

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 2 September 2011 at 10.00 am

County Hall, New Road, Oxford



Peter G. Clark
County Solicitor

August 2011

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

Membership

Chairman – Councillor David Harvey
Deputy Chairman - Councillor Bill Service

Councillors

Jean Fooks
Roy Darke

Stewart Lilly
Don Seale

C.H. Shouler

Co-optees
District Councillor Richard Langridge
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 2 December 2011***

Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

The duty to declare ...

You must always declare any "personal interest" in a matter under consideration, i.e. where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

Whose interests are included ...

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

When and what to declare ...

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

Taking part if you have an interest ...

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

"Prejudicial" interests ...

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

What to do if your interest is prejudicial ...

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

Exceptions ...

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

Seeking Advice ...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes (Pages 1 - 6)**

To approve the minutes of the meeting held on 3 June 2011 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Overview of Past and Current Investment Position (Pages 7 - 32)**

10:10

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

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 June 2011 using the following tables:

Table 1	Provides a consolidated valuation of the Pension Fund as at 30 June 2011
Tables 2 to 9	Provide details of the individual manager's asset allocations and compare these against their benchmark allocations
Table 10	Shows the net investments/disinvestments during the quarter
Tables 11 to 12	Provide details on the Pension Fund's Private Equity
Tables 13 to 23	Provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 30 June 2011
Table 24	Provides details of the top 20 holdings within the Fund

In addition to the above tables, the performance of the Fund Managers over the past 3 years has been produced graphically as follows:

Graph 1 – Value of Assets
Graph 2-3 - Baillie Gifford
Graph 4-5 – Legal & General
Graphs 6-10 – UBS

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

6. EXEMPT ITEMS

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

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

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

7. Presentation by WM Company on the Pension Fund's Investment Performance for the 12 months ended 31 March 2011

10:15

The representative (Karen Thrumble) of the WM Company will review the Oxfordshire Pension Fund's investment performance for the twelve months ended 31 March 2011. The presentation will compare Oxfordshire's performance against its own customised benchmark and against the WM Local Authority Pension Fund Universe.

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

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

8. Overview and Outlook for Investment Markets (Pages 33 - 38)

10:55

Report of the Independent Financial Adviser (**PF8**).

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

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

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

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

9. Baillie Gifford

11:10

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 5 and 8.
- (2) The representatives (Mr L. Robb and Mr I. McCombie) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2011;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2011.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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

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

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

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

11:50

The Independent Financial Adviser will report orally on the key issues arising from the Officer meetings with the Fund Managers not represented at the Committee in conjunction with information contained in the tables (Agenda Item 5).

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

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

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

11. Summary by the Independent Financial Adviser

11:55

The Independent Financial Adviser will, if necessary, summarise any other issues arising from the monitoring of our Fund Managers, including any update in respect of the change in Fund Manager, as agreed at the March Committee and answer any questions from members.

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

information in the following prescribed category:

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

12. Infrastructure and Social Housing (Pages 39 - 44)

12:00

As requested at a former meeting, the Independent Financial Adviser sets out the main issues associated with introducing infrastructure or social housing products into the Pension Fund portfolio (PF12).

The Pension Fund Committee is RECOMMENDED to take the following action:

- (a) **to delegate to the Fund's Fixed Income managers (currently Legal & General Investment Management) the decision as to whether to invest on behalf of the Pension Fund in bonds issued by Social Housing providers including The Housing Finance Corporation;**
- (b) **to request the officers to ascertain whether the EU Procurement Regulations require the Pension Fund to use the OJEU tender process for all investments in unlisted infrastructure funds; and**
- (c) **subject to the outcome of recommendation (b) above, and to the agreement of the Committee, the Independent Advisor and officers formulate a strategy for selecting suitable infrastructure funds for investment by the Pension Fund. An initial recommendation is to restrict the selection to funds managed by Europe-based managers and investing in European infrastructure.**

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

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

13. Additional Voluntary Contributions Scheme - Annual Review
(Pages 45 - 48)

12:10

This report provides the annual review of the Fund's Additional Voluntary Contribution (AVC) scheme, including issues regarding performance of the individual funds, and the Scheme Provider (Prudential) itself (PF13).

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

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

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

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Draft Annual Report and Accounts 2010/11 (Pages 49 - 98)

12:20

The draft Annual Report and Accounts for 2010/11 (PF14) show the final accounts for the Pension Fund for the year ended 31 March 2011 and provides details on how the Fund operates, including sections on membership and investments. The report also includes the Statement of Investment Principles. The final report will be brought to the Committee in December.

Representatives from the Audit Commission will be present to respond to any questions from Members on their findings.

The Pension Fund Committee is RECOMMENDED to receive the draft report and accounts for 2010/11.

15. Pension Fund Investment and Administration Expense Outturn Report for the Year ended 31 March 2011 (Pages 99 - 102)

12:30

This report (PF15) covers the outturn figures for both the Pension Investment and Administration Teams, and explains any key differences from the approved budgets.

The Committee is RECOMMENDED to receive the report and note the out-turn position.

16. Pension Administration - Service Performance (Pages 103 - 106)

12:35

This report (**PF16**) informs the Committee of the latest service performance figures for the Pensions Administration Service, highlighting the significant improvements achieved in the last year.

The Committee is RECOMMENDED to note the report on performance in the Pensions Administration Team, and to consider whether they wish to receive an annual report on performance at future Committee meetings scheduled for the autumn.

17. Fund Membership and Admitted Bodies (Pages 107 - 110)

12:45

This report (**PF17**) sets out current issues around membership of the Oxfordshire LGPS Fund. These include the issues associated with the establishment of new Academy Schools, and around the new service delivery models developing as a result of the constraints on public sector expenditure and the Big Society model.

The report highlights potential issues arising from the current process for seeking Committee agreement to each application for Admitted Body status, and considers an alternative approach for Committee consideration. A particular case is highlighted.

The report also reports a technical change to a current Admission Agreement, and recommends the approval of a revised agreement.

The Committee is RECOMMENDED to:

- (a) note the position on Academy Schools as set out in this paper;***
- (b) consider what changes, if any, they would wish to make to the process for the approval of future admission agreements where approval before the next scheduled Committee is sought to avoid delaying the implementation of new service arrangements; and***
- (c) agree the novation of the current admission agreement for Vale Housing Association to the Sovereign Housing Association.***

18. Write Offs (Pages 111 - 112)

12:50

This report (**PF18**) informs the Committee of any write offs agreed by the Officers in line with the approved arrangements set out in the Scheme of Financial Delegation for the Fund.

The Pension Fund Committee is RECOMMENDED to note the report.

19. Public Sector Pension Changes and the LGPS

12:55

There will be an oral update on the latest position regarding the changes to the LGPS under the Government's wider agenda of public sector pension reform (subject to there being any further information in the public domain).

20. Corporate Governance and Socially Responsible Investment

13:00

The Assistant Chief Executive & Chief Finance Officer has no other issues to report for this quarter but it should be noted that all the managers have included pages within their valuation reports which provide details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

21. Annual Pension Forum

13:05

The Assistant Chief Executive & Chief Finance Officer will report orally on any issues arising from the last Forum or about the Annual Pension Forum which will take place on 9 December 2011 at 10 am.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on 30 August 2011 at 3:00pm for the Chairman, Deputy Chairman and Opposition Group Spokesman (Meeting Room 1).

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 3 June 2011 commencing at 10.15 am and finishing at 1.00 pm.

Present:

Voting Members: Councillor David Harvey – in the Chair

Councillor Alan Armitage (In place of Councillor Jean Fooks)

Councillor Bill Service (Deputy Chairman)

Councillor Roy Darke

Councillor Stewart Lilly

Councillor Don Seale

Councillor C.H. Shouler

District Council Representatives: District Councillor Richard Langridge
District Councillor Jerry Patterson

Independent Financial Adviser Mr P. Davies

By Invitation: Mr N. Browning - Beneficiaries Observer (in place of Mr A. Cobb)

Officers:

Whole of meeting Mr S. Collins (Oxfordshire Customer Services); Mrs D. Ross (Corporate Finance); Mrs S. Fox (Shared Services); Ms J. Dean.

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

18/11 APPOINTMENT OF CHAIRMAN AND DEPUTY CHAIRMAN FOR THE ENSUING YEAR

(Agenda No. 1)

Councillor David Harvey was elected Chairman and Councillor Bill Service, Deputy Chairman, for the ensuing year.

19/11 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 2)

Councillor Alan Armitage attended in place of Councillor Jean Fooks.

20/11 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 3)

Councillors Armitage, Darke, Harvey, Lilly, Patterson (co-opted member) and Service declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

21/11 MINUTES

(Agenda No. 4)

The Minutes of the meeting of the Committee held on 18 March were approved and signed as a correct record subject to Councillor John Tanner's name being erased from Minute 1/11.

22/11 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 6)

The Committee was advised that Tables 1 to 10 had been compiled from the custodian's records. The custodian was the Pension Fund's prime record keeper. He had accrued for dividends and recoverable overseas tax within his valuation figures and might also have used different exchange rates and pricing sources compared with the fund managers. The custodian had also treated dividend scrip issues as purchases which the fund managers might not have done. This might mean that there were minor differences between the tabled figures and those supplied by the managers.

Mr Davies reported that the current valuation of the Pension Fund was slightly above the end of March value. The allocation to Bonds yields had fallen to 0.7% below the benchmark with alternative assets 3.4% below the benchmark allocation, balanced by 2.3% in cash and an overweight in equities of 1.8%. In performance terms, the fund had beaten its benchmark by 0.8% in the first quarter and by 0.6% for the year.

RESOLVED: to note the comments of the Independent Financial Adviser and to receive the tables and graphs and that the information contained in them be borne in mind insofar as they related to Items 9, 10 and 11 in the Agenda.

23/11 EXEMPT ITEMS

(Agenda No. 7)

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

24/11 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The Committee considered a report (PF8) which set out an overview of the current and future investment scheme and market developments across various regions and sectors. Members asked questions and the Independent Financial Adviser responded to them.

It should be noted that since the meeting, the Financial Adviser had corrected 'Algeria' to 'Tunisia' in line 3, paragraph 4 of his report.

It was **RESOLVED** to receive the report, tables and graphs, to receive the oral report of the Independent Financial Adviser and to bear these comments in mind when considering the reports of the Fund Managers.

25/11 LEGAL & GENERAL

(Agenda No. 9)

The representatives (Mr D.Blass and Mr J.Cloke) reported and reviewed the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 March 2011. The representatives responded to members' questions.

It was **RESOLVED** to note the main issues arising from the reports.

26/11 UBS

(Agenda No. 10)

The representatives (Mr. S. Lee, Mr T. Bell, Mr A. Sander and Mr. D. Rowe) reported and reviewed the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 March 2011. The representatives responded to Members' questions.

It was **RESOLVED** to note the main issues arising from the reports.

27/11 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 11)

The Independent Financial Adviser reported that Baillie Gifford had performed very well.

The Committee **RESOLVED** to note the Independent Financial Manager's oral report.

28/11 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

It was **RESOLVED** to note the Independent Financial Manager's oral report and that the interview process for the appointment of the new Global Equities Manager be managed by Mr Collins, in consultation with the Chairman.

READMITTANCE OF THE PRESS AND PUBLIC

29/11 CONSULTATION ON THE FAIR DEAL POLICY

(Agenda No. 13)

The Committee considered a report (PF13) which identified the key issues arising from HM Treasury's consultation document on the future of the Fair Deal Policy and which set out a draft response to Government for agreement by this Committee.

The Committee **APPROVED** the draft response, as set out at Annex 1, for submission to HM Treasury by the 15 June 2011 deadline.

30/11 RE-BRANDING OF THE PENSION FUND

(Agenda No. 14)

The Committee had before them a report (PF14) which gave details of the project to re-brand the Oxfordshire Pension Fund and which sought Member approval for the way forward.

The Committee **RESOLVED** to request the officer to revisit the possibility of re-branding the Fund at a lower cost on an internal basis and to report the outcomes back to a future meeting.

31/11 GUARANTEED MINIMUM PENSIONS

(Agenda No. 15)

The Committee considered a report (PF15) which set down the issues relating to the over payment of pensions arising from incorrect information held by Pension Services concerning guaranteed minimum pensions and which sought Member approval to the way forward.

Also before the Committee was ANNEX 1 and 2 to report PF15.

The Committee **RESOLVED** not to recover the over payments from the pensioners and to request the officer to inform them accordingly.

32/11 ANNUAL REVIEW OF COMMUNICATIONS POLICY

(Agenda No. 16)

As required under its provisions, the Communications Policy was before the Committee for its annual review (PF16). Copies of the Communication Policy Statement and the Policy itself were attached at PF16 Annexes 1 and 2.

The Committee **RESOLVED** that there should be no change to the current policy.

33/11 WRITE OFF'S

(Agenda No. 17)

The Committee had before them a report (PF17) which informed the Committee of the amounts approved for write off under the Fund's Scheme of Financial Delegation.

The Committee noted the report.

34/11 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 18)

The Committee noted that there was nothing further to report on this item.

..... in the Chair

Date of signing

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TABLE 1

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th JUNE 2011**

Investment	COMBINED PORTFOLIO 1.04.11		Baillie Gifford UK Equities		Legal & General UK Equity Passive		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Overseas Equities and Property		Other Investments		COMBINED PORTFOLIO 30.06.11		OCC Customised Benchmark
	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	Value £'000	% of Total Value	
EQUITIES																	
UK Equities	389,979	98.6%	242,857	100.0%	131,132	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	373,989	29.7%	31.0%
US Equities	109,356	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
European Equities	47,332	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Japanese Equities	21,073	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Pacific Basin Equities	3,692	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	59,873	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
UBS Global Pooled Fund	171,167	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,824	5.7%	0	0.0%	14,824	1.2%	
L&G World Equity Fund (Transition Fund)	0	0.0%	0	0.0%	0	0.0%	153,672	60.6%	0	0.0%	169,971	65.4%	0	0.0%	169,971	13.5%	
L&G World (ex UK) Equity Fund	0	0.0%	0	0.0%	0	0.0%	100,069	39.4%	0	0.0%	0	0.0%	0	0.0%	153,672	12.2%	
Total Overseas Equities	412,493	0.0%	0	0.0%	253,741	100.0%	0	0.0%	0	0.0%	184,795	71.1%	0	0.0%	438,536	34.9%	32.0%
BONDS																	
UK Gilts	36,345	0.0%	0	0.0%	0	0.0%	0	0.0%	33,516	16.8%	0	0.0%	0	0.0%	33,516	2.7%	3.0%
Corporate Bonds	68,585	0.0%	0	0.0%	0	0.0%	0	0.0%	72,525	36.3%	0	0.0%	0	0.0%	72,525	5.8%	6.0%
Overseas Bonds	22,218	0.0%	0	0.0%	0	0.0%	0	0.0%	22,909	11.5%	0	0.0%	0	0.0%	22,909	1.8%	2.0%
Index-Linked	62,860	0.0%	0	0.0%	0	0.0%	0	0.0%	64,831	32.4%	0	0.0%	0	0.0%	64,831	5.2%	5.0%
Total Bonds	190,008	0%	0	0.0%	0	0.0%	0	0.0%	193,781	97.0%	0	0.0%	0	0.0%	193,781	15.4%	16.0%
ALTERNATIVE INVESTMENTS																	
Property	75,240	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	74,198	28.5%	3,674	2.2%	77,872	6.2%	8.0%
Private Equity	110,405	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	118,148	71.1%	118,148	9.4%	10.0%
Hedge Funds	32,050	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	32,304	19.6%	32,304	2.6%	3.0%
Total Alternative Investments	217,695	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	74,198	28.5%	154,126	92.9%	228,324	18.2%	21.0%
CASH	28,683	1.4%	3,452	0.0%	0	0.0%	0	0.0%	6,030	3.0%	978	0.4%	12,062	7.3%	22,522	1.8%	0.0%
TOTAL ASSETS	1,238,858	100.0%	246,309	100.0%	131,132	100.0%	253,741	100.0%	199,811	100.0%	259,971	100.0%	166,188	100.2%	1,257,152	100.0%	100.0%

% of total Fund 19.59% 10.43% 20.18% 15.89% 20.68% 13.22% 100%

Notes:-
The Alliance Bernstein Global Equities Portfolio was transferred during the quarter into Legal & General Global Equities Passive Funds.

TABLE 2

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2011ALTERNATIVE ASSETS

PRIVATE EQUITY AND HEDGE FUNDS						
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index	
Private Equity Hedge Funds	6-10 Nil	10.0% 3.0%	9.4% 2.6%	-0.6% -0.4%	FTSE Smaller Companies (inc investment trusts) 3 month LIBOR + 3%	
Total		13.0%	12.0%	-1.0%		

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

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

Market Value - at 30th June 2011

£118,148,000 Private Equity
£32,304,000 Hedge Funds

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2011BAILLIE GIFFORD

UK EQUITIES						
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index	
UK Equities Cash	N/A Nil	100.0% 0.0%	98.6% 1.4%	-1.4% +1.4%	FTSE Actuaries All-Share	
Total		100.0%	100.0%			

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

Market Value - at 30th June 2011

£246,309,000

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2011LEGAL and GENERAL

UK EQUITIES - PASSIVE					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
UK Equities	N/A	100.0%	100.0%	+0.0%	FTSE 100
Cash	Nil	0.0%	0.0%	+0.0%	
Total		100.0%	100.0%		

Target Objective - To track the FTSE 100 IndexMarket Value - at 30th June 2011 £131,132,000

TABLE 5

FIXED INCOME					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
UK Gilts	0 - 36	18.75%	16.8%	-2.0%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	36.3%	-1.2%	IBOxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	32.4%	+1.2%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	11.5%	-1.0%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	3.0%	+3.0%	
Total		100.0%	100.0%		

Target Objective - To outperform the Benchmark by 0.4% per annum over rolling 3 year periods (gross of management fees)Market Value - at 30th June 2011 £199,811,000

TABLE 6

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2011LEGAL and GENERAL

WORLD (EX-UK) EQUITY INDEX - PASSIVE					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A	100.0%	100.0%	+0.0%	FTSE AW-World (ex-UK) Index
Cash	Nil	0.0%	0.0%	+0.0%	
Total		100.0%	100.0%		

Target Objective - To track the FTSE AW-World (ex-UK) IndexMarket Value - at 30th June 2011 £100,069

TABLE 7

WORLD EQUITY INDEX - PASSIVE (TRANSITION FUND)					
Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
UK Equities	N/A	100.0%	100.0%	+0.0%	FTSE AW-World Index
Cash	Nil	0.0%	0.0%	+0.0%	
Total		100.0%	100.0%		

Target Objective - To track the FTSE AW-World IndexMarket Value - at 30th June 2011 £153,672

TABLE 8

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2011UBS GLOBAL ASSET MANAGEMENT

OVERSEAS EQUITY PORTFOLIO						
Asset	Control Range %	Benchmark Allocation %	Actual Allocation %	+ or - Benchmark %	Index	
Overseas Equities <i>Comprising</i> Global Pooled Fund Emerging Markets	85 - 100 0 - 10	93.6% 6.4%	92.0% 8.0%	-1.6% +1.6%	See Split below * FTSE AW Emerging Markets	
Cash	0 - 10	0.0%	0.0%			
Total		100.0%	100.0%			
* Global Pooled Fund Split:-						
North America		31.2%			FTSE North American Developed	
Europe (ex UK)		31.2%			FTSE Europe (ex UK) Developed	
Asia Pacific (inc. Japan)		31.2%			FTSE Asia-Pacific (inc Japan) Developed	
Total Global Pooled		93.6%	92.0%	-1.6%		

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

Market Value - at 30th June 2011

£184,795,000

TABLE 9

PROPERTY PORTFOLIO						
Asset	Control Range %	Benchmark Allocation %	Actual Allocation %	+ or - Benchmark %	Index	
Property	90 - 100	100.0%	98.7%	-1.3%	IPD UK All Balanced Funds Index Weighted Average	
Cash	0 - 10	0.0%	1.3%	+1.3%		
Total		100.0%	100.0%			

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (net of costs and fees).

