 24 March 2005 which is appended to our report of the same date on the actuarial valuation.
6. The contribution rates certified in our valuation as at 31 March 2004 were based on the benefit structure of the Fund as indicated by Regulations as at the date of signing our certificate. However new Regulations, backdated to 1 April 2005, were subsequently issued which increased the theoretical cost of Fund benefits relative to those on which the certificate was based. No adjustment was made to contribution rates in respect of that

change as it was indicated by the Government that further changes would occur which would offset these additional costs. Further Regulations have since been issued which brought in various changes including

- allowing commutation of pension for additional lump sum,
- extending the retention of the Rule of 85 age provisions to 31 March 2008, and the transitional protections, but only for existing members at 30 September 2006.

More recently the Government issued regulations setting out a new benefit structure to be introduced from 1 April 2008.

The impact of all of these changes will be taken into account at the Fund valuation as at 31 March 2007.

7. The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.

The main actuarial assumptions were as follows:

Discount rate for periods

In service	6.2% a year
Left service	5.2% a year

Rate of general pay increases 4.4% a year

Rate of increases to pensions in payment  
(in excess of GMPs) 2.9% a year

Return over the three years following the valuation on

equities/property	7.4% a year
other assets	5.2% a year

Valuation of assets smoothed market value.

8. The next actuarial valuation of the Fund as at 31 March 2007 is currently underway and new contribution rates will be certified with effect from 1 April 2008.
9. This statement has been prepared by the Actuary to the Fund, Hewitt Bacon & Woodrow, for inclusion in the accounts of the Oxfordshire County Council. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2004. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal valuation report which details fully the context and limitations of the actuarial valuation.

Hewitt Bacon & Woodrow does not accept any responsibility or liability to any party other than our client, Oxfordshire County Council, in respect of this statement.

# SUMMARY OF BENEFITS

## Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The current regulations were effective from April 1998, and have been amended over the intervening years. This year, significant amendments brought about by the changes to the taxation arrangements for pension schemes, and from October 2006 the legislation to prevent age discrimination, have had an impact on the LGPS rules. A summary of the main benefit structure follows. For further or specific information please refer to the Scheme Guide.

### • 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 membership to an active member, agreement to early or flexible retirement on request of the member and setting up a shared cost AVC scheme. The discretion, for employers to waive contributions for members with over 40 years of scheme membership, has been withdrawn.

### • Retirement

Although the scheme retirement age is 65 for men and women, membership of the scheme can now continue if employment is offered after age 65. All pensions must be paid before the 75th birthday.

Scheme benefits can be taken after leaving employment from age 60, but the benefit payable may be reduced. Alternatively when retirement is deferred until after age 65, the benefit will be increased.

Amending regulations have confirmed 'normal retirement age' to be 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.

Early retirement from age 50 is permitted with the employer's approval.

Flexible retirement options, from age 50 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, supported by appropriate independent medical certification secures immediate payment of unreduced benefit from any age. Benefits will be increased if the retirement on ill health follows at least 5 years membership in the scheme.

From age 50, unreduced benefits are payable immediately when an employer terminates employment due to redundancy or efficiency.

### • Benefits

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is now 3 months. The standard pension calculation 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.

#### Example

20 years membership, final pay £15,000

**Annual Pension.**

20 years x 1/80 x £15,000 = £3,750

**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.

Final pay in the worked example is derived from career average pay for elected members.

- **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**

During employment members paying additional contributions can use these payments to buy additional membership in the LGPS. The maximum additional period that may be bought is now 6 years 243 days.

As well as being able to pay additional contributions into the LGPS there is also the group AVC scheme arranged with the Prudential. 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 twice pensionable pay is payable. Scheme members are recommended to keep 'expression of wish' nominations current.

- **Widows' and Widowers' Pension; Civil Partners' Pension**

Widows' pensions are normally 50% of the scheme member's pension.

Widowers' pensions are automatically based on service from 6 April 1988; earlier service may be used subject to the discretion of individual employers.

A pension for a civil partner is based on service from 6 April 1988.

A widow, widower's or civil partner's pension will remain in payment for life.

- **Early leavers**

With less than 3 months membership early leavers have the choice of a refund of their contributions, or a transfer to an approved scheme. Taking a refund could affect any other benefits held in the LGPS.

Entitlement to a deferred benefit exists when membership is of at least 3 months duration. The deferred benefit remains within the fund until retirement or an earlier transfer to an approved scheme.

- **Ill Health**

Independent Medical Advisers qualified in Occupational Health will sign all ill-health certificates. The certification has to declare permanent incapacitation in respect to the current employment and also any other comparable employment.