Market Value - at 30th June 2011

£75,176,000

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOTAL PORTFOLIO PROGRESS REPORT - 1 APRIL 2011 to 30 JUNE 2011

Asset	Market Value 1.04.11 £000	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.06.11 £000	%		
			UBS £000	Alliance Bernstein £000	Baillie Gifford £000	Legal & General £000	Other £000	UBS £000	Alliance Bernstein £000	Baillie Gifford £000	Legal & General £000	Other £000				
EQUITIES																
UK Equities	389,979	31	0	(24,134)	1,441	0	0	0	0	0	544	4,318	1,841	0	373,989	30
US Equities	109,356	9	0	(108,374)	0	0	0	0	0	0	(982)	0	0	0	0	0
European Equities	47,332	4	0	(49,144)	0	0	0	0	0	0	1,812	0	0	0	0	0
Japanese Equities	21,073	2	0	(20,594)	0	0	0	0	0	0	(479)	0	0	0	0	0
Pacific Basin Equities	3,692	0	0	(3,683)	0	0	0	0	0	0	(9)	0	0	0	0	0
Emerging Market Equities	59,873	5	0	(44,239)	0	0	0	0	0	(40)	(770)	0	0	0	14,824	1
Global Pooled Fund	171,167	14	0	0	0	254,172	0	0	0	(1,196)	0	0	(431)	0	423,712	34
Total Overseas Equities	412,493	33	0	(226,034)	0	254,172	0	0	0	(1,236)	(428)	0	(431)	0	438,536	35
BONDS																
UK Gilts	36,345	3	0	0	0	(3,324)	0	0	0	0	0	0	495	0	33,516	3
Corporate Bonds	68,585	6	0	0	0	3,328	0	0	0	0	0	0	612	0	72,525	6
Overseas Bonds	22,218	2	0	0	0	109	0	0	0	0	0	0	582	0	22,909	2
Index-Linked Bonds	62,860	5	0	0	0	(374)	0	0	0	0	0	0	2,345	0	64,831	5
ALTERNATIVE INVESTMENTS																
Property	75,240	6	1,506	0	0	0	0	0	0	1,000	0	0	0	126	77,872	6
Private Equity	110,405	9	0	0	0	0	0	2,446	0	0	0	0	0	5,297	118,148	9
Hedge Funds	32,050	3	0	0	0	0	0	(26)	0	0	0	0	0	280	32,304	2
SUB TOTAL	1,210,175	98	1,506	(250,168)	1,441	253,911	2,420	2,420	(236)	116	4,318	5,444	5,703	1,234,630	98	
CASH *	28,683	2	(213)	(5,944)	528	2,193	(2,725)	0	0	0	0	0	0	0	22,522	2
GRAND TOTAL	1,238,858	100	1,293	(256,112)	1,969	256,104	(305)	(236)	116	4,318	5,444	5,703	1,257,152	100		

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**VALUATION OF OTHER INVESTMENTS AS AT 30th JUNE 2011**

		COST	AVERAGE	MARKET	MARKET	UNREALISED
		£	COST	PRICE	VALUE	GAIN/LOSS
		£	£	£	£	£
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3I Group	1,846,507	5,231,407	2.833	2.810000	5,188,685	(42,722)
Candover Investments	236,060	1,687,945	7.150	5.695000	1,344,362	(343,584)
Electra Private Equity	1,016,179	13,886,422	13.665	17.320000	17,600,220	3,713,798
F&C Private Equity Trust	4,160,000	7,339,178	1.764	1.772500	7,373,600	34,422
Graphite Enterprise Trust	852,512	2,420,093	2.839	3.947500	3,365,291	945,198
HarbourVest European Senior Loans	1,010,000	1,010,000	1.000	1.002500	1,012,525	2,525
HarbourVest European Senior Loans 'C' Shares	1,000,000	1,000,000	1.000	0.997500	997,500	(2,500)
Henderson Private Equity	1,200,000	2,122,781	1.769	2.737500	3,285,000	1,162,219
HG Capital Trust	1,782,500	9,319,756	5.228	11.390000	20,302,675	10,982,919
HG Capital Trust Sub Shs	356,500	0	0.000	1.807500	644,374	644,374
KKR & CO LP	220,000	1,806,970	8.214	10.171603	2,237,753	430,782
Northern Investors	520,000	516,217	0.993	2.432500	1,264,900	748,683
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.480000	284,934	(297,864)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0.974	0.350000	357,637	(637,527)
Schroder Private Equity	2,855,332	1,848,669	0.647	1.672974	4,776,896	2,928,227
Standard Life European Private Equity Trust	4,390,510	5,117,589	1.166	1.611250	7,074,209	1,956,620
SVG Capital	1,800,000	6,127,530	3.404	2.619000	4,714,200	(1,413,330)
		61,012,518			81,824,760	20,812,242
Other Fixed Interest						
Electra Private Equity 5.000% 12/29/2017 DD 12/29/10	2,870	2,870,000	1,000	1,090	3,128,300	258,300
Unlisted Private Funds						
Midlands Growth Fund	2,509	306,254	122	3.500000	8,782	(297,472)
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		3,357,420			4,857,991	1,500,571
Partners Group Secondary 2008 L.P.		8,371,517			10,337,550	1,966,033
Partners Group Asia-Pacific 2007 L.P.		4,545,450			4,964,193	418,743
Adams Street 2007 Non US Fund		2,885,897			3,218,687	332,790
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		806,988			901,083	94,094
Adams Street 2008 Non US Fund		1,695,632			1,755,119	59,487
Adams Street 2008 US Fund		2,436,150			3,540,384	1,104,234
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		370,324			423,642	53,318
Adams Street 2009 Non US Developed Mkts Fund		298,774			266,128	(32,646)
Adams Street 2009 Non US Emerging Mkts Fund		132,488			116,577	(15,912)
Adams Street 2009 US Fund		1,123,400			1,287,889	164,489
						0
Oxford Technology ECF Limited Partner AC		1,530,000			1,516,970	(13,030)
		27,554,040			33,186,212	5,632,172
Cash Held by Custodian for Private Equity		2,793,628			2,793,628	
CASH HELD IN HOUSE						
		8,518,302			8,518,302	
TOTAL OF ALL INVESTMENTS		103,054,741			129,459,983	26,405,242

TABLE 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30th JUNE 2011**

<u>DATE</u>	<u>HOLDING</u>	<u>TRANSACTION</u>	<u>BOOK COST</u> £	<u>SALE PROCEEDS</u> £	<u>REALISED GAIN/LOSS</u> £
		LIMITED PARTNERSHIP FUND OF FUNDS			
		DRAWDOWNS			
01/04/2011		Adams Street 2009 Non US Emerging Mkts Fund	7,122		
14/04/2011		Adams Street 2007 Non US Fund	207,847		
14/04/2011		Oxford Technology ECF Limited Partner AC	30,000		
15/04/2011		Adams Street 2008 Direct Fund	45,266		
15/04/2011		Adams Street 2009 Direct Fund	40,240		
21/04/2011		Adams Street 2009 Non US Developed Mkts Fund	27,168		
28/04/2011		Adams Street 2009 US Fund	49,490		
13/05/2011		Adams Street 2009 Non US Emerging Mkts Fund	10,998		
20/05/2011		Partners Group Asia - Pacific 2007 L.P.	322,341		
25/05/2011		Adams Street 2009 Non US Developed Mkts Fund	24,214		
03/06/2011		Adams Street 2009 Non US Emerging Mkts Fund	17,019		
24/06/2011		Adams Street 2009 US Fund	131,788		
24/06/2011		Adams Street 2008 Non US Fund	176,384		
27/06/2011		Partners Group Secondary 2008 L.P.	1,074,623		
30/06/2011		Partners Group Secondary 2006 L.P.	130,164		
			2,294,663		
		PURCHASES			
13/04/2011	1,000,000	HarbourVest European Senior Loans C Shares	1,000,000		
			1,000,000		
		SALES			
07/04/2011	215,922	Schroder Private Equity - share buy back	139,798	350,440	210,642
21/03/2011	0	KKR & CO - capital distribution	39,200	39,200	
27/05/2011	0	KKR & CO - capital distribution	28,061	28,061	
			207,059	417,701	210,642
		LIMITED PARTNERSHIP FUND OF FUNDS			
		CAPITAL DISTRIBUTIONS			
17/05/2011		Partners Group Secondary 2008 L.P.	256,283	256,283	
30/06/2011		Partners Group Secondary 2006 L.P.	174,248	174,248	
			430,531	430,531	-

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PERFORMANCE TO 30th JUNE 2011****COMBINED PORTFOLIO (BY ASSET CLASS)**

ASSET	% weighting of fund as at 30th June 2011	QUARTER ENDED 30th June 2011			12 MONTHS ENDED 30th June 2011			THREE YEARS ENDED 30th June 2011			FIVE YEARS ENDED 30th June 2011		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	12.2%	0.3	-0.5	-0.8	21.7	21.3	-0.4	9.4	2.0	-7.3	7.0	1.3	-5.7
UK EQUITIES	29.7%	1.9	2.3	0.4	25.6	28.4	2.8	6.6	7.4	0.9	4.5	4.9	0.4
OVERSEAS EQUITIES	22.7%	0.2	-1.0	-1.2	21.5	20.1	-1.4	9.2	9.9	0.6	7.0	6.2	-0.8
UK GOVERNMENT BONDS	2.7%	2.5	2.3	-0.2	3.1	2.2	-0.9	7.5	8.2	0.7	5.5	6.1	0.5
UK CORPORATE BONDS	5.8%	1.9	2.3	0.4	5.2	6.6	1.4	7.3	8.8	1.5	4.3	5.1	0.8
OVERSEAS BONDS*	1.8%	1.8	1.5	-0.3	1.3	2.1	0.8	5.6	6.9	1.4	-	-	-
UK INDEX LINKED GILTS	5.2%	4.5	4.8	0.4	9.7	11.0	1.3	5.7	6.8	1.1	7.0	7.6	0.6
TOTAL PRIVATE EQUITY	9.4%	2.5	5.2	2.7	25.0	35.9	11.0	5.6	0.8	-4.8	-1.2	4.8	6.0
HEDGE FUNDS	2.6%	0.9	0.8	-0.2	3.8	5.9	2.2	4.6	-0.9	-5.5	6.3	2.4	-3.9
PROPERTY ASSETS	6.2%	1.8	2.3	0.5	7.7	9.3	1.6	-2.3	-6.1	-3.8	-2.3	-5.9	-3.6
TOTAL CASH	1.8%	n/a	-0.1		n/a	2.1		n/a	1.4		n/a	2.0	
TOTAL FUND	100.0%	1.5	1.5	0.0	18.8	19.9	1.1	7.3	5.4	-1.9	5.1	3.7	-1.4

* This includes L&G Currency Hedging for Overseas bonds

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
PERFORMANCE TO 30th JUNE 2011**

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2011	QUARTER ENDED 30th June 2011			12 MONTHS ENDED 30th June 2011			THREE YEARS ENDED 30th June 2011			FIVE YEARS ENDED 30th June 2011		
		BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
BAILLIE GIFFORD UK EQUITIES	19.6%	1.9	2.7	0.8	25.6	29.9	4.3	6.6	8.4	1.8	4.5	5.9	1.4
L&G EQUITIES - PASSIVE	10.4%	1.6	1.6	0.0	24.9	25.0	0.1	5.8	6.0	0.2	-	-	-
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.0%	n/a	n/a	-	-	-	-	-	-	-	-	-	-
L&G GLOBAL IN UK EQUITIES - PASSIVE	12.2%	n/a	n/a	-	-	-	-	-	-	-	-	-	-
L&G FIXED INCOME	15.9%	2.8	3.0	0.2	5.7	6.7	1.0	6.7	8.1	1.4	5.9	6.6	0.7
PARTNERS GROUP PROPERTY SICAR	0.3%	1.8	3.5	1.7	7.7	6.0	-1.7	-	-	0.0	-	-	0.0
PRIVATE EQUITY	9.4%	2.5	5.2	2.7	25.0	35.9	10.9	5.6	0.8	-4.8	-1.2	4.8	6.0
UBS OVERSEAS EQUITIES	14.7%	0.7	-1.0	-1.7	22.0	20.1	-1.9	9.0	9.8	0.8	6.8	6.1	-0.7
UBS PROPERTY	6.0%	1.8	1.7	-0.1	7.7	7.9	0.2	-2.3	-7.3	-5.0	-2.3	-6.7	-4.4
UBS HEDGE FUNDS	2.6%	0.9	0.8	-0.1	3.8	5.9	2.1	4.6	-0.9	-5.5	6.3	2.4	-3.9
IN-HOUSE CASH	1.0%	0.1	0.2	0.1	0.4	1.8	1.4	1.1	2.4	1.3	2.8	2.9	0.1
TOTAL FUND	100.0%	1.5	1.5	0.0	18.8	19.9	1.1	7.3	5.4	-1.9	5.1	3.7	-1.4

* This includes L&G Currency Hedging for Overseas bonds

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDPERFORMANCE TO 30th JUNE 2011BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE

TABLE 15

ASSET	QUARTER ENDED 30th June 2011			12 MONTHS ENDED 30th June 2011			THREE YEARS ENDED 30th June 2011			FIVE YEARS ENDED 30th June 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	1.9	2.7	0.8	25.6	30.3	4.7	6.6	8.3	1.7	4.5	5.8	1.3
TOTAL CASH	-	0.1		-	0.6		-	1.7		-	3.2	
TOTAL ASSETS	1.9	2.7	0.8	25.6	29.9	4.3	6.6	8.4	1.8	4.5	5.9	1.4

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDPERFORMANCE TO 30th JUNE 2011LEGAL & GENERAL - UK EQUITIES PASSIVE MANDATE

TABLE 16

ASSET	QUARTER ENDED 30th June 2011			12 MONTHS ENDED 30th June 2011			THREE YEARS ENDED 30th June 2011			FIVE YEARS ENDED 30th June 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK EQUITIES	1.6	1.6	0.0	24.9	25.0	0.1	5.8	6.0	0.2	-	-	-
CASH/ALTERNATIVES	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	1.6	1.6	0.0	24.9	25.0	0.1	5.8	6.0	0.2	-	-	-

Target Objective - To track the FTSE 100 Index

LEGAL & GENERAL - BONDS

TABLE 17

ASSET	QUARTER ENDED 30th June 2011			12 MONTHS ENDED 30th June 2011			THREE YEARS ENDED 30th June 2011			FIVE YEARS ENDED 30th June 2011		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
UK GILTS	2.5	2.3	-0.2	3.1	2.2	-0.9	7.5	8.2	0.7	5.5	6.0	0.5
UK CORPORATE BONDS	1.9	2.3	0.4	5.2	6.6	1.4	7.3	8.8	1.5	4.3	5.5	1.2
OVERSEAS BONDS*	1.8	1.5	-0.3	1.3	2.1	0.8	5.6	6.8	1.2	-	-	-
UK INDEX LINKED	4.5	4.8	0.3	9.7	10.9	1.2	5.7	6.8	1.1	7.0	7.7	0.7
CASH/ALTERNATIVES*	-	n/a	-	-	n/a	-	-	n/a	-	-	n/a	-
TOTAL ASSETS	2.8	3.0	0.2	5.7	6.7	1.0	6.7	8.1	1.4	5.9	6.6	0.7

* Cash held by L&G is used for hedging the Overseas Bond position. This is therefore included in the Overseas Bond category in order to produce a hedged return.

Target Objective - To outperform the Benchmark by 0.4% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDPERFORMANCE TO 30th JUNE 2011INDEPENDENT ADVISOR - PRIVATE EQUITY

TABLE 18

ASSET	QUARTER ENDED 30.06.11			12 MONTHS ENDED 30.06.11			THREE YEARS ENDED 30.06.11			FIVE YEARS ENDED 30.06.11		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PRIVATE EQUITY	2.5	6.0	3.5	25.0	41.7	16.7	5.6	0.6	-5.0	-1.2	4.6	5.8
LIMITED LIABILITY PARTNERSHIPS	2.5	3.3	0.8	25.0	20.3	-4.7	5.6	6.3	0.7	-1.2	6.3	7.5
TOTAL ASSETS	2.5	5.2	2.7	25.0	35.9	10.9	5.6	0.8	-4.8	-1.2	4.8	6.0

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

PARTNERS GROUP REAL ESTATE SICAR - PROPERTY

TABLE 19

ASSET	QUARTER ENDED 30.06.11			12 MONTHS ENDED 30.06.11			THREE YEARS ENDED 30.06.11			FIVE YEARS ENDED 30.06.11		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
PROPERTY	1.8	3.5	1.7	7.7	6.0	-1.7	-	-	-	-	-	-
TOTAL CASH	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS*	1.8	3.5	1.7	7.7	6.0	-1.7	-	-	-	-	-	-

OXFORDSHIRE COUNTY COUNCIL PENSION FUNDPERFORMANCE TO 30th JUNE 2011UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES

TABLE 20

ASSET	QUARTER ENDED 30.06.11			12 MONTHS ENDED 30.06.11			THREE YEARS ENDED 30.06.11			FIVE YEARS ENDED 30.06.11		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %
OVERSEAS EQUITIES	0.7	-1.0	-1.7	22.0	20.1	-1.9	9.0	9.8	0.8	6.8	6.2	-0.6
TOTAL CASH	-	n/a		-	n/a		-	n/a		-	n/a	
TOTAL ASSETS	0.7	-1.0	-1.7	22.0	20.1	-1.9	9.0	9.8	0.8	6.8	6.1	-0.7

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

UBS GLOBAL ASSET MANAGEMENT - PROPERTY

TABLE 21

ASSET	QUARTER ENDED 30.06.11			12 MONTHS ENDED 30.06.11			THREE YEARS ENDED 30.06.11			FIVE YEARS ENDED 30.06.11		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VIATION %
PROPERTY	1.8	2.2	0.4	7.7	9.3	1.6	-2.3	-6.0	-3.7	-2.3	-5.9	-3.6
TOTAL CASH*	-	-0.7		-	-1.4		-	-		-	-	
TOTAL ASSETS**	1.8	1.7	-0.1	7.7	7.9	0.2	-2.3	-7.3	-5.0	-2.3	-6.7	-4.4

* Historic returns for this category refer to the portfolio whilst both Overseas Equities and Property were held within one portfolio. Property cash shown from June 2009

** Total Assets for this mandate reflect Cash from June 2009 only.

Target Objective - To seek to outperform the Benchmark by 1% per annum over rolling 3-year periods (gross of management fees).

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

INVESTMENT PERFORMANCE TIME WEIGHTED RATES OF RETURN FOR PERIODS ENDED 30th JUNE 2011

UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS

TABLE 22

ASSET	QUARTER ENDED 30.06.11			12 MONTHS ENDED 30.06.11			THREE YEARS ENDED 30.06.11			FIVE YEARS ENDED 30.06.11		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %
HEDGE FUNDS	0.9	0.8	-0.1	3.8	5.9	2.1	4.6	-0.8	-5.4	6.3	2.4	-3.9
TOTAL CASH	-	0.1		-	0.5		-	1.0		-	2.4	
TOTAL ASSETS	0.9	0.8	-0.1	3.8	5.9	2.1	4.6	-0.9	-5.5	6.3	2.4	-3.9

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

INTERNALLY MANAGED CASH

TABLE 23

ASSET	QUARTER ENDED 30.06.11			12 MONTHS ENDED 30.06.11			THREE YEARS ENDED 30.06.11			FIVE YEARS ENDED 30.06.11		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	OXFORDSHIRE VARIATION %
INTERNALLY MANAGED CASH*	0.1	0.2	0.1	0.4	1.8	1.4	1.1	2.4	1.3	2.8	2.9	0.1
TOTAL ASSETS	0.1	0.2	0.1	0.4	1.8	1.4	1.1	2.4	1.3	2.8	2.9	0.1

*this portfolio includes cash held at BoNY

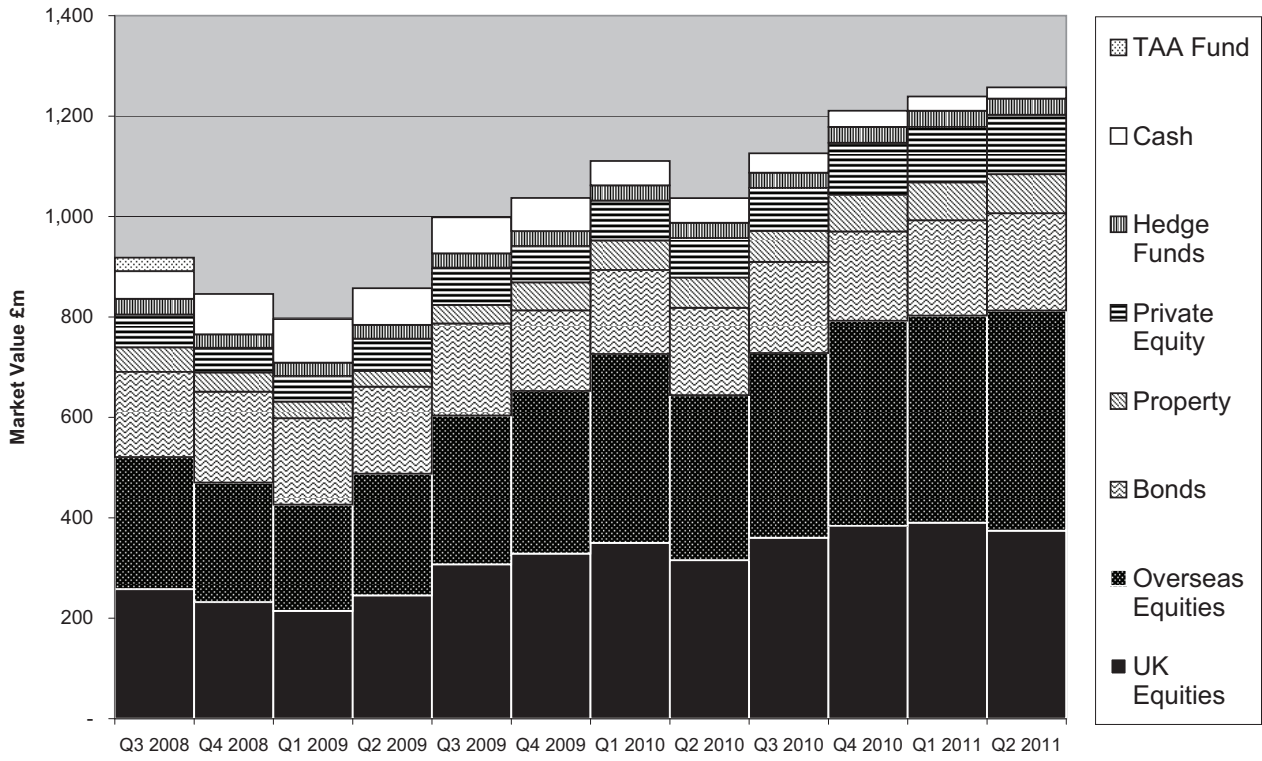
OXFORDSHIRE COUNTY COUNCIL PENSION FUND**TOP 20 HOLDINGS AT 30/06/2011**

ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<u>DIRECT HOLDINGS</u>		
1 HG CAPITAL TRUST ORD GBP0.25	20,302,675	1.61
2 ELECTRA INVESTMENT TR ORD 25P	17,600,220	1.40
3 BG GROUP PLC ORD GBP0.10	13,370,442	1.06
4 BRITISH AMERICAN TOBACCO ORD	10,457,815	0.83
5 TREASURY INDEX-LINKED 2.500% 17-JUL-2024	10,330,074	0.82
6 HSBC HLDGS ORD USD0.50 (UK)	10,230,392	0.81
7 BHP BILLITON PLC USD0.50	10,150,191	0.81
8 ROYAL DUTCH SHELL 'B' SHS	9,498,147	0.76
9 RIO TINTO ORD GBP0.10	9,491,860	0.76
10 BLACKROCK UK PROPERTY FUND	7,587,518	0.60
11 TSY 0 5/8% 2040 I/L GILT 0.625% 03/22/2040 DD 01/28/10	7,546,911	0.60
12 UNITED KINGDOM(GOVERNMENT OF) 3.250% 07-DEC-2011	7,386,140	0.59
13 F & C PRIVATE EQUITY TRUST	7,373,600	0.59
14 TREASURY GILT 2.750% 01/22/2015 DD 11/04/09	7,205,785	0.57
15 STANDARD LIFE EURO ORD	7,074,209	0.56
16 IMPERIAL TOBACCO GROUP ORD 10P	6,996,600	0.56
17 TESCO ORD 5P	6,739,094	0.54
18 GLAXOSMITHKLINE ORD GBP0.25	6,339,499	0.50
19 UK GOVT OF IDX-LKD STK 1.250% 22-NOV-2055	6,267,276	0.50
20 WEIR GROUP ORD 12.5P	6,103,746	0.49
TOP 20 HOLDINGS MARKET VALUE *	188,052,194	14.96
* Excludes investments held within Pooled Funds		
<u>POOLED FUNDS AT 30/06/2011</u>		
1 UBS GLOBAL ASSET MANAGEMENT LIFE GLOBAL OPTIMAL THIRDS A	169,971,531	13.52
2 L&G WORLD EQUITY INDEX	153,672,149	12.22
3 L&G UK FTSE 100 EQUITY INDEX	131,132,450	10.43
4 L&G WORLD (EX UK) EQUITY INDEX	100,069,486	7.96
5 BAILLIE GIFFORD BRITISH SMALL COS C NAV ACC	14,892,801	1.18
TOTAL POOLED FUNDS MARKET VALUE	569,738,417	45.32
TOTAL FUND MARKET VALUE	1,257,152,000	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

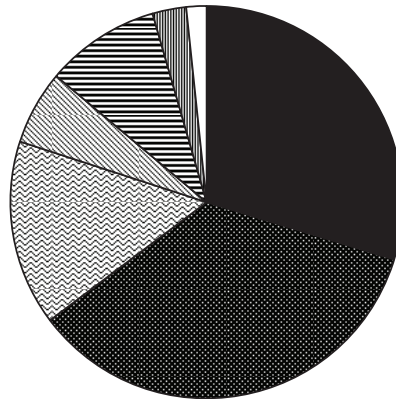
MARKET VALUE OF TOTAL FUND

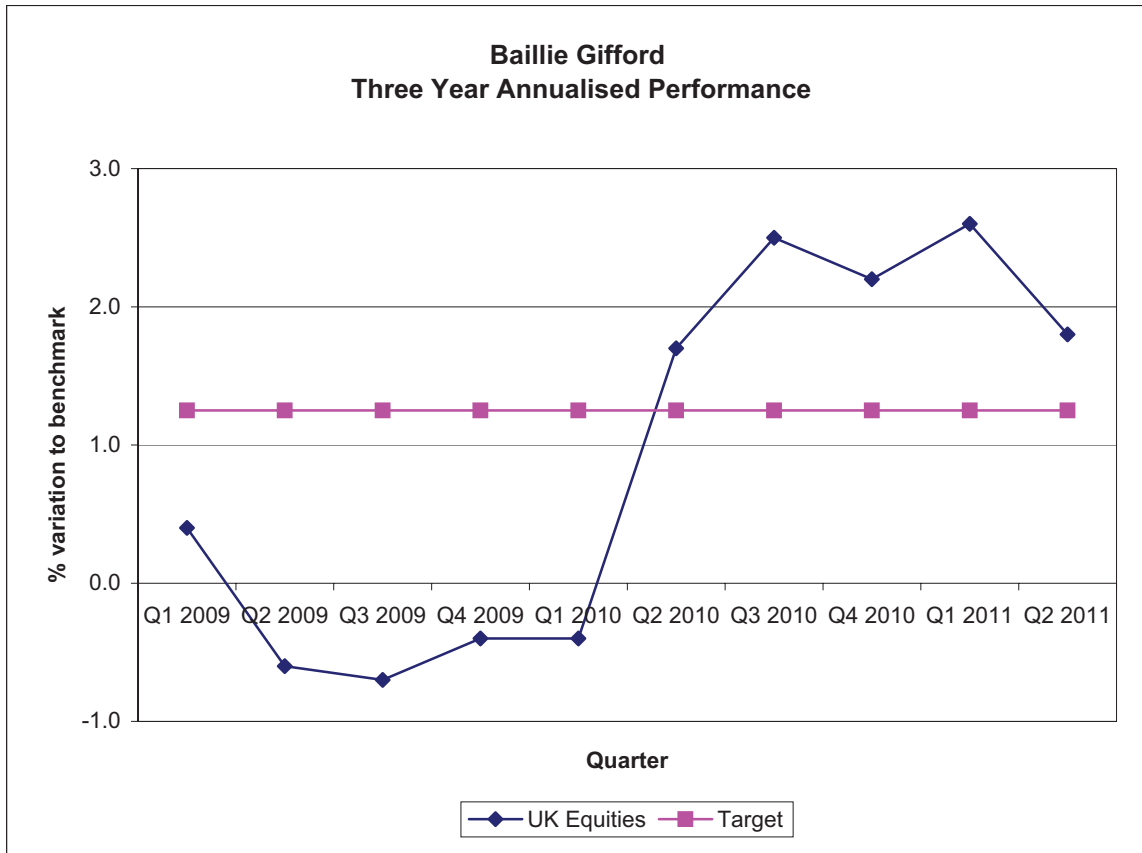
TOTAL FUND MARKET VALUE BY ASSET CLASS



Asset Allocation Latest Quarter

<u>Quarter</u>	<u>Market Value</u> <u>£m</u>
Q3 2008	918.2
Q4 2008	845.9
Q1 2009	795.8
Q2 2009	857.4
Q3 2009	998.4
Q4 2009	1,037.0
Q1 2010	1,111.0
Q2 2010	1,037.0
Q3 2010	1,126.0
Q4 2010	1,210.7
Q1 2011	1,239.0
Q2 2011	1,257.2



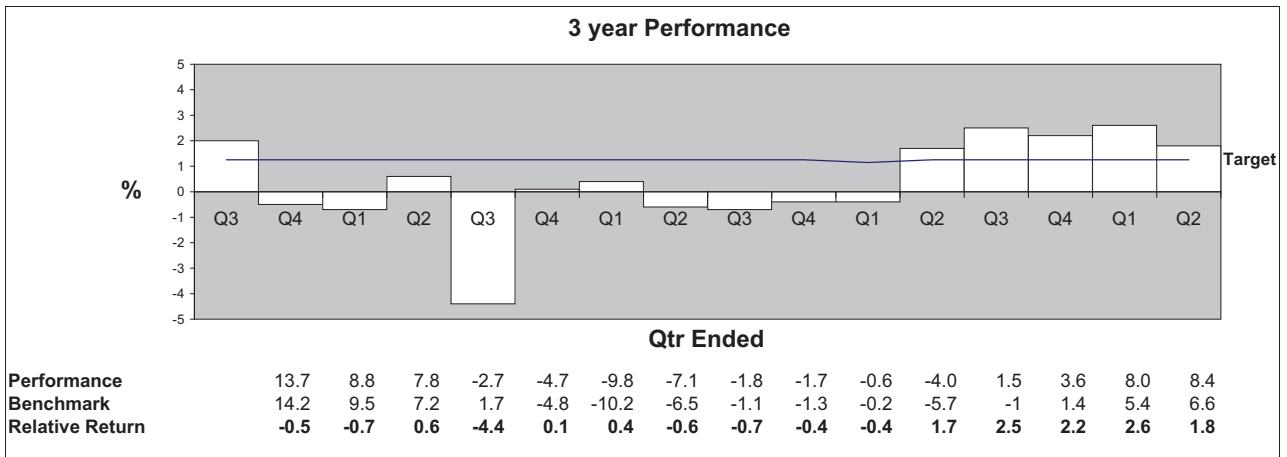
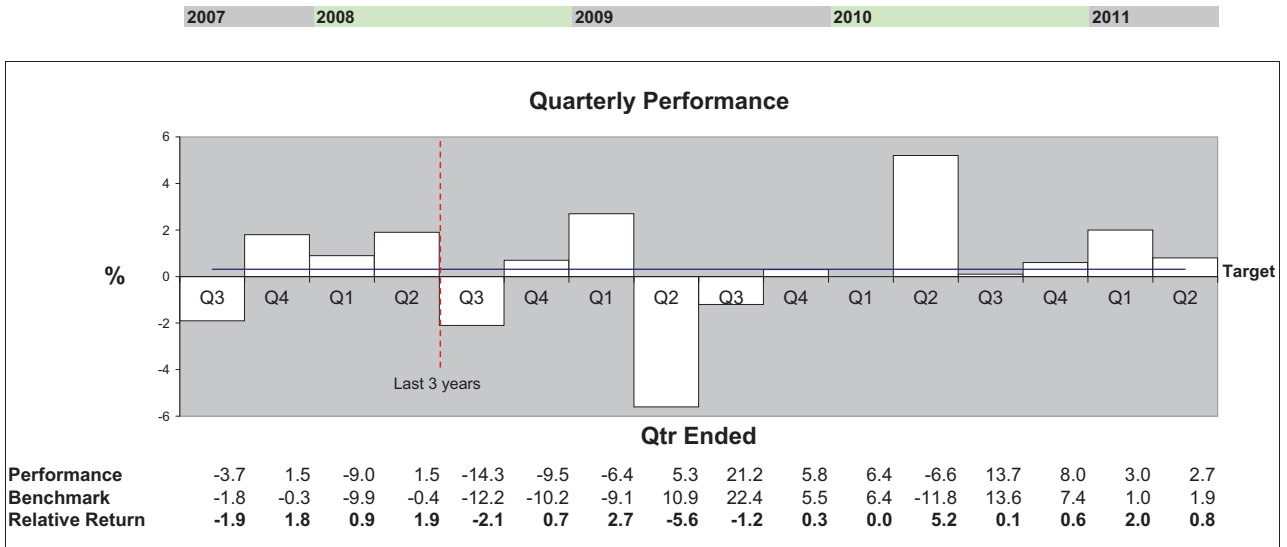


Baillie Gifford Three Year Annualised Performance

	UK Equities	Target
Q1 2009	0.4	1.25
Q2 2009	-0.6	1.25
Q3 2009	-0.7	1.25
Q4 2009	-0.4	1.25
Q1 2010	-0.4	1.25
Q2 2010	1.7	1.25
Q3 2010	2.5	1.25
Q4 2010	2.2	1.25
Q1 2011	2.6	1.25
Q2 2011	1.8	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3



Target Returns

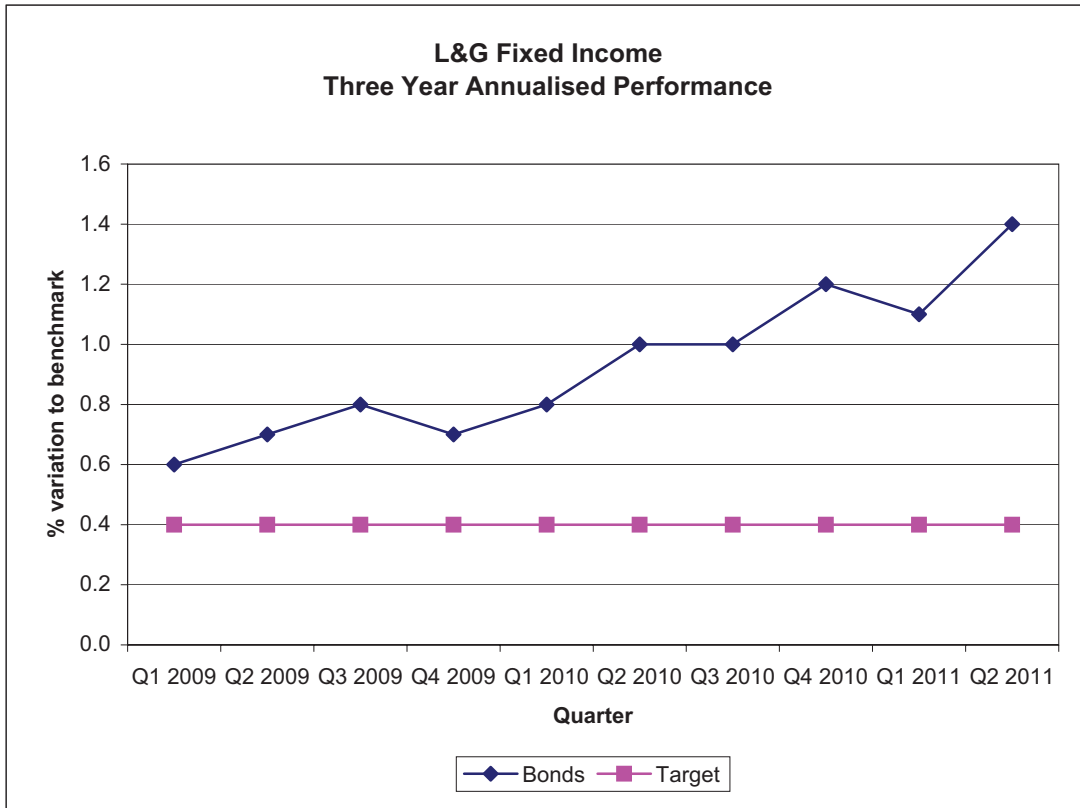
Rolling annual target of 1.25% above benchmark

Top 10 holdings at 30/06/2011

Rank	Holding	Value £	% of portfolio
1	BG GROUP PLC ORD GBP0.10	13,370,442	5.43
2	BRITISH AMERICAN TOBACCO ORD	10,457,815	4.25
3	HSBC HLDGS ORD USD0.50 (UK)	10,230,392	4.15
4	BHP BILLITON PLC USD0.50	10,150,191	4.12
5	ROYAL DUTCH SHELL 'B' SHS	9,498,147	3.86
6	RIO TINTO ORD GBP0.10	9,491,860	3.85
7	IMPERIAL TOBACCO GROUP ORD 10P	6,996,600	2.84
8	TESCO ORD 5P	6,739,094	2.74
9	GLAXOSMITHKLINE ORD GBP0.25	6,339,499	2.57
10	WEIR GROUP ORD 12.5P	6,103,746	2.48
Top 10 Holdings Market Value		89,377,785	36.29
Total Baillie Gifford Market Value		246,309,000	



Top 10 holdings excludes investments held within pooled funds.

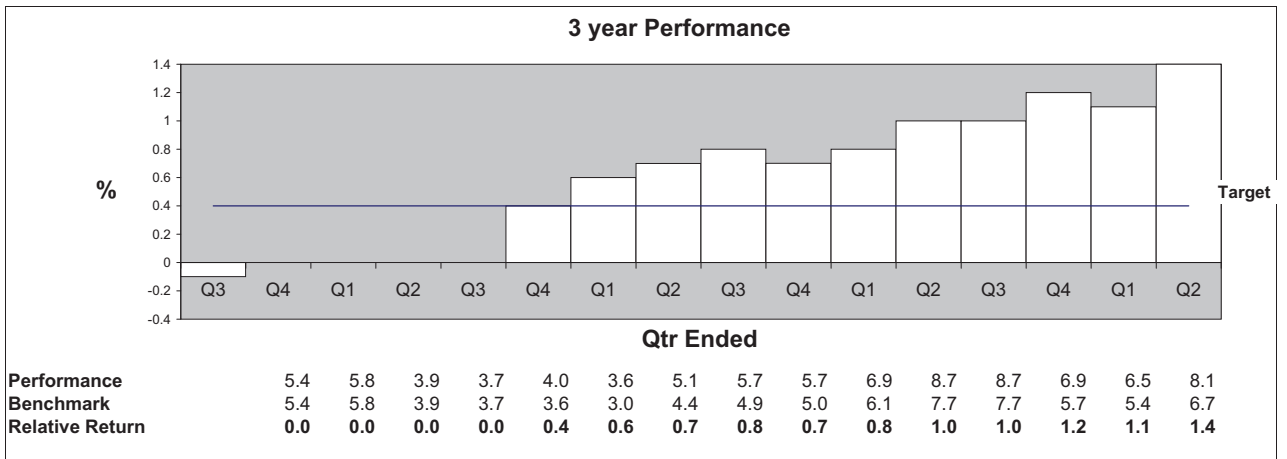
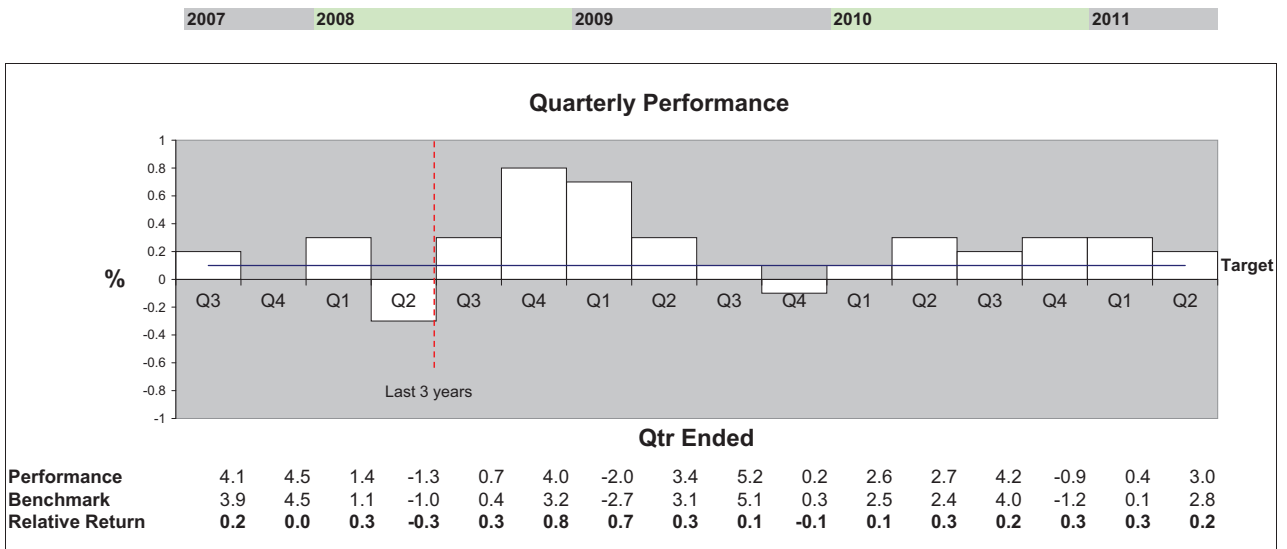


L&G Fixed Income Three Year Annualised Performance

	Bonds	Target
Q1 2009	0.6	0.4
Q2 2009	0.7	0.4
Q3 2009	0.8	0.4
Q4 2009	0.7	0.4
Q1 2010	0.8	0.4
Q2 2010	1.0	0.4
Q3 2010	1.0	0.4
Q4 2010	1.2	0.4
Q1 2011	1.1	0.4
Q2 2011	1.4	0.4