- **Early Retirement**

Most early retirements, where an unreduced benefit is paid, incur a cost to the pension fund. This 'hidden cost' represents lost contributions and an



increase to the total pension payments. Employers are advised of these costs to enable them to make informed decisions about the early release of benefit. From April 1999 these hidden costs have been recovered from employers and paid to the fund.

## ◆ STATEMENT OF INVESTMENT PRINCIPLES

### • 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 Head of Finance & Procurement has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of seven County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

The Committee meets quarterly and is advised by the Head of Finance & Procurement and the Oxfordshire Pension Fund's Independent Financial Adviser. The Committee members are not trustees.

### • Investment Objectives

The investment objectives are to maximise investment returns over the long term within specified risk tolerances. Investment returns are defined as the overall rates of return (capital growth and income).

The Pension Fund's strategic asset allocation is reviewed annually and the latest review was undertaken in February 2007. No changes were made to the asset allocation, which is shown on page 43. The Fund's assets are

structured with the primary objective of eliminating the Fund's deficit. The return and risk characteristics of different assets are carefully considered before the final asset allocation is agreed.

### • Investment Management

In July 2003, following an extensive review of the Pension Fund's investment management arrangements, a more specialist structure was introduced and four new managers were appointed.

UBS Global Asset Management was appointed to manage a multi asset brief, Alliance Bernstein for global equities, Baillie Gifford for UK equities and Legal and General for UK Bonds.

All the mandates are actively managed against individual benchmarks.

In addition to the four specialist managers a small proportion of the Fund is invested in private equity, hedge funds and a tactical asset allocation fund.

- **Strategic Asset Allocation**

In February 2007 the Pension Fund Committee agreed the following customised benchmark: -

Asset Class	Target Asset Allocation %
UK Equities	33
Overseas Equities	34
<b>TOTAL EQUITIES</b>	<b>67</b>
UK Gilts	4
Corporate Bonds	6
Index-Linked	6
<b>TOTAL BONDS &amp; INDEX LINKED</b>	<b>16</b>
Property	8
Private Equity	6
Hedge Funds	3
Cash	0
<b>TOTAL OTHER ASSETS</b>	<b>17</b>

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.

- **Tactical Asset Allocation Overlay**

In December 2005 the Pension Fund committed 3% of its total assets to a tactical asset allocation (TAA) overlay. The objective of TAA is to add value by moving away from the strategic asset allocation for periods of time to take advantage of valuation anomalies across different asset classes. The TAA overlay is achieved by investing in two TAA funds called MARS (Market Absolute Return Strategy) and CARS (Currency Absolute Return Strategy).

The purpose of MARS is to take tactical asset allocation positions in different asset markets. The purpose of CARS is to apply currency strategy independently of asset allocation decisions or benchmarks.

- **Private Equity Investment**

The Fund's investment in private equity is done through a combination of quoted investment trusts and private equity fund of funds limited partnerships. The Pension Fund's Independent Financial Adviser is responsible for recommending appropriate investments. It has been demonstrated to date that such investment adds value to the fund, providing additional diversification and spread of risk.

- **Hedge Fund Investment**

The Pension Fund has approximately 3% invested in hedge funds with the main objectives of achieving further investment diversification and reducing volatility. The investment policy is to invest in a range of funds of hedge funds in order to gain an exposure to different investment styles and strategies. UBS Global Asset Management manages the funds.

- **Investment Performance Benchmarks, Targets and Ranges**

The investment performance of the four managers is measured against their own tailored benchmarks, which are constructed from a range of indices, appropriate to their mandate. Similarly the investment performance of private equity and hedge funds is measured against appropriate indices.

Managers are set an objective to outperform their benchmark by a specified percentage over three year rolling periods.

The managers are also instructed to keep within their own individually agreed control ranges. The ranges have been drawn up to ensure the Fund's investments remain well diversified but also to allow the managers sufficient leeway to actively manage their respective mandates.

- **Policy on Risk**

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

- **Policy on Realisation of Investments**

Fund 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.

- **Monitoring and Review**

The individual manager's performance, current activity and transactions are presented quarterly to the Pension Fund Committee.

The Statement of Investment Principles is reviewed annually.

Investment management performance is reviewed annually upon receipt of the annual report prepared by WM Performance Services.

An Annual Forum is held in November or December each year and is open to all Fund employers.

The performance of the Fund's Additional Voluntary Contributions provider is reviewed annually in a report to the Pension Fund Committee.

Although the investment arrangements are kept under continuous review there is a policy to carry out a strategic review at least once within the life of each County Council.

- **Socially Responsible Investment**

The Council's principal concern is to invest in the best financial interests of the Fund's employing bodies and beneficiaries. Its Fund Managers are given performance objectives accordingly. However, the Council requires its Fund 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 Fund 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 Fund Manager's choice of investments but the Council is careful to preserve the Fund Manager's autonomy in pursuit of their given performance. The Council will use meetings to identify Fund Managers adherence to the policy and to ask Fund Managers to report regularly on any engagement undertaken.