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5



Target Returns

Rolling annual target of 0.40% above benchmark

Top 10 holdings at 30/06/2011

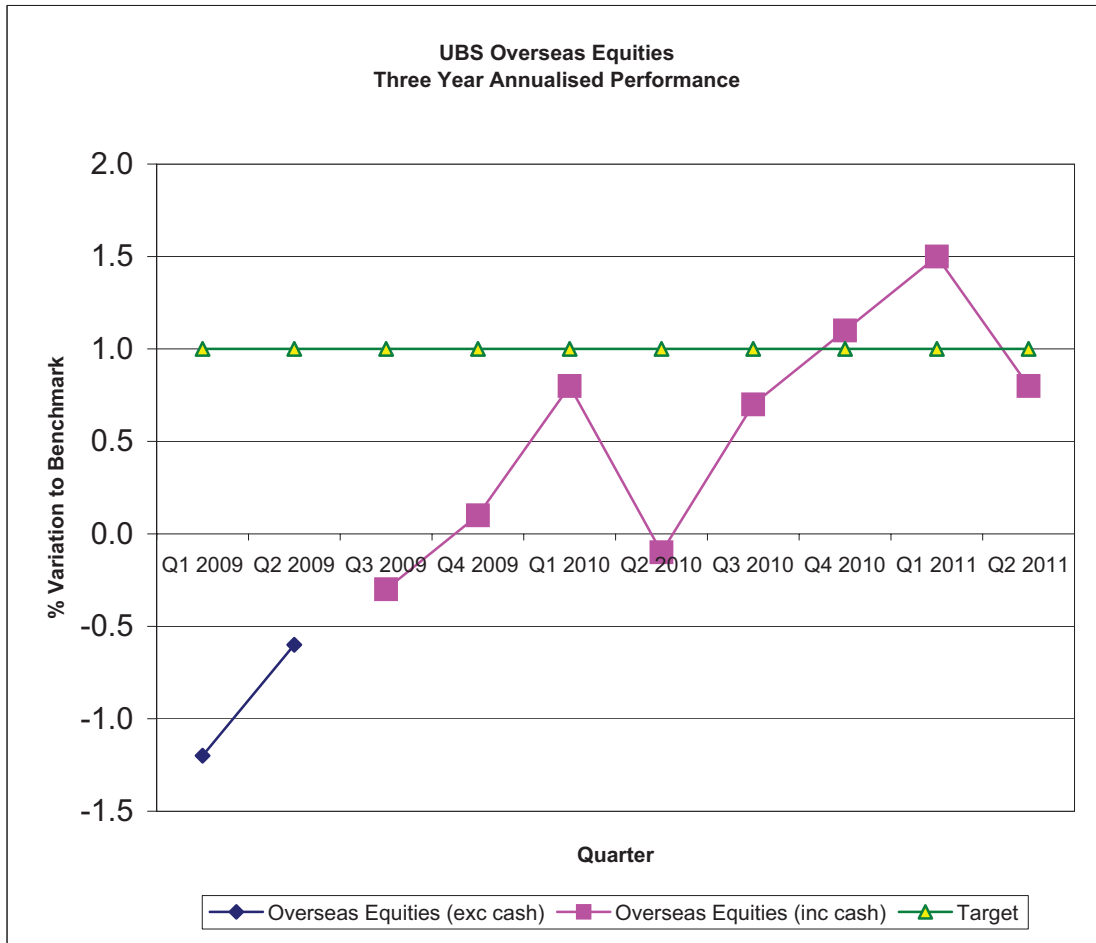
	Holding	Value £	% of portfolio
1	TREASURY INDEX-LINKED 2.500% 17-JUL-2024	10,330,074	5.17
2	TSY 0 5/8% 2040 I/L GILT 0.625% 03/22/2040 DD 01/28/10	7,546,911	3.78
3	UNITED KINGDOM (GOVERNMENT OF) 3.250% 07-DEC-2	7,386,140	3.70
4	TREASURY GILT 2.750% 01/22/2015 DD 11/04/09	7,205,785	3.61
5	UK GOVT OF IDX-LKD STK 1.250% 22-NOV-2055	6,267,276	3.14
6	TREASURY INDEX-LINKED 2.500% 16-APR-2020	5,755,292	2.88
7	UK TREASURY IDX LKD STK 4.125% 22-JUL-2030	5,705,064	2.86
8	UK TSY I/L GILT 0.500% 03/22/2050 DD 09/25/209	5,535,163	2.77
9	TSY 0 3/4% 2034 I/L GILT 0.750% 03/22/2034	5,104,024	2.55
10	TREASURY INDEX-LINKED 2.500% 26-JUL-2016	5,018,584	2.51
	Top 10 Holdings Market Value	65,854,313	32.96
	Total Legal & General Market Value	199,811,000	

Legal & General

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 6



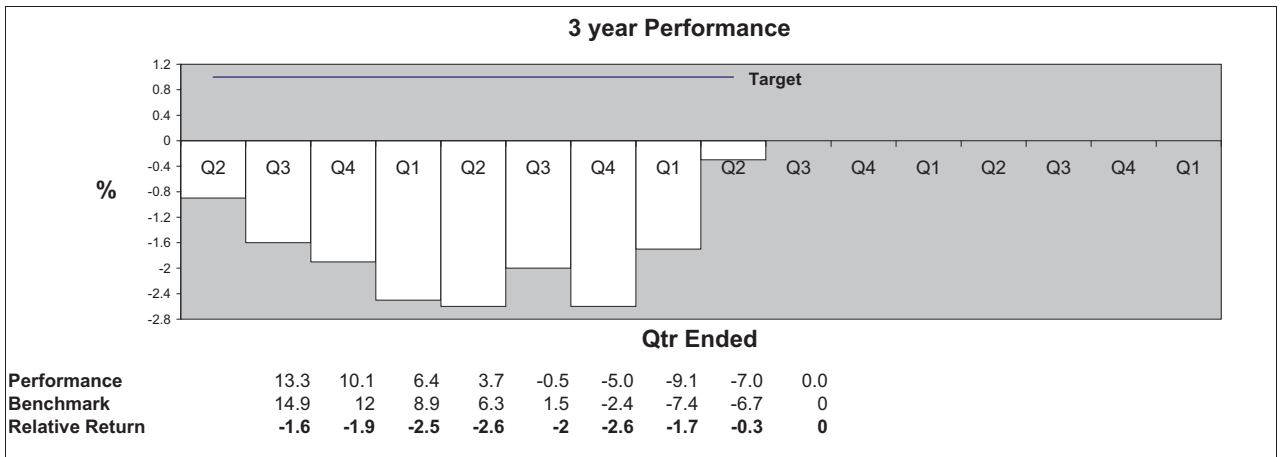
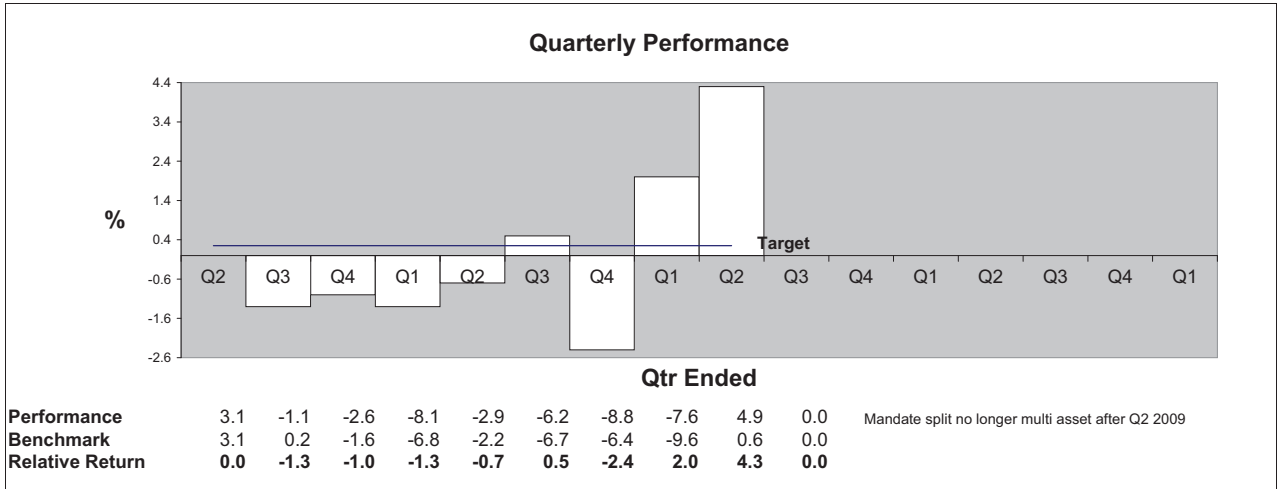
UBS Three Year Annualised Performance

	Overseas Equities (exc cash)	Overseas Equities (inc cash)	Target
Q1 2009	-1.2		1.0
Q2 2009	-0.6		1.0
Q3 2009		-0.3	1.0
Q4 2009		0.1	1.0
Q1 2010		0.8	1.0
Q2 2010		-0.1	1.0
Q3 2010		0.7	1.0
Q4 2010		1.1	1.0
Q1 2011		1.5	1.0
Q2 2011		0.8	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7

2007 2008 2009 2010 2011



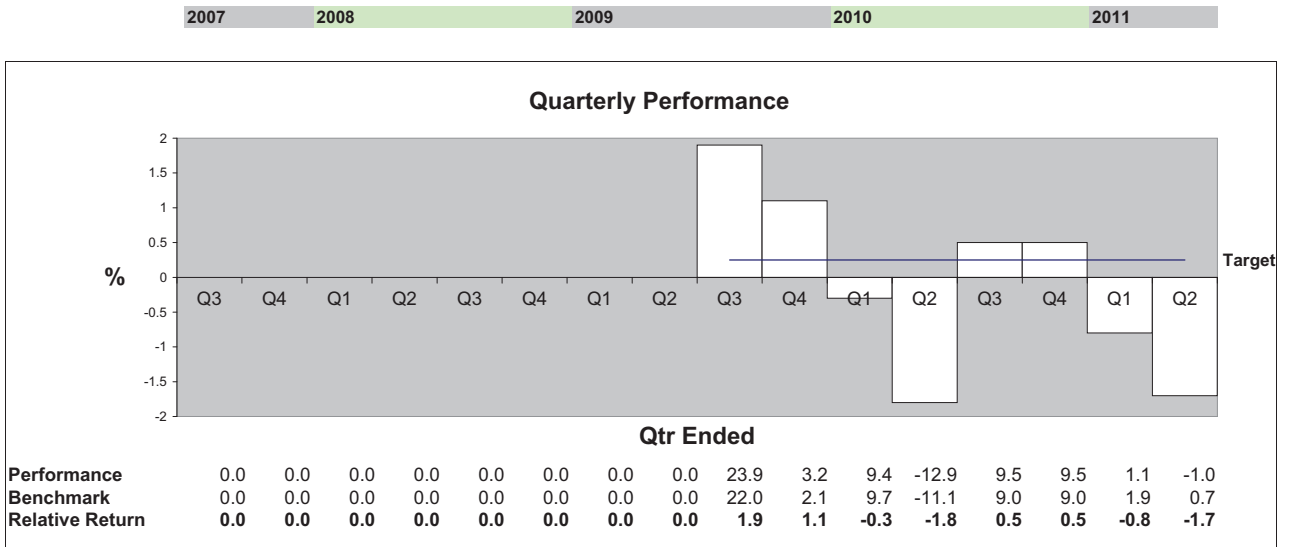
Target Returns

Rolling annual target of 1.00% above benchmark

**UBS - Multi
Asset**

PERFORMANCE RELATIVE TO BENCHMARK

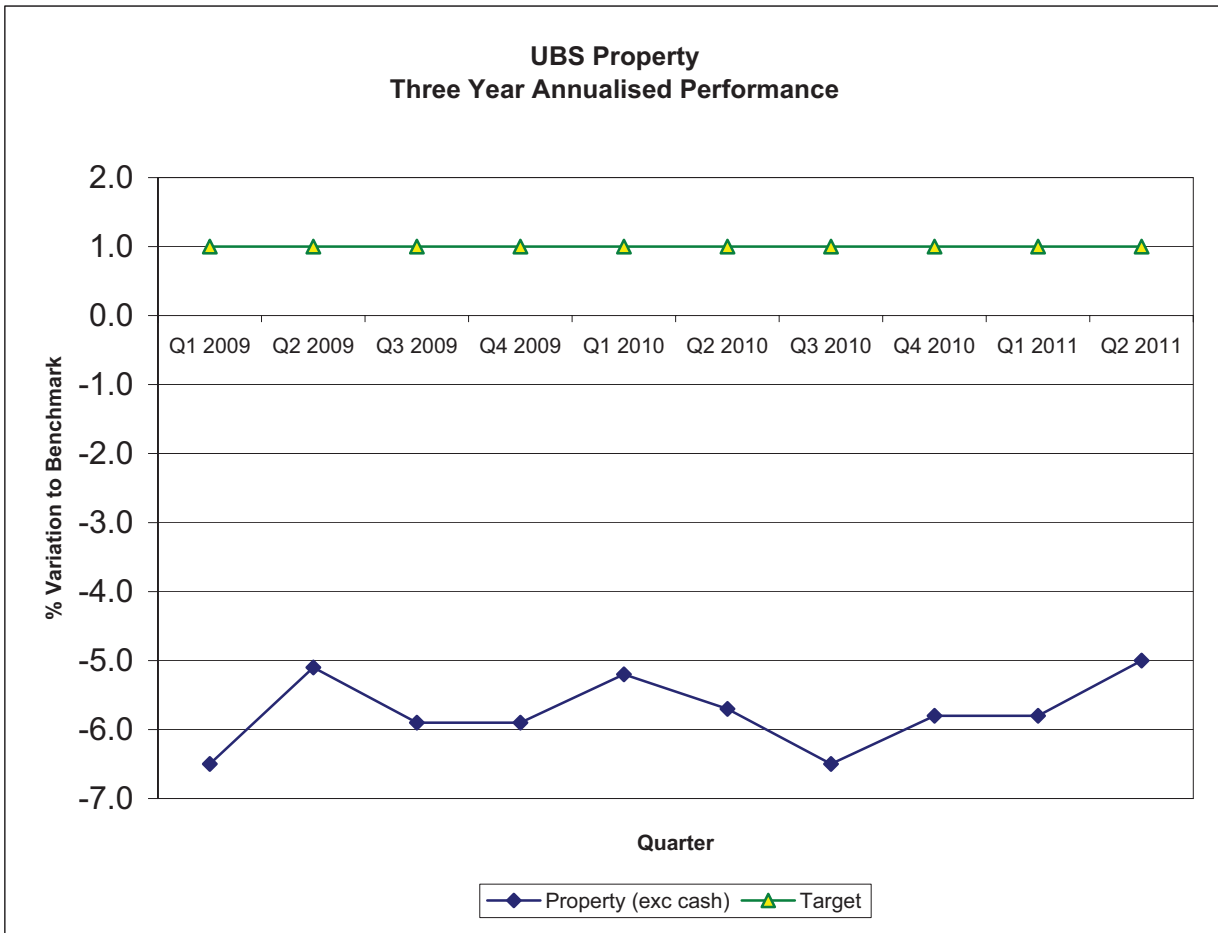
GRAPH 8



Target Returns

Rolling annual target of 1.00% above benchmark

**UBS -
Overseas
Equities**

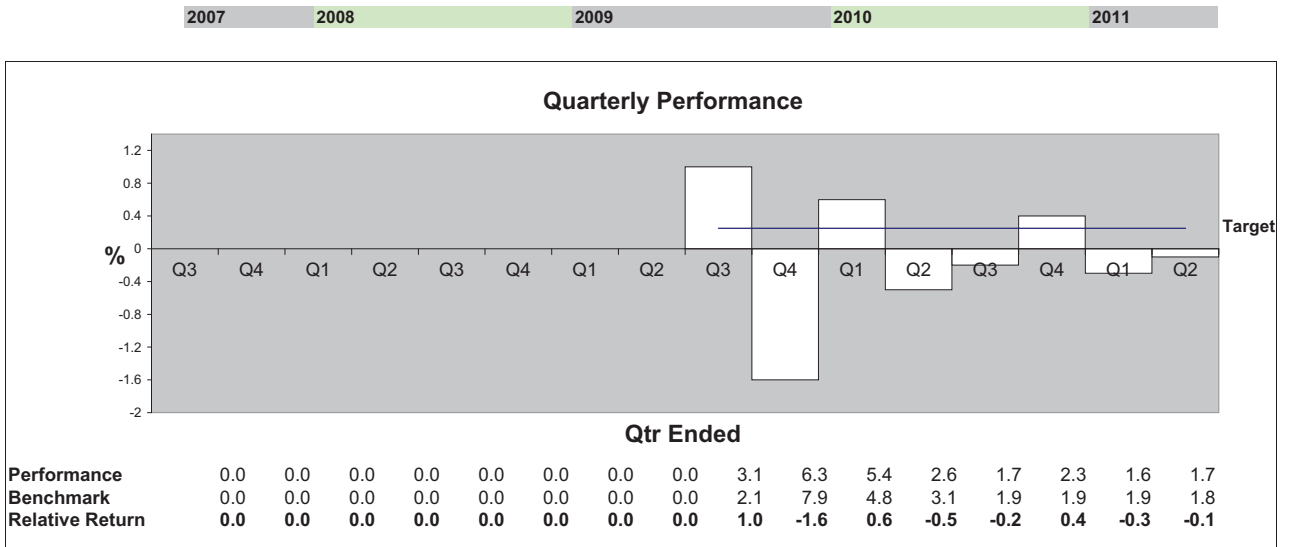


UBS Three Year Annualised Performance

	Property (exc cash)	Target
Q1 2009	-6.5	1.0
Q2 2009	-5.1	1.0
Q3 2009	-5.9	1.0
Q4 2009	-5.9	1.0
Q1 2010	-5.2	1.0
Q2 2010	-5.7	1.0
Q3 2010	-6.5	1.0
Q4 2010	-5.8	1.0
Q1 2011	-5.8	1.0
Q2 2011	-5.0	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 10



Target Returns

Rolling annual target of 1.00% above benchmark

Top 5 holdings at 30/06/2011

	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	7,587,518	10.09
2	STANDARD LIFE POOLED PPTY FD	5,789,696	7.70
3	REAL ESTATE - EUROPEAN FUND	5,500,242	7.32
4	M&G EUROPEAN PROP-SP INV-C-D	5,364,737	7.14
5	PRUDENTIAL CORP PENSIONS PPTY	5,224,864	6.95
Top 10 Holdings Market Value		29,467,057	39.20
Total UBS Property Market Value		75,176,000	

**UBS -
Property**

Division(s):N/A

PENSION FUND COMMITTEE – 2 September 2011

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

The Economy

1. Forecasts for UK and US GDP growth in 2011 have again been scaled back following disappointing Q2 numbers – just 0.2% growth for the UK and 0.3% for the US. In the Eurozone, meanwhile, extremely strong Q1 growth in Germany caused an upward revision to full-year estimates. The outlook for Japan this year is for a fall in real GDP as the effects on industrial output of the March 11 earthquake and tsunami become more apparent. Overall, the pace of recovery from the global recession of 2008/09 is clearly slower than in previous cycles, and there are even some forecasters predicting a return to recession in the US.

(In the Table below, the consensus estimates at the time of the June Committee are shown in brackets).

Consensus real growth (%)						Consumer prices latest (%)
	2008	2009	2010	2011E	2012E	
UK	+0.7	- 4.7	+1.6	(+1.6) +1.3	+1.9	+ 4.2 (CPI)
USA	+1.2	- 2.5	+2.9	(+2.9) +2.3	+2.9	+ 3.6
Eurozone	+0.8	- 3.9	+1.7	(+1.7) +1.9	+1.6	+ 2.5
Japan	- 0.2	- 5.3	+4.2	(+0.7) -0.6	+2.8	+ 0.3
China	+ 9.0	+ 8.7	+10.3	(+9.0) +9.0	+8.7	+ 6.4

[Source of estimates: The Economist, 06.08.2011]

2. Against the background of this 'growth lull', or 'sticky patch', the ability of governments and central banks to stimulate economies is becoming more limited. In the US, the second round of quantitative easing ('QE2') ending in June, with the Federal Reserve disinclined to embark on QE3. The European Central Bank raised its key interest rate by a further 0.25% on July 7th, to a level of 1.5%, in order to combat inflation, while in the UK and many other European countries, the need to rein in government deficits affords little room for any fiscal stimulus.
3. The Greek debt crisis continued to haunt markets during the quarter. The Greek government managed to pass the necessary austerity measures through parliament in June in the face of strikes, riots and protests outside. There followed a period of uncertainty until on July 21st European leaders agreed a second bailout for Greece. This involved a further €109bn in loans from the Eurozone, together with a request for private holders of €135bn of Greek debt to take a partial writedown on their holdings. Since European banks are the largest private holders of Greek debt, this depressed banks' share prices. The situation in the sovereign debt market was exacerbated in late July when prices of Spanish and Italian government bonds began to slide on fears that they might also require a bail-out, which would have needed to be on a much larger scale than the Greek one. On August 8th the ECB started buying Spanish and Italian bonds, which brought those yields down sharply.

Markets

4. During the second quarter, **Equity** markets traded within a narrow range and a late-June rally restored most markets to their end-March levels, with the exception of Emerging Markets which fell slightly. In sectoral terms the more recession-proof sectors stood out – Healthcare (+7.4%), Consumer Goods (+5.1%), Consumer Services (+3.1%) – while Oil & Gas (-6.2%) and Financials (-3.5%) were the weakest areas.

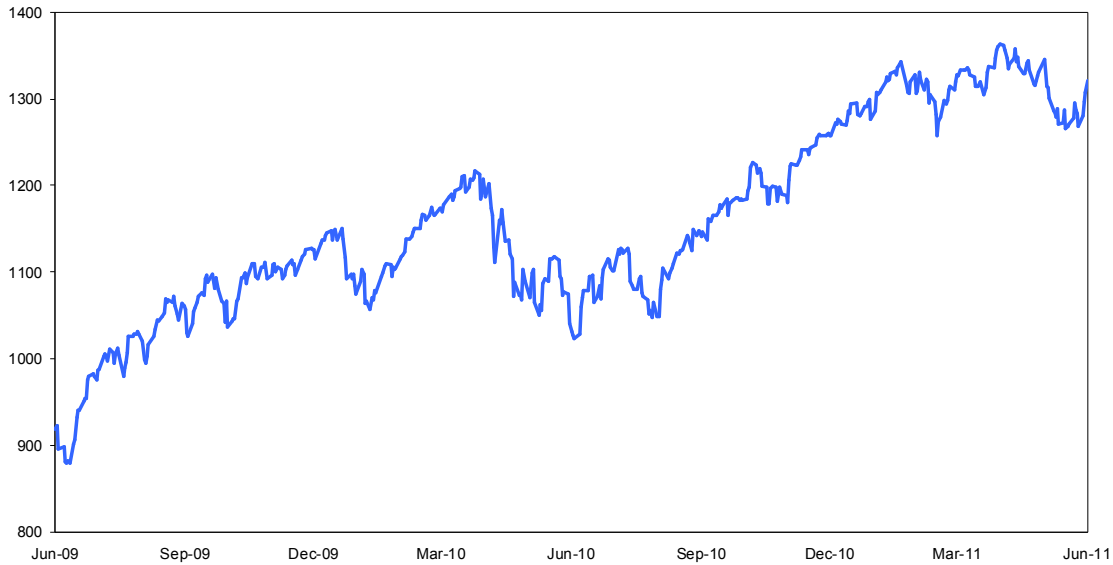
Capital return (in £, %) to 30.06.11		
	3 months	12 months
FTSE All-World Index	- 0.7	+18.6
FTSE All-World North America	- 0.9	+19.3
FTSE All-World Asia Pacific	- 0.7	+12.3
FTSE All-World Europe (ex-UK)	+ 0.2	+25.1
FTSE All-World UK	+ 0.6	+20.7
FTSE All-World Emerging Markets	- 3.0	+14.3

[Source: FTSE All-World Review, June 2011]

UK FTSE All-Share



S&P 500



5. Since the end of June, however, sentiment towards equities has totally changed because of worries engendered by the Eurozone debt crisis (see para 3), the negotiations on the US debt ceiling and signs of economic slowdown. Having moved sideways during the first three weeks of July, all equity markets have since fallen sharply. The changes between July 22 and August 8 have been:

FTSE All-World (£)	- 15.7%
FTSE All-Share (£)	- 14.8%
S&P 500 (\$)	- 16.8%
Nikkei (Yen)	- 10.2%
DAX (€)	- 19.2%

6. **Government Bonds** in markets seen as safe havens (US, UK, Germany and Japan) all strengthened in the second quarter as concerns about the peripheral European bond markets grew. The spread on **UK Corporate Bonds** relative to gilts widened slightly, but the sector still gave a positive capital return for the quarter.

10-year government bond yields (%)	Dec 09	Sept 10	Dec 10	Mar 11	June 2011
US	3.84	2.52	3.34	3.45	3.16
UK	4.01	2.95	3.39	3.69	3.38
Germany	3.40	2.29	2.92	3.37	3.01
Japan	1.29	0.94	1.12	1.25	1.14

[Source: Financial Times]

7. In the febrile atmosphere of late July/early August, the 'flight to safety' led to further sharp falls in the yields (i.e. sharp price rises) on these government bonds. Between July 22 and August 8, the falls in yields on 10-year issues were:

US Treasuries - 63 bps
 UK Gilts - 45 bps
 German Bunds - 56 bps
 Japanese JGB's - 9 bps

8. These moves took yields, apart from Japan, below the levels of September 2010 shown in the Table above. After the general relief that the US Administration had fashioned an eleventh-hour deal to increase the debt ceiling, the subsequent downgrading on August 5 by Standard and Poor's of US government debt from AAA to AA+ caused consternation. Ironically, the extreme weakness of equities on August 8 produced *gains* in US Treasuries as investors switched to less risky assets.

9. The return on **Property Funds** during the quarter essentially comprised the income return on property, and indeed there has been very little change in capital values during the past year.

Median fund returns to 30.06.11	3 months	12 months
Balanced Funds (n= 26)	+ 1.8%	+ 7.4%
Specialist Funds (n= 26)	+ 1.7%	+ 8.4%

[Source: IPD UK pooled property funds]

10. In **Commodities**, the Oil price traded lower in May and June after the US released part of its reserves to offset supply shortages from Libya, and WTI, shown below, ended the quarter below \$100 per barrel. The price retreated to below \$85 in early August as global economic forecasts were scaled back.

Oil



11. The Copper price fell back during May on reduced demand from China, but then rose once more when supply was restricted by the workers' strike at the Escondida mine in Chile. Meanwhile, Gold continued to trend upwards and reached \$1500/oz by the end of June; in the subsequent market turmoil at the end of July, its reputation as a safe haven propelled the Gold price to almost \$1700.

Copper



Gold



12. In **Currency** markets, the dollar recovered from its April slide and ended the quarter unchanged at \$1.60 against sterling. It weakened by 2% against the Euro and by 2.5% against the Yen

GBP vs EUR



Outlook

13. Several influences which had been worrying equity markets during the past year – economic slowdown, the Eurozone debt crisis, US budgetary policy and rising commodity prices – have converged in recent weeks to cause very rapid falls in equity markets, reviving memories of the atmosphere in 2008/9. The fear that bank lending will again dry up, this time because of write-offs they have had to take on European bonds, has precipitated very sharp falls in bank shares in Europe and also in the US.
14. An additional depressant on the UK market has been the outbreak of hooliganism on the streets of London and other cities, which induces further nervousness among investors. The immediate effect on the assets of the Pension Fund has been, I estimate, a depreciation of **£125m** (or **10%**) between June 30th and August 8th. With the situation changing from day to day, it is not feasible to make any significant changes to the Fund's asset allocation in the midst of such upheaval.
15. The relationship between equity and bond valuations has clearly altered considerably, with the recent 15% fall in equities and 5% rise in bond prices, but I am not recommending any additional purchase of equities at present because of the many economic and political uncertainties surrounding real assets.

PETER DAVIES
Independent Financial Adviser

August 9th 2011

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

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OXFORDSHIRE PENSION FUND REPORT AND ACCOUNTS 2010/11

Registered Number: PS049/20

CONTENTS	
	Page
Foreword by the Assistant Chief Executive & Chief Finance Officer	2
Statement of Responsibilities for the Pension Fund	4
Members, Managers and Advisers	5
How the Scheme Operates	6
Membership	7
Participating Employers and their Contribution Rates	8
Investment Review	10
Investment Benchmark and Performance	16
Pension Fund Accounts 2010-11	18
Top Ten Holdings as at 31 March 2011	33
Auditor's Report	34
Actuarial Statement	35
Summary of Benefits	37
Statement of Investment Principles	40
Other Governance and Financial Statements	46
Communication	47
Useful Contacts and Addresses	49

FOREWORD TO THE 2010/11 PENSION FUND REPORT AND ACCOUNTS BY THE ASSISTANT CHIEF EXECUTIVE & CHIEF FINANCE OFFICER

Introduction

I am writing this foreword at a time when public sector pensions are at the top of the political agenda. We are awaiting proposals from the Government for the reform of public sector pensions following the final report of Lord Hutton's Independent Public Sector Pension Commission. 2011-12 will be a significant year for the LGPS if we are to deliver an affordable and sustainable pension scheme going forward.

2010-11 itself was also a busy year for the Oxfordshire County Council Fund, with the completion of the 2010 Valuation, and a subsequent fundamental review of our investment strategy.

This report provides key information on the Fund over the last year, including the audited accounts, information on the Fund's investments and the performance of our Fund Managers, and the key strategy documents which drive the governance of the Fund.

Background

The Oxfordshire County Council Pension Fund is administered by Oxfordshire County Council. There are over 100 employers within the Fund, although at the time of the 2010 Valuation only 68 had active members. In total there were just under 19,000 active members, with a further 16,700 deferred members and 10,900 pensioners.

2010 Valuation Results

The 2010 Valuation is a key indicator of the health of the Oxfordshire County Council Fund. The results set out a very similar picture to those from 2007. As at 31 March 2010 the assets were valued at £1.1bn representing 79% of the estimated liabilities of the Fund. This compares to a funding level 3 years ago of 78%.

The average employer contribution rate to recover the deficit over the next 25 years has been calculated at 19.0%. This is a little lower than the 19.9% from three years ago. This in part has resulted from the Government decision to change the index by which all pensions are increased to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI), by allowances for pay freezes in the short term, by assumptions that we will all be retiring one year later in line with the changes in state pension age, offset by assumptions about increasing life expectancy.

Overall, the 2010 Valuation results were a welcome relief to most employers, who had feared the worse when the financial markets had suffered so badly since the 2007 Valuation.

Subsequent Investment Performance

The 2010/11 financial year was a mixed year in terms of the investment performance of the Fund. Overall the Fund saw a return on investments of 9.6%, beating the benchmark growth of 8.9%. Excellent results for both UK and private equity investments were in part offset by lower than benchmarked growth in the fund's overseas and global equity portfolio.

These mixed results were also reflected in the figures for the individual Fund Managers. The Fund's top performing manager during 2010/11 was Baillie Gifford who produced an annual return of 18.1%

against a benchmark of 8.7%. This helped them deliver a 3 year return of 8.0% against a benchmark of 5.4%.

On the other side of the performance coin, Alliance Bernstein delivered annual performance of 4.9% against a benchmark of 8.4%, and a three year return of just 1.1% against a benchmark of 8.6%. As part of the March 2011 overall review of the fund's Investment Strategy, the Pension Fund Committee determined that it no longer had confidence in the ability of Alliance Bernstein to deliver against their targets. It has therefore removed their global mandate, moving £100m into a passive global fund. During 2011/12, the Fund will tender for a new active manager for the remaining £150m allocated to global equities.

The Future

Key to the future of the Fund will be the Government's response to Lord Hutton's report on the future of public sector pensions. It is expected that the Fund going forward will move from a Final Salary Scheme to a Career Average Re-valued Earnings Scheme, with a retirement date linked to the State Pension Age. The government have already announced that future pension benefits will be linked to CPI rather than RPI. The Government have stated though that all accrued benefits will be fully protected.

Key issues which have yet to be determined are the level of future employee contributions, future accrual rates and whether the Government will remove the protection on pensions of staff outsourced from the public sector.

The key concern is that if the changes lead to a significant reduction in scheme membership, then the long term sustainability of the Funds is threatened, and investment strategies will be forced to reduce equity exposure and increase the level of government bonds held.

It will be a key task over 2011/12 to shape the exact detail of this scheme in response to Government consultation, and ensure all employees are fully briefed on the benefits of the new look scheme so that they can make informed choices. If we get this right then hopefully my foreword next year will be looking forward to the implementation of a new, affordable and sustainable LGPS.

Sue Scane
Assistant Chief Executive & Chief Finance Officer
July 2011

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

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

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

The Responsibilities of the Assistant Chief Executive & Chief Finance Officer

The Assistant Chief Executive & Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('the Code of Practice').

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

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

The Assistant Chief Executive & Chief Finance Officer has also:

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

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

MEMBERS, MANAGERS & ADVISORS

<i>Administering Authority</i>	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
<i>Administrator</i>	Assistant Chief Executive & Chief Finance Officer
<i>Pension Fund Committee County Council Members 2010/11 Membership</i>	Cllr David Harvey (Chairman) Cllr Bill Service (Deputy Chairman) Cllr Jean Fooks Cllr Stewart Lilly Cllr Don Seale Cllr Charles Shouler Cllr John Tanner (to Dec 2010) Cllr Roy Darke (from Dec 2010) Cllr Richard Langridge (WODC) Cllr Jerry Patterson (VOWHDC)
<i>Representatives of District Councils</i>	Peter Fryer (UNISON) 2010/11
<i>Beneficiary Observer</i>	
<i>Independent Investment Adviser</i>	Peter Davies
<i>Fund Managers</i>	Adams Street Partners Alliance Bernstein Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management UBS Wealth Management Graeme Muir FFA and Alison Hamilton FFA Barnett Waddingham LLP The Audit Commission
<i>Actuary</i>	
<i>Auditor</i>	
<i>AVC Provider</i>	Prudential Assurance Company Ltd
<i>Corporate Governance & Socially Responsible Investment Service Custodian</i>	RiskMetric Group BNY Mellon
<i>Performance Management</i>	WM Performance Services

HOW THE SCHEME OPERATES

◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded final salary pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The operation of the Oxfordshire County Council Local Government Pension scheme is principally governed by the Local Government Pension Scheme Regulations 2007 [as amended] (effective from April 2008). 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 be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 9.

This defined benefit scheme provides benefits related to salary for its members and the benefits are 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 although previously based on the Retail Price Index (RPI), the pensions increase payable in April 2011 was based on the Consumer Price Index (CPI).

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

◆ Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at rates between 5.5% and 7.5% of whole time equivalent pensionable earnings.

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

Contribution rates for 2010-11 were based on the completed valuation of the Scheme’s financial position as at 31 March 2007 and are shown on pages 8 to 9. The next actuarial valuation took place on 31 March 2010 and any changes to employer contribution rates, as a result of this valuation, will take effect from 1 April 2011.

◆ Benefits

The benefits payable under the Scheme are laid down by the 2007 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a ‘final salary’ scheme and provides a pension as a proportion of final salary according to the length of service. A Summary of Benefits is shown on pages 37 to 39.

Overriding legislation

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

The limits an individual can build up in a year and a lifetime are due to change next year (2011-2012) this will bring additional reporting timetables to the fund administration.

◆ **Internal Dispute Procedure**

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

MEMBERSHIP

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.

The table below provides the composition of the Fund's membership for the five years 2006/07 to 2010/11.

	2006-07	2007-08	2008-09	2009-10	2010-11
Contributory Employees					
Oxfordshire County Council	13,496	13,897	14,420	14,964	13,145
Other Scheduled Bodies	5,425	5,368	5,563	5,361	4,817
Admitted Bodies	1,086	1,057	987	951	868
	20,007	20,322	20,970	21,276	18,830
Pensioners and Dependants					
Oxfordshire County Council	4,813	5,109	5,458	5,877	6,320
Other Scheduled Bodies	3,248	3,403	3,583	3,820	4,036
Admitted Bodies	260	323	386	435	496
	8,321	8,835	9,427	10,132	10,852
Deferred Pensioners					
Oxfordshire County Council	6,284	7,643	8,733	9,450	10,996
Other Scheduled Bodies	3,515	3,837	4,083	4,379	4,904
Admitted Bodies	443	490	567	659	772
	10,242	11,970	13,383	14,488	16,672

Employees of the County and District Councils as well as Oxford Brookes University and the Colleges of Further Education, and Academies 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 2010/11 were as follows: -

- The number of contributory employees decreased by 2,446.
- The number of pensioners & dependants increased by 720.
- The number of deferred pensioners increased by 2,184. In addition to these, a further 3,605 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 numbers of Contributory Employees for the Other Scheduled Bodies.

Oxford City Council	1,060	South Oxon District Council	227
Cherwell District Council	456	Oxford Brookes University	1,545
Vale of White Horse District Council	200	Other	1,071
West Oxon District Council	258		

PARTICIPATING EMPLOYERS

Scheduled Bodies	<i>Contributions are shown as a percentage of pensionable pay</i>	Contribution Rate % 2010/11	Scheduled Bodies (cont)	Contribution Rate % 2010/11
Abingdon Town Council		21.5	Oxfordshire County Council	19.3
Abingdon & Witney College		16.9	Oxford Spires Academy	19.3
Banbury Town Council		16.8	Risinghurst & Sandhills Parish Council	*
Benson Parish Council		15.6	Rotherfield Greys Parish Council	16.5
Berinsfield Parish Council		15.5	Rotherfield Peppard Parish Council	16.4
Bicester Town Council		19.4	South Oxfordshire District Council	16.5
Carterton Town Council		19.9	Sutton Courtenay Parish Council	22.2
Cherwell District Council		21.7	Thame Town Council	20.5
Chalgrove Parish Council		16.6	The Oxford Academy	19.1
Chinnor Parish Council		17.7	Vale of White Horse District Council	24.4
Chipping Norton Town Council		17.9	Wallingford Town Council	22.6
Cumnor Parish Council		15.7	Wantage Town Council	*
Didcot Town Council		21.0	West Oxfordshire District Council	21.2
Eynsham Parish Council		16.3	Wheatley Parish Council	15.5
Fringendon Town Council		15.4	Whitchurch Parish Council	*
Henley College		17.7	Witney Town Council	15.7
Henley-on-Thames Town Council		15.7		Plus £19,300
		plus £14,400	Woodstock Town Council	15.7
Kidlington Parish Council		19.8		Plus £2,364
Littlemore Parish Council		*		
Marcham Parish Council		16.3		
North Hinksey Parish Council		*		
North Oxfordshire Academy		19.3		
Old Marston Parish Council		15.7		
Oxford Brookes University		18.5		
Oxford City Council		20.2		
Oxford & Cherwell College		14.2		

* No active members at the date of the last valuation (31 March 2007). A contribution rate will be advised by the actuary at the date an active member joins the fund.

PARTICIPATING EMPLOYERS

<i>Contributions are shown as a percentage of pensionable pay</i>	Contribution Rate % 2010/11		Contribution Rate % 2010/11
Admitted Bodies			
Abingdon & District Citizens Advice Bureau	20.9	Oxford Homeless Pathways	16.7
ACE Centre Advisory Trust	21.0		Plus £2,000
Atkins Global	14.5	Oxford Inspires	17.0
Banbury Citizens Advice Bureau	20.3	Oxfordshire Archaeological Unit Ltd	16.7
Banbury Homes	16.7		plus £72,600
	Plus £11,300	Oxfordshire Community Foundation	20.7
Barnardo's	20.0	Oxfordshire Council for Voluntary Action	16.7
CAPITA	17.1		plus £5,400
CfBT Careers Service Ltd	19.9	Oxfordshire Youth Arts Partnership	15.9
	plus £182,000	Reading Quest	16.7
Charter Community Housing	21.9	RM Education	19.1
Cherwell Housing Trust	22.1	SOLL Vale	21.4
Community Voice	19.3	Stonham Services	18.2
		Swalcliffe Park School Trust	16.7
Connexions	19.3		plus £29,000
Cottsway Housing Association Ltd	22.9	Thames Valley Partnership	24.7
Elmore Community Services	18.5	The Vale Housing Association Ltd	21.1
Fusion Lifestyle	20.2		Plus £94,000
Nexus Community	27.2	United Sustainable Energy Authority	20.1
NORCAP	17.4	West Oxfordshire Citizen Advice Bureau	16.7
Order of St John's Care Trust	19.3		plus £900
Oxford Citizens' Housing Association	19.3		
Oxford Community Work Agency	19.0		
Oxford Health NHS Foundation Trust	19.3		

Economic Background

The recovery from recession in Western economies, which had begun late in 2009, came to fruition during 2010. Growth in GDP ranged from 1.6% in the UK and Eurozone to 2.9% in USA and 4.2% in Japan, although a slowdown in the final quarter of 2010 raised questions about the sustainability of the recovery. Current estimates for 2011 show these levels of growth being maintained in all regions except Japan - where the devastation caused by the March 11th tsunami has depressed output in the short term. Meanwhile China recorded GDP growth of 10% in 2010, and has been increasing interest rates and bank reserve ratios for the past year, in order to prevent overheating in their economy.

Short-term interest rates in US, UK and Europe remain at historically low levels, in order to encourage growth, while the UK coalition government has pressed ahead with spending cuts in pursuit of its objective of reducing the Public Sector Borrowing Requirement to 2% of GDP by 2014. In Europe the rescue package for Greece, announced in May 2010, has been followed by similar rescues for Ireland in November and Portugal in April. In each case the governing political party has changed, and the terms of the bailout impose tight fiscal measures on the domestic economy. For capital markets, the effects have included a widening of risk premiums on sovereign debt in the peripheral markets, together with caution towards European banks which have significant exposure to weak sovereign debt.