- **Exercise of Rights attached to Investment**

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 Fund Managers are delegated authority to exercise voting rights in respect of the Council's holdings. They have been instructed to vote in accordance with RREV (Research, Recommendations and Electronic Voting), which is a joint venture between the NAPF (National Association of Pension Funds) and ISS (Institutional Shareholder Services). However, in exceptional circumstances managers may vote differently to RREV, if in their judgement this would be in the best interests of the fund. Where managers take a contrary view to the RREV they must obtain permission from officers to vote differently.

Fund Managers are required to report quarterly on action taken. The Council, through its Fund 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 Fund Managers in concert with others, on issues of social responsibility.

- **Custody**

The Pension Fund uses an independent global custodian, ABN AMRO Mellon. The custodian holds all the Fund's assets except a working cash balance, which is held by the County Council and invested in the wholesale money market.

- **Administration**

On behalf of the County Council, the Head of Finance & Procurement is required to exercise continual monitoring of the managers' investment related actions and administration.

This includes:-

maintaining detailed investment records and suitable accounting procedures for Fund assets;

preparing and submitting statistics quarterly for performance measurement;

preparing a quarterly report to the Pension Fund Committee;

preparing the audited annual report and accounts for employing bodies - before 1<sup>st</sup> December each year (statutory date);

preparing a summarised report to members - annually by end of December;

maintaining an up to date record of fund cash balances to ensure surplus cash is invested promptly or that resources are available to meet the benefit outflow as it arises.

- **Compliance with the ten investment principles contained in the CIPFA document "Principles for Investment Decision Making in the Local Government Pension Scheme in the UK."**

The Oxfordshire Pension Fund broadly complies with all ten principles.

## 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** - This is circulated to all Oxfordshire County Council Chief Officers, all employing bodies and copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** - This is circulated to all contributors and pensioners in the Oxfordshire Fund.
- **Annual Pension Fund Forum** - This is held each autumn and all employing bodies are invited to submit topics for discussion and to send representatives. The purpose of 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 User Group** - This is a quarterly held meeting for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss pension matters such as changes in legislation, the results of the actuarial valuation and other policy changes.
- **Employee Guide to LGPS** - This is a booklet, which summarises the benefits of the Scheme. It is available for all employees and updated to reflect any changes as and when necessary.
- **Short Guide to the LGPS** - a reduced version of the scheme guide, with main points, given to all employees on starting employment.
- **Reports by Beneficiaries Observer** - The beneficiaries' observer attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairperson. A written report of each meeting is circulated to all employing bodies for their staff.
- **Pension Bulletins** - Bulletins are distributed to all scheme members within the fund. They are issued when there are major changes to the LGPS. This is to ensure that Oxfordshire County Council complies with the Disclosure of Information Regulations.
- **Intranet** - Pensions administration and investment information is available on the intranet for County Council employees. Pension Fund Committee reports and minutes are available through the County Council web site for a wider audience.
- **Talking Pensions** - This is an informal monthly newsheet for all employers in the Oxfordshire Fund which is distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements** - These are issued to all current and deferred beneficiaries of the scheme

## USEFUL CONTACTS AND ADDRESSES

### BENEFIT ADMINISTRATION

Pension Services  
Shared Service Centre  
Oxfordshire County Council  
Chiltern House  
Garsington Road  
Oxford, OX4 2PG

Telephone: for surnames beginning A-K  
01865 797125  
And 01865 797129 for those L-Z  
email:  
pension.services@oxfordshire.gov.uk

### ACCOUNTS AND INVESTMENTS

Pension Fund Investment Manager  
Financial Services  
Oxfordshire County Council  
County Hall  
Oxford, OX1 1TH

Telephone 01865 815287

email:pension.investments.gov.uk

### BENEFICIARIES OBSERVER

Sean Gibson  
Chief Executive's Office  
County Hall  
Oxford OX1 1TH  
Telephone 01865 815482  
email: sean.gibson@oxfordshire.gov.uk

### SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE

Second stage disputes to be sent to:-

Pensions Services Manager  
Shared Services  
Oxfordshire County Council  
Chiltern House  
Garsington Road  
Oxford, OX4 2PG

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

### The Pensions Regulator

Napier House  
Trafalgar Place  
Brighton  
East Sussex  
BN1 4DW 0870 606 3636

### The Registrar of Occupational and Personal Pension Schemes

PO Box 1NN  
Newcastle upon Tyne  
NE99 1NN

### The Pensions Advisory Service (TPAS)

11 Belgrave Road  
London  
SW1V 1RB 0845 601 2923

### Pensions Ombudsman

11 Belgrave Road  
London  
SW1V 1RB 0207 834 9144