Popular uprisings have ousted the long-established leaders in Tunisia and Egypt, while the situations in Libya, Syria, Yemen and other territories have caused considerable uncertainty in markets. This has been reflected in the sharp rise in the oil price, with the associated effect on other fuel prices. The earthquake and tsunami in Japan has changed perceptions of the safety of nuclear power generation, but there are signs that Japanese industrial production is recovering to normal levels within just three months of the disaster.

Market Returns

After the sharp movements seen in previous years, most markets recorded single-figure percentage gains in sterling terms over the year. Equity returns showed little variation by region, apart from the weakness of Japan, while government bonds in 'safe haven' markets generated slight capital gains in addition to the interest payments. The UK commercial property market has slowed down since autumn 2010, and looks set to remain dull in the current economic climate.

The Oxfordshire County Council Fund was able to out-perform its benchmark by 0.7%, thanks to strong relative returns from UK Equities and Private Equity, though these were partially offset by below-benchmark returns in Overseas and Global Equities.

Outlook

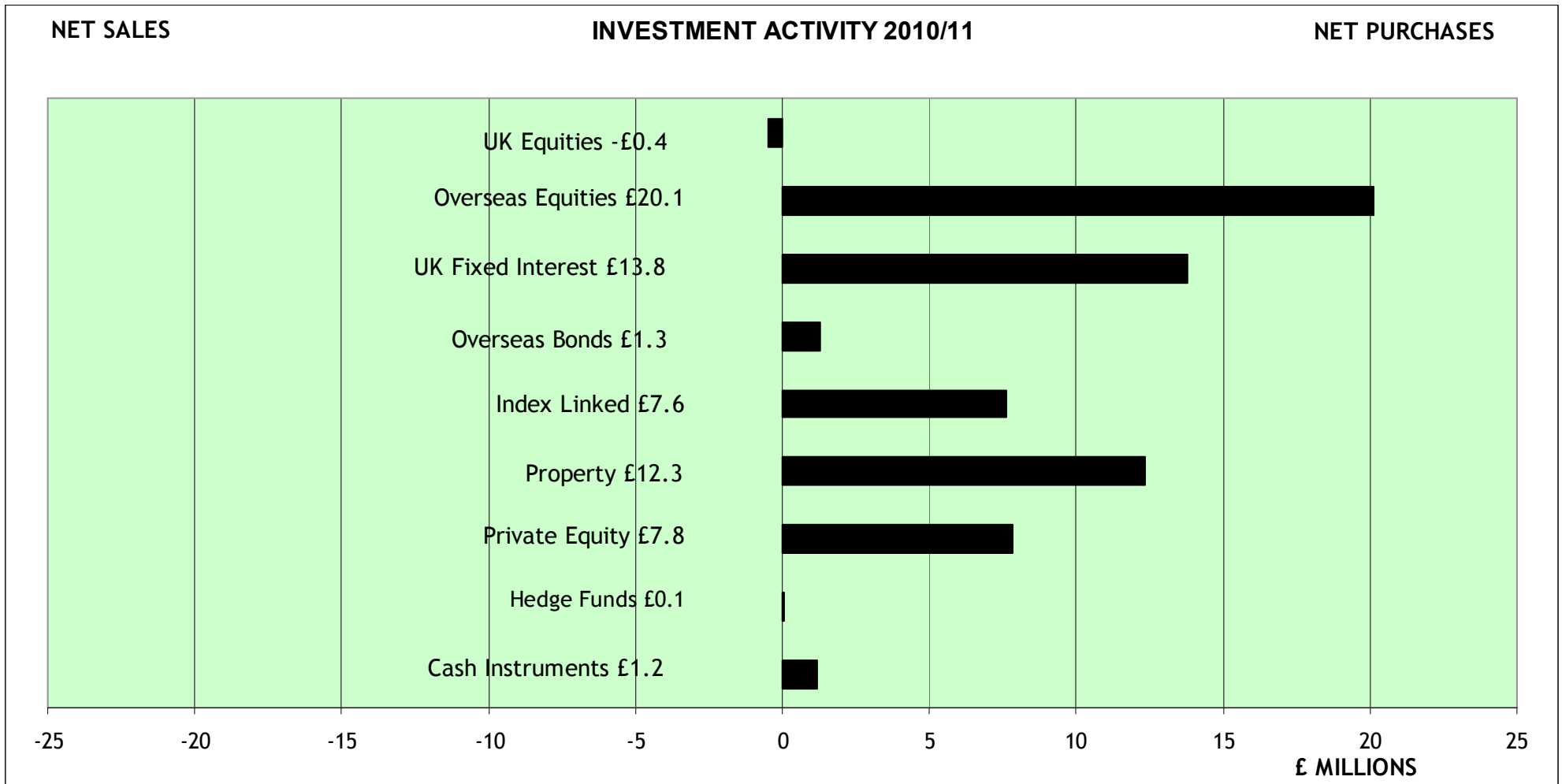
Equity markets have been remarkably resilient in the early months of 2011 against a background of political upheaval in North Africa and the Middle East, the sharp rise in the price of oil, and continuing sluggish growth in Western economies. The UK and US central banks are still operating loose monetary policies, but in time interest rates will be adjusted upwards to more normal levels. When this happens, the initial effect on equities is likely to be negative, while medium-term bond yields could also rise. With tight fiscal policy being maintained in the UK, and a tightening stance expected in the US, the outlook for growth in employment and consumer spending remains dull. Against this backdrop, it is hard to envisage significant advances in equity or bond markets in the near future.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2011.

SECTOR		INDEX	% Total Returns Year to 31.3.11
Equities	Global	FTSE All World	8.4
	UK	FTSE Actuaries All Share	8.7
	North America	FTSE North American Developed	9.6
	Japan	FTSE Japan Developed	-4.0
	Europe	FTSE Europe (ex UK) Developed	7.5
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	14.2
	Emerging Markets	FTSE Emerging Markets	11.9
Bonds	UK Government	FTSE Government UK Gilts All Stocks	5.2
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	6.7
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	5.2
	Overseas	JP Morgan Traded WXUK	2.1
Cash	UK	7 DAY £ LIBID INDEX	0.4
Property	UK Commercial	IPD (HSBC) All Balanced Funds Index	9.1

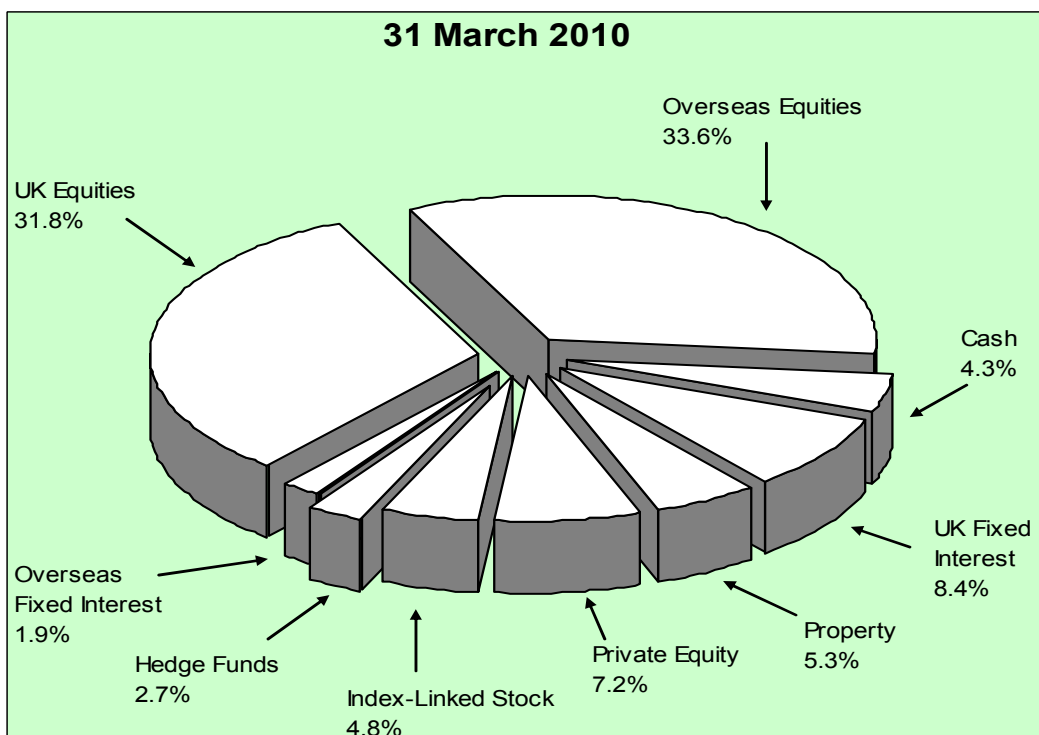
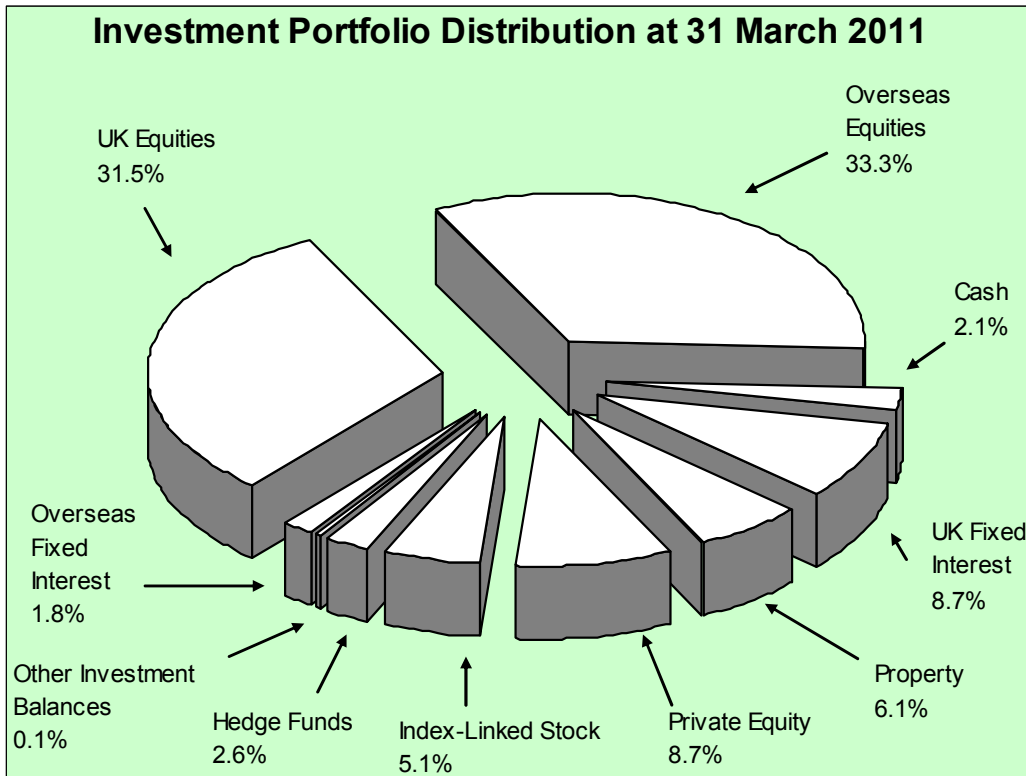
- **Investment Activity**

The Pension Fund invested a net £64 million during the year ended 31 March 2011. The amounts invested or disinvested in each principal category of asset are shown in the chart below.

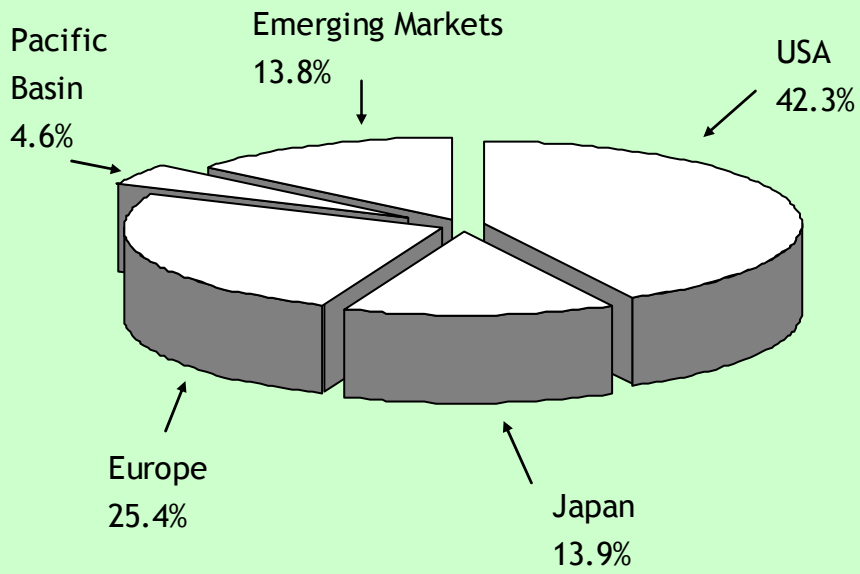


Portfolio Distribution

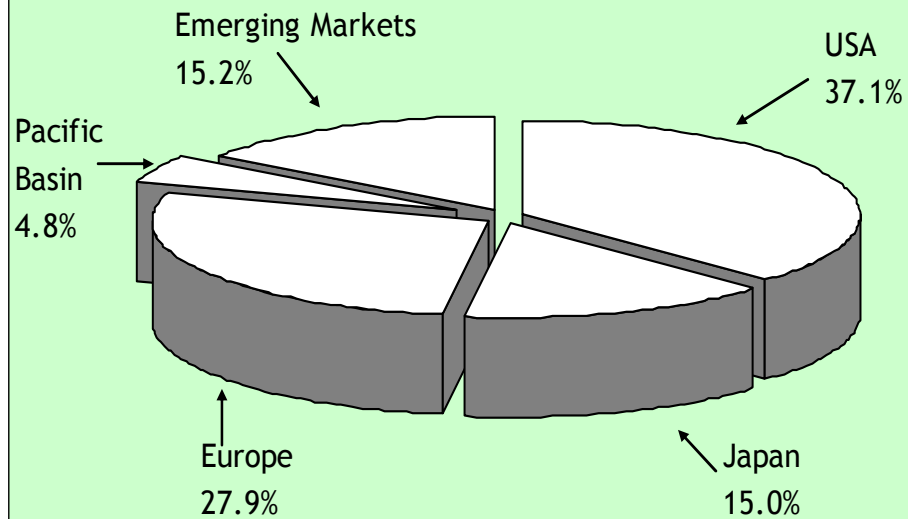
The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2011 is shown in the chart below. A comparative chart of the position at 31 March 2010 is also shown. The two further charts show the distribution of overseas investments at 31 March 2011 and 31 March 2010. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.



Overseas Investment Distribution at 31 March 2011



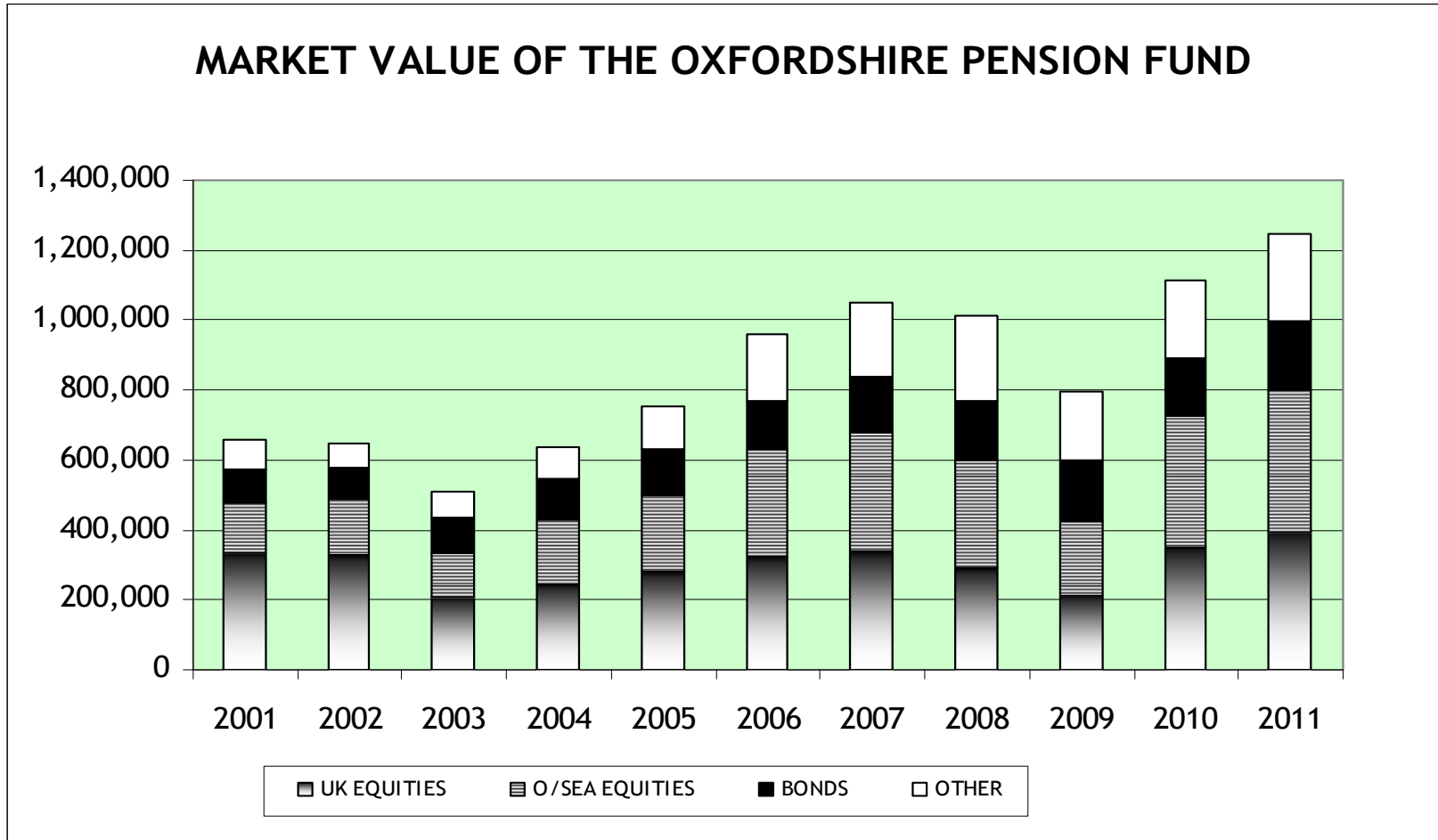
31 March 2010



Portfolio Asset Allocation over the Ten Years to March 2011

The total assets of the Pension Fund have grown from £658 million at end of March 2001 to £1,245 million at end of March 2011 (see chart below). Over the period the percentage in UK equities decreased from 50.6% to 31.3% whilst bonds increased from 15.2% to 15.5%

Page 64



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

◆ Investment Benchmark and Performance

There were no significant changes to the Pension Fund's strategic asset allocation during 2010/11 as the decision was made to delay any review until completion of the 2010 tri-annual valuation of the Fund. During the year officers consider the allocation of assets at the end of each quarter, with a view to considering a rebalancing after consultation with the Independent Financial Adviser and the Chairman of the Committee. This built on the new process and flexibilities of allowable ranges introduced into the asset allocation strategy last year.

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

The Pension Fund Committee completed a full review of the strategic asset allocation and the performance of the fund managers at its meeting in March 2011, following receipt of the 2010 Valuation report. The Committee determined to remove the global equity mandate from Alliance Bernstein, and switch £100m of this allocation to a passive fund manager. This change, as well as the appointment of a new active manager for the remaining £150m will be managed during 2011/12.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2011		Three Years Ended 31 March 2011	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	31.0	8.7	14.3	5.4	7.1
Overseas Equities	32.0	8.5	5.6	8.5	9.6
* Global Equities		8.4	5.2	8.6	1.1
UK Gilts	3.0	5.1	3.5	5.3	5.5
Index Linked Gilts	5.0	6.7	8.6	4.6	5.7
Overseas Bonds	2.0	2.5	3.7	4.4	5.8
Corporate Bonds	6.0	5.2	6.5	6.1	7.4
Property	8.0	9.1	9.4	-3.9	-8.7
Private Equity	10.0	14.5	23.7	2.2	-1.5
Hedge Funds	3.0	3.7	6.1	5.1	-1.1
† Cash	0.0	-	0.8	-	1.8
Total Fund	100.0	8.9	9.6	6.1	4.1

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

† Cash includes cash held by Fund Managers

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

Fund Manager	Target %	One Year Ended 31 March 2011		Three Years Ended 31 March 2011	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Alliance Bernstein Global Equities	+3.0	8.4	4.9	8.6	1.1
Baillie Gifford UK Equities	+1.25	8.7	18.1	5.4	8.0
UBS Overseas Equities	+1.0	7.7	5.6	8.1	9.6
Legal & General UK Equities	0.0	7.4	7.6	-	-
Legal & General Bonds	+0.4	5.4	6.3	5.4	6.5
UBS Property	+1.0	9.1	8.4	-3.9	-9.7
Partners Property	+1.0	9.1	7.1	-	-
Private equity	+1.0	14.5	23.7	2.2	-1.5
UBS Hedge Funds	+3.0	3.7	6.1	5.1	-1.2
Cash	n/a	0.4	1.8	1.5	2.7
Total Fund		8.9	9.6	6.1	4.1

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

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

% Returns per annum for the financial year ended 31 March 2011				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	9.6	4.1	2.8	4.3
Average Returns and other Comparators				
WM Local Authority Average Return	8.2	5.4	4.0	5.3
Oxfordshire Benchmark	8.9	6.1	4.2	5.3
Retail Price Index	5.3	3.1	3.6	3.1
Average Earnings	1.7	2.4	3.7	4.0

*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 2011			
	Notes	2011 £000	2010 £000
Contributions and Benefits			
Contributions Receivable:	2	(86,635)	(81,443)
Transfers from Other Schemes	3	(7,293)	(10,423)
Income Sub Total		(93,928)	(91,866)
Benefits Payable:	4	58,874	54,785
Payments to and on account of leavers	5	6,118	9,284
Administrative expenses borne by the Scheme	7	1,134	1,103
Expenditure Sub Total		66,126	65,172
Net Additions from dealings with members		(27,802)	(26,694)
Returns on Investments			
Investment Income	6	(22,949)	(24,686)
Commission Recapture		(3)	(5)
Profits and losses on disposal of investments and changes in Market Value of Investments		(85,891)	(266,878)
Less Investment Management Expenses	7	3,152	2,843
Less Taxes on Income	6	287	434
Net returns on investments		(105,404)	(288,292)
Net increase in the net assets available for benefits during the year		(133,206)	(314,986)
Opening Net Assets of the Scheme		1,111,621	796,635
Closing Net Assets of the Scheme		1,244,827	1,111,621

NET ASSETS AS AT 31 MARCH 2011			
	Notes	2011 £000	2010 £000
<u>Investment Assets</u>	10		
Fixed Interest Securities		130,276	114,276
Equities		443,438	395,823
Index Linked Securities		62,860	53,033
Pooled Investment Vehicles		495,366	435,624
Private Equity		76,979	61,912
Derivative Contracts		43	192
Loans		3,100	0
Cash		23,765	49,001
Other Investment Balances		5,792	5,812
<u>Investment Liabilities</u>			
Derivative Contracts		(1,000)	(750)
Other Investment Balances		(3,290)	(4,847)
Total Investments		1,237,329	1,110,076
Current Assets and Current Liabilities			
Other Assets	11	9,348	3,667
Other Liabilities	12	(1,850)	(2,122)
Net current assets		7,498	1,545
Net Assets of the scheme available to fund benefits at year end		1,244,827	1,111,621

Fund Description

The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The scheme is principally governed by the Local Government Pension Scheme Regulations 2007/2008 [as amended]. 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 be employers in the Scheme.

This defined benefit scheme provides benefits related to salary for its members. 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

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 at rates between 5.5% and 7.5% of whole time equivalent pensionable earnings.

Employers’ contribution rates are set following the actuarial valuation, which takes place every three years.

Six admitted bodies and one scheduled body joined the scheme in 2010/11. There was no significant impact on the membership of the scheme because the majority of the new bodies are small and some members already existed in the scheme with another employer.

There were no changes to the asset allocation of the fund during 2010/11, although the fund did determine to move £100m of the global equity allocation from active to passive management. This will be actioned during 2011/12.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 35.

STATEMENT OF ACCOUNTS

2010/11

Note 1 - Accounting Policies

Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Local Government Pension Scheme Regulations 2008 (as amended) and with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (2010)

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 15.

Investments

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

(a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2011.

(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 2011.

(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 debtor 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.

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.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

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

Contributions

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

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of valid claims that are paid 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. 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 the 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 which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year end was translated into sterling at the rate ruling at 31 March 2011.

Investment Management and Scheme Administration

6. 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 general investment managers have been accounted for on the basis contained within their respective management agreements.

Expenses

7. Expenses are accounted for on an accruals basis.

Note 2 - Contributions

	2010/11 £000	2009/10 £000
Employers		
Normal	(44,592)	(43,549)
Augmentation	0	(74)
Deficit Funding	(18,907)	(15,803)
Costs of Early Retirement	(2,956)	(1,929)
	(66,455)	(61,355)
Members		
Normal	(19,650)	(19,470)
Additional*	(530)	(618)
	(20,180)	(20,088)
Total	(86,635)	(81,443)

Deficit funding contributions are being paid by the employers into the scheme in accordance with a 25 year recovery plan, with the exception of one employer who has a 12 year recovery plan.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 15.

	Employer Contributions		Members Contributions	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Oxfordshire County Council	(35,784)	(34,583)	(11,779)	(11,592)
Scheduled Bodies	(21,535)	(21,859)	(7,074)	(7,202)
Admitted Bodies	(9,136)	(4,913)	(1,327)	(1,294)
Total	(66,455)	(61,355)	(20,180)	(20,088)

Note 3 - Transfers In

	2010/11	2009/10
	£000	£000
Group Transfers In from other schemes	0	0
Individual Transfers In from other schemes	(7,293)	(10,423)
Total	(7,293)	(10,423)

Note 4 - Benefits

	2010/11	2009/10
	£000	£000
Pensions Payable	43,812	41,218
Lump Sums - Retirement Grants	13,034	12,306
Lump Sums - Death Grants	2,028	1,261
Total	58,874	54,785

	Pensions Payable		Lump Sums	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Oxfordshire County Council	21,427	20,185	7,945	6,137
Scheduled Bodies	20,537	19,436	5,931	6,116
Admitted Bodies	1,848	1,597	1,186	1,314
Total	43,812	41,218	15,062	13,567

Note 5 - Payments to and on account of leavers

	2010/11	2009/10
	£000	£000
Refunds of Contributions	41	42
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	6,077	9,242
Total	6,118	9,284

Note 6 - Investment Income

	2010/11	2009/10
	£000	£000
UK Government Stock and Other Fixed Interest	(4,917)	(5,116)
UK Index Linked Bonds	(2,513)	(3,306)
UK Equities and Convertibles	(7,457)	(7,043)
Overseas Equities	(4,213)	(4,413)
Overseas Bonds	(597)	(656)
Overseas Index Linked Bonds	(3)	(25)
Pooled Investment Vehicles	(2,512)	(2,423)
Interest on Cash Deposits	(289)	(591)
Private Equity	(286)	(908)
Securities Lending	(162)	(205)
	(22,949)	(24,686)
Irrecoverable withholding tax	287	434
Total	(22,662)	(24,252)

Note 7 - Administration & Investment Management Expenses

	2010/11	2009/10
	£000	£000
<u>Administrative Expenses</u>		
Administration Costs recharged by OCC	838	815
Actuarial Fees	66	69
Audit Fees	50	37
Other	180	182
	1,134	1,103
<u>Investment Management Expenses</u>		
Administration Costs recharged by OCC	214	208
Investment Management & Custody Fees	2,762	2,529
Other	176	106
	3,152	2,843

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 BNY 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 £162,503 in 2010/11 (2009/10 £205,241). This is included within investment income in the Pension Fund Account. At 31 March 2011 £31,853,442 of stock (3% of the Fund) was on loan, for which the Fund was in receipt of £33,077,001 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 2011, the County Council made employer contribution payments to the Pension Fund of £35,783,739 (2009/10 £34,583,051).

The County Council was reimbursed £1,051,306 (2009/10 £1,023,452) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 10 - Investments

	Value at 1.4.2010	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Debtors / (Creditors) £'000	Value at 31.3.2011 £'000
Fixed Interest Securities	114,276	252,846	(237,802)	956			130,276
Equities	395,823	169,660	(152,390)	30,345			443,438
Index Linked Securities	53,033	178,944	(171,326)	2,209			62,860
Pooled Investment Vehicles	435,624	43,186	(20,703)	37,259			495,366
Private Equity	61,912	1,410	(1,307)	14,964			76,979
Derivative Assets							
Futures	14	61	(207)	160			28
FX	(572)	2,921	(3,691)	357			(985)
Other Investment Balances	965					1,537	2,502
Cash Deposits	49,001	217,100	(215,927)	(359)	(22,950)		26,865
	1,110,076	866,128	(803,353)	85,891	(22,950)	1,537	1,237,329

Included within the above purchases and sales figures are transaction costs of £542,314. 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.

Fixed Interest Securities

	2010/11 £000	2009/10 £000
UK Public Sector	36,345	27,847
UK Other	71,713	65,532
Overseas Public Sector	22,218	20,897
	130,276	114,276

Equity Investments

	2010/11 £000	2009/10 £000
UK Listed Equities	247,026	219,691
Overseas Listed Equities		
USA	108,120	82,788
Japan	21,073	20,657
Europe	47,332	57,607
Pacific Basin	3,692	4,313
Emerging Markets	16,195	10,767
	443,438	395,823

Index Linked Securities

	2010/11 £000	2009/10 £000
UK Public Sector	62,860	53,033
UK Other	0	0
Overseas Public Sector	0	0
Overseas Other	0	0
	62,860	53,033

Pooled Investment Vehicles

	2010/11 £000	2009/10 £000
UK Registered Managed Funds - Property	17,439	16,141
Non UK Registered Managed Funds - Property	13,438	1,779
UK Registered Managed Funds - Other	142,951	130,215
Non UK Registered Managed Funds - Other	106,007	96,792
UK Registered Property Unit Trusts	41,632	41,081
Non UK Registered Property Unit Trust	2,732	0
Non UK Registered Unit Linked Insurance Fund	171,167	149,616
	495,366	435,624

Private Equity

	2010/11 £000	2009/10 £000
Listed Investments	76,970	61,893
Unlisted Investments	9	19
	76,979	61,912

Derivative Contracts

Objectives and policies

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

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

Futures -index based futures contracts, with an underlying economic value broadly equivalent to cash held, were bought to avoid cash held being 'out of the market'.

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.

Futures

The scheme had exchange traded overseas stock index futures outstanding at the year end relating to its overseas equity portfolio as follows:

Nature	Notional Amount £000	Duration	Asset Value at year end £000	Liability Value at year end £000
S&P stock future bought	1,236	3 months	28	0

£367,721 is included within cash balances in respect of initial and variation margins arising on open contracts at the year end.

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
Forward OTC	2 months	403 GBP	640 CAD	0	(7)
Forward OTC	2 months	83 GBP	860 SEK	0	(1)
Forward OTC	2 months	6,459 GBP	7,540 EUR	0	(214)
Forward OTC	2 months	7,796 GBP	12,675 USD	0	(118)
Forward OTC	2 months	9,007 GBP	1,205,000 JPY	0	(74)
Forward OTC	2 months	3,100 USD	1,921 GBP	15	0
Forward OTC	3 months	4,208 GBP	6,707 CAD	0	(91)
Forward OTC	3 months	11,823 GBP	13,920 EUR	0	(495)
				15	(1,000)

Other Investment Balances

	2010/11 £'000	2009/10 £'000
Debtors		
Sale of Investments	1,746	1,992
Dividend & Interest Accrued	3,976	3,735
Inland Revenue	59	76
Other	11	9
	5,792	5,812
Creditors		
Purchase of Investments	(2,641)	(4,232)
Management Fees	(632)	(605)
Custodian Fees	(17)	(10)
	(3,290)	(4,847)
Total	2,502	965

Cash

	2010/11 £000	2009/10 £000
Sterling Interest Earning Deposits	23,765	49,001
	23,765	49,001

Loans

	2010/11 £000	2009/10 £000
Short-Term Loans	3,100	0
	3,100	0

Note 11 - Other Debtors

	2010/11 £000	2009/10 £000
Cash Balances (not forming part of investments assets)	892	0
Employer Contributions	6,534	1,964
Employee Contributions	723	668
Transferred Benefits	870	700
Costs of Early Retirement	56	99
Other	273	236
	9,348	3,667

Contributions owed by Employers relating to both employee and employer contributions at 31 March 2011 have subsequently been received.

Note 12 - Other Creditors

	2010/11 £000	2009/10 £000
Transferred Benefits	(233)	(1,513)
Inland Revenue	(614)	(593)
Costs of Early Retirement	(201)	0
Staff Costs	(691)	0
Consultancy	(87)	0
Other	(24)	(16)
	(1,850)	(2,122)

Note 13 - Assets under External Management

The market value of assets under external fund management amounted to £1,110m as at 31 March 2011. The table that follows gives a breakdown of this sum:

	2010/11		2009/10	
	Market Value £000	%	Market Value £000	%
Alliance Bernstein	255,996	23.06%	244,010	24.53%
Baillie Gifford	240,021	21.62%	203,855	20.50%
Legal & General	323,136	29.11%	292,969	29.45%
UBS	290,964	26.21%	253,871	25.52%
	1,110,117	100.00%	994,705	100.00%

Note 14 - Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such most of its income and investment gains are free of taxation. However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income.

Note 15 - Additional Voluntary Contributions

	2010/11 £'000	2009/10 £'000
Value of AVC Fund at beginning of year	15,144	14,590
Employee contributions	1,338	1,294
Investment income and change in market value	739	806
Benefits paid and transfers out	(2,183)	(1,539)
Management Fees	(9)	(7)
Value of AVC Fund at end of year	15,029	15,144

The funds are invested as follows:-

	2010/11 £'000	2009/10 £'000
BGI Aquila UK Equity Index Fund	9	6
Backrock Aquila (50:50) Global Equity Index Fund	2	0
Deposit Fund	544	395
Prudential Cash Fund	112	105
Prudential Corporate Bond Fund	22	5
Prudential Discretionary Fund	304	256
Prudential Fixed Interest Fund	53	47
Prudential Global Equity Fund	61	51
Prudential Index Linked Fund	70	54
Prudential International Equity Fund	139	130
Prudential Pre-Retirement Fund	7	3
Prudential Property Fund	74	65
Prudential Retirement Protection Fund	177	140
Prudential Socially Responsible Fund	79	65
Prudential UK Equity (Active) Fund	88	83
Prudential UK Equity (Passive) Fund	269	254
With Profits Cash Accumulation Fund	13,019	13,485
Total	15,029	15,144

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 tables 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- Actuarial Present Value of Promised Retirement Benefits

	2011 £000	2010 £000
Present Value of Funded Obligation	1,683,123	1,925,313

Present Value of Funded Obligation consists of £1,395,363,000 in respect of Vested Obligation and £287,760,000 in respect of Non-Vested Obligation.

Note 18 - Financial Instruments

To be completed

Note 19 - Risk

To be completed

TOP TEN HOLDINGS AS AT 31 MARCH 2011

Value of the Fund's Top Ten Holdings	£'000	% of Fund
HG Capital Trust	19,144	1.54
Electra Investment Trust	16,899	1.36
BG Group	14,676	1.18
Rio Tinto	12,063	0.97
HSBC	10,604	0.85
BHP Billiton	10,183	0.82
Royal Dutch Shell 'B' Shares	9,652	0.78
British American Tobacco	9,581	0.77
Imperial Tobacco	8,459	0.68
Royal Dutch Shell 'A' Shares	8,203	0.66

Independent auditor's report to the members of Oxfordshire County Council
To be included on completion of audit

Oxfordshire County Council Pension Fund

Actuary's Statement as at 31 March 2011

Introduction

The last full triennial valuation of the Oxfordshire County Council Pension fund was carried as at 31 March 2010 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2011.

2010 Valuation Results

The results of the fund were as follows

- The Oxfordshire County Council Pension fund had a funding level of 79%, i.e. the assets amounted to 79% of the liability promises made as at that valuation date. This corresponded to a deficit of £287.1m at that time.
- The overall contribution rate was set at 19.0% of payroll assuming the funding level was to be restored over a 25 year period.
- The common contribution rate was set at 14.4% of payroll and individual employers paid additional contributions reflecting their own experience in the fund.
- The funding level of the fund had increased since the 2007 triennial valuation level of 78%.

Valuation method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants being valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age method.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Key Financial Assumptions

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments	6.7% per annum
Rate of increases in pay	5.0% per annum
Rate of Increases to pensions in payment	3.0% per annum

Asset valuation

To be consistent with the assumptions used to value the liabilities the assets were valued at their smooth market value spanning the date of valuation.

Post Valuation Events – Changes in market conditions

Since March 2010 investment returns have been better than assumed at the 2010 valuation although liabilities may have also increased due to a reduction in the real discount rate underlying the valuation funding model.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014. We will continue to monitor the financial position of the Fund.

Alison Hamilton FFA

Partner

19 August 2011

SUMMARY OF BENEFITS AT MARCH 2011

Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2008. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website. www.oxfordshire.gov.uk/pensions

• 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, award additional pension for a member, agreement to early or flexible retirement on request of the member and setting up a shared cost AVC scheme.

• Retirement

Although the scheme retirement age is 65 for men and women, membership of the scheme continues when employment continues 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.

The regulations confirm '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.

The earliest age for payment of pensions increased to 55 from April 2008 but is only permitted with the employer's approval.

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

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

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

• Benefits

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is 3 months. The standard pension calculation, for

membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 the standard calculation is 1/60 of final years' pensionable pay for each year of membership.

Example - retirement in 2013

25 years membership, final pay £15,000

Annual Pension.

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

5 years x 1/60 x £15,000 = **£1,250**

Retirement Grant

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

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

There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant.

• **Liability to pay future benefits**

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

• **Increasing Benefits**

Scheme members have several options as to how they increase their benefits,

additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential. **Additional Regular contributions (ARC's)** to the LGPS can buy units of additional pension for the member or the member and the dependants. Each unit buys £250 of annual pension (to a maximum of £5000). Members apply to Pension Services for quotations, although an online ready-reckoner is on our website. **Prudential AVCs.** A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership

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

• **Death**

Following a death in service a death grant of up to three times pensionable pay is payable. Scheme members are recommended to keep their 'expression of wish' nominations current.

• **Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension**

The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership.

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

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

A co-habiting partner must be nominated and couple's declaration must be held on the pension record to show that they qualify under the LGPS rules.

Once in payment a pension for the surviving partner is payable for their lifetime.

- **Leaving the Scheme**

With less than 3 months membership leavers can choose between 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 this fund until retirement or an earlier transfer to an approved scheme.

- **Early Retirement**

Most early retirements, where employer decisions release an unreduced benefit incur a cost to the pension fund. Employers are advised of these costs to enable them to make informed decisions about the early release of benefit. The Pension Fund recoups the cost direct from employers who agree early retirements.

◆ STATEMENT OF INVESTMENT PRINCIPLES

1 Introduction

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

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

2 Overall Responsibility

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

The review and monitoring of investment performance and fund administration is delegated to the County Council's Pension Fund Committee. The Assistant Chief Executive & Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The

Committee is comprised of 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 Assistant Chief Executive & Chief Finance Officer and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.3% per annum over a rolling three-year period.

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

Risk

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

achieving their target rate of return, or even their benchmark return.

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

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

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

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

Strategic asset allocation

In September 2009 the Pension Fund Committee agreed a customised benchmark for the strategic allocation of assets. This is set out in the table below:

Asset Class	Target asset allocation %	Range %
UK Equities		
- passively managed	10	
- actively managed	21	
Total UK Equities	31	29 - 33
Overseas Equities	32	30 - 34
Total Equities	63	
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
Total Bonds & Index Linked	16	14 - 18
Property	8	5 - 9
Private Equity	10	6 - 11
Hedge Funds	3	2 - 4
Cash	0	0 - 5
Total Other Assets	21	
Total All Assets	100	

4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in November 2007.

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

Asset Class	Investment Manager	Benchmark	Annual Target
UK Equities	Baillie Gifford Legal & General	FTSE Actuaries All-Share FTSE 100	+1.25% Passive
Overseas Equities	UBS Global Asset Management	Various FTSE geographical indices	+1.0%
Global Equities	Alliance Bernstein	FTSE All World	+ 3.0%
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.4%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	Peter Davies Adams Street Partners Group	FTSE smaller companies (including investment trusts)	+ 1.0%
Hedge Funds	UBS Wealth Management	3 month Libor	+ 3.0%
Cash	Internal	3 month Libor	-

Target performance is based on rolling 3-year periods

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

Restrictions on Investment

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

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

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

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may

be invested in unit linked contracts of insurance

- the limit on this investment has been increased to 35%
- this increase has been agreed to allow the Council to effectively manage the transition between the Fund Managers for the global equity element of its portfolio. During the transition, the Funds will be held by a single manager in a passive fund. As the money is in a passive fund there is no additional risk associated with manager decision, as the manager is required to follow the market.
- The increase has been agreed for a period not exceeding 2 years.
- The increase will be reviewed within 1 year, no later than 5 May 2012
- The decision to increase the limit has been made in accordance with the Regulations.

Realisation of Investments

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

Monitoring and review

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

5 Social, Environmental & Ethically Responsible Investment

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

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

6 Exercise of Rights attached to Investments

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

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. They have been instructed to vote in accordance with the guidance set by RiskMetric Group. However, in exceptional circumstances managers may vote differently from the RiskMetric Group guidance, if in their judgement this would be in the best interests of the fund. Where managers take a contrary view to the RiskMetric Group they must obtain permission from officers to vote differently and officers must report this to the Pension Fund Committee.

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

7 Custody & Stock Lending

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

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

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

8 Compliance

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

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

9 Review of this Statement

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

OTHER GOVERNANCE AND FINANCIAL STATEMENTS

In addition to the statement of Investment Principles, the regulations now require the Pension Fund Report to include a reference to the Funding Strategy Statement, the Governance Compliance Statement and the Communications Policy. These documents are available in full on the OCC website at <http://www.oxfordshire.gov.uk/howthe-pensionfundismanaged>. Detailed below is a summary.

- **Funding Strategy Statement**

This is a key document in driving the tri-annual Valuation process, and sets out the Pension Fund's approach to ensuring the long term financial position of the Fund. The three main purposes of this Funding Strategy Statement are:

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

The document sets out the aims and purposes of the Fund, the key responsibilities of stakeholders of the Fund, definitions of solvency, and the approach to allowing deficits to be recovered over periods of time, the approach to grouping employers for Valuation purposes, the approach to risks and the links to the investment principles.

- **The Governance Compliance Statement**

The Governance Compliance Statement - All Pension funds must publish a Governance Policy and a Governance Compliance Statement which sets out the extent to which this Governance Policy matches best practice guidance. The Governance Policy covers how the Administering Authority delegated its powers, the frequency of meetings, the terms of reference, structure and operating procedures in relation to the use of delegated powers, and the representation of scheme employers, and members within the arrangements. The first Governance Compliance Statement indicates that the Oxfordshire Fund is fully compliant in respect of most of the best practice statements, and partial compliant in just two. These two relate to the fact that not all key scheme employers have representation on the Pension Fund Committee, and the fact that there is no restriction on who can substitute for a Committee Member in terms of a minimum level of training on Pension fund matters.

- **The Communications Policy**

The Communications Policy sets out the approach of the Pension Fund to ensuring all key stakeholders and scheme members are briefed on Pension Fund issues. The Policy sets out that the Administering Authority seeks to fully brief all Scheme employers, such that they in turn can brief individual scheme members. The Administering Authority does not regard itself as solely responsible for communicating directly with all scheme members. Key elements of the Communication Policy include the development of the Website, the production of regular newsletters, and the holding of regular Pension User Group Meetings, and the annual Pension Forum.

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 Directors, 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.
- **Annual Small Employer Forum**
This has been introduced to meet the needs of smaller scheme employers who are unable to attend either the forum or user group. This meeting will cover both topical issues and operational issues.
- **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 booklet, summarising the benefits of the Scheme, is currently under a full review. When next available for all employees it will reflect the New Look LGPS.
- **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 Chairman. The Observer aims to send a written report of each meeting attended and circulate it to all employing bodies for their staff, and post it to the pensions website pages.
- **Reporting Pensions** - a quarterly newsletter distributed to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council complies with the Disclosure of Information Regulations.
- **Website** - Pensions administration and investment information, including Pension Fund Committee reports and minutes are available on the pension pages of the County Council public web site. Here employers can find administration information summarised as the 'toolkit' and members locate outline benefit information and latest newsletters.
- **Intranet** - for County Council employees provides access to the pensions newsletters and reports in alternative media. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions** - This is an informal monthly newsheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements** - These are issued to all current and deferred beneficiaries of the scheme, with supporting details and information on the website.

- Administration principles - we encourage all new employers to attend a meeting to help acquaint them to our requirements and their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

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

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

SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE

Second stage disputes to be sent to:-

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

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

ACCOUNTS AND INVESTMENTS

Principal Financial Manager
(Treasury Management & Pensions
Investment)
Financial Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

Telephone 01865 328001

email:
pension.investments@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

BENEFICIARIES OBSERVER

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

Division(s):N/A

PENSION FUND COMMITTEE – 2 SEPTEMBER 2011

PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2011.

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. In March 2010 the Pension Fund Committee agreed a budget in respect of the Pension Fund's investment and administration expenses for the 2010/11 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment decision making in the Local Government Pension Scheme.
2. Annex 1 compares the Investment Management and Scheme Administration outturn figures against the budget and shows the variations against each budget head. The reasons for any material variations are explained below.

Investment Management Expenses

3. The largest component of the Investment Management expenses budget is the **external fund management fees**. Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The budgeted sum for management fees was £3,000,000 but the actual fees were £2,706,000. The majority of the difference was a £228,000 under spend on Alliance Bernstein's fees. This was due to poor performance over the twelve month period ended 31 March 2011. This led to a fall in market value which subsequently led to a fall in fees due. The UBS Overseas Equity was also under spent by £132,000 due to the omission of a rebate in the budget. UBS Property was £66,000 over budget due to increased activity on the fund. The fund is now fully invested in property which wasn't the case in previous years.
4. The **Global Custody Fee** is dependent upon market value of assets held and the number and type of trades arranged by the fund managers. It is not possible to accurately predict the total fee for the year. The £39,000 under spend on the Global Custody Fee budget for 2010/11 related to a contingency element of the budget which was not required and a prudent approach to the levels of fund manager transactions.
5. The **Independent Financial Adviser** and **Consultancy Fee** budgets include an annual estimate for special project work not included within the advisory contract. During 2010/11 special projects, including the Fundamental Review and set-up of a new bank account, were not

sufficiently covered by the contingency budget. This led to an over spend of £15,000.

6. The income fees derived from **stock lending** were much lower than forecast, £162,503 against the budgeted figure of £230,000. Market flow rates have been down due to hedge funds not leveraging back to their levels prior to the Lehman Brothers collapse.

Scheme Administration Expenses

7. Overall there was an underspend on the administration budget of £186,000. Just under half of this variation resulted from the budget for **Financial Services Recharges** being underspent by £90,000. The two key elements of this figure are an underspend of £66,000 on staffing costs, and £19,000 on legal fees. The saving on staffing results from carrying the equivalent of one vacant post for the year, plus a small number of staff not being part of the Pension Scheme (thereby saving the employers contribution). The saving on legal fees results from greater use of in-house resources.
8. The **Software Support and Licensing** budget provision was underspent by £17,000. The budget included a £10,000 contingency for miscellaneous development work which was not required. There was also provision of £5,000 to implement new payment arrangements directly from the Axise system which was deferred due to other pressures of work.
9. **Postage** costs were underspent by £16,000. We are currently reviewing the budget provision which appears to have been over-stated in light of actual expenditure over the last two years.
10. **Actuarial Fees** were underspent by £24,000. The budget provision was increased for 2010/11 in line with the expected additional work associated with the 2010 Valuation. The Valuation process went much smoother than expected, leading to less re-work and query resolution being required by the Actuary, and hence significantly cheaper costs than expected.
11. There was an underspending of £26,000 on **Audit Fees**, reflecting a review of all local government pension fund fees by the Audit Commission. This review based on the actual costs of the 2008/09 audit programme delivered significant reductions in audit fees levels for all local government pension funds.

RECOMMENDATIONS

12. **The Committee is RECOMMENDED to receive the report and note the out-turn position.**

SUE SCANE

Assistant Chief Executive and Chief Finance Officer

Background Papers:

Nil

Contact Officers: **Donna Ross, Principal Financial Manager**
 (01865) 323976
 Sally Fox, Pensions Administration Manager

August 2011

Division: N/A

PENSION FUND COMMITTEE – 2 SEPTEMBER 2011

PENSION ADMINISTRATION – SERVICE PERFORMANCE

Report by the Interim Deputy Director for Oxfordshire Customer Services

Introduction

1. In recent years very little information has been presented to this Committee on the service standards and performance of the Pension Administration Team, now located in Oxfordshire Customer Services. Whilst much attention is given to the performance of the investment fund managers, no performance data has been regularly reported to the Committee.
2. Shortly after the Pension Administration team moved in January 2007 to what was then Shared Services, Members did receive a couple of short reports which set out the backlog of work facing the team, the impact on performance of this backlog, and the problems of high staff turnover following the move.
3. It is the Pension Administration team which provides the interface to the employers and to scheme members, so performance levels within the team directly impact on the key stakeholders.
4. This report therefore seeks to set out the progress the Pensions Administration Team has made since the difficult start in Shared Services, highlighting the improvements in the key performance measures, and the changes made within the team which led to these improvements.

Performance Data

5. At the point the Pensions Administration Team moved to Shared Services, performance management data was less well defined than it is today. It is therefore difficult to produce performance benchmarks from that period against which to compare today's performance standards.
6. What is clear from the data that has been retained from that time is that the team were working with over 7,000 active files, the majority of which had been with the team for some time.
7. To place this number in context, it should be noted that over 1,000 new files are created each month related to new starters, members wishing to transfer benefits in or out of the scheme, deaths, retirements, scheme leavers, requests for pension estimate data for employees/employers etc.
8. It should also be noted that over 5,000 of these active files related to scheme leavers, or re-employed staff where the delay in completing the

work was not critical in terms of pension payments etc. The main problems associated with the backlog of work were related to the Valuation process where the actuaries were required to work with incomplete data, and therefore make more assumptions than is normally the case, and in the provision of annual benefit statements to scheme members.

9. By the start of the last financial year, i.e. April 2010, the performance data systems in Pensions Administration had been significantly improved, and more meaningful data was available to management. This data showed that the team still had over 4,500 active files on which they were working on.
10. The files were also analysed between those completed or likely to be completed within agreed specifications, and those outside of the specified timescales. As at April 2010, only 30% of files were being completed within specification, although again it is worth noting that 90% of the files outside of specification related to leavers and re-employed staff.
11. As at 31 March 2011, the number of active files had been reduced down to 800. The number of files now completed or likely to be completed within specification has risen to 94%. The majority of the files outside specification related to members who had left the scheme.
12. This significant improvement in performance was a key reason for the success of the 2010 Valuation process, and the consequence saving on the Actuarial fees covered in the budget outturn report elsewhere on this agenda. The high performance standards now being reached are also reflected in the customer satisfaction scores for the team which regular report 90%+ satisfaction levels.

Key Changes which have Driven Performance Improvements

13. It is important to note that the backlog problem has not been addressed by either throwing money at the problem, or reducing standards.
14. The staffing establishment of the Pensions Administration Team has remained consistent since the transfer to Shared Services. We have benchmarked our costs through the CIPFA benchmarking exercises, and these have shown that costs per scheme member have below the average level for LGPS funds. The draft figures for 2010/11 suggest a cost per scheme member in Oxfordshire of £22.23 compared to an average figure of £22.68. (nb. these figures are subject to change whilst the publication is finalised, but are consistent with the verified figures from previous years).
15. In terms of standards, the Pensions Administration team have maintained within all processes a 100% check of all work. In most cases this involves a more senior member of the team reviewing the detailed calculations against a process checklist, as well as ensuring the calculation is consistent with the supporting evidence. We know that not all other funds have maintained checking at this level.

16. The main drivers to the improved performance have been a much more stable workforce (following the staff turnover in just under 50% of positions on or shortly after the move to Shared Services), a change in staff structure and the targeted support provided to employers.
17. The staff structure change saw a move from work on all functions being split across the team based on surname of the scheme member, to one where small groups took on responsibility for individual functions. This change allowed the new and inexperienced staff to focus on specific areas of work, reducing the overall training requirement. Each group also took on greater responsibility for delivering their functions, and as a consequence we have seen a very positive programme of continuous improvement, led by the staff as well as drawing on customer feedback.
18. Many of the processes and forms have now been streamlined and simplified, reducing errors in the initial submissions from employers and employees, as well as improving the efficiency of the process itself. In a number of cases we have moved away from handwritten forms to the electronic submission of data which has improved the standard of the information received, reducing the amount of re-work required, and the time spent on queries on individual member records.
19. Key to reducing errors in the initial submissions from employers has been targeted support to those employers with whom we have experienced some of the greatest problems. Staff from the Pensions Administration Team have met directly with the staff responsible to provide 1:1 support, as well as providing tailored training sessions.
20. The CIPFA benchmarking data still shows that the team in Oxfordshire is significantly less experienced than the average team (51% of the team have 1-5 years experience and 7% more than 15 years, compared to average figures of 26% and 30% respectively). This and the functional split does mean that the team is at risk from any significant staff turnover in the near future.
21. However, the team are at present still driving forward a number of further process improvements, and seeking to maintain and improve performance standards. This should hopefully be reflected in next years CIPFA benchmarking results when the full year effects of the improvements during 2010/11 will also become visible.

Recommendation

22. **The Committee are RECOMMENDED to note the report on performance in the Pensions Administration Team, and consider whether they wish to receive an annual report on performance at Committee meetings scheduled for the autumn.**

Paul Gerrish

Interim Deputy Director for Oxfordshire Customer Services

Background Papers: CIPFA Benchmarking Reports 2009/10 and 2010/11
(draft)

Contact Officer: Sean Collins, Service Manager (Pensions, Insurance and
Money Management) Tel. No. 01865 717190

August 2011

Division(s): ALL

PENSION FUND COMMITTEE – 2 SEPTEMBER 2011

FUND MEMBERSHIP AND ADMISSION AGREEMENTS

Report by the Assistant Chief Executive and Chief Finance Officer

Introduction

1. This report sets out current issues around membership of the Oxfordshire LGPS Fund. These include the issues associated with the establishment of new Academy Schools, and around the new service delivery models developing as a result of the constraints on public sector expenditure and the Big Society model.
2. The report highlights potential issues arising from the current process for seeking Committee agreement to each application for Admitted Body status, and considers an alternative approach for Committee consideration. The report highlights a particular case for Committee consideration.
3. The report also reports a technical change to one of our Admission Agreements for the Committee to consider, and recommends the approval of the revised admission agreement.

Academies

4. All new Academies set up within Oxfordshire under the Academies Act 2010 are scheduled bodies under the LGPS Regulations, and as such are automatically members of the Oxfordshire LGPS Fund.
5. Two key issues which have prompted debate amongst Administering Authorities concern the treatment of past service deficit in respect of Academy staff. Whilst the Government have provided clear guidance that Academies are responsible for the past service deficit associated with their staff, they have left the precise details of how this deficit is calculated, and recovered through the employer contribution rate to individual Fund Actuaries.
6. The first issue is whether the past service deficit is calculated simply in respect of the scheme members at the point the Academy is established, or whether allowance is made for the deficit in respect of deferred and pensioner members of staff (noting that this figure is not normally directly identifiable as all figures would have been recorded as being part of the County Council as a whole).
7. A recent survey of Councils undertaken on behalf of the Society of County Treasurers identified that 50% of those who responded (11/22) indicated that they were calculating deficit on the basis of current employees at time of transfer only, whilst the other 50% were calculating the deficit figure including an allowance attributable to deferred and pensioner members.

8. Barnett Waddingham in undertaking the calculations for both King Alfred's and Wallingford schools have made an allowance for both active and deferred/pensioner members. They have argued that this is a fairer approach, particularly as the decision to seek Academy status is made by the school and not the Council. The funding for the past service deficit in respect of pensioners and deferred members is currently included in the delegated budgets for schools as part of the overall employer contribution rate, and therefore is transferred to the Academy. A decision to base the calculation of the past service deficit on just active members would therefore leave the Council with a significant un-funded liability where the majority of schools obtain academy status.
9. The second issue of debate is the period over which any past service deficit is recovered. Whilst the County Council itself has a constitutional permanence, the same is not true for an Academy school. Barnett Waddingham have therefore argued that it is prudent to recover the deficit over a shorter period so to protect local taxpayers who would be required to meet the shortfall in the event of the closure of the Academy.
10. In the case of King Alfred's and Wallingford, Barnett Waddingham have set the recovery period such that the overall contribution rate for the two schools is in line with that of the County Council. In the case of King Alfred's this has led to a recovery period of 22 years, and Wallingford, 19 years. (Differences explained by variation in the profile of the staff at the various schools).

New Admitted Body Arrangements

11. Alongside the development of Academy schools, the Pensions Team are also experiencing increasing requests for information regarding the pension implications of out-sourcing and new models of service delivery.
12. At the present time, where the new employer takes on staff under TUPE, the Fair Deal Regulations require them to offer the transferred staff comparable pension arrangements. (N.B. We are still awaiting the results of the recent Treasury consultation which could result in the Fair Deal provisions being withdrawn). This can be achieved through either admission to the LGPS, or by obtaining a certificate from the Government's Actuarial Department that they manage a broadly comparable scheme.
13. We are therefore facing a potential increase in applications for admitted body status from new employers. However the experience of the initial projects within Adult Social Care have highlighted that in a number of cases, potential contractors are querying whether TUPE does in fact apply. The argument is that where tenderers are asked to identify new models of service delivery, there is not a transfer of the existing undertaking, but the closure of one service and the establishment of a new service.
14. The merits of each case can only be judged at the end of the tender exercise when it is clear the nature of the service model being offered by the successful

tenderer. This will significantly reduce the planning period for the establishment of new admitted bodies. As each Admission Agreement is currently subject to approval from this Committee in advance, this in turn has the potential to delay the awarding of contracts.

15. We have been advised by colleagues in Adult Social Care of a specific example where this may well be the case. They have recently received tenders to provide a replacement service in respect of extra care provision within the County. Given the potential for providing the service in alternative ways, it has not been clear that TUPE will in fact apply.
16. We are now faced with the prospect that one of the favoured bidders will seek admission to the Oxfordshire LGPS Fund to meet their obligations under Fair Deal. At the time of writing this report, this has not been confirmed, as the selection process has not been completed. However, it is understood that the new contracts were targeted to be in place by November 2011 which will be before the next meeting of this Committee.
17. In this particular case it is felt that any new employer would be admitted as a transferee admission body, and therefore the Pension Fund would be protected for future financial risk as the County Council as previous employer would need to be party to the admission agreement and act as guarantor.
18. We have also be advised though of further cases in Adult Social Care where whilst TUPE may be deemed to apply, the Council will not be entering into a service contract with the new employer, and admission may be sought on a community admission basis. In such cases there would be no guarantor to underwrite the future risk to the Pension Fund.
19. To avoid the need to defer the implementation of new arrangements, the Committee has the option of delegating responsibility for agreeing Admission Agreements to officers (following consultation with relevant officers), or being prepared to hold additional meetings of the Committee. Officers do not believe that it is appropriate to delegate the decision to officers where the admission agreement is seen to increase financial risk to the Pension Fund as a whole.

New Admission Agreement

20. We have been advised that one of the Fund's existing admitted bodies (the Vale Housing Association) has agreed to merge with the Sovereign Housing Association. The new body will operate under the Sovereign name.
21. To avoid the need to terminate the existing admission agreement, which would require the calculation of a termination payment reflecting the current deficit on the pension account for the Vale Housing Association, Sovereign Housing Association have sought to novate the existing admission agreement. Under the novation, Sovereign take on all the liabilities and responsibilities of the Vale Housing Association.

22. Technically this requires the establishment of a new Admission Agreement with Sovereign Housing Association.

Recommendation

23. The Committee are **RECOMMENDED** to:
- (a) note the position on Academy Schools as set out in this paper;
 - (b) consider what changes, if any, they would wish to make to the process for the approval of future admission agreements where approval before the next scheduled Committee is sought to avoid delaying the implementation of new service arrangements; and
 - (c) agree the novation of the current admission agreement for Vale Housing Association to the Sovereign Housing Association.

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background Papers: Actuarial Valuation Reports for King Alfred's Academy and Wallingford Academy.

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

August 2011

Division(s): N/A

PENSION FUND COMMITTEE – 2 SEPTEMBER 2011

WRITE OFFS

Report by Assistant Chief Executive and Chief Finance Officer

Introduction

1. In November 2007 a change was made to the Scheme of Financial Delegations to allow write offs, under £7,500, chargeable to the pension fund to be approved by the Service Manager (Pensions, Insurance and Money Management) acting as Director and the Acting Head of Finance (Corporate Finance) acting as s151 Officer. Under the Scheme of Financial Delegation, such write offs need to be reported to this Committee for information.
2. For debts between £7,500 and £10,000 chargeable to the pension fund approval would need to be sought from the Assistant Chief Executive and Chief Finance Officer. These write offs will also need to be reported to this Committee for information.
3. Debts in excess of £10,000 would require approval of Pension Fund Committee

Current Cases

4. The Service Manager (Pensions, Insurance and Money Management) / Acting Head of Finance (Customer Services) and (Corporate Finance) have approved the write off of £263.81, chargeable to the pension fund in respect of eight cases.
5. In all cases the member had died resulting in a small over payment of pension, which could not be recovered. The smallest amount was £1.21 and the highest amount was £131.84. In this latter case we failed to make a minor modification to an individual's pension in 2006 at the point they reached state pension age, and did not discover the error until after their death in April 2011. Although the Member had been informed of the need for modification on his initial ill-health retirement in 1982, there was clearly a case that the overpayment arose through poor administration and it would not be appropriate to pursue it from the Members widow.

6. RECOMMENDATION

The Pension Fund Committee is RECOMMENDED to note this report

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers: Nil
Contact Officer: Sean Collins
August 2011

